

HOUSING AND RESIDENTIAL SERVICES

**CALIFORNIA STATE UNIVERSITY,
NORTHRIDGE**

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ABBREVIATIONS

APB	Auxiliaries, Planning and Bonds
BOT	Board of Trustees
CD	Community Director(s)
CO	Chancellor's Office
CSU	California State University
CSUN	California State University, Northridge
EO	Executive Order
GC	Government Code
HPRC	Housing Proposal Review Committee
RA	Resident Advisor(s)
RFIN	Resolution of the Committee on Finance
RMS	Residential Management System
SAM	State Administrative Manual

EXECUTIVE SUMMARY

As a result of a systemwide risk assessment conducted by the Office of the University Auditor during the last quarter of 2002, the Board of Trustees, at its January 2005 meeting, directed that *Housing and Residential Services* be reviewed. Housing was previously audited in 1979.

We visited the California State University, Northridge campus from August 29, 2005, through September 23, 2005, and audited the procedures in effect at that time.

In our opinion, internal administrative and operational controls over the campus housing program were, for the most part, effective. However, certain administrative and fiscal controls over guests, conference and hospitality services, and reconciliation of housing fees were inadequate, while controls over accounts receivable, cash receipts, and residential staff employment and training as well as the management of housing reserves needed improvement.

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.

HOUSING PROGRAM ADMINISTRATION [7]

Authority and responsibility to perform certain program administrative duties had not been formally delegated. Campus overnight guest practices were non-compliant with Title 5 housing regulations and inadequately enforced. For example, campus policy was incomplete regarding guest approval and fees, and guest prior registration and roommate approval requirements were not always enforced.

HOUSING OPERATIONS [9]

Conference and hospitality services activities were not properly segregated and adequately administered. For example, the manager of conference and hospitality services performed incompatible functions, license agreements were not always properly executed, insurance requirements were not always met, and certain deposit and fee requirements were not consistently enforced.

FISCAL ADMINISTRATION [12]

Occupancy records in the Residential Management System were not reconciled to the housing fee revenue in the general ledger. Collection practices did not ensure the timely collection and/or write-off of housing receivables, and late fees were not charged for housing payments made after the due date. In addition, cash receipt controls were in need of improvement. Further, the campus had not documented a formal in-depth review of housing reserves.

RESIDENT SAFETY AND ACTIVITY PROGRAMS [18]

Documentation was not retained to evidence community director employment qualifications and screening, and staff attendance at mandatory residence hall training.

INTRODUCTION

BACKGROUND

The Board of Trustees (BOT) Resolution of the Committee on Finance (RFIN) 9-82-10 *Report of the Student Housing Policy Study Group*, July 1982, stated that the BOT considered student housing an important means for realizing the educational mission of the California State University (CSU). To that end, the Board resolved to encourage and support the development of on-campus student housing. In order to integrate on-campus student housing with the educational mission of each campus, it was determined that the CSU housing program should:

- ▶ Provide living accommodations to students that complement the academic programs of the institutions.
- ▶ Provide adequate care, maintenance, and improvements of the housing facilities.
- ▶ Ensure fiscal and planning accountability and solvency, thereby serving students well and efficiently and fulfilling commitments to the State Legislature, bond holders, and the Trustees that housing be self-supporting.
- ▶ Accommodate external groups desiring temporary housing with the institution for educational, developmental, and recruitment purposes.
- ▶ Develop and exercise sound fiscal and operational practices in order to minimize costs while generating adequate funds to meet bonded indebtedness requirements, annual operating and maintenance expenses, and provide an environment conducive to academic success and personal growth.
- ▶ Design any future housing to meet the changing needs of the student body and the institution.

Faced with a declining student housing occupancy rate beginning in the late 1980s/early 1990s, combined with an erosion of housing system reserves, the chancellor's office (CO) presented an item to the Executive Council at its January 21, 1993, meeting identifying short-term and long-term actions that could be taken to restore the financial health of the housing system. Several short-term actions were proposed, which permitted the housing system to meet bond reserve and debt service coverage ratio requirements for the 1992/93 year. To provide long-term solutions, a task force was formed to develop recommendations, including a transition plan designed to allow each campus to assume full responsibility for the financial viability of its housing program and maximize campus flexibility in achieving student housing objectives while maintaining the advantages of system revenue bond debt financing.

The overriding recommendation of the November 1993 *Report of the Student Housing Task Force* was to shift from a centralized to a decentralized organization. Specifically:

The mission of the CO relative to student housing would place less emphasis on controlling the operation of campus housing programs and instead focus on those critical services that campuses could not provide for themselves or which provided a significant benefit from cooperation

between campuses and the CO. To retain the advantages of systemwide debt financing, the CO would continue to coordinate the sale of housing system revenue bonds and monitor and report on housing financial activities. Additionally, the CO would continue to develop and administer policy in those areas directly related to the issuance of revenue bonds.

