

HOUSING AND RESIDENTIAL SERVICES

SONOMA STATE UNIVERSITY

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ABBREVIATIONS

APB	Auxiliaries, Planning and Bonds
BOT	Board of Trustees
CO	Chancellor's Office
CFAC	Campus Fee Advisory Committee
CMS	Common Management Systems
CSU	California State University
EO	Executive Order
GC	Government Code
HPRC	Housing Proposal Review Committee
HR	Human Resources
ISATC	Information System Access Training Certification
RFIN	Resolution of the Committee on Finance
RMS	Residential Management System
SSU	Sonoma State University

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 Sonoma State University campus from September 26, 2005, through October 28, 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, student licenses, conference facility and dormitory leasing activities, and fee approval were inadequate, while controls over information security and confidentiality, installment payments, residential staff training, and 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]

Campus guest and visitor practices were non-compliant with Title 5 housing regulations, inadequately enforced, and did not sufficiently monitor guests/visitors. For example, approval of overnight guests had not been delegated in writing, campus policy on guest fees was incomplete, and campus policy did not require the use of guest registration logs. The campus *Student Housing License Agreement* did not properly address Title 5 requirements for amounts owed by the licensee in certain instances of revocation. Further, employees with access to confidential personal information were not always required to sign adequate confidentiality statements or obtain the appropriate security approval.

HOUSING OPERATIONS [12]

Conference facility and dormitory leasing activities were not adequately segregated and administered. Incompatible functions had not been segregated and payment of conference facilities rentals was not always enforced in accordance with the conference payment schedule. In addition, the campus president had not approved conference service rates, and the food service agreement between the campus and Sonoma State Enterprises, Inc. had expired.

FISCAL ADMINISTRATION [15]

Housing fees were not always properly approved. Two fees were neither reviewed by the campus fee advisory committee nor approved by the president, and three fees were not approved by the president. In addition, a service fee was not charged for installment payments. Further, aggregate student housing reserve balances fell short of reserve balance goals required by the campus student housing reserve policy, and were not categorized into the four specific reserve categories included in the reserve policy.

RESIDENT SAFETY AND ACTIVITY PROGRAMS [18]

Documentation was not retained to evidence attendance at all mandatory residence hall staff 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

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:

- ▶ Approval for overnight guests had not been delegated in writing. Campus policy only required that the residents register overnight guests with their community service advisor and obtain roommate approval prior to the guest's arrival.
- ▶ Campus policy on guest fees was incomplete; it only addressed non-approved guest fees. There was no evidence that a fee was required and charged for guests who stayed more than two days per calendar month.
- ▶ 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. This information would also be invaluable in the event of an emergency.

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 Sonoma State University (SSU) *Student Housing License Agreement* states that the licensee shall permit neither visitors nor guests to enter the housing facility except as permitted by the guest policy in the *Campus Housing Policies and Regulations*.

The SSU *Campus Housing Policies and Regulations Guest Policy* states that residents may have personal guests in their rooms within these guidelines:

1. Residents are responsible for the conduct of guests and visitors. Residents are subject to disciplinary action for their misconduct, and are liable for any damages caused by them. A guest is defined as a resident or non-resident who is not assigned to that room or apartment.

2. Prior to inviting an overnight guest, residents must discuss the situation with their roommates and obtain their approval.
3. Residents must register overnight guests with their community service advisor prior to the guest's arrival.
4. Guests may stay no more than two nights in any two-week period. Exceptions may be requested from the director of student development.
5. No overnight guests are permitted during final exam periods.
6. Persons who are guests of residents for more than two days and for whom permission has not been granted by the director of student development are considered non-approved guests. They and/or the resident hosting them will be charged a fee for each night they stay in the community.
7. Residents may have up to four guests at any one time, not to exceed 20 persons total per suite, including suitemates.

