

HOUSING AND RESIDENTIAL SERVICES
CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA

Report Number 05-29
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Members, Committee on Audit

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Herbert L. Carter, Vice Chair
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CONTENTS

Executive Summary	1
Introduction.....	2
Background	2
Purpose.....	4
Scope and Methodology	5

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Housing Program Administration	6
Delegation of Authority	6
Guests and Visitors	6
Student License Agreement	8
Student Insurance Requirements.....	10
License Agreement Termination.....	11
Housing Operations	12
Service Provider Insurance Requirements	12
Conference Service Rates	13
Fiscal Administration.....	14
Housing Fee Authorization	14
Housing Fee Reconciliation	15
Late Fees	16
Housing Reserves.....	16

APPENDICES

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

ABBREVIATIONS

APB	Auxiliaries, Planning and Bonds
BOT	Board of Trustees
CO	Chancellor's Office
CSPUP	California State Polytechnic University, Pomona
CSU	California State University
EO	Executive Order
HPRC	Housing Proposal Review Committee
RFIN	Resolution of the Committee on Finance
UHS	University Housing Services

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 Polytechnic University, Pomona campus from September 26, 2005, through October 21, 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 and student licenses were inadequate, while controls over management of vendor services, conference service rates, housing fees, and 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 [6]

The campus president had not formally delegated the authority and responsibility to perform certain housing program administrative duties. Campus guest and visitor practices were non-compliant with Title 5 housing regulations, inadequately enforced, and did not sufficiently monitor guests/visitors. For example, campus policy was incomplete regarding guest approval procedures and fees, and guest/visitor registration logs were not maintained. The campus student housing license agreement did not fully address certain Title 5 requirements, and resident enrollment requirements were not monitored. Further, controls over student insurance requirements needed improvement, while certain charges for license agreement termination were not properly assessed.

HOUSING OPERATIONS [12]

Insurance requirements were not met in certain instances. Two of eighteen vendors reviewed lacked certain insurance requirements. Further, conference service rates were not properly approved.

FISCAL ADMINISTRATION [14]

Housing fee adjustments were not properly approved, and housing fee receipts were not reconciled to occupancy records. Late fees were not charged for housing payments made after the due date. In addition, the campus did not have a documented student housing reserve policy and formal in-depth review of housing reserves.

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 September 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

The campus president had not formally delegated the authority and responsibility to perform certain housing program administrative duties.

We found that the interim director of university housing services (UHS) was responsible for performing housing program administrative duties without delegated authority from the president.

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

The interim director of UHS stated that the delegation of authority for housing program administration was clearly articulated in the job descriptions for the vice president of student affairs, associate vice president of student affairs, and director of university housing services. She further stated that the campus president signed appointment letters for current managers assigned to these positions.

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 a formal delegation of authority from the campus president to authorized individuals to perform certain housing program administrative duties and implement procedures to maintain such delegation on a current basis.

Campus Response

We concur with the recommendation.

The campus will document the delegation of authority for the housing program from the campus president.

Timeline: March 1, 2006

GUESTS AND VISITORS

Campus guest and visitor practices were non-compliant with Title 5 housing regulations, inadequately enforced, and did not sufficiently monitor guests/visitors.

We found that:

- ▶ Licensees were not required to obtain the approval of the president or his designee prior to inviting any person to be a guest. Campus policy only required that all licensees occupying a unit must agree to the presence of any overnight guest.
- ▶ Campus policy on guest fees was incomplete. Campus policy only addressed guest fees for guests who stayed beyond three consecutive nights, and there was no evidence that a fee was required and charged for unapproved overnight guests. In addition, the guest fee policy was not enforced.
- ▶ Guest/visitor registration logs were not maintained. Consequently, the campus was unable to effectively monitor the number of licensee visitors and their lengths of stay.

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.

The interim director of UHS stated that housing management considered current guest and visitor policies adequate and was concerned that attempts to register daily guests would negatively affect housing retention, program revenues, and appropriate privacy expectations of residents.

Non-compliant guest and visitor practices and inadequate enforcement diminish guest control, result in non-collection of required fees, and/or subject other students to undue risk and the campus to increased liability.

Recommendation 2

We recommend that the campus:

- a. Align its guest and visitor policies and procedures with Title 5.
- b. Establish and implement guest/visitor registration logs to strengthen the monitoring of guest/visitors and ensure compliance with campus policy.

Campus Response

We concur with the recommendation.

The campus is currently undertaking a review of housing guest policies at other California State University (CSU) campuses and will evaluate feasible approaches for implementation. The guest and visitor policies will be revised and reflected in the 2006/07 housing license agreement.

Timeline: July 1, 2006

STUDENT LICENSE AGREEMENT

The California State Polytechnic University, Pomona (CSPUP) *Student Housing License Agreement* did not fully address Title 5 requirements, and resident enrollment requirements were not monitored.

We found that:

- ▶ The license agreement did not adequately define student resident eligibility status because the minimum number of units/credits a student must be enrolled in was not specified. In addition, the campus did not monitor student credit hours to ensure they were eligible to remain student housing residents.
- ▶ The license agreement did not properly address amounts owed by the licensee in certain instances of cancellation, vacating, and revocation.

Title 5 §42000(f), *Student*, requires that a student be currently enrolled in six or more semester units of instruction in the regular program of the campus where the housing facility is located.

Title 5 §42019, *Cancellation, Vacating, or Revocation-Obligation of the Licensee*, requires that the licensee has no financial obligation other than the non-refundable service fee when revocation of the license agreement by the president, all instances, occurs prior to the beginning of the fee period. Further, the licensee shall owe the amount due under the full fee period of the license for any denied request to cancel with less than a 30-day notice prior to the beginning of the fee period.

Title 5 §42019 further requires that the licensee shall owe the amount due under the full fee period of the licensee, plus any charge authorized by §42021, when a student vacates the premises on or after the beginning of the fee period for the following reasons:

- Revocation of license by president because of disciplinary pursuit.
- Revocation of license by president resulting from breach of terms or conditions of the license, including non-payment of fees.
- Request by a licensee to vacate denied by the president.

Title 5 §42019 further requires that the licensee shall owe an amount equal to a prorated charge for each day from the beginning of the fee period, through the end of the required notice period, plus any charge authorized by §42021, when a student vacates the premises on or after the beginning of the fee period for the following reasons:

- Revocation of license by president because of licensee withdrawal.
- Request by a licensee to vacate approved by the president.

Title 5 §42019 further requires that the licensee owe an amount equal to a prorated charge for each day from the beginning of the fee period through the last day of occupancy, plus any charge authorized by §42021, when a student vacates the premises on or after the beginning of the fee period for the following reasons:

- Revocation of license by president because of administrative necessity.
- Revocation of license by president because the student is academically dismissed.

The interim director of UHS stated that the housing license agreement terms and conditions indicated that licensees must maintain student status or the license may be revoked. She stated that although the housing department received quarterly enrollment reports to confirm student registration, it did not confirm the number of units each student was enrolled in. She further stated that she was unaware of Title 5 guidelines requiring students to be enrolled in six semester units or more (or equivalent quarter units) and/or guidelines that stipulated license cancellation and revocation charges. She also noted the acceptance of a “bridge” term where students were allowed to work and live on campus and receive services during one quarter of each academic year when they were not enrolled, but still eligible to enroll.

Student license agreements that do not fully address Title 5 requirements and failure to monitor resident enrollment requirements increase the risk that ineligible students will be provided campus housing and required fees will go uncharged.

Recommendation 3

We recommend that the campus:

- a. Modify its student license agreement to fully address Title 5 requirements.
- b. Establish and implement procedures to monitor compliance with resident enrollment requirements.

Campus Response

We concur with the recommendation.

The campus will revise the 2006/07 housing license agreement, in compliance with Title 5, to define the minimum number of units required to license and maintain housing eligibility. Established procedures to monitor compliance will be revised.

The campus will revise the 2006/07 housing license agreement, in compliance with Title 5, to properly indicate amounts owed by the licensee in instances of cancellation, vacating, and revocation.

Timeline: May 1, 2006

STUDENT INSURANCE REQUIREMENTS

Controls over student insurance requirements needed improvement.

Our review of 30 student files from the fall 2005 quarter disclosed that:

- ▶ Three students did not provide health and accident insurance information.
- ▶ Insurance information provided by the other students included only the provider name, policy number, doctor, and phone number.
- ▶ Independent verification of the students' insurance coverage was not performed.

The CSPUP *Student Housing License Agreement* states that the licensee is required to have health insurance. During the period covered by the license agreement, licensee shall be covered, at his/her own expense, by health and accident insurance, on either an individual or group basis, with minimum coverage of \$2,000 in hospital benefits, \$150 in medical benefits, \$350 in surgical benefits, and \$50 in emergency outpatient benefits per accident or sickness.

The interim director of UHS stated that license agreement materials required students to provide medical insurance information, if available. She added that this information was used exclusively in the event of a medical emergency to ensure that services were provided for the student when he/she was unable to provide this information, and all students were required to pay a student health center fee, which provided basic medical and wellness services. In addition, she stated her belief that additional confirmation of the accuracy of information provided was not necessary, nor did any part of Title 5 or CSU Executive Order (EO) appear to require such action, and the resources required for such an effort would far exceed any benefit obtained.

Failure to ensure that required health and accident insurance is maintained increases the risk that a resident will not be adequately covered in the event of on-site injury, which could expose the campus to additional liability.

Recommendation 4

We recommend that the campus, in consultation with the chancellor's office (CO) Risk Management department, determine whether the student resident insurance requirement should be maintained, modified, or eliminated, and modify the license agreement and strengthen monitoring procedures accordingly.

Campus Response

We concur with the recommendation.

The campus, in consultation with the CO Risk Management department, will make the recommended changes to the 2006/07 housing license agreement.

Timeline: May 1, 2006

LICENSE AGREEMENT TERMINATION

Certain charges for license agreement termination were not properly assessed.

We found that:

- ▶ Students who cancelled housing less than 30 days prior to the occupancy period were charged a fee equivalent to 30 days of housing costs, which was non-compliant with Title 5 requirements.
- ▶ Although charges related to terminated license agreements should have been prorated if a replacement was found, we were unable to test this requirement because replacements were not tracked by individual.

The CSPUP *Student Housing License Agreement* states that for students requesting to cancel a reservation less than 30 days prior to the beginning of the occupancy period, a pro rata charge will be made for each day beyond commencement of the occupancy period for which the 30-day notice overlaps, plus non-refundable fees. Further, charges for all license agreement terminations will be prorated if a replacement acceptable to the university is found.

Title 5 §42019, *Cancellation, Vacating, or Revocation-Obligation of the Licensee*, requires that the licensee shall owe an amount equal to a prorated charge for each day from the beginning of the fee period, through the end of the required notice period plus any charges authorized by §42021. Further, the president shall minimize the obligation of a licensee by applying a prorated credit for each day during the fee period that the campus has been able to cover its damages.

The interim director of UHS stated that when a cancellation occurred within 30 days of the contract period, the student was charged for 30 contractual days. She further stated that she was unaware of the Title 5 requirement that says the student be charged only for the overlapping period. She also

stated that outgoing students were not charged when a suitable replacement was found and the canceling student's fees were prorated to correlate with the new licensee.

Improper assessment of charges related to license agreement termination increases the risk that students will be over/under charged and therefore receivables will not be properly reflected in the campus financial statements.

Recommendation 5

We recommend that the campus assess campus charges for license agreement termination in accordance with Title 5 requirements.

Campus Response

We concur with the recommendation.

The campus will modify operating procedures to confirm that appropriate fees are assessed to residents who cancel, vacate, or have their license agreement revoked, in accordance with the license agreement and Title 5.

Timeline: May 1, 2006

HOUSING OPERATIONS

SERVICE PROVIDER INSURANCE REQUIREMENTS

Insurance requirements were not met in certain instances.

Our review of 18 vendors who provided services to the campus in fiscal year 2004/05 disclosed that one lacked worker's compensation coverage while the campus did not obtain insurance documentation from another.

EO 849, *California State University Insurance Requirements*, dated February 5, 2003, requires the vendor to show evidence of adequate insurance coverage by furnishing a certificate of insurance and specifies minimum insurance coverage requirements.

The associate vice president of finance and administrative services stated that the noted missing insurance documentation were due to execution errors of a buyer.

Failure to require adequate levels of vendor insurance can result in increased liability exposure to the campus.

Recommendation 6

We recommend that the campus strengthen procedures for the review and retention of required insurance documentation to ensure that all service providers meet minimum insurance coverage requirements.

Campus Response

We concur with the recommendation.

The campus will expand management oversight of procedures to ensure consistent implementation of the minimum insurance coverage requirements for all service providers.

Timeline: March 1, 2006

CONFERENCE SERVICE RATES

Conference service rates were not properly approved.

Our review of the 2004 conference service rates proposal disclosed that the interim director of UHS approved the rates instead of the campus president.

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. A charge in addition to the fee established by the chancellor pursuant to §42004 may be made by the campus of groups to cover additional costs whenever the group requires additional services, materials, goods, or special supervision.

Standing Orders of the CSU Board of Trustees (BOT) §II.i and §VI.f state that the chancellor has the authority to establish and oversee campus fees; establish, adjust, and oversee systemwide fees subject to overall direction of the BOT; and the campus president is authorized to oversee and adjust campus fees. Presidents may delegate their authority to other officials on their campuses.

The interim director of UHS stated that the department was unaware of the requirement for president approval of conference service rates.

Improper fees could be established without the required approval of the campus president.

Recommendation 7

We recommend that the campus ensure that current and future conference service rates are approved by the campus president or designee.

Campus Response

We concur with the recommendation.

The campus will have current and future conference rates approved by the campus president.

Timeline: March 1, 2006

FISCAL ADMINISTRATION

HOUSING FEE AUTHORIZATION

Housing fee adjustments were not properly approved.

Our review of the fiscal year 2005/06 housing rate approval memo disclosed that the interim vice president of student affairs approved the adjustments instead of the campus president.

The CSPUP policy for fee approval states, in part, that as detailed in EO 740, recommendations to periodically adjust Type III and Type IV fees are approved or denied by the president of CSPUP after appropriate consultation from the campus fee advisory committee. Further, after completion of the consultation with interhall council, the recommendation for adjustment of any or all of the housing fees is forwarded by the director of UHS to the campus president for approval. A representative of interhall council holds a permanent seat on the campus fee advisory committee and has responsibility for providing information on the consultation process that occurred with that committee.

EO 740, *The California State University Student Fee Policy*, dated April 13, 2000, states, in part, that delegated authority is given to the chancellor to establish new campus fees and to the president to increase, decrease, or abolish campus fees. For category III fees, consideration by the campus fee advisory committee is required before the president either requests the chancellor to establish a new fee or adjusts a current fee.

Title 5 §42004, *Schedule of Fees*, requires all fees authorized by this article shall be charged in accordance with a schedule of fees periodically established by the chancellor.

The interim director of UHS stated that the interim vice president of student affairs consulted with the president before approving annual housing fee adjustments.

Improper fees could be established without the required approval of the campus president.

Recommendation 8

We recommend that the campus ensure that current and future housing fees are approved by the campus president.

Campus Response

We concur with the recommendation.

The campus will have current and future housing rates approved by the campus president.

Timeline: March 1, 2006

HOUSING FEE RECONCILIATION

Housing fee revenue recorded in PeopleSoft Student Financials was not reconciled to occupancy records.

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

Government Code §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.

The interim director of UHS stated that budget projections of anticipated revenues based on projected occupancy were made annually and revised at least two times during the fiscal year. She further stated that actual revenues received were evaluated monthly against these projections to confirm adequate revenue collection.

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

Recommendation 9

We recommend that the campus establish and implement procedures to reconcile housing fee revenue recorded in PeopleSoft Student Financials to occupancy records for each academic term.

Campus Response

We concur with the recommendation.

The campus will establish and implement procedures required to reconcile housing fee revenue between the housing management system and PeopleSoft Student Financials.

Timeline: July 1, 2006

LATE FEES

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

The CSPUP *Student Housing License Agreement* states that all payments made after the due date are subject to a \$20 administrative late charge.

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.

The interim director of UHS stated that the license agreement indicated students were subject to a late fee and therefore the late fee was at the discretion of the department. She further added that the department was unaware of the mandatory Title 5 late fee requirement.

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

Recommendation 10

We recommend that the campus charge the \$20 late fee for student delinquent payments.

Campus Response

We concur with the recommendation.

The campus will revise the 2006/07 housing license agreement, in compliance with Title 5, to mandate the charging of the \$20 late fee on delinquent payments. Procedures will be modified to place the charge on student accounts, as warranted.

Timeline: May 1, 2006

HOUSING RESERVES

The campus did not have a documented student housing reserve policy and 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 BOT. 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 interim director of UHS stated that, although the funds were not broken out into the specific categories as outlined by the 1993 task force's recommendation, the reserve requirements were regularly reviewed by university personnel. She further stated that reserve balances and strategies for operating, major maintenance, and construction funds, including a 30-year financial pro-forma statement, were presented to the CO and approved by the BOT in conjunction with bond financing for the residential suites phase I project in January 2003. She added that these financial plans, including reserve balances, were again revised and approved by the CO Financing and Treasury department in November 2004 in conjunction with a capital outlay request for the residential suites phase II project.

Failure to document a housing reserve policy and 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 11

We recommend that the campus document a formal housing reserve policy as well as 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 with the recommendation.

The campus will document a formal housing reserve policy and establish procedures to conduct an in-depth review and adjustment of reserve levels at least every three years.

Timeline: July 1, 2006

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
J. Michael Ortiz	President
Sheryl Adams	Accountant, Finance and Administrative Services
Olga Campbell	Secretary, Payroll Services
Elizabeth Culbertson	Resident Advisor, University Housing Services (UHS)
Patricia Farris	Vice President and Chief Financial Officer, Administrative Affairs Division
Douglas Freer	Associate Vice President, Student Affairs Administration
Leticia Guzman Scott	Assistant Director, Student Support and Equity Programs
Charlene Hernandez	Student Account Specialist, Student Accounts and Cashier Services
Donna Holloway	Associate Director, Office of Financial Aid
Ernest Kawai	Associate Director Auxiliary Operations, Cal Poly Pomona Foundation
Betty Kennedy	Interim Assistant Director of Business Services, UHS
Darwin Labordo	Associate Vice President, Finance and Administrative Services
Kevin Marshall	Residence Life Coordinator, UHS
Oliver Nandkishore	Director, Student Accounts and Cashier Services
Yen Nguyen	Interim Information Systems Specialist, UHS
Annette Pettit	Senior Associate Director, Foundation Dining Services
Debra Schneck	Procurement Lead, Procurement and Support Services
Dante Serrano	Maintenance Mechanic, UHS
Megan Stang	Interim Director, UHS
Hanh Tran	Maintenance Mechanic, UHS
Daniel Turner	Resident Advisor, UHS
Lynn Turner	Interim Vice President, Division of Student Affairs
Kay Vierra	Interim Director, Student Health Services
Al Viteri	Director of Accounting Services, Finance and Administrative Services
Linda Wheeler	Vault Cashier, Student Accounts and Cashier Services
Christopher Ysais	Residence Life Coordinator, UHS



Office of the Vice President
for Administrative Affairs

RECEIVED
UNIVERSITY AUDITOR

JAN 17 2006

THE CALIFORNIA STATE
UNIVERSITY

January 13, 2006

Mr. Larry Mandel, University Auditor
Office of the Auditor
The California State University
400 Golden Shore, Suite 210
Long Beach, CA 90802

Dear Mr. Mandel:

**Subject: Campus Response to Recommendations of
Housing and Residential Services Audit Report 05-29**

Enclosed is California State Polytechnic's campus response to the Housing and Residential Services Audit Report Number 05-29. We appreciate the effort you and your staff have made to indicate areas where our procedures or internal controls could be strengthened. We will take the necessary actions to address the report's recommendations.

Please direct questions concerning the response to Darwin Labordo, Associate Vice President of Finance and Administrative Services at 909-869-2008 or dlabordo@csupomona.edu.

Sincerely,

Patricia L. Farris, Vice President
Administrative Affairs

Cc: J. Michael Ortiz, President

Dr. Douglas R. Freer, Associate Vice President, Student Affairs Administration
Darwin Labordo, Associate Vice President, Finance & Administrative Services
Dr. Lynn H. Turner, Interim Vice President, Division of Student Affairs

Enclosure

CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA

HOUSING AND RESIDENTIAL SERVICES
AUDIT REPORT NO. 05-29

HOUSING PROGRAM ADMINISTRATION

DELEGATION OF AUTHORITY

Recommendation 1

We recommend that the campus obtain formal delegation of authority from the campus president to authorized individuals to perform certain housing program administrative duties and implement procedures to maintain such delegation on a current basis.

Campus Response

We concur with the recommendation.

The campus will document the delegation of authority for the housing program from the campus president.

Timeline: March 1, 2006

GUESTS AND VISITORS

Recommendation 2

We recommend that the campus:

- a. Align its guest and visitor policies and procedures with Title 5.
- b. Establish and implement guest/visitor registration logs to strengthen the monitoring of guest/visitors and ensure compliance with campus policy.

Campus Response

We concur with the recommendation.

The campus is currently undertaking a review of housing guest policies at other CSU campuses and will evaluate feasible approaches for implementation. The guest and visitor policies will be revised and reflected in the 2006-07 housing license agreement.

Timeline: July 1, 2006

STUDENT LICENSE AGREEMENT

Recommendation 3

We recommend that the campus:

- a. Modify its license agreement to fully address Title 5 requirements.
- b. Establish and implement procedures to monitor compliance with resident enrollment requirements.

Campus Response

We concur with the recommendation.

The campus will revise the 2006-07 housing license agreement, in compliance with Title 5, to define the minimum number of units required to license and maintain housing eligibility. Established procedures to monitor compliance will be revised.

The campus will revise the 2006-07 housing license agreement, in compliance with Title 5, to properly indicate amounts owed by the licensee in instances of license cancellation, vacating, and revocation.

Timeline: May 1, 2006

STUDENT INSURANCE REQUIREMENTS

Recommendation 4

We recommend that the campus, in consultation with the chancellor's office (CO) Risk Management department, determine whether the student resident insurance requirement should be maintained, modified, or eliminated, and modify the license agreement and strengthen monitoring procedures accordingly.

Campus Response

We concur with the recommendation.

The campus, in consultation with the Chancellor's Office Risk Management department, will make the recommended changes to the 2006-07 housing license agreement.

Timeline: May 1, 2006

LICENSE AGREEMENT TERMINATION

Recommendation 5

We recommend that the campus assess campus charges for license agreement termination in accordance with Title 5 requirements.

Campus Response

We concur with the recommendation.

The campus will modify operating procedures to confirm that appropriate fees are assessed to residents who cancel, vacate, or have their license agreement revoked, in accordance with the license agreement and Title 5.

Timeline: May 1, 2006

HOUSING OPERATIONS

SERVICE PROVIDER INSURANCE REQUIREMENTS

Recommendation 6

We recommend that the campus strengthen procedures for the review and retention of required insurance documentation to ensure that all service providers meet minimum insurance coverage requirements.

Campus Response

We concur with the recommendation.

The campus will expand management oversight of procedures to ensure consistent implementation of the minimum insurance coverage requirement for all service providers.

Timeline: March 1, 2006

CONFERENCE SERVICE RATES

Recommendation 7

We recommend that the campus ensure that the current and future conference service rates are approved by the campus president or designee.

Campus Response

We concur with the recommendation.

The campus will have current and future conference rates approved by the campus president.

Timeline: March 1, 2006

FISCAL ADMINISTRATION

HOUSING FEE AUTHORIZATION

Recommendation 8

We recommend that the campus ensure that the current and future housing rates are approved by the campus president.

Campus Response

We concur with the recommendation.

The campus will have current and future housing rates approved by the campus president.

Timeline: March 1, 2006

HOUSING FEE RECONCILIATION

Recommendation 9

We recommend that the campus establish and implement procedures to reconcile housing fee revenue recorded in PeopleSoft Student Financials to occupancy records for each academic term.

Campus Response

We concur with the recommendation.

The campus will establish and implement procedures required to reconcile housing fee revenue between the housing management system and PeopleSoft student financials.

Timeline: July 1, 2006

LATE FEES

Recommendation 10

We recommend that the campus charge the \$20 late fee for student delinquent payments.

Campus Response

We concur with the recommendation.

The campus will revise the 2006-07 housing license agreement, in compliance with Title 5, to mandate the charging of the \$20 late fee on delinquent payments. Procedures will be modified to place the charge on student accounts, as warranted.

Timeline: May 1, 2006

HOUSING RESERVES

Recommendation 11

We recommend that the campus document a formal housing reserve policy as well as 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 with the recommendation.

The campus will document a formal housing reserve policy and establish procedures to conduct an in-depth review and adjustment of reserve levels at least every three years.

Timeline: July 1, 2006

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

January 25, 2006

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-29 on *Housing and Residential Services*, California State Polytechnic University, Pomona

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of January 25, 2006, I accept the response as submitted with the draft final report on *Housing and Residential Services*, California State Polytechnic University, Pomona.

MONTEREY BAY

NORTHRIDGE

CBR/jt

POMONA

Enclosure

SACRAMENTO

cc: Ms. Patricia L. Farris, Vice President, Administrative Affairs
Dr. J. Michael Ortiz, President

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS