

AUXILIARY ORGANIZATIONS

SAN JOSÉ STATE UNIVERSITY

Audit Report 07-45

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CONTENTS

Executive Summary	1
Introduction.....	7
Background	7
Purpose.....	8
Scope and Methodology	8

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

SAN JOSÉ STATE UNIVERSITY RESEARCH FOUNDATION

Personnel and Payroll	12
Property and Equipment	13
Auxiliary Programs.....	14
Information Technology	15

THE TOWER FOUNDATION

Operating and Administrative Agreements.....	16
Corporate Governance	16
Fees, Revenues, and Receivables.....	17
Reconciliation	17
Accounts Receivable.....	18
Investments	18
Purchasing and Accounts Payable	19
Endowment Administration	20
Auxiliary Programs.....	21

SPARTAN SHOPS, INC.

Operating and Administrative Agreements..... 23

Operational Compliance 23

Cash Receipts and Handling 24

Fees, Revenues, and Receivables..... 25

Information Technology 26

 Disaster Recovery Plan 26

 AS 400 Security 27

ASSOCIATED STUDENTS SAN JOSÉ STATE UNIVERSITY

Corporate Governance 28

 Dissolution of Auxiliary 28

 Audit Committee..... 28

Program Compliance..... 29

Fees, Revenues, and Receivables..... 30

Purchasing and Accounts Payable 30

Information Technology 31

THE STUDENT UNION OF SAN JOSÉ STATE UNIVERSITY

Operating and Administrative Agreements..... 32

Corporate Governance 32

Investments 33

Fees, Revenues, and Receivables..... 34

Purchasing and Accounts Payable 36

Personnel and Payroll 36

Auxiliary Programs..... 37

Information Technology 38

APPENDICES

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

ABBREVIATIONS

AS	Associated Students San José State University
CSU	California State University
EO	Executive Order
Foundation	San José State University Research Foundation
GC	Government Code
IT	Information Technology
RFIN	Resolution of the Committee on Finance
Shops	Spartan Shops, Inc.
TF	The Tower Foundation
Union	The Student Union of San José State University

EXECUTIVE SUMMARY

In July 1981, the Board of Trustee policy concerning auxiliary organizations was adopted in the Resolution of the Committee on Finance (RFIN) 7-81-4. Executive Order 698, *Board of Trustees Policy for The California State University Auxiliary Organizations*, dated March 3, 1999, required that the Office of the University Auditor conduct internal compliance/internal control reviews of auxiliary organizations, and the Board of Trustees instructed that such reviews be conducted on a triennial basis pursuant to procedures established by the chancellor.

San José State University management is responsible for establishing and maintaining an adequate system of internal compliance/internal control and assuring that each of its auxiliary organizations similarly establishes such a system. This responsibility, in accordance with California Code of Regulations, Title 5, Section 42402 et seq. and Executive Order 698, *Board of Trustees Policy for The California State University Auxiliary Organizations et seq.*, includes requiring the documentation of internal control, communicating requirements to employees, and assuring that its system of internal compliance/internal control is functioning as prescribed. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of a system of internal compliance/internal control are to provide management with reasonable, but not absolute, assurance that:

- ▶ Auxiliary operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and Trustee policy.
- ▶ Assets are adequately safeguarded against loss from unauthorized use or disposition.
- ▶ Transactions are executed in accordance with management's authorization and recorded properly to permit the timely preparation of reliable financial statements.

We visited the San José State University campus and its auxiliary organizations from May 29, 2007, through June 28, 2007, and made a study and evaluation of the system of internal compliance/internal control in effect for the period October 2004 to June 2007. This report represents our triennial review.

Our study and evaluation at *San José State University Research Foundation* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of June 2007, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at *The Tower Foundation* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of June 2007, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at the *Spartan Shops, Inc.* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of June 2007, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at the *Associated Students San José State University* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of June 2007, taken as a whole, was sufficient to meet the objectives stated above.

Our study and evaluation at *The Student Union of San José State University* did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and in the body of the report. In our opinion, the accounting and administrative control in effect as of June 2007, taken as a whole, was sufficient to meet the objectives stated above.

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

SAN JOSÉ STATE UNIVERSITY RESEARCH FOUNDATION

PERSONNEL AND PAYROLL [12]

Administration of San José University Research Foundation (Foundation) personnel records required improvement. Specifically, student assistant personnel files did not contain documentation acknowledging the receipt of new employee human resources and payroll documents. Further, one temporary employee's personnel file did not contain documentation detailing the extension of employment or reappointment.

PROPERTY AND EQUIPMENT [13]

Certain Foundation capitalized equipment was not tagged in a timely manner.

AUXILIARY PROGRAMS [14]

The campus had not requested/received reimbursement for all direct and indirect costs provided to two auxiliary sponsored programs administered by the Foundation. The child development laboratory and the department of television, radio, film and theatre productions were both classified

by the campus as auxiliary programs. However, the reimbursement of expenditures for facilities, utilities, insurance, and indirect costs for other campus services had not occurred.

INFORMATION TECHNOLOGY [15]

The Foundation did not encrypt sensitive personnel information stored on the financial system.

THE TOWER FOUNDATION

OPERATING AND ADMINISTRATIVE AGREEMENTS [16]

The service arrangement between The Tower Foundation (TF) and university advancement for donation and gift processing services was not supported by a written agreement.

CORPORATE GOVERNANCE [16]

The TF had not appointed a student representative to its board of directors since its creation in August 2004.

FEES, REVENUES, AND RECEIVABLES [17]

Reconciliations between the TF accounting system and the TF bank accounts were not documented. Further, the TF had not fully documented policies and procedures to address accounts receivable aging and the write-off and approval of uncollectible receivables.

INVESTMENTS [18]

Permitted investments and acceptable asset allocation ranges listed within the investment policy differed from current asset classes and portfolio allocation.

PURCHASING AND ACCOUNTS PAYABLE [19]

The TF did not develop written procurement policies and procedures to address the competitive bidding process and the use of purchase orders.

ENDOWMENT ADMINISTRATION [20]

Administration of TF endowments required improvement. Specifically, signature cards of authorized and additional appointed signers were not consistently maintained within the endowment files or endowment distribution accounts. Further, reconciliations between the TF accounting system and computerized donor records maintained by university advancement were not adequately performed.

AUXILIARY PROGRAMS [21]

Certain TF accounts lacked sufficient supporting documentation to authorize their establishment.

SPARTAN SHOPS, INC.

OPERATING AND ADMINISTRATIVE AGREEMENTS [23]

A written agreement between the Spartan Shops, Inc. (Shops) and its janitorial service provider had not been established.

OPERATIONAL COMPLIANCE [23]

The Shops had neither obtained annual conflict-of-interest statements from all senior management staff nor developed a procedure for board members to annually update their conflict-of-interest statements.

CASH RECEIPTS AND HANDLING [24]

Administration of cash receipts and handling related to daily sales transactions at the Shops required improvement. Specifically, a policy had not been established for cash shortages and/or overages, cash shortages and/or overages had not been adequately investigated and documented, and procedures to mitigate, investigate, or recover cash shortages had not been developed.

FEES, REVENUES, AND RECEIVABLES [25]

The Shops had not documented procedures to address accounts receivable aging, collection of past due accounts, assessment of allowance for doubtful accounts, and write-off of uncollectible accounts.

INFORMATION TECHNOLOGY [26]

The Shops had not developed a written information technology (IT) disaster recovery plan. Further, security controls for the Shops AS 400 computer system did not require the periodic changing of passwords nor restrict command line privileges for end user accounts.

ASSOCIATED STUDENTS SAN JOSÉ STATE UNIVERSITY

CORPORATE GOVERNANCE [28]

The Associated Students San José State University (AS) had not updated its Articles of Incorporation to reflect a proper dissolution clause. In addition, the AS had neither implemented an audit committee nor established a written charter explaining the roles and responsibilities of the committee's members.

PROGRAM COMPLIANCE [29]

The AS had not developed a process to identify, track, and/or report scholarship payments processed through campus organization accounts.

FEES, REVENUES, AND RECEIVABLES [30]

Variances between attendance records/collections from the campus recreation department and deposits made at the AS general services center were not sufficiently documented.

PURCHASING AND ACCOUNTS PAYABLE [30]

The AS did not maintain written signature authorization forms for managers delegated to approve disbursements on certain departmental accounts.

INFORMATION TECHNOLOGY [31]

The AS did not encrypt sensitive personnel information stored on the financial system.

THE STUDENT UNION OF SAN JOSÉ STATE UNIVERSITY

OPERATING AND ADMINISTRATIVE AGREEMENTS [32]

The Student Union of San José State University (Union) performed a function not authorized by the operating agreement with the campus, specifically the administration of club sports.

CORPORATE GOVERNANCE [32]

The Union had neither implemented an audit committee nor established a written charter explaining the roles and responsibilities of the committee's members.

INVESTMENTS [33]

The Union's administration of investments required improvement. Specifically, signature authorization cards for investment accounts were not updated to reflect changes in employees, investment allocation percentages were not consistently in compliance with the investment policy, and annual updates by the investment manager were not communicated to the finance committee.

FEES, REVENUES, AND RECEIVABLES [34]

Administration of the Union accounts receivable was inadequate. Specifically, written policies and procedures had not been developed to address the management of event expenditures and settlements through the accounts receivable module of the financial system. In addition, reconciliations between the general ledger and the accounts receivable subsidiary ledger were not completed in a timely

manner and credit notes to authorize credit entries into the accounts receivable module were not properly authorized.

PURCHASING AND ACCOUNTS PAYABLE [36]

The Union had not developed written travel policies to reflect current practice regarding the processing of travel-related disbursements.

PERSONNEL AND PAYROLL [36]

Reconciliations between payroll costs charged by the campus to the Union work-study account and the amount recorded by the Union were not performed.

AUXILIARY PROGRAMS [37]

Administration of the Union club sports program was deficient. Specifically, club sports organizations did not have required faculty/staff advisors. In addition, the Union had not obtained evidence of insurance coverage or waiver of liability for volunteers participating in the club sports program.

INFORMATION TECHNOLOGY [38]

The Union had not developed a written IT disaster recovery plan.

INTRODUCTION

BACKGROUND

Education Code §89900 states, in part, that the operation of auxiliary organizations shall be conducted in conformity with regulations established by the Trustees.

Education Code §89904 states, in part, that the Trustees of the California State University (CSU) and the governing boards of the various auxiliary organizations shall:

- ▶ Institute a standard systemwide accounting and reporting system for businesslike management of the operation of such auxiliary organizations.
- ▶ Implement financial standards that will assure the fiscal viability of such various auxiliary organizations. Such standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.
- ▶ Institute procedures to assure that transactions of the auxiliary organizations are within the educational mission of the state colleges.
- ▶ Develop policies for the appropriation of funds derived from indirect cost payments.

The Board of Trustee policy concerning auxiliary organizations was originally adopted in July 1981 in the Resolution of the Committee on Finance (RFIN) 7-81-4. Executive Order 698, *Board of Trustees Policy for The California State University Auxiliary Organizations*, dated March 3, 1999, represents policy of the Trustees addressing CSU auxiliary organization activity and governing the internal management of the system. CSU auxiliary organizations are required to comply with Board of Trustee policy (California Code of Regulations, Title 5, Section 42402 and Education Code, Section 89900).

This executive order requires that the Office of the University Auditor will perform an internal compliance/internal control review of auxiliary organizations. The review will be used to determine compliance with law, including statutes in the Education Code and rules and regulations of Title 5, and compliance with policy of the Board of Trustees and of the campus, including appropriate separation of duties, safeguarding of assets, and reliability and integrity of information. According to Board of Trustee instruction, each auxiliary organization shall be examined on a triennial basis pursuant to procedures established by the chancellor.

PURPOSE

The principal audit objectives were to determine compliance with the Education Code, Title 5, and directives of the Board of Trustees and the Office of the Chancellor and to assess the adequacy of controls and systems. Specifically, we sought assurances that:

- ▶ Legal and regulatory requirements are complied with.
- ▶ Accounting data is provided in an accurate, timely, complete, or otherwise reliable manner.
- ▶ Assets are adequately safeguarded from loss, damage, or misappropriation.
- ▶ Duties are appropriately segregated consistent with appropriate control objectives.
- ▶ Transactions, accounting entries, or systems output is reviewed and approved.
- ▶ Management does not intentionally override internal controls to the detriment of control objectives.
- ▶ Accounting and fiscal tasks, such as reconciliations, are prepared properly and completed timely.
- ▶ Deficiencies in internal controls previously identified were corrected satisfactorily and timely.
- ▶ Management seeks to prevent or detect erroneous recordkeeping, inappropriate accounting, fraudulent financial reporting, financial loss, and exposure.

SCOPE AND METHODOLOGY

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests that required annualized data, fiscal years 2004/05 and 2005/06 were the primary periods reviewed. In certain instances, we were concerned with representations of the most current data; in such cases, the test period was July 2006 to June 2007. Our primary focus was on internal compliance/internal control.

Specifically, we reviewed and tested:

- ▶ Formation of the auxiliary.
- ▶ Functions the auxiliary performs on the campus.
- ▶ Creation and operation of the auxiliary's board.
- ▶ Establishment of policies and procedures based upon sound business practices.
- ▶ Maintenance of "arms-length" in business transactions between the auxiliary and the campus.
- ▶ Campus oversight of auxiliary operations.

Additionally, for the period reviewed, we examined other aspects of compliance of the campus and each auxiliary with the Education Code and Title 5 as they relate to the operation of CSU auxiliary organizations. Individual codes and regulations added to the scope of our review were identified through an assessment of risk. Similarly, internal controls were included within our scope based upon risk. Therefore, the scope of our review varied from auxiliary to auxiliary.

A preliminary survey of CSU auxiliaries at each campus was used to identify risks. Risk was defined as the probability that an event or action would adversely affect the auxiliary and/or the campus. Our assessment of risk was based upon a systematic process, using professional judgments on probable adverse conditions and/or events that became the basis for development of our final scope. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

San José State University Research Foundation.

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Fees, Revenues, and Receivables
- ▶ Petty Cash and Change Funds
- ▶ Investments
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment
- ▶ Auxiliary Programs
- ▶ Information Technology

The Tower Foundation

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Fees, Revenues, and Receivables
- ▶ Investments
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Endowment Administration

The Tower Foundation (cont.)

- ▶ Auxiliary Programs
- ▶ Information Technology

Spartan Shops, Inc.

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Petty Cash and Change Funds
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment
- ▶ Auxiliary Programs
- ▶ Information Technology

Associated Students San José State University

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance
- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Property and Equipment
- ▶ Auxiliary Programs
- ▶ Information Technology

The Student Union of San José State University

- ▶ Operating and Administrative Agreements
- ▶ Facilities Agreements
- ▶ Corporate Governance
- ▶ Fiscal Compliance
- ▶ Operational Compliance

The Student Union of San José State University (cont.)

- ▶ Program Compliance
- ▶ Campus Oversight and Control
- ▶ Segregation of Duties
- ▶ Cash Receipts and Handling
- ▶ Fees, Revenues, and Receivables
- ▶ Purchasing and Accounts Payable
- ▶ Personnel and Payroll
- ▶ Auxiliary Programs
- ▶ Information Technology

Campus

Campus Oversight

We have not performed any auditing procedures beyond June 2007. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

SAN JOSÉ STATE UNIVERSITY RESEARCH FOUNDATION

PERSONNEL AND PAYROLL

Administration of San José State University Research Foundation (Foundation) personnel records required improvement.

We noted that:

- ▶ Student assistant personnel files did not contain documentation acknowledging the receipt of new employee human resources and payroll documents.
- ▶ One temporary employee's personnel file did not contain documentation detailing the extension of employment or reappointment.

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

The Foundation human resources director stated that the lack of proper personnel records was due to oversight.

Failure to maintain proper personnel records increases the risk of loss, errors, and misappropriation.

Recommendation 1

We recommend that the Foundation:

- a. Ensure all personnel files contain documentation acknowledging the receipt of new employee human resources and payroll documents.
- b. Ensure all temporary employees have current employment documentation maintained within their personnel files.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to:

- a. Ensure all personnel files contain documentation acknowledging the receipt of new employee human resources and payroll documents.
- b. Ensure all temporary employees have current employment documentation maintained within their personnel files.

PROPERTY AND EQUIPMENT

Certain Foundation capitalized equipment was not tagged in a timely manner.

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

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the California State University (CSU) system. Section 8.9.7, *Property and Equipment*, states that the auxiliary should establish a written system that ensures proper recording of property and equipment when received and for labeling of equipment.

The Foundation controller stated that the equipment was not tagged timely due to oversight.

Failure to tag property and equipment in a timely manner increases the risk that property may be lost or stolen.

Recommendation 2

We recommend that the Foundation ensure that all property and equipment is tagged in a timely manner.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to ensure that all property and equipment is tagged in a timely manner.

AUXILIARY PROGRAMS

The campus had not requested/received reimbursement for all direct and indirect costs provided to two auxiliary sponsored programs administered by the Foundation.

The child development laboratory and the department of television, radio, film and theatre productions were both classified by the campus as auxiliary programs. However, the reimbursement of expenditures for facilities, utilities, insurance, and indirect costs for other campus services had not occurred.

Executive Order (EO) 753, *Allocation of Costs to Auxiliary Enterprises*, dated July 28, 2000, established the responsibility for auxiliaries to pay allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the campus and funded by the General Fund.

EO 751, *Centers, Institutes and Similar Organizations on Campuses of The California State University*, dated July 5, 2000, governs the development of these types of enterprises on each campus. The EO also states that programs can either be owned by the campus or owned by an auxiliary and that financial responsibility follows the ownership decision.

The Foundation controller stated that failure to demonstrate full reimbursement of all direct and indirect costs provided by the campus was due to the historical relationship between the campus and the Foundation related to these two organizations. She added that specifically, the campus does not request full reimbursement because of the instructionally related nature and the importance to the campus academic mission.

Failure to reimburse all costs associated with state services could result in the General Fund not being properly reimbursed for services provided to the auxiliary organization.

Recommendation 3

We recommend that the Foundation reimburse the General Fund for all direct and indirect costs associated with services provided to all auxiliary sponsored programs.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to reimburse the General Fund for all direct and indirect costs associated with services provided to all auxiliary sponsored programs.

INFORMATION TECHNOLOGY

The Foundation did not encrypt sensitive personnel information stored on the financial system.

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

The Foundation information technology (IT) manager stated that the auxiliary was in the process of evaluating its security policies and that the encryption of sensitive data would be included.

Failure to encrypt sensitive personnel information increases the risk that the Foundation would need to notify all affected personnel in the event of a breach of security.

Recommendation 4

We recommend that the Foundation encrypt sensitive personnel information stored on the financial system as soon as possible or replace the system with a product that will provide such encryption. Until encryption can be provided, we recommend that the Foundation work with the campus to ensure that the server is protected from unauthorized internal network traffic, and that server logs are generated and maintained separate from the server itself.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to protect sensitive personnel information stored on the financial system, either via encryption or via strengthened access control of internal network traffic and strengthened procedures for server logs.

THE TOWER FOUNDATION

OPERATING AND ADMINISTRATIVE AGREEMENTS

The service arrangement between The Tower Foundation (TF) and university advancement for donation and gift processing services was not supported by a written agreement.

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

The TF executive director stated that the absence of an agreement between the TF and university advancement was due to oversight.

The absence of a written agreement increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 5

We recommend that the TF establish a written agreement with university advancement regarding their responsibilities over donation and gift processing.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to establish a written agreement with university advancement regarding their responsibilities over donation and gift processing.

CORPORATE GOVERNANCE

The TF had not appointed a student representative to its board of directors since its creation in August 2004.

Title 5 §42602(b) specifically requires a student representative on an auxiliary organization board.

The TF executive director stated that the campus president had decided to temporarily leave the student board position vacant until other board of director positions had been filled.

Failure to maintain mandated board composition violates statutory requirements and increases the risk that student views will not be adequately represented.

Recommendation 6

We recommend that the TF ensure that all board positions are filled in a timely manner.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to ensure that all board positions are filled in a timely manner.

FEES, REVENUES, AND RECEIVABLES

RECONCILIATION

Reconciliations between the TF accounting system and the TF bank accounts were not documented.

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

The TF controller stated that the review and approval of account reconciliations occurred; however, the lack of documented verification, such as initialing or signing, was due to oversight.

Failure to document revenue reconciliations increases the risk that inconsistencies and misunderstandings will occur.

Recommendation 7

We recommend that the TF document reconciliations between its accounting system and bank statements.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to document reconciliations between our accounting system and bank statements.

ACCOUNTS RECEIVABLE

The TF had not fully documented policies and procedures to address accounts receivable aging and the write-off and approval of uncollectible receivables.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates an establishment of written systems to record receivables in a timely manner with proper documentation.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.4, *Receivables*, states that the auxiliary should properly record and promptly collect receivables in a consistent manner utilizing systems that ensure integrity of existing internal controls.

The TF executive director stated that the lack of complete, written policies and procedures was due to time constraints associated with recently acquired operational activities.

Failure to document policies and procedures increases the risk that inconsistencies and misunderstandings will occur.

Recommendation 8

We recommend the TF fully document policies and procedures to address accounts receivable aging and the write-off and approval of uncollectible receivables.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to document policies and procedures to address accounts receivable aging and the write-off and approval of uncollectible receivables.

INVESTMENTS

Permitted investments and acceptable asset allocation ranges listed within the investment policy differed from current asset classes and portfolio allocation.

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

business practices. Sound business practice mandates that a written investment policy provide practices to be used to meet business and fiduciary responsibilities.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.2, *Investments*, states that an auxiliary adopt a written governing board investment policy that describes the investment objectives and limitations, and provides for practices to be used to meet its business and fiduciary responsibilities.

The TF executive director stated that permitted investments and asset allocation ranges can fall outside of what is stated in the investment policy if the finance and investment committee agree and approves the exceptions. However, she also stated that the lack of language stating the exception approvals in the investment policy was due to oversight.

Failure to document exception scenarios within the investment policy could increase the risk that inconsistencies and misunderstandings will occur.

Recommendation 9

We recommend that the TF update its investment policy to reflect current permitted investments and acceptable asset allocation ranges.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to update our investment policy to reflect current permitted investments and acceptable asset allocation ranges.

PURCHASING AND ACCOUNTS PAYABLE

The TF did not develop written procurement policies and procedures to address the competitive bidding process and the use of purchase orders.

Specifically, neither bids nor purchase orders were a requirement of the procurement process; they were optional and at the discretion of the department.

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

The TF executive director stated that, although bids and purchase orders were not a requirement of the procurement process, purchase orders were used by some departments for large dollar items. She

further stated that the lack of appropriate policies and procedures were due to oversight and was currently in development.

Failure to document written policies and procedures increases the risk that inconsistencies and misunderstandings will occur.

Recommendation 10

We recommend that the TF develop written procurement policies and procedures to address the competitive bidding process and the use of purchase orders.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to develop written procurement policies and procedures to address the competitive bidding process and the use of purchase orders.

ENDOWMENT ADMINISTRATION

Administration of TF endowments required improvement.

Specifically, we noted that:

- ▶ Signature cards of authorized and additional appointed signers were not consistently maintained within endowment files or endowment distribution accounts.
- ▶ Reconciliations between the TF accounting system and computerized donor records maintained by university advancement were not adequately performed.

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

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.3, *Donations, Program Service Fees, Other Income*, states that the auxiliary should establish a written recordkeeping system that enables gifts to be properly received, recorded, and acknowledged in accordance with donor restrictions and other requirements.

The TF executive director stated that the names of authorized and additional appointed signers were not always provided when the files were transferred to the TF. She further stated that a complete reconciliation between the accounting system and computerized donor records would not have been

possible prior to the inception of the TF and that the failure to perform reconciliations currently was due to oversight.

Insufficient administration of endowments increases the risk that errors and irregularities will occur.

Recommendation 11

We recommend that the TF:

- a. Obtain updated signature cards of all authorized and appointed signers on endowment files and endowment distribution accounts.
- b. Ensure proper reconciliations between the accounting system and computerized donor records maintained by university advancement are performed.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to:

- a. Obtain updated signature cards of all authorized and appointed signers on endowment files and endowment distribution accounts.
- b. Ensure proper reconciliations between the accounting system and computerized donor records maintained by university advancement are performed.

AUXILIARY PROGRAMS

Certain TF accounts lacked sufficient supporting documentation to authorize their establishment.

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

The TF executive director stated that the original account authorization form was not included within the files because it was not provided when files were transferred from the previous account administrator.

Failure to obtain documentation supporting the establishment of accounts increases the risk of errors, irregularities, and misinterpretation of donor intention.

Recommendation 12

We recommend that the TF obtain proper documentation authorizing the establishment of all accounts.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to obtain proper documentation authorizing the establishment of all accounts.

SPARTAN SHOPS, INC.

OPERATING AND ADMINISTRATIVE AGREEMENTS

A written agreement between the Spartan Shops, Inc. (Shops) and its janitorial service provider had not been established.

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

The Shops executive director stated that the lack of a written agreement was due to oversight.

Operating in the absence of a written agreement increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 13

We recommend that the Shops establish a written agreement with its janitorial service provider.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to establish a written agreement with its janitorial service provider.

OPERATIONAL COMPLIANCE

The Shops had neither obtained annual conflict-of-interest statements from all senior management staff nor developed a procedure for board members to annually update their conflict-of-interest statements.

Specifically, we noted that none of the Shops senior management completed a conflict-of-interest statement at the time of appointment or subsequently, and board members serving terms overlapping several fiscal years were only required to complete a conflict-of-interest statement during their first fiscal year of service.

Title 5 §42401, §42402, §42500 and Education Code §89900 establish a responsibility to operate in accordance with sound business practices in the interest of the campus. Sound business practice mandates establishing conflict-of-interest policies and procedures and compliance with existing policies and procedures.

The Shops executive director stated that the failure to obtain conflict-of-interest statements from senior management was due to oversight. He further stated that he was unaware of the requirement to obtain annual conflict-of-interest statements from board members.

Failure to obtain conflict-of-interest statements from all auxiliary senior management and annual conflict-of-interest updates from board members increases liability for acts contrary to the code.

Recommendation 14

We recommend that the Shops ensure that annual conflict-of-interest statements are obtained from all senior management and board members or update the conflict-of-interest policies and procedures to reflect current practice.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to ensure that annual conflict-of-interest statements are obtained from all senior management and board members, and to update the conflict-of-interest policies and procedures to reflect current practice.

CASH RECEIPTS AND HANDLING

Administration of cash receipts and handling related to daily sales transactions at the Shops required improvement.

We found that:

- ▶ A policy had not been established to address cash shortages and/or overages.
- ▶ Cash shortages and/or overages had not been adequately investigated and documented.
- ▶ Procedures to mitigate, investigate, or recover cash shortages had not been developed.

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

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section §8.9.1, *Cash*, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls. The compilation also states that the auxiliary should reconcile bank accounts on a timely basis with independent management review.

The Shops director of retail services stated that inadequate administration of cash receipts and handling related to daily sales transactions was due to staffing constraints.

Inadequate administration of cash receipts and handling increases the risk of loss or misappropriation of funds.

Recommendation 15

We recommend that the Shops:

- a. Establish a policy to address cash shortages and/or overages.
- b. Adequately investigate and document cash shortages and/or overages.
- c. Develop procedures to mitigate, investigate, and/or recover cash shortages.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to:

- a. Establish a policy to address cash shortages and/or overages.
- b. Adequately investigate and document cash shortages and/or overages.
- c. Develop procedures to mitigate, investigate, and/or recover cash shortages.

FEES, REVENUES, AND RECEIVABLES

The Shops had not documented procedures to address accounts receivable aging, collection of past-due accounts, assessment of allowance for doubtful accounts, and write-off of uncollectible accounts.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates an establishment of written systems to record receivables in a timely manner with proper documentation.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.4, *Receivables*, states that the auxiliary should properly record and promptly collect receivables in a consistent manner utilizing systems that ensure integrity of existing internal controls.

The Shops director of finance and accounting stated that accounts receivable procedures had been developed, but documentation had not been completed due to staffing constraints.

Failure to document procedures increases the risk that inconsistencies and misunderstandings will occur.

Recommendation 16

We recommend that the Shops document procedures to address accounts receivable aging, collection of past-due accounts, assessment of allowance for doubtful accounts, and write-off of uncollectible accounts.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to document procedures to address accounts receivable aging, collection of past-due accounts, assessment of allowance for doubtful accounts, and write-off of uncollectible accounts.

INFORMATION TECHNOLOGY

DISASTER RECOVERY PLAN

The Shops had not developed a written IT disaster recovery plan.

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

The Shops systems manager stated that a disaster recovery plan was currently being developed in conjunction with campus safety and planning.

Without a detailed, written IT disaster recovery plan, business operations may be interrupted and data processing operations may not be restored within a reasonable time frame.

Recommendation 17

We recommend that the Shops develop a written IT disaster recovery plan.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to develop a written IT disaster recovery plan.

AS 400 SECURITY

Security controls for the Shops AS 400 computer system did not require the periodic changing of passwords nor restrict command line privileges for end user accounts.

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

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

The Shops management information systems and data processing manager stated that the failure to enforce periodic password changes and to restrict command line privileges was due to oversight.

Inadequate settings of password security parameters increase the risk of unauthorized access to auxiliary systems and confidential data.

Recommendation 18

We recommend that the Shops set password security controls for its AS 400 computer system to ensure that passwords are subject to periodic password changes and command line privileges are restricted for end users.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to set security controls for the AS 400 computer system to ensure that passwords are subject to periodic changes and command line privileges are restricted for end users.

ASSOCIATED STUDENTS SAN JOSÉ STATE UNIVERSITY

CORPORATE GOVERNANCE

DISSOLUTION OF AUXILIARY

The Associated Students San José State University (AS) had not updated its Articles of Incorporation to reflect a proper dissolution clause.

Title 5 §42600(b) states that upon dissolution of the organization, net assets, other than trust funds, shall be distributed to a successor approved by the president of the campus and by the Board of Trustees.

The AS finance and accounting manager stated that, although the board had approved the inclusion of the appropriate language in the document, the Articles of Incorporation had not been updated due to a change in management personnel.

Failure to include a proper dissolution clause in accordance with Title 5 could result in net assets not being properly distributed in the event the corporation is dissolved.

Recommendation 19

We recommend that the AS update its Articles of Incorporation to reflect a proper dissolution clause.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to update the Articles of Incorporation to reflect a proper dissolution clause.

AUDIT COMMITTEE

The AS had neither implemented an audit committee nor established a written charter explaining the roles and responsibilities of the committee's members.

Government Code (GC) 12586(e) states, in part, that every charitable corporation that receives or accrues in any fiscal year gross revenue of \$2 million or more shall have an audit committee appointed by the board of directors.

The AS finance and accounting manager stated that although informal discussions had occurred regarding this issue, no action had been taken by the board to formally establish an audit committee.

Failure to implement an audit committee in accordance with legal mandates increases the risk of misunderstandings and may increase legal liability.

Recommendation 20

We recommend that the AS implement an audit committee and establish a written charter explaining the roles and responsibilities of the committee's members.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to establish an audit committee and a written charter explaining the roles and responsibilities of the committee's members.

PROGRAM COMPLIANCE

The AS had not developed a process to identify, track, and/or report scholarship payments processed through campus organization accounts.

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

The AS finance and accounting manager stated that historically the process had been to hold and disburse funds based on the appropriate signature authority from campus organization accounts. The AS executive director stated that she was unaware of the requirement to report the scholarship payments made through the AS that were initiated by, to, and from independent campus organizations as the responsibility of the AS.

Failure to identify, track, and/or report scholarship payments increases the risk of tax penalties on awarded scholarship funds.

Recommendation 21

We recommend that the AS educate and inform campus organizations of the requirement to properly identify and report scholarship payments processed through campus organization accounts.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to educate and inform campus organizations of the requirement to properly identify and report scholarship payments processed through campus organization accounts.

FEES, REVENUES, AND RECEIVABLES

Variations between attendance records/collections from the campus recreation department and deposits made at the AS general services center were not sufficiently documented.

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

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

The AS finance and accounting manager stated that the failure to sufficiently document the variances was due to oversight.

Failure to properly reconcile revenues increases the risk that errors or misappropriation of funds will not be detected.

Recommendation 22

We recommend that the AS include sufficient documentation to support variances in its revenue reconciliation.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to include sufficient documentation to support variances in the revenue reconciliation.

PURCHASING AND ACCOUNTS PAYABLE

The AS did not maintain written signature authorization forms for managers designated to approve disbursements on certain departmental accounts.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should disburse cash in a consistent manner utilizing systems that ensure integrity of existing internal controls, with annual management review.

The AS finance and accounting manager stated that the lack of signature authorization forms was due to oversight.

Failure to maintain written signature authorization forms increases the risk of errors, irregularities, and misappropriation of funds.

Recommendation 23

We recommend that the AS maintain written signature authorization forms for individuals designated to approve disbursements on all departmental accounts.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to maintain written signature authorization forms for individuals designated to approve disbursements on all departmental accounts.

INFORMATION TECHNOLOGY

The AS did not encrypt sensitive personnel information stored on the financial system.

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

The AS IT manager stated that the failure to encrypt sensitive personnel information stored on the financial system was due to oversight.

Failure to encrypt sensitive personnel information increases the risk that the AS would need to notify all affected personnel in the event of a breach of security.

Recommendation 24

We recommend that the AS encrypt sensitive personnel information stored on the financial system as soon as possible or replace the system with a product that will provide such encryption. Until encryption can be provided, we recommend that the AS work with the campus to ensure that the server is protected from unauthorized internal network traffic, and that server logs are generated and maintained separate from the server itself.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to protect sensitive personnel information stored on the financial system, either via encryption or via strengthened access control of internal network traffic and strengthened procedures for server logs.

THE STUDENT UNION OF SAN JOSÉ STATE UNIVERSITY

OPERATING AND ADMINISTRATIVE AGREEMENTS

The Student Union of San José State University (Union) performed a function not authorized by the operating agreement with the campus, specifically the administration of club sports.

Title 5 §42502 states that the operating agreement should specify the function or functions which the organization is to manage, operate, or administer.

The Union associate director of administrative services stated that because the administration of club sports was a new activity, it was not included on the operating agreement.

The absence of a complete operating agreement increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 25

We recommend that the Union amend its operating agreement to include the administration of club sports as an authorized activity.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to amend the operating agreement to include the administration of club sports as an authorized activity.

CORPORATE GOVERNANCE

The Union had neither implemented an audit committee nor established a written charter explaining the roles and responsibilities of the committee's members.

GC 12586(e) states, in part, that every charitable corporation that receives or accrues in any fiscal year gross revenue of \$2 million or more shall have an audit committee appointed by the board of directors.

The Union associate director of administrative services stated that although informal discussions had occurred regarding this issue, no action had been taken by the board to formally establish an audit committee.

Failure to implement an audit committee in accordance with legal mandates increases the risk of misunderstandings and may increase legal liability.

Recommendation 26

We recommend that the Union implement an audit committee and establish a written charter explaining the roles and responsibilities of its members.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to establish an audit committee and a written charter explaining the roles and responsibilities of the committee's members.

INVESTMENTS

The Union's administration of investments required improvement.

We found that:

- ▶ Signature authorization cards for investment accounts were not updated to reflect changes in employees.
- ▶ Investment allocation percentages were not consistently in compliance with the investment policy.
- ▶ Annual updates by the investment manager were not communicated to the finance committee as required by the investment policy.

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

The Union associate director of administrative services stated that the failure to update the authorized signer form was due to oversight. She further stated that although the Union had not complied with the investment policy, periodic communications occurred between the investment advisor and management.

Failure to comply with investment policy increases the risk that funds will be handled inappropriately and contrary to board expectations.

Recommendation 27

We recommend that the Union:

- a. Ensure signature authorization cards for investment accounts are updated to reflect changes in employees.
- b. Ensure investment allocation percentages are in compliance with investment policy.
- c. Ensure that annual updates by the investment manager are communicated to the finance committee as required by the investment