Executive Order (EO) 715, *California State University Risk Management Policy*, dated October 27, 1999, states, in part, that the California State University (CSU) and its officers and employees are responsible for conducting CSU programs and activities in a manner that does not impose an unreasonable risk of loss or injury.

The director of housing stated that housing management considered current guest and visitor policies adequate and was concerned that attempts to register daily guests would be costly and ineffective due to the unique physical layout of the unattached residential community and separate housing villages. He added that less than ten residents per year actually contacted their community service advisor to register overnight guests as required in the license agreement.

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 1

We recommend that the campus:

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

Campus Response

- a. We concur. Required guest approval procedures including written delegations and approved guest fees will be developed, authorized, and implemented in accordance with Title 5.

Corrective action is to be completed by May 1, 2006.

- b. We concur. The office of residential life will establish and implement guest/visitor logs to strengthen the monitoring of guests/visitors.

Corrective action is to be completed by April 1, 2006.

STUDENT LICENSE AGREEMENT

The SSU *Student Housing License Agreement* did not properly address Title 5 requirements for amounts owed by the licensee in certain instances of revocation.

Title 5 §42019, *Cancellation, Vacating, or Revocation-Obligation of the Licensee*, 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 with 30-day notice denied by the president.
- Request by a licensee to vacate with less than a 30-day notice denied by the president.

Title 5 §42019 further requires that the licensee owes 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.

The director of housing stated that the campus had ceased charging the full remaining fee period for revocations due to adverse reactions from revoked licensees, which had resulted in delayed vacating and/or withdrawal from the university. He added that the campus had instead charged a \$250 cancellation fee.

Student license agreements that do not properly address Title 5 requirements for amounts owed due to license revocation increase the risk that required fees will go uncharged.

Recommendation 2

We recommend that the campus modify its student license agreement to properly address Title 5 requirements for amounts owed due to license revocation and implement corresponding procedures to charge amounts owed.

Campus Response

We concur. We will modify the license agreement materials to properly address Title 5 requirements and will implement corresponding procedures to charge amounts owed.

Corrective action is to be completed by April 1, 2006.

INFORMATION SECURITY AND CONFIDENTIALITY

Employees with access to confidential personal information were not always required to sign adequate confidentiality statements or obtain the appropriate security approval.

Our review of five employees granted access to student resident confidential personal information maintained on the Residential Management System (RMS) disclosed that:

- ▶ Four employees had not signed an adequate confidentiality statement in which the employee specifically agreed to handle confidential information with diligent care and acknowledged other important responsibilities as required by CSU directives. These employees had instead signed an Information System Access Training Certification (ISATC) form, which only certified that the employee had received confidential information training and had sufficient understanding of the material. This latter form had not been formally approved by the systemwide human resources department for use in place of the approved confidentiality agreement and was determined to be inadequate by the assistant vice chancellor of human resources.
- ▶ One employee obtained RMS access without written approval from the campus president or vice president of administration.

CSU directive HR 2005-16 (superseded HR 2004-08) requires that employees with access to confidential personal data in PeopleSoft or any other computerized information system sign a data confidentiality agreement acknowledging that the employee understands requirements for protecting confidential data.

CSU memoranda *Information Security Clarification*, dated March 28, 2003, and *Status Update on Increased Security Measures*, dated March 15, 2004, state that no CSU employee will be granted access to confidential information in the PeopleSoft CMS system or other campus systems without review and written approval by the campus president or vice president of administration. Such approval will only be granted in cases where the access is required for the employee to perform a critical university function that is part of the employee's job duties. Further, employees approved for security access must sign a confidentiality document.

The senior director of human services stated that the ISATC form was developed from language obtained from the chancellor's office (CO), and it was her understanding that the form adequately met confidentiality information requirements for RMS as well as PeopleSoft. She further stated that the content and format of the confidentiality statement was worked out with union representatives in cooperation with the CO. The director of housing stated that he was unaware that RMS access required the approval of the campus president or vice president of administration at the time access was granted to the cited staff member who was classified as a temporary employee.