The mission of the campuses relative to student housing would be to support the academic mission and student development goals of the institution. To provide a living-learning environment that encourages the academic and personal development of student residents, campuses must continue to ensure the financial viability of the campus housing program, maintain adequate reserves for future needs, and maintain buildings in good repair.

In January 1994, the CSU executive vice chancellor/chief financial officer accepted the report from the Student Housing Task Force and approved the decentralization of student housing responsibility effective July 1, 1994. The current decentralized approach to housing places direct responsibility on each campus for maintaining the financial viability of their individual housing operations, while the CO is responsible for monitoring and reporting on the financial stability of the overall systemwide program. This responsibility is founded on the requirement of the bond indenture governing the Trustees' student housing program.

Campuses desiring to propose a student housing project funded by the Dormitory Revenue Fund or other non-state sources must have the project reviewed by the Housing Proposal Review Committee (HPRC) and are responsible for presenting their projects to the committee, with support from the CO Financing and Treasury department. The HPRC studies the housing proposal and submits its recommendations to the BOT for its consideration. If approved, bonds are advertised and sold or otherwise financed, followed by a bond escrow period. Once funds are received, a construction contract can be executed and the project proceeds.

Each year, the CO prepares schedules of housing program centrally paid costs by campus, which include state-prorated charges consisting of administrative expenditures related to various state agencies such as the Department of Finance, the State Controller's Office, the Legislature, and others; and other expenses such as audit, bond service, and CO service fees. The schedules also include debt service transfers to cover principal and interest. The campuses subsequently receive CO accounting department instructions with journal entry information to ensure accurate recording.

Executive Order 876, *Financing and Debt Management Policy*, dated July 18, 2003, states that the campus president and chief financial officer are responsible for developing and maintaining a campus policy to provide reserves from housing revenue for projects funded by debt issued by the BOT. The campus reserve policies, at a minimum, should address the following needs:

- ▶ Major maintenance and repair/capital renovation and upgrade.
- ▶ Working capital.
- ▶ Capital development for new projects.
- ▶ Catastrophic events.

Additionally, once every three years, each campus shall conduct an in-depth review to assess the adequacy of the reserves and the campus reserve policies applicable to the projects funded by debt, and

shall make necessary adjustments and changes to account for changing conditions. For major maintenance and repair/capital renovation and upgrade reserves, the reviews should include formal studies of facility systems and necessary funding levels to cover all aspects of replacement costs through the reserve funding plan.

PURPOSE

Our overall audit objective was to ascertain the effectiveness of existing policies and procedures related to the administration of *Housing and Residential Services* and to determine the adequacy of controls that ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

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

- ▶ Campus housing policies and procedures are current, comprehensive, and aligned with relevant state and federal regulations, Trustee policies, and CO directives.
- ▶ Clear lines of organizational authority and responsibility exist in the administration and management of campus housing and residential services.
- ▶ The student license is comprehensive, timely executed, and enforced; and residential revocations, cancellations, and notices to vacate are adequately supported and properly processed.
- ▶ Guest and visitor policies are adequate and enforced.
- ▶ Hard-copy and online confidential residential information are adequately secured and protected against unauthorized access.
- ▶ Purchased goods and services are appropriate, adequately supported, properly approved, and accurately recorded in housing financial records.
- ▶ Vending contracts and facility lease operations are adequately controlled and monitored.
- ▶ Residential fees are properly approved; and all housing revenues are accurately recorded, adequately safeguarded, properly processed, and timely collected.
- ▶ Residential coordinators and advisors are adequately screened, trained, and meet campus employment qualifications; and compensation is adequately supported and properly recorded.
- ▶ Student housing reserves are appropriately established.

- ▶ The emergency evacuation plan and safety procedures are adequate, and student housing activity programs are adequately controlled.

SCOPE AND METHODOLOGY

The proposed scope of the audit, as presented in Attachment B, Audit Item 2 of the January 25-26, 2005, meeting of the Committee on Audit, stated that *Housing and Residential Services* includes the support activities afforded to students in locating suitable housing, operation of the on-campus residence halls, and programming of activities for residential students. Specific concerns of CSU executives who participated in the triennial audit risk ranking included non-compliance with bond requirements; unaffordable, unattractive, and unsafe residence halls; low occupancy and revenue loss; and excessive costs and property damage.

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 operational and administrative controls are in place and operative. This review emphasized, but was not limited to, compliance with state and federal laws, BOT policies, and Office of the Chancellor and campus policies, letters, and directives. The audit review focused on procedures in effect from July 2004 through August 2005. In instances when it was necessary to review annualized data, fiscal year 2004/05 was the primary period reviewed.

We focused primarily upon the internal administrative, compliance, and operational controls over housing and residential services management. Specifically, we reviewed and tested:

- ▶ Housing and residential services policies and procedures.
- ▶ Residential license agreements, cancellations, revocations, and notices to vacate.
- ▶ Enforcement of guest and visitor policies.
- ▶ Confidentiality of resident hard-copy and online information.
- ▶ Procurement, contract administration, and facility lease controls.
- ▶ Residential fees, other revenue, and housing financial records.
- ▶ Residential coordinator and advisor employment practices, training, and compensation.
- ▶ Housing reserves and residence hall safety and maintenance.
- ▶ Emergency evacuation plans and procedures, and student housing activity programs.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

HOUSING PROGRAM ADMINISTRATION

DELEGATION OF AUTHORITY

Authority and responsibility to perform certain housing program administrative duties had not been formally delegated to the director of residential life and conference administration.

We found that:

- ▶ Although the campus president had delegated all matters relating to student housing pursuant to Title 5 to the vice president of student affairs (or his designee), authority had not been formally delegated further to the director of residential life and conference administration who was responsible for housing program administrative duties.
- ▶ The Web Service laundry agreement was not executed by personnel authorized to contract on behalf of the campus. The director of residential life and conference administration had executed the agreement even though he did not have delegated purchasing authority.

Title 5 Article 5, *Housing*, authorizes the president or his or her authorized representative or representatives to perform certain housing program administrative duties.

California State University (CSU) *Policy Manual for Contracting and Procurement* §101 and §102 delegate purchasing authority to campus presidents. Should campus presidents choose to further delegate their purchasing authority, campuses must maintain documentation of such delegations.

The director of residential life and conference administration stated his belief that there were current and signed versions of job descriptions for his position and the vice president of student affairs on file, which clearly showed the supervision lineage and delegation of authority between the two.

Failure to maintain formal delegations of authority for important housing program duties increases the risk of misunderstandings and unauthorized activities/actions.

Recommendation 1

We recommend that the campus obtain formal delegations of authority for the director of residential life and conference administration to perform certain housing program administrative and purchasing duties, and implement procedures to maintain such delegations on a current basis.

Campus Response

We concur. The campus has completed documentation of the delegations of authority from the campus president to the appropriate housing officials. In addition, the campus has updated the student housing exit interview protocol for maintaining such delegations.

Corrective action has been completed.

OVERNIGHT GUESTS

Campus overnight guest practices were non-compliant with Title 5 housing regulations and inadequately enforced.

We found that:

- ▶ The campus was unable to provide evidence of resident advisor (RA) delegated authority to approve overnight guests.
- ▶ The guest policy for the University Village Apartments allowed approved overnight guests to stay up to five nights per stay without a fee.
- ▶ Overnight guests were: (a) not always registered three days in advance; and (b) permitted to stay even if roommates were not present to give their consent.

Government Code (GC) §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. The elements of a satisfactory system of internal accounting and administrative control, shall include, but not be limited to, an effective system of internal review.

Title 5 §42005, *Approved Guests*, states that licensees shall secure such approval as is required by the president prior to inviting any person to be a guest of the licensee. The president may charge a guest fee of any guest for the first two days of housing facility use per calendar month and shall charge a guest fee of all guests for each day of such use in excess of two days per calendar month.

Title 5 §42006, *Non-Approved Guests*, states that non-approved guests of the licensee shall be charged a fee established pursuant to §42004 of this article. If a licensee knew or should have known that one of his or her invites would make use of a housing facility and failed to secure approval of the president prior to such use, that licensee shall be jointly and severally liable for the fee charged of such guest.

Title 5 §42000, *Definitions (d) Housing Facility*, states in part that housing facility includes, but is not limited to, any individual or group living unit in a state owned or operated residence hall, family dwelling, or apartment.

The California State University, Northridge (CSUN) Student Housing and Conference Services *Overnight Guest Registration* administrative protocol/procedure states that the resident will submit the completed guest registration form to his or her RA three days prior to the guest's stay. Further, all roommates must be in mutual agreement about a guest before a guest may be hosted in their unit. In cases where roommates cannot agree, the right of a person to occupy her/his room/apartment without the presence of a guest must take precedence over the right of the roommate to host a guest.

The associate director of residential life stated that she was unaware of the requirement that fees be charged for excess stays and that her staff was now enforcing the requirement that guest registration forms be completed in advance, allowing for all roommate approvals. The director of residential life and conference administration stated that housing had not required formal delegation of authority to RA and residents for the approval of overnight guests since the host was deemed responsible for the guest. He added that the campus permitted a more liberal overnight guest policy for the University Village Apartments because of the unique status of the residents as primarily faculty, staff, married students, and students with children.

Non-compliant guest practices and inadequate enforcement diminish guest control and result in non-collection of required fees.

Recommendation 2

We recommend that the campus:

- a. Align its guest policies and procedures with Title 5.
- b. Establish and implement monitoring controls over overnight guests to ensure compliance with campus policy.

Campus Response

We concur. The campus is currently revising the guest and visitor policies and protocols for implementation for the 2006/07 academic year.

Expected completion date: April 14, 2006

HOUSING OPERATIONS

Conference and hospitality services activities were not properly segregated and adequately administered.

Our review of conference and hospitality services activities, including 19 conferences conducted during summer 2004 disclosed the following:

Segregation of Duties

- ▶ The manager of conference and hospitality services was responsible for conflicting duties including contracting; customer billing and payment receipt and processing; recording, updating, and managing accounts receivable, which did not represent a proper segregation of duties.

Administration

- ▶ In certain instances, conference license agreements were either reused or unsigned by the appropriate authority.
- ▶ Proof of insurance on file for 3 of the 11 conferences where insurance was required showed that coverage had either expired prior to or during the conference or was not adequate.
- ▶ Invoices for 13 of the 19 conferences reviewed were not verified and approved for billing by the associate director of business and hospitality services.
- ▶ In one instance, the estimated cost of a conference was \$75,214 but fee waivers totaling \$15,494 had been given, which resulted in a nearly 21% discount. There was no written justification for how the discount amount was derived. In addition, the account balance was not paid in full for over a year after the event date, and penalty fees of \$50 per day were not assessed.
- ▶ Conference and hospitality services did not consistently enforce certain deposit and fee requirements.
 - Non-refundable deposits were not received for 8 of the 19 conferences reviewed.
 - In 4 of 11 instances where a conference coordination fee was required, the fee was either not charged or incorrect.
 - In 11 instances where anticipated balances were not paid 30-days prior to the event, there was no daily penalty fee charged.
 - In two instances where remaining balances were not paid within 30-days following the event, there was no daily penalty fee charged.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. The elements of a satisfactory system of internal accounting and administrative control, shall include, but not be limited to a plan of organization that provides segregation of duties appropriate for proper safeguarding of assets and an effective system of internal review.

Title 5 §42003, *Special Group Arrangements*, states in part, that housing facilities may be made available to groups, provided a representative authorized to do so executes an appropriate agreement on behalf of the group, which agreement shall set forth the fee established by the chancellor to be charged of such groups.

The CSUN Student Housing and Conference Services *Conferences - Revenue Collection and Processing* administrative protocol/procedure states, in part, that once the payment has been received by the manager of conference and hospitality services, the payment is handed to the associate director for processing. Afterward, copies of all signed conference license agreements and initial payment forms are provided to the associate director as soon as the signed copies are available so that they may be used to verify the correct payment has been received. Further, in the event that a service fee has been waived, the initial payment form will be submitted to the associate director for approval prior to being sent to the client for signature.

The terms and conditions of the CSUN *Conference License Agreement* state, in part, that the conference organization agrees to submit a non-refundable advanced booking deposit of 25% of the total anticipated cost. Further, the total anticipated cost is due at least 30 days prior to the start of the conference, and conference organizations will incur a late payment charge of \$50 per day if payment is received after the due date (30 days prior to check-in date).

The associate director of business and hospitality services stated his belief that department practices provided for proper management oversight of duties despite lack of documentation. He further stated that due to time constraints, the auditor might not have been provided with the final signed versions of requested documents. He also stated his belief that adjustments were made to campus protocol and terms of agreement as needed to secure conference bookings, allow the campus to compete with local providers, and to foster long-term business relationships. He added that failure to secure signed agreements and current insurance information for vendors was due to oversight.

Inadequate segregation of duties and administration of conference and hospitality services activities increase the risk of processing inconsistencies, inappropriate activities, and lost leasing revenue; and increase campus liability for leasing activities.

Recommendation 3

We recommend that the campus:

- a. Review the manager of conference and hospitality services' job responsibilities and take appropriate action to adequately segregate duties or institute mitigating procedures.
- b. Ensure the complete and timely execution of license agreements.
- c. Enforce terms of the license agreement, including required proof of insurance information, non-refundable deposits, conference coordination fees, and late payment penalties.

- d. Enforce policies and procedures for conference services, including the requirement for documented verification and approval by the associate director.
- e. Perform a documented justification for the practice of discounting and waiving fees for conference services, and establish and implement appropriate discount policy and procedures, including retention of approval documents.
- f. Customize license agreements to reflect the actual terms for the individual group and conference.

Campus Response

We concur with the recommendations. The campus will review and revise job responsibilities, license agreements, and policies and procedures to ensure appropriate segregation of duties and mitigating controls, including requiring documenting management approval of exceptions to policies.

Expected completion date: April 14, 2006

FISCAL ADMINISTRATION

HOUSING FEE RECONCILIATIONS

Occupancy records in the Residential Management System (RMS) were not reconciled to housing fee revenue in the general ledger.

State Administrative Manual (SAM) §7800 requires that subsidiary records be reconciled to the general ledger monthly.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

The associate director of business and hospitality services stated that many unsuccessful attempts had been made to produce an accurate PeopleSoft report reflecting actual revenues received. He further stated that efforts were being made to conduct a manual review of the process, but the resources required were prohibitive.

Failure to reconcile housing fees increases the risk that errors and irregularities will not be detected.

Recommendation 4

We recommend that the campus establish and implement procedures to reconcile occupancy records in the RMS to housing fee revenue in the general ledger for each academic term.

Campus Response

We concur. The campus will establish procedures to reconcile occupancy records to housing fee revenue in the general ledger for each academic term.

Corrective action has been completed.

ACCOUNTS RECEIVABLE

Housing accounts receivable activities required improvement.

Our review of 20 housing accounts receivable disclosed that:

- ▶ An application for discharge of accountability had not been submitted for the ten accounts that were due in 2003 and earlier.
- ▶ In 11 cases, holds were not timely placed. They were placed between two and four years after the due date for older accounts and at the end of the academic year for more recent accounts.
- ▶ In 14 instances, there was no evidence that a first collection letter was sent, while in 16 instances, there was no evidence that second, third, or three-day notices to pay or quit were sent.
- ▶ There was no evidence that student housing referred housing residents subject to eviction to the CSU Office of General Counsel.

SAM §8776.6 states, in part, that if all reasonable collection procedures do not result in payment, departments may request discharge from accountability of uncollectible amounts due from private entities. Departments will file an Application For Discharge From Accountability form with the State Controller's Office.

Executive Order (EO) 616 delegates the authority to campuses to write-off uncollectible debts of \$1,000 or less under the enactment of Education Code §89750.5.

State University Administrative Manual §3822 requires each campus to establish procedures that provide for prompt follow-up of accounts receivable, including preparation and issuance of follow-up letters and/or calls, utilization of the offset claim procedures for accounts greater than \$10, and withholding of services such as transcripts, grade reports, and future enrollments.

The CSUN Student Housing and Conference Services *Delinquent Account Handling* administrative protocol/procedure, dated May 23, 2005, stated in part, that student housing payments are due on the 15th calendar day of the month. By the 30th calendar day of the month, student housing will communicate with each resident reported to have an outstanding balance. Residents one monthly payment or less in arrears will receive a courtesy notice that requires immediate payment of past due amounts; residents two monthly payments or more in arrears will be issued a three day to pay rent or

quit notice. By the 10th day of the following month, student housing will refer all residents still owing two or more payments to the CSU Office of General Counsel to begin the unlawful detainer process.

The university controller stated that write-off of accounts, discharge of accountability, and holds had been delayed due to system conversion issues. He further stated that of the 20 accounts reviewed, 10 originated prior to the PeopleSoft implementation, and letters from that period were not retained or did not always include dates. He added that collection letters for the ten accounts that originated after the implementation were not produced due to lack of resources. The associate director of business and hospitality services stated that the inability to create an aging report prevented performing delinquency notice processes that would lead to issuance of three-day notices to pay or quit.

Inadequate control over delinquent accounts receivable reduces the likelihood of collection, increases the amount of resources expended on collection efforts, negatively impacts cash flow, and increases the risk that receivables will not be properly reflected in the campus financial statements.

Recommendation 5

We recommend that the campus:

- a. Investigate long-outstanding accounts receivable and immediately pursue write-off, application for discharge of accountability, and/or other tools available to close outstanding accounts.
- b. Clarify and implement the procedure for how and when holds are placed, including regular management verification of holds.
- c. Maintain records of all attempts to collect accounts receivable, including referrals to the CSU Office of General Counsel.

Campus Response

We concur.

- a. The university controller has established procedural deadlines for the write-off of receivables under \$1,000 and submission of request for relief of accountability for larger receivables.

Corrective action has been completed.

- b. The credit history module in PeopleSoft Student Financials automatically places a financial service indicator on all students' accounts greater than 30 days past due. Management has reviewed the process and verified that holds are being placed as required.

Corrective action has been completed.

- c. We will be implementing the “3C’s” sub-module of the credit history module of PeopleSoft Student Financials to facilitate maintaining records of all attempts to collect accounts receivable, including referrals to the CSU Office of General Counsel.

Expected completion date: August 1, 2006

LATE FEES

Late fees were not charged for housing payments made after the due date.

Our review of 17 student accounts where housing fees were paid on an installment basis during the 2004/05 academic year disclosed that late fees were not charged to any of the seven accounts with delinquent payments. The frequency of late payments per account ranged between one to three instances; the number of days delinquent varied between 2 to 53 days. In one instance, a payment was approximately 210 days delinquent.

Title 5 §42008, *Advanced Payment of Fees*, states in part, that all fees are due and payable in advance. A late fee shall be charged of a licensee who fails to pay any fee when due.

Title 5 §42009, *Installment Payments*, states in part, that a president may permit a licensee to pay license fee installments provided each installment is paid in advance of the period covered by the installment.

The CSUN *Student Housing License Terms and Conditions* states, in part, that licensees who are late in payment of any fees will be assessed a late fee of \$15. It is the responsibility of the licensee to see that the housing fees are paid by the due dates on the payment schedule. Further, all payments to the licensee’s university account are applied to the oldest debt on record. Hence, payments intended to cover housing fees may be applied to other outstanding charges on the licensee’s university account if those items pre-date the housing fee due date.

The associate director of business and hospitality services stated his belief that students had not been charged late fees because payments they intended for housing were allocated to fees given higher priority. He further stated that fees were waived, as housing did not want to penalize students who made their payments by the housing deadline.

Failure to assess late fees increases the likelihood of delinquent payments and results in the non-collection of required fees.

Recommendation 6

We recommend that the campus reimplement the practice of charging late fees for delinquent payments.

Campus Response

We concur. A process will be developed to apply late fees for housing charges.

Expected completion date: April 3, 2006

CASH RECEIPTS

Cash receipt controls were in need of improvement.

We found that:

- ▶ Fees received by the main cashier were not required to be placed in a locked cash drawer upon receipt from customers.
- ▶ The written *Application Process* administrative protocol/procedure did not adequately address the deposit of initial fees collected at the housing office to ensure documented accountability.

SAM §8032.1 requires that receipts be adequately safeguarded until deposited. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping.

SAM §8021 requires that a separate series of transfer receipts be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit.

GC §13402 and §13403 state that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions. The elements of a satisfactory system of internal accounting and administrative control, shall include, but not be limited to a plan of organization that provides segregation of duties appropriate for proper safeguarding of assets, limits access to assets to authorized personnel, and an effective system of internal review.

The associate director of business and hospitality services stated his belief that cash handling practices specified in SAM 8032.1 and 8021 were followed; however, internal written policies and procedures had not been updated sufficiently to reflect these practices. The university controller stated his belief that checks received over the counter at university cash services were generally placed in cash drawers when received from customers; however, in cases where checks had documents attached they might not have been placed in the cash drawers upon receipt.

Inadequate control over cash receipts increases campus exposure to loss from inappropriate acts.

Recommendation 7

We recommend that the campus:

- a. Ensure that all checks received at the main cashier are stored in a locked cash drawer immediately after receipt until deposit.
- b. Establish, document, and implement appropriate accountability procedures for the handling and deposit of initial housing fees.

Campus Response

We concur.

- a. Steps have been taken to secure all checks received at university cash services. Boxes with locks have been purchased to hold all checks received with larger documents attached.

Corrective action has been completed.

- b. The campus has documented appropriate accountability procedures for the handling and deposit of initial housing fees.

Corrective action has been completed.

HOUSING RESERVES

The campus had not documented a formal in-depth review of housing reserves.

EO 876, *Financing and Debt Management Policy*, dated July 18, 2003, states that the campus president and chief financial officer are responsible for developing and maintaining a campus policy to provide reserves from project revenues for projects funded by debt issued by the Board of Trustees. The campus reserve policies, at a minimum, should address major maintenance and repair/capital renovation and upgrade, working capital, capital development for new projects, and catastrophic events. Further, at a minimum of once every three years, each campus shall conduct an in-depth review to assess the adequacy of the reserves and the campus reserve policies applicable to the projects funded by debt, and shall make necessary adjustments and changes to account for changing conditions. For major maintenance and repair/capital renovation and upgrade reserves, the reviews should include formal studies of facility systems and necessary funding levels to cover all aspects of cost of replacement through the reserve funding plan.

CSU directive APB 94-04, *Dormitory Revenue Fund Housing Decentralization*, dated June 22, 1994, states that the executive vice chancellor accepted the November 1993 Student Housing Task Force report, which included specific local campus recommended housing reserves. These recommended

reserves included deferred maintenance, capital development, capital renovation and upgrade, working capital, and catastrophic event.

The director of budget planning and management stated that the directive was very general and he sought assistance from the chancellor's office to clarify what was required before the campus created and implemented the policy. The director of residential life and conference administration stated that although the campus did not formally document the reserve review, management reviewed the financial position of housing operations as part of the budget process.

Failure to complete a formal in-depth review of housing reserves increases the risk of non-compliance with debt financing reserve requirements and non-availability of funds when a need arises.

Recommendation 8

We recommend that the campus conduct and document an in-depth review of the adequacy of existing housing reserves at least every three years and adjust reserve plans and levels as appropriate.

Campus Response

We concur. The campus has already begun a formal in-depth review of housing reserves, which will be documented as recommended. The housing reserves policy will be revised to reflect the requirement that a documented in-depth review be conducted at least every three years.

Expected completion date: April 5, 2006

RESIDENT SAFETY AND ACTIVITY PROGRAMS

Documentation was not retained to evidence community director (CD) employment qualifications and screening, and staff attendance at mandatory residence hall training.

Our review of the employment and training records of 29 residential staff members, including 25 RA and 4 CD, disclosed that:

- ▶ The campus was unable to provide employment applications and evidence of screening efforts for the four CD.
- ▶ CD and RA were not required to sign in to evidence their attendance at training sessions.

GC §13402 states that management is responsible for establishing and maintaining a system of internal administrative controls, which includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

The CSUN *RA Employment Agreement* states that the RA is responsible for participating in all training conducted during the year.

The director of residential life and conference administration stated his belief that employee files were complete. The associate director of residential life stated that RA and CD were not required to sign in at training because the staff was small enough for absences to be noticed.

The absence of employment and training attendance documentation increases the risk that unqualified employees will be hired and employees will fail to completely fulfill their training obligations.

Recommendation 9

We recommend that the campus:

- a. Maintain complete employment records for CD.
- b. Require RA and CD to sign an attendance sheet at residence hall staff training.

Campus Response

We concur. The campus will maintain complete employment records for CD and require RA and CD to sign an attendance sheet at residence hall staff training sessions.

Corrective action has been completed.

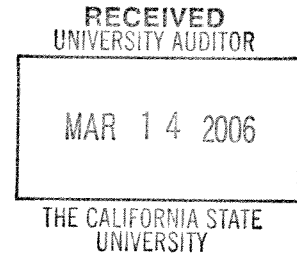
APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Jolene Koester	President
Jason Andrews	Community Director
Al Arboleta	Information Security Officer
Robert Barker	University Controller
Keith Blaine	Coordinator Information Systems
Dave Brewer	Community Director
Ron Clouse	Director of Budget Planning and Management
John Darakjy	Assistant Director of Financial and Tax Services
Claire Davis	Manager of Conference and Hospitality Services
Karl DeAngelo	Technology Analyst
Melissa Giles	Associate Director of Residential Life
Phillip Gin	Associate Director of Business and Hospitality Services
Margaret Gonzalez	Business Services Assistant
May Ligh	Manager of University Cash Services
Howard Lutwak	Director of Internal Audit
Margerald Macias	Apartment Manager
Dave Nirenberg	Director of Commercial Services, The University Corporation
Carlos Penera	Student Accounting Supervisor
Mohammad Qayoumi	Vice President of Finance and Administration/ Chief Financial Officer
Deborah Quinlan Kolstad	Manager of Business Services
Judy Reyes	Manager of Accounts Payable
Mary Rueda	Manager of Purchasing and Contracts Administration
Kimberly Siemen	Financial Systems and Trust Accounting Manager
Tim Trevan	Director of Residential Life and Conference Administration

California State University
Northridge

Office of the Vice President
Administration and Finance

March 8, 2006



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

Subject: Campus Response to Recommendations of Audit Report Number 05-28
Housing and Residential Services, at California State University, Northridge

Dear Larry:

Enclosed please find the California State University, Northridge (CSUN) response to the recommendations of the audit, as requested in your letter of February 15, 2006. We have also sent this document via e-mail to adouglas@calstate.edu.

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

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

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

Sincerely,

A handwritten signature in black ink, appearing to read "Mohammad Qayoumi".

Mohammad Qayoumi
Vice-President Administration and Finance and CFO

MQ:mh

Enclosures

cc: Dr. Jolene Koester, President
Dr. Terry Piper, VP Student Affairs
Howard Lutwak, Director, Internal Audit

HOUSING AND RESIDENTIAL SERVICES

CALIFORNIA STATE UNIVERSITY, NORTHRIDGE

Report Number 05-28
February 2, 2006

HOUSING PROGRAM ADMINISTRATION

DELEGATION OF AUTHORITY

Recommendation 1

We recommend that the campus obtain formal delegations of authority for the director of residential life and conference administration to perform certain housing program administrative and purchasing duties, and implement procedures to maintain such delegations on a current basis.

Campus Response

We concur. The campus has completed documentation of the delegations of authority from the campus president to the appropriate housing officials. In addition, the campus has updated the student housing exit interview protocol for maintaining such delegations.

Corrective action has been completed.

OVERNIGHT GUESTS

Recommendation 2

We recommend that the campus:

- a. Align its guest policies and procedures with Title 5.
- b. Establish and implement monitoring controls over overnight guests to ensure compliance with campus policy.

Campus Response

We concur. The campus is currently revising the guest and visitor policies and protocols for implementation for the 2006/2007 academic year.

Expected completion date: April 14, 2006

HOUSING OPERATIONS

Recommendation 3

We recommend that the campus:

- a. Review the manager of conference and hospitality services' job responsibilities and take appropriate action to adequately segregate duties or institute mitigating procedures.
- b. Ensure the complete and timely execution of license agreements.
- c. Enforce terms of the license agreement, including required proof of insurance information, non-refundable deposits, conference coordination fees, and late payment penalties.
- d. Enforce policies and procedures for conference services, including the requirement for documented verification and approval by the associate director.
- e. Perform a documented justification for the practice of discounting and waiving fees for conference services, and establish and implement appropriate discount policy and procedures, including retention of approval documents.
- f. Customize license agreements to reflect the actual terms for the individual group and conference.

Campus Response

We concur with the recommendations. The campus will review and revise job responsibilities, license agreements, and policies and procedures to ensure appropriate segregation of duties and mitigating controls, including requiring documenting management approval of exceptions to policies.

Expected completion date: April 14, 2006

FISCAL ADMINISTRATION

HOUSING FEE RECONCILIATIONS

Recommendation 4

We recommend that the campus establish and implement procedures to reconcile occupancy records in the RMS to housing fee revenue in the general ledger for each academic term.

Campus Response

We concur. The campus will establish procedures to reconcile occupancy records to housing fee revenue in the general ledger for each academic term.

Corrective action has been completed.

ACCOUNTS RECEIVABLE

Recommendation 5

We recommend that the campus:

- a. Investigate long-outstanding accounts receivable and immediately pursue write-off, application for discharge of accountability, and/or other tools available to close outstanding accounts.
- b. Clarify and implement the procedure for how and when holds are placed, including regular management verification of holds.
- c. Maintain records of all attempts to collect accounts receivable, including referrals to the CSU Office of General Counsel.

Campus Response

We concur.

- a. The university controller has established procedural deadlines for the write-off of receivables under \$1,000 and submission of request for relief of accountability for larger receivables.

Corrective action has been completed.

- b. The Credit History module in PeopleSoft Student Financials automatically places a financial service indicator on all students' accounts greater than 30 days past due. Management has reviewed the process and verified that holds are being placed as required.

Corrective action has been completed.

- c. We will be implementing the "3C's" sub-module of the Credit History module of PeopleSoft Student Financials to facilitate maintaining records of all attempts to collect accounts receivable, including referrals to the CSU Office of General Counsel.

Expected completion date: August 1, 2006

LATE FEES

Recommendation 6

We recommend that the campus reimplement the practice of charging late fees for delinquent payments.

Campus Response

We concur. A process will be developed to apply late fees for Housing charges.

Expected completion date: April 3, 2006

CASH RECEIPTS

Recommendation 7

We recommend that the campus:

- a. Ensure that all checks received at the main cashier are stored in a locked cash drawer immediately after receipt until deposit.
- b. Establish, document, and implement appropriate accountability procedures for the handling and deposit of initial housing fees.

Campus Response

We concur.

- a. Steps have been taken to secure all checks received at University Cash Services. Boxes with locks have been purchased to hold all checks received with larger documents attached.

Corrective action has been completed.

- b. The campus has documented appropriate accountability procedures for the handling and deposit of initial housing fees.

Corrective action has been completed.

HOUSING RESERVES

Recommendation 8

We recommend that the campus conduct and document an in-depth review of the adequacy of existing housing reserves at least every three years and adjust reserve plans and levels as appropriate.

Campus Response

We concur. The campus has already begun a formal in-depth review of housing reserves, which will be documented as recommended. The Housing Reserves Policy will be revised to reflect the requirement that a documented in-depth review be conducted at least every three years.

Expected completion date: April 5, 2006

RESIDENT SAFETY AND ACTIVITY PROGRAMS

Recommendation 9

We recommend that the campus:

- a. Maintain complete employment records for CD.
- b. Require RA and CD to sign an attendance sheet at residence hall staff training.

Campus Response

We concur. The campus will maintain complete employment records for community directors and require resident advisors and community directors to sign an attendance sheet at residence hall staff training sessions.

Corrective action has been completed.


THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

March 23, 2006

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

MEMORANDUM

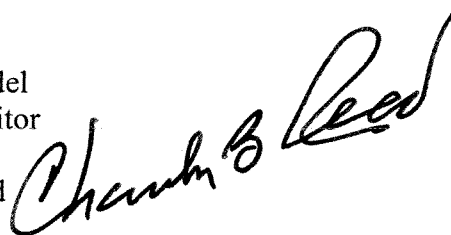
EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-28 on *Housing and Residential Services*, California State University, Northridge

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of March 23, 2006, I accept the response as submitted with the draft final report on *Housing and Residential Services*, California State University, Northridge.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Jolene Koester, President
Dr. Mohammad Qayoumi, Vice President for Administration and Finance
and Chief Financial Officer

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS