CENTERS AND INSTITUTES

CALIFORNIA STATE UNIVERSITY,
LOS ANGELES

Audit Report 13-41
October 22, 2013

Members, Committee on Audit

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BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY
APPENDICES

APPENDIX A: Personnel Contacted
APPENDIX B: Campus Response
APPENDIX C: Chancellor’s Acceptance

ABBREVIATIONS

CFO            Chief Financial Officer
CFSI           California Forensic Science Institute
CI             Centers and Institutes
CSU            California State University
CSULA          California State University, Los Angeles
EO             Executive Order
ICSUAM         Integrated California State University Administrative Manual
OUA            Office of the University Auditor
PBI            Pat Brown Institute
UAS            University Auxiliary Services, Inc.
EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor (OUA) during the last quarter of 2012, the Board of Trustees, at its January 2013 meeting, directed that Centers and Institutes (CI) be reviewed. The OUA has never reviewed CI as a stand-alone audit.

We visited the California State University, Los Angeles campus from July 1, 2013, through August 2, 2013, and audited the procedures in effect at that time.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls for CI activities as of August 2, 2013, taken as a whole, were sufficient to meet the objectives stated in the “Purpose” section of this report. Areas of concern include: campus administration, center administrative controls, and center fiscal controls.

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 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 ADMINISTRATION [5]

The campus did not always have properly executed agreements in place for collaborative partnerships with external entities to specify the university’s responsibilities, benefits, and the nature of the relationship.

CENTER ADMINISTRATIVE CONTROLS [6]

Centers and institutes did not always comply with campus policies. For example, eight active centers’ charters had not been reviewed and renewed by the campus president, and two of three inactive centers did not submit a fiscal year 2011/12 annual report with an action plan to justify continuance.

CENTER FISCAL CONTROLS [7]

Cash receipts and deposits at the California Forensic Science Institute and Pat Brown Institute needed improvement. Specifically, the institutes had not been designated as authorized official cash collection points by the campus chief financial officer, and segregation of duties was not always adequate. In addition, administration of contractual agreements for centers and institutes needed improvement. For example, independent contractor agreements for guest speakers were not always executed by an individual with appropriate delegation of authority until after the service was performed, and written agreements or contracts were not always in place for services provided to centers and institutes.
INTRODUCTION

BACKGROUND

Centers, institutes, and similar organizations (CI) are entities that are affiliated with California State University (CSU) campuses and offer non-credit instruction, information, or other services beyond the campus community.

Campuses may create CI to facilitate the conduct and dissemination of research, build links with industry and the community, foster interdisciplinary efforts and cooperation among departments and across colleges, perform public service, or develop opportunities for students to practice their academic disciplines. CI are required by systemwide policy to be under the programmatic oversight of an academic unit at the campus and are subject to approval by the campus president.

At the CSU, CI are governed at the campus level. Each campus makes its own policy decisions on how CI shall be approved, reviewed, monitored, and discontinued. At California State University, Los Angeles, centers report programatically to the dean of the office of graduate studies and research, and center fiscal administration is performed by the University Auxiliary Services Inc. Each year, campuses provide the chancellor’s office with a list of approved CI, which is posted to the CSU website. As of March 1, 2013, there were 585 CI in the CSU system that had been reported.

At the chancellor’s office, the research initiatives and partnerships department, under Academic Affairs, provides primary direction for CI. At the campus level, CI administration generally falls under the purview of the provost in academic affairs; however, this varies by campus, and administration also sometimes falls under areas such as the academic senate, president’s office, associate vice president of research, or auxiliary organizations.

Executive Order (EO) 729, *Centers, Institutes, and Similar Organizations on Campuses of the CSU*, dated February 14, 2000, establishes principles for the development of campus policies and procedures to govern CI on the CSU campuses. In July 2000, EO 729 was superseded by EO 751.

Other CSU policies address areas related to CI. For CI that are research-related, Integrated California State University Administrative Manual (ICSUAM) §11000 addresses sponsored programs issues, such as allowable costs, effort reporting, and financial conflicts of interest. In addition, ICSUAM §3000 addresses accounting and financial controls, and ICSUAM §13680.00 addresses the appropriate placement of receipts collected by various campus activities and programs.

Technical letters related to CI include coded memorandum Academic Affairs 2013-05, *Report on Centers, Institutes, and Similar Entities*, dated February 5, 2013, the annual memo from Academic Affairs requesting that campuses update and report the listing of approved CI to the chancellor’s office, and coded memorandum Human Resources 2013-02, *2013 Annual Conflict of Interest Filing*, dated February 28, 2013, the annual memo from Human Resources updating the list of campus designated positions and requiring designated employees to file conflict-of-interest statements. The CSU also has a Conflict of Interest Handbook, last updated in February 2013, which is maintained by the Office of General Counsel.
Our overall audit objective was to ascertain whether existing campus policies and procedures related to CI are comprehensive and compliant with CSU policy and to determine the adequacy of controls over the administration and fiscal processes of campus CI to ensure compliance with Trustee policy, Office of the Chancellor directives, and campus procedures.

Within the overall audit objective, specific goals included determining whether:

- Administration of CI is well defined and includes clear lines of organizational authority and responsibility and documented delegations of authority.
- CI have been timely and properly reported to the chancellor’s office.
- Campus policies and procedures relating to CI are current and comprehensive, and distribution procedures are effective.
- CI administration incorporates a defined mission and stated goals and objectives to measure center effectiveness.
- CI are established, operated, reviewed, monitored, and discontinued in accordance with CSU and campus policy.
- Conflicts of interest are properly disclosed, reviewed, and managed.
- Budget and financial planning processes for CI are adequate and effective.
- Placement and administration of CI funds is appropriate and properly authorized in accordance with state and CSU regulations.
- CI funds are deposited in a timely manner, accountability is maintained, and segregation of duties is adequate for receipt of funds.
- CI contracts are properly authorized and processed in accordance with CSU and campus policy.
- CI expenditures are appropriate, allowable, authorized, and processed in accordance with CSU and campus policy, as well as relevant governmental regulations.
- CI appropriately reimburse the campus for services and resources used.
SCOPE AND METHODOLOGY

The proposed scope of the audit as presented in Attachment A, Audit Agenda Item 2 of the January 22 and 23, 2013, meeting of the Committee on Audit stated that Centers and Institutes (CI) includes a review of campus entities that offer non-credit instruction, information, or other services beyond the campus community to public or private agencies or individuals. Proposed audit scope would include, but was not limited to, review of campus policies and procedures for establishing, operating, monitoring, reviewing, and discontinuing CI; fiscal administration and controls; potential conflicts of interest; and campus processes for reporting entity activities to the chancellor’s office.

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 whether fiscal, operational, and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with Board of Trustee policies and Office of the Chancellor and campus policies, letters, and directives. The audit focused on procedures in effect from July 1, 2010, through August 2, 2013.

We focused primarily on the internal administrative, compliance, and operational controls over CI activities. Specifically, we reviewed and tested:

- Campus administration of CI, including clear reporting lines and defined responsibilities and current policies and procedures for center establishment, review, monitoring, and discontinuance.
- Governing documents and approvals for existing CI.
- Periodic CI evaluations and other campus monitoring activities.
- Conflict-of-interest policies and required conflict-of-interest filings.
- Center fiscal controls, including budgeting and planning, cash handling, contracting, and expenditure processing.
- Center reimbursements to the campus for services and resources used.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CAMPUS ADMINISTRATION

The campus did not always have properly executed agreements in place for collaborative partnerships with external entities to specify the university’s responsibilities, benefits, and the nature of the relationship.

We found that the campus was identified as a partner of the Cooperative Institute on Marine Ecosystems and Climate, the Ocean Institute, and the California Desert Consortium; however, there were no properly executed agreements in place with these entities.

Integrated California State University Administrative Manual (ICSUAM) §5706.0, Services Provided by Campus Auxiliary Organizations, effective March 19, 2001, states that CSU campuses and campus auxiliaries may contract with state agencies and other entities to provide services related to research, workshops, institutes, and other educationally related studies or projects. Where the primary responsibility for fulfilling the contractual obligations will rest with an auxiliary organization, the contract should be placed directly with the auxiliary organization.

ICSUAM §5233.0, Risk Allocation and Performance Assurance, effective April 20, 2004, states, in part, that contracts should be formed to ensure the fair and reasonable allocation of risk and to assure satisfactory performance by the contractor. Each contract should be reviewed to determine the proper contract provisions to mitigate CSU risks. It further states that the requirements for successful contract performance should be clearly defined within the contract documents.

The dean of the office of graduate studies and research stated that the collaborative relationships were all administered and managed by either another entity or another university campus, and that the campuses responsible for the administrative oversight of these collaborative relationships maintained agreements that specified the responsibilities of all members, so a separate agreement for the campus was not necessary. He further stated that the university’s role in these collaborations was solely to enhance faculty research and student training.

The lack of properly executed agreements for collaborative partnerships with external entities increases the risk of misunderstandings of responsibilities, benefits, and liabilities of the parties involved and increases the university’s financial and legal exposure.

Recommendation 1

We recommend that the campus execute agreements for all collaborative partnerships with external entities to specify the university’s responsibilities, benefits, and the nature of the relationship.

Campus Response

The campus will execute agreements with the collaborative partnerships with external entities to specify the university’s responsibilities, benefits, and the nature of the relationship.
Anticipated completion date is January 31, 2014.

CENTER ADMINISTRATIVE CONTROLS

Centers and institutes did not always comply with campus policies.

We reviewed eight active centers and two inactive centers and found that:

- Two active centers and one inactive center had not received a periodic review within the last six years, and none of the active centers’ charters had been reviewed and renewed by the campus president.
- The campus president had not reviewed the fiscal year 2011/12 annual reports submitted by seven of the eight active centers.
- One active center’s revised charter was not approved by the president or signed by the center director and senior center administrator.
- Neither of the inactive centers submitted a fiscal year 2011/12 annual report with an action plan to justify continuance, nor were they reviewed by the campus during fiscal year 2011/12 to determine whether they should be continued or dissolved.

California State University, Los Angeles (CSULA) Administrative Procedure 101 for the Establishment, Operation, and Dissolution of Presidentially Chartered Centers, Institutes, or Bureaus, effective September 27, 2010, states that during the establishment or revision of the center charter, the president notifies the center oversight administrator when the center is approved for an effective period of operation, usually six years. It also states that all presidential centers, institutes, and bureaus will undergo a formal program review every six years. The purpose of this review is to determine whether or not the entity will be approved to continue operating for a specified period of time. The president’s decision regarding the presidential charter is given to the center oversight administrator with instructions to notify the center director. It further states that the annual report will be submitted no later than 30 days following the close of the fiscal year and shall contain certain required elements, including descriptions and evaluations of center activities, description of activities planned in the next year, an analysis of the center’s financial accounts, and recommendations, including an action plan to justify continuation of inactive centers. The annual report and recommendations are forwarded to the president, and the president’s response to the recommendations is sent to the center oversight administrator.

The associate dean of the office of graduate studies and research stated that the centers and institutes did not always comply with campus policies and the documentation could not be located due to recent administrative changes in the academic affairs senior management and turnover in the center director positions. She also stated the intent of the campus policy was to have the presidential review and approval of center charters occur during center establishment or when major revisions were made to the charter, and not in the six-year periodic review process.
Inadequate enforcement of campus policies increases the risk that center objectives will not be met, centers will not be aligned with campus priorities, campus resources will not be used wisely, and centers will not be discontinued or evaluated in a timely manner.

**Recommendation 2**

We recommend that the campus:

a. Perform periodic reviews of centers and institutes in accordance with campus policy, including the review and renewal of charters by the campus president.

b. Obtain presidential review for all annual reports submitted by centers.

c. Obtain approval from the campus president and the signature of the center director and senior center administrator for all revised center charters.

d. Require inactive centers to submit an annual report with an action plan to justify continuance, and review this plan to determine whether the centers should be continued or resolved.

**Campus Response**

a. A revised schedule for periodic reviews of centers and institutes, in accordance with campus policy, has been developed. Review deadlines have been extended for one year to accommodate the work demands of Semester Conversion.

b. Presidential review for all annual reports submitted by centers will be completed by January 31, 2014.

c. Approval will be obtained from the campus president and the signature of the center director and senior center administrator will be obtained for all revised center charters. Anticipated completion date is January 31, 2014.

d. All centers were reminded of the requirement of submitting the annual report with an action plan to justify continuance as per procedures.

**CENTER FISCAL CONTROLS**

**CASH RECEIPTS**

Cash receipts and deposits at the California Forensic Science Institute (CFSI) and the Pat Brown Institute (PBI) needed improvement.
We found that:

- Neither the CFSI nor the PBI had been designated as an authorized cash collection point by the campus CFO.

- Checks collected at the CFSI and PBI were not always deposited to the auxiliary office on a weekly basis.

- Segregation of duties was inadequate at the CFSI and PBI. For instance, one employee received and recorded payments, prepared the deposit slip, and made the deposit, with no evidence of secondary review.

- The PBI received faxed credit card payments that included full credit card information.

- CFSI administration of merchandise sales was inadequate. Specifically:
  - Sales were not always recorded on the sales log or reconciled with deposits.
  - Cash sales were not always recorded to the general ledger as revenue or deposited.
  - Inventory records were not reconciled with sales.
  - Receipts were not always issued for payments received.
  - Sales tax was not collected on merchandise sold.

Executive Order (EO) 1059, *Utilization of Campus Auxiliary Organizations*, dated June 6, 2011, states that the campus CFO shall be the primary responsible campus official in respect to administrative compliance and fiscal oversight of campus auxiliary organizations.

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

ICSUAM §3102.03, *Acceptance of Cash and Cash Equivalents*, revised September 19, 2012, states that the CFO of each campus or his/her delegate will designate and authorize official campus cash collection points. Cash and cash equivalents will only be accepted at official cash collection points.

ICSUAM §3102.11, *Deposits and Transfers to the Bank*, dated July 1, 2011, requires collections at other cashiering locations and departments to be deposited at the designated main cashiering station at least weekly or whenever collections exceed $500.
ICSUAM §3102.02, *Segregation of Cash Handling Duties*, revised September 19, 2012, states, in part, that separation of duties must be maintained when cash is received and no single person should have complete control. It further states that deposit counts must be verified by a second person.

ICSUAM §3102.05, *Debit/Credit Card Payment Policy*, revised July 1, 2011, states that the university will not accept payment by email or fax transmission.

State Administrative Manual §20050 states that one of the elements of a satisfactory system of internal accounting and administrative controls is a system of authorization and record-keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

California Board of Equalization Publication 18, *Nonprofit Organizations*, dated April 2013, states that sales tax applies to the sale of tangible personal property unless the sale is covered by a specific legal exemption or exclusion. Individuals, businesses, and groups that sell taxable merchandise in California must pay sales tax on their taxable sales.

The executive director of university auxiliary services (UAS) stated that the internal control deficiencies at the centers were due to a lack of personnel and resources. The vice president of administration and finance/CFO stated that the campus had not required the centers to comply with the ICSUAM regulations because fiscal administration was handled by the auxiliary unit rather than the campus. She further stated her belief that auxiliary units do not have to comply with ICSUAM criteria, as there is no specific reference to auxiliary organizations in the ICSUAM policies.

Inadequate administration of cash receipts and a lack of segregation of duties increase the risk of loss or misappropriation of funds.

**Recommendation 3**

We recommend that the campus, in conjunction with UAS:

a. Obtain authorization from the campus CFO for the CFSI and PBI to function as cash collection points.

b. Deposit checks collected at the CFSI and PBI to the auxiliary office at least weekly.

c. Implement appropriate segregation of duties at the CFSI and the PBI, or compensating mitigating controls for the receipt and deposit of payments.

d. Discontinue acceptance of credit card payments by fax at the PBI.

e. Implement adequate controls over CFSI merchandise sales, including reconciliation of sales activity, deposits, and inventory records; issuance of receipts for payments; and collection and remittance of sales tax.
Campus Response

The campus, in conjunction with UAS, will obtain authorization from the campus CFO for the CFSI and PBI to function as cash collection points. In addition, the campus, in conjunction with UAS, will implement additional fiscal controls on the cash receipts function.

Anticipated date of completion is January 15, 2014.

CONTRACTUAL AGREEMENTS

Administration of contractual agreements for centers and institutes needed improvement.

We reviewed 16 contracts and found that:

- Five independent contractor agreements for guest speakers were not executed by an individual with appropriate delegated authority until after the service was performed.
- Two venue contracts and three service or consultant agreements were executed by individuals without appropriate delegated authority.
- Proof of insurance or a liability waiver was not obtained for two guest speakers prior to services being rendered on campus.
- Center and institute purchases did not always follow UAS purchasing procedures and were not always processed through UAS procurement when required.
- Written agreements or contracts were not always in place for services provided to centers and institutes. We noted three instances in which there was no contract or agreement in place, or where the contract or agreement was not properly executed.

Education Code §89036(a)(1) states that the Trustees may enter into agreements with any public or private agency, officer, person or institution, corporation, association, or foundation for the performance of acts or for the furnishing of services, facilities, materials, goods, supplies, or equipment by or for the Trustees or for the joint performance of an act or function or the joint furnishing of services and facilities by the Trustees and the other party to the agreement.

CSULA Financial Services Signature Authorization, dated January 15, 2010, delegates authority to execute contractual agreements on behalf of CSULA to various members of the purchasing and procurement department, as well as the vice president of administration and finance and the campus president.

UAS Expenditure Guide for Principal Investigators and Account Managers states specific purchasing requirements, including price quotations and informal bids for purchases where the dollar amount is from $5,000 to $49,999.
Technical Letter Risk Management 2012-01, dated June 1, 2012, establishes approved hold harmless provisions for contracts and states that under the terms and conditions of a contract or agreement for services, the contractor, consultant, or vendor must be required to show evidence of adequate insurance coverage by furnishing a certificate of insurance that includes additional insured endorsements.

ICSUAM §5233.0, Risk Allocation and Performance Assurance, effective April 20, 2004, states, in part, that contracts should be formed to ensure the fair and reasonable allocation of risk and to assure satisfactory performance by the contractor. Each contract should be reviewed to determine the proper contract provisions to mitigate CSU risks. It further states that the requirements for successful contract performance should be clearly defined within the contract documents.

The vice president of administration and finance/CFO stated that contractual agreements were executed by individuals without delegated authority or were not properly obtained and purchasing procedures were not always followed due to administrative oversight.

Inadequate administration of contractual agreements increases the possibility of unauthorized or invalid contracts and exposes the university to financial and legal obligations, and increases the risk of misunderstandings of the business terms, responsibilities, and liabilities involved.

**Recommendation 4**

We recommend that the campus, in conjunction with UAS:

a. Allow only those individuals with appropriate delegation of authority to execute contracts and agreements, and finalize contracts before services are performed.

b. Obtain proof of insurance or a liability waiver for all guest speakers prior to services being rendered on campus.

c. Follow UAS procedures for all center and institute purchases, and process them through UAS procurement when required.

d. Execute written agreements or contracts for all services provided to centers and institutes.

**Campus Response**

The campus, in conjunction with UAS, will remind centers and institutes that only individuals with appropriate delegation of authority are authorized to execute contracts, and that services can only be performed once a contract is fully executed. UAS will obtain proof of insurance or a liability waiver as recommended prior to services rendered and remind center and institutes to follow purchasing procedures for UAS, including UAS procurement when required, as well as obtaining executed agreements or contracts for all services provided to centers and institutes.

Anticipated date of completion is January 31, 2014.
## APPENDIX A:
### PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
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<tbody>
<tr>
<td>William A. Covino</td>
<td>President (Currently)</td>
</tr>
<tr>
<td>James M. Rosser</td>
<td>President (At time of review)</td>
</tr>
<tr>
<td>Lily Baba</td>
<td>Administrative Analyst, Pat Brown Institute</td>
</tr>
<tr>
<td>Benjamin Bateman</td>
<td>Director, Center for the Study of Genders and Sexualities</td>
</tr>
<tr>
<td>Lisa Chavez</td>
<td>Vice President, Administration and Finance/Chief Financial Officer</td>
</tr>
<tr>
<td>Karin Elliot-Brown</td>
<td>Associate Dean, Graduate Studies and Research</td>
</tr>
<tr>
<td>Larry Fritz</td>
<td>Dean, Graduate Studies and Research</td>
</tr>
<tr>
<td>Tanya Ho</td>
<td>University Internal Auditor</td>
</tr>
<tr>
<td>Taffany Lim</td>
<td>Associate Director, Pat Brown Institute</td>
</tr>
<tr>
<td>Tommy Luong</td>
<td>Fiscal Officer, College of Arts and Letters</td>
</tr>
<tr>
<td>Peter McAllister</td>
<td>Dean, College of Arts and Letters</td>
</tr>
<tr>
<td>Salvador Rodriguez</td>
<td>Senior Internal Auditor</td>
</tr>
<tr>
<td>Alma Sahagun</td>
<td>Executive Director, University Auxiliary Services, Inc.</td>
</tr>
<tr>
<td>Luz Solis</td>
<td>Program Management Specialist, College of Health and Human Services</td>
</tr>
<tr>
<td>Raphael Sonenshein</td>
<td>Executive Director, Pat Brown Institute</td>
</tr>
<tr>
<td>Beatrice Yorker</td>
<td>Dean, College of Health and Human Services</td>
</tr>
</tbody>
</table>
December 6, 2013

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

Re: University’s Response to Recommendations Contained in Report Number 13-41, Centers and Institutes

Dear University Auditor Mandel:

Attached are the University’s responses to the recommendations contained in Report Number 13-41, Centers and Institutes audit.

Please contact Tanya Ho, University Internal Auditor, at (323) 343-5102, if you wish to discuss the matter contained herein.

Sincerely,

William A. Covino
President

Attachment

cc: (with attachments)
Lisa Chavez, Vice President for Administration and Chief Financial Officer
Tanya Ho, University Internal Auditor
Jill Carnahan, Administrative Compliance Officer
CENTERS AND INSTITUTES
CALIFORNIA STATE UNIVERSITY,
LOS ANGELES
Audit Report 13-41

CAMPUS ADMINISTRATION

Recommendation 1
We recommend that the campus execute agreements for all collaborative partnerships with external entities to specify the university’s responsibilities, benefits, and the nature of the relationship.

Campus Response
The campus will execute agreements with the collaborative partnerships with external entities to specify the university’s responsibilities, benefits, and the nature of the relationship.

Anticipated completion date is January 31, 2014.

CENTER ADMINISTRATIVE CONTROLS

Recommendation 2
We recommend that the campus:

a. Perform periodic reviews of centers and institutes in accordance with campus policy, including the review and renewal of charters by the campus president.

b. Obtain presidential review for all annual reports submitted by centers.

c. Obtain approval from the campus president and the signature of the center director and senior center administrator for all revised center charters.

d. Require inactive centers to submit an annual report with an action plan to justify continuance, and review this plan to determine whether the centers should be continued or resolved.

Campus Response

a. A revised schedule for periodic reviews of centers and institutes, in accordance with campus policy, has been developed. Review deadlines have been extended for one year to accommodate the work demands of Semester Conversion.

b. Presidential review for all annual reports submitted by centers will be completed by January 31, 2014.
c. Approval will be obtained from the campus president and the signature of the center director and senior center administrator will be obtained for all revised center charters. Anticipated completion date is January 31, 2014.

a. All centers were reminded of the requirement of submitting the annual report with an action plan to justify continuance as per procedures.

CENTER FISCAL CONTROLS

CASH RECEIPTS

Recommendation 3

We recommend that the campus, in conjunction with UAS:

a. Obtain authorization from the campus CFO for the CFSI and PBI to function as cash collection points.
b. Deposit checks collected at the CFSI and PBI to the auxiliary office at least weekly.
c. Implement appropriate segregation of duties at the CFSI and the PBI, or compensating mitigating controls for the receipt and deposit of payments.
d. Discontinue acceptance of credit card payments by fax at the PBI.
e. Implement adequate controls over CFSI merchandise sales, including reconciliation of sales activity, deposits, and inventory records; issuance of receipts for payments; and collection and remittance of sales tax.

Campus Response

The campus in conjunction with UAS will obtain authorization from the Campus CFO for the CFSI and PBI to function as cash collection points. In addition, the campus in conjunction with UAS will implement additional fiscal controls on cash receipts function.

Anticipated date of completion is January 15, 2014.

CONTRACTUAL AGREEMENTS

Recommendation 4

We recommend that the campus, in conjunction with UAS:

a. Allow only those individuals with appropriate delegation of authority to execute contracts and agreements, and finalize contracts before services are performed.
b. Obtain proof of insurance or a liability waiver for all guest speakers prior to services being rendered on campus.
c. Follow UAS procedures for all center and institute purchases, and process them through UAS procurement when required.

d. Execute written agreements or contracts for all services provided to centers and institutes.

**Campus Response**

The campus in conjunction with UAS will remind centers and institutes that only individuals with appropriate delegation of authority are authorized to execute contracts, and that services can only be performed once a contract is fully executed. UAS will obtain proof of insurance or a liability waiver as recommended prior to services rendered, and remind center and institutes to follow purchasing procedures for UAS, including UAS procurement when required, as well as obtaining executed agreements or contracts for all services provided to centers and institutes.

Anticipated date of completion is January 31, 2014.
December 19, 2013

MEMORANDUM

TO: Mr. Larry Mandel  
University Auditor

FROM: Timothy P. White  
Chancellor

SUBJECT: Draft Final Report 13-41 on Centers and Institutes, California State University, Los Angeles

In response to your memorandum of December 19, 2013, I accept the response as submitted with the draft final report on Centers and Institutes, California State University, Los Angeles.

TPW/amd