Failure to obtain adequate confidentiality statements or proper authorization for access to personal confidential information increases the risk of disclosure of and unauthorized access to confidential personal information.

Recommendation 3

We recommend that the campus:

- a. Implement the use of an adequate confidentiality agreement in accordance with CSU directives or otherwise approved by the CO.
- b. Ensure that appropriate written approval is obtained for all personnel granted system access to confidential personal information.

Campus Response

- a. We concur. The campus has revised the confidentiality agreement in accordance with HR 2005-16. To establish the implementation process, the new agreement will be submitted to employee organizations.

Corrective action is to be completed by April 1, 2006.

- b. We concur. The campus has issued a letter of instruction to housing personnel to follow established procedures to obtain appropriate approval for all personnel granted system access to confidential personal information.

Corrective action has been completed.

HOUSING OPERATIONS

CONFERENCE AND DORMITORY LEASING

Conference facility and dormitory leasing activities were not adequately segregated and administered.

Our review of 30 conference facility and dormitory leases from June 2004 to July 2005 disclosed that:

- ▶ An improper segregation of duties existed for the responsibilities associated with the conferences, events and catering department. Responsibilities had not been assigned to the director, associate director, and conferences coordinator to prevent any one individual from performing all of the following incompatible duties: customer billing, handling of payments by check, and recording/updating accounts receivable.
- ▶ Payment of conference facilities rentals was not always enforced in accordance with the conference payment schedule. Sixteen conference rentals had not paid the respective facilities leasing fees prior to the event. Additionally, three of these conference rentals had unpaid balances of \$2,525 as of October 2005 and collection activity had been initiated for only one of the balances even though the events occurred in July and August 2004.

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 a plan of organization that provides segregation of duties appropriate for proper safeguarding of assets and an effective system of internal review.

The *SSU Conference Agreement Provisions* require an initial 10% non-refundable deposit when the conference agreement is executed, 50% payment of the current amount due 60 days prior to the start of the event, and the final payment for all outstanding charges 15 days prior to start date of the event. Further, the university will not provide facilities or services until the updated conference bill is paid in full.

The director of conferences, events and catering stated that conflicting duties were not segregated due to multiple employees having similar job responsibilities. She further stated that while the program strived to meet internal payment schedules, it also had to work closely with customers to help them meet their cash flow needs.

Inadequate segregation of duties and lack of enforcement of conference payment schedules for all facility leases increase the risk of inappropriate activities and untimely collection of fees.

Recommendation 4

We recommend that the campus:

- a. Review the job responsibilities of the conferences, events and catering department and take appropriate action to adequately segregate duties or institute mitigating procedures.
- b. Ensure that dormitory rental reservations are paid in accordance with campus payment schedules.

Campus Response

- a. We concur. The conferences, events and catering department will review and bring into compliance the process of handling accounts receivable to separate the duties of initiating an accounts receivable, handling payments, and recording/updating the accounts receivable.

Corrective action is to be completed by May 1, 2006.

- b. We concur. The campus will set up agreements for each rental reservation to be based on individual considerations and timetables.

Corrective action is to be completed by April 1, 2006.

CONFERENCE SERVICE RATES

Conference service rates were not approved in writing by the campus president.

Our review of the 2004/05 conference service rates schedule disclosed that the prior senior director of entrepreneurial activities had 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 director of conferences, events and catering stated that the department was unaware of the requirement for presidential approval of conference rates.

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

Recommendation 5

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

Campus Response

We concur. The authority to approve conference rates has been delegated by the president to the vice president of administration and finance and subsequently delegated to the senior director of entrepreneurial activities. The senior director has approved the rates in writing.

Corrective action has been completed.

SERVICE AGREEMENTS

The food service agreement between the campus and Sonoma State Enterprises, Inc. had expired on June 30, 2005.

The food service agreement stated that the contractor agrees to provide year-round food service from July 1, 2004, to June 30, 2005, and did not contain terms for automatic extension or periodic renegotiation of the original agreement.

Title 5 §42501 states that a written agreement on behalf of the State of California by the chancellor of the CSU and the auxiliary organization is required for the performance of any of the functions listed in §42500, which includes food services.

State University Administrative Manual §2154 states that when an auxiliary organization provides food services to a campus using housing system facilities, a written agreement on behalf of the State of California and the auxiliary organization is required for the performance of such function.

The senior director of entrepreneurial activities stated that the outdated agreement was due to an administrative oversight and was corrected during the audit.

Maintaining a business relationship unsupported by a current and complete contract limits campus recourse in the event of a misunderstanding concerning service, responsibilities, and/or payments.

Recommendation 6

We recommend that the campus strengthen procedures to ensure that all housing service agreements are renegotiated in a timely manner.

Campus Response

We concur. The campus will send a letter of instruction to personnel in housing services and entrepreneurial activities to set up housing service agreements in a timely manner.

Corrective action is to be completed by April 1, 2006.

FISCAL ADMINISTRATION

HOUSING FEES

Housing fees were not always properly approved.

Our review of five housing fees disclosed that:

- ▶ Two of the fees for late payment of housing fee installments and license cancellation were not approved by the president with the guidance of the campus fee advisory committee (CFAC). Instead, the fees were periodically reviewed by the director of housing and approved by the senior director of entrepreneurial services.
- ▶ Three of the fees for academic year rent, meal plans, and the unapproved guest fee, which was determined by the respective daily rate of the established academic year rent schedule, were not formally approved by the president. The CFAC had considered and recommended to the president the fee adjustment methodology by which annual adjustments were based on changes in the Greater Bay Area Price Index.

EO 740, *The CSU Student Fee Policy*, dated April 13, 2000, states that the chancellor may establish new Category III and IV fees and the campus president may adjust the fees after required consideration by the CFAC. After consideration by the CFAC, the president may request the chancellor to establish a new Category III or IV fee or adjust the fee. Some Category III fees, which require frequent adjustment to accommodate changing market conditions, may be established in advance of consultation with the CFAC; however, consultation must follow.

The director of housing stated that he was unaware that the late payment and cancellation fees required guidance from the CFAC and approval of the president. The senior director of entrepreneurial activities stated that the president had approved the fee adjustment methodology and had instructed the vice president of administration to implement; however, this was not formally documented.

Improper fees could be established without the required CFAC consultation and approval of the president.

Recommendation 7

We recommend that the campus take appropriate action to ensure that current and future housing fees are approved by the president after consideration by the CFAC, and that approvals are adequately documented.

Campus Response

We concur. Housing fees will be approved by the president after consideration by the CFAC. All approvals will be documented and retained.

Corrective action is to be completed by April 1, 2006.

INSTALLMENT PAYMENTS

Students were not required to pay a non-refundable service fee when paying by installment.

Title 5 §42000 and §42009 state that a president may permit a licensee to pay license fees in installments, provided that each installment is paid in advance of the period covered by the installment, and provided that the licensee pays the service fee (non-refundable) required of a licensee to cover the added costs incurred in collecting and processing a license fee by installments.

The director of housing stated that since the vast majority of the residents utilized the payment plan schedule over the past several years, the costs of administrating this schedule were built into the basic rent fees for 2005/06 instead of assessing additional installment fees.

Failure to charge required service fees negatively impacts cash flow.

Recommendation 8

We recommend that the campus establish and implement a non-refundable service fee for installment payments.

Campus Response

We concur. We confirmed with the Office of General Counsel that the SSU practice of imbedding the installment fee in the license fee is compatible with Title 5. For further clarification and identification, the installment fees will be accumulated in a separate account.

Corrective action is to be completed by April 1, 2006.

HOUSING RESERVES

Aggregate student housing reserve balances fell short of reserve balance goals required by the campus student housing reserve policy, and were not categorized into the four specific reserve categories included in the reserve policy.

Our review of the 30-year pro forma financial statements for the consolidated housing program disclosed that significant differences existed between forecasted reserve balances and the campus student housing reserve policy. For instance, the aggregate housing reserve for fiscal year 2005/06 was forecasted to be \$3,760,615 while the student housing reserve policy required aggregate reserve goals of \$11,220,000, which resulted in an expected shortfall of \$7,459,385. Although the campus had recently documented the student housing reserve policy and completed an in-depth review of the reserve balances, the pro forma financial statements generated during the in-depth review failed to specifically account for the reserve categories of capital development for new projects and catastrophic events.

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 events.

The director of housing stated that the goal statements in the 2005/06 reserve policy were not goals for fiscal year 2005/06, but rather multi-year goals or targets, which the campus wanted to achieve over the next several years. He further stated that the working capital, capital development, and catastrophic events reserves were included in the Dormitory Revenue Fund balance. He added that the campus had not established separate fund categories for these reserves but their balances were separately accounted for by the campus.

Failure to fully document and comply with reserve requirements established by campus policy increases the risk of non-compliance with debt financing reserve requirements and non-availability of funds when a need arises.

Recommendation 9

We recommend that the campus more accurately align the reserve requirements established by the student housing reserve policy with housing program budget projections as well as include all required reserve categories when conducting the in-depth review of reserve adequacy.

Campus Response

We concur. The campus will more accurately align the reserve requirements established by the student housing reserve policy with housing program budget projections and all the required reserve categories; included will also be a review of reserve adequacy.

Corrective action is to be completed by May 15, 2006.

RESIDENT SAFETY AND ACTIVITY PROGRAMS

Documentation was not retained to evidence attendance at all mandatory residence hall staff training.

A condition of employment contained in the job descriptions for both residential life coordinators and community service advisors was the requirement to attend and participate in training and orientation programs prior to the beginning of the semester, and in-service training and staff meetings during the year. Although training agendas and evidence of first-year community service advisor completion of a counseling and student leadership class were retained, no other evidence of individual attendance was maintained.

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 associate director of residential life programs stated that although in-depth training was conducted for residential life staff, the campus was unaware of the requirement to maintain a record of all staff members who attend training sessions.

The absence of training attendance documentation increases the risk that employees will fail to completely fulfill their training obligations.

Recommendation 10

We recommend that the campus maintain written training attendance records for all residence hall staff training.

Campus Response

We concur. Attendance logs will be kept for every required community service advisor training activity that occurs within the academic year. A residential life coordinator will be awarded a certificate of completion at the conclusion of training activities.

Corrective action has been completed.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Ruben Armiñana	President
Sharyn Abernatha	Manager, Labor Relations
Brooke Bauer	Community Service Advisor
Leticia Coate	Associate Vice President, Administration and Finance
Katharyn Crabbe	Vice President, Student Affairs and Enrollment Management
George Ellington	Captain, Police and Parking Services
Peter Flores	Conference Coordinator
Leilani Fuiten	Accountant, Financial Services
Laurence Furukawa-Schlereth	Vice President, Administration and Finance
Julie Greathouse	Residential Life Coordinator
Brian Helfer	Community Service Advisor
Chris Hendry	Conference Coordinator
Nicole Hendry	Associate Director, Housing
Nate Johnson	Senior Director/Chief of Police, Police and Parking Services
Kurt Koehle	Director, Internal Operations Analysis and Review
Richard Marker	Senior Director, Facilities Services
Neil Markley	Senior Director, Entrepreneurial Activities
Linda Micowicz	Director, Contracts and Procurement
Tyler Miller	Residential Life Coordinator
Cyndie Morozumi	Associate Director, Residential Life Programs
Edna Nakamoto	Senior Director, Human Services
Gloria Ogg	Senior Director, Customer Services
Mo Phillips	Associate Director, Student Development
Chuck Rhodes	Director, Student Development and Equity Retention
Paul Santini	Assistant Controller, Student Finance
Nicholas Saschin	Accountant Administrator, Financial Services
Samuel Scalise	Senior Director, Information Technology
Patricia Sinclair	Associate Director, Conferences, Events and Catering
Tim Tiemens	Director, Housing
Mary Trimble	Accountant of Receipts, Financial Services
Marian Van Horn	Fiscal Coordinator, Residential Life Programs
Jessica Way	Director, Conferences, Events and Catering
Jason Wenrick	Finance Project Director, Financial Services
Tandy Whitaker	Budget Analyst, Financial Services



SONOMA STATE UNIVERSITY

1801 East Cotati Avenue
Rohnert Park, California 94928-3609

Chief Financial Officer and
Vice President for Administration and Finance
Tel: 707 664-2035
Fax: 707 664-2080

February 24, 2006

Larry Mandel
University Auditor
Office of the University Auditor
The California State University
401 Golden Shore, 4th Floor
Long Beach, California 90802-4200

Dear Mr. Mandel:

On behalf of President Armiñana, I am submitting the campus response to the recommendations of the University Auditor Report Number 05-30, Housing and Residential Services, at Sonoma State University. This response has also been forwarded via email to adouglas@calstate.edu.

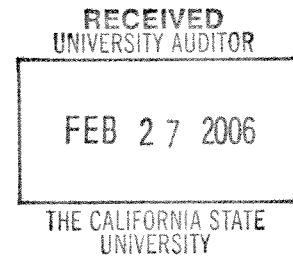
Documentation demonstrating implementation of recommendations already completed will be forwarded to you separately.

Sincerely,

Laurence Furukawa-Schlereth
Chief Financial Officer and
Vice President for Administration and Finance

Encl.

c: President Ruben Armiñana
Letitia Coate, Associate Vice President for Administration and Finance (e-file)
Neil Markley, Senior Director, Entrepreneurial Activities (e-file)
Edna Nakamoto, Senior Director, Human Services (e-file)
Tim Tiemens, Director, Housing Services (e-file)
Katharyn Crabbe, Vice President, Student Affairs (e-file)
Chuck Rhodes, Director, Student Development, Residential Life Programs (e-file)
Kurt Koehle, Director, Internal Operations, Administration and Finance



HOUSING AND RESIDENTIAL SERVICES

SONOMA STATE UNIVERSITY

Report Number 05-30

January 24, 2006

HOUSING PROGRAM ADMINISTRATION

GUESTS AND VISITORS

Recommendation 1

We recommend that the campus:

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

Campus Response

- a. We concur. Required guest approval procedures including written delegations and approved guest fees will be developed, authorized, and implemented in accordance with Title 5.

Corrective action is to be completed by May 1, 2006.

- b. We concur. The Office of Residential Life will establish and implement guest/visitor logs to strengthen the monitoring of guests/visitors.

Corrective action is to be completed by April 1, 2006.

STUDENT LICENSE AGREEMENT

Recommendation 2

We recommend that the campus modify its student license agreement to properly address Title 5 requirements for amounts owed due to license revocation and implement corresponding procedures to charge amounts owed.

Campus Response

We concur. We will modify the license agreement materials to properly address the Title 5 requirements and will implement corresponding procedures to charge amounts owed.

Corrective action is to be completed by April 1, 2006.

INFORMATION SECURITY AND CONFIDENTIALITY

Recommendation 3

We recommend that the campus:

- a. Implement the use of an adequate confidentiality agreement in accordance with CSU directives or otherwise approved by the CO.
- b. Ensure that appropriate written approval is obtained for all personnel granted system access to confidential personal information.

Campus Response

- a. We concur. The campus has revised the confidentiality agreement in accordance with HR Memo 2005-16. To establish the implementation process the new agreement will be submitted to employee organizations.

Corrective action is to be completed by April 1, 2006.

- b. We concur. The campus has issued a letter of instruction to Housing personnel to follow established procedures to obtain appropriate approval for all personnel, granted system access to confidential personal information.

Corrective action has been completed.

HOUSING OPERATIONS

CONFERENCE AND DORMITORY LEASING

Recommendation 4

We recommend that the campus:

- a. Review the job responsibilities of the conferences, events and catering department and take appropriate action to adequately segregate duties or institute mitigating procedures.
- b. Ensure that dormitory rental reservations are paid in accordance with campus payment schedules.

Campus Response

- a. We concur. Conference, Events, and Catering departments [CEC] will review and bring into compliance the process of handling accounts receivable to separate the duties of initiating an accounts receivable, handling payments and recording/updating the accounts receivable.

Corrective action is to be completed by May 1, 2006.

- b. We concur. The campus will set up agreements for each rental reservations to be based on individual considerations and timetables.

Corrective action is to be completed by April 1, 2006.

CONFERENCE SERVICE RATES

Recommendation 5

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

Campus Response

We concur. The authority to approve conference rates has been delegated by the President to the Vice President for Administration and Finance and subsequently delegated to the Senior Director for Entrepreneurial Activities. The Senior Director has approved the rates in writing.

Corrective action has been completed.

SERVICE AGREEMENTS

Recommendation 6

We recommend that the campus strengthen procedures to ensure that all housing service agreements are renegotiated in a timely manner.

Campus Response

We concur. The campus will send a letter of instruction to personnel in Housing Services and Entrepreneurial Activities to set up housing service agreements in a timely manner.

Corrective action is to be completed by April 1, 2006.

FISCAL ADMINISTRATION

HOUSING FEES

Recommendation 7

We recommend that the campus take appropriate action to ensure that current and future housing fees are approved by the president after consideration by the CFAC, and that approvals are adequately documented.

Campus Response

We concur. Housing fees will be approved by the President after consideration by the Campus Fee Advisory Committee. All approvals will be documented and retained.

Corrective action is to be completed by April 1, 2006.

INSTALLMENT PAYMENTS

Recommendation 8

We recommend that the campus establish and implement a non-refundable service fee for installment payments.

Campus Response

We concur. We confirmed with the Office of General Counsel that the SSU practice of imbedding the installment fee in the license fee is compatible with Title 5. For further clarification and identification, the installment fees will be accumulated in a separate account.

Corrective action is to be completed by April 1, 2006.

HOUSING RESERVES

Recommendation 9

We recommend that the campus more accurately align the reserve requirements established by the student housing reserve policy with housing program budget projections as well as include all required reserve categories when conducting the in-depth review of reserve adequacy.

Campus Response

We concur. The campus will more accurately align the reserve requirements established by the student housing reserve policy with housing program budget projections and all the required reserve categories; included will also be a review of reserve adequacy.

Corrective action is to be completed by May 15, 2006.

RESIDENT SAFETY AND ACTIVITY PROGRAMS

Recommendation 10

We recommend that the campus maintain written training attendance records for all residence hall staff training.

Campus Response

We concur. Attendance logs will be kept for every required Community Service Advisor training activity that occurs within the academic year. A Residential Life Coordinator will be awarded certificate of completion at the conclusion of training activities.

Corrective action has been completed.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

March 8, 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 05-30 on *Housing and Residential Services*, Sonoma State University

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of March 8, 2006, I accept the response as submitted with the draft final report on *Housing and Residential Services*, Sonoma State University.

MONTEREY BAY

NORTHRIDGE

CBR/jt

POMONA

Enclosure

SACRAMENTO

SAN BERNARDINO

cc: Dr. Ruben Armiñana, President
Mr. Laurence Furukawa-Schlereth,
Vice President for Administration and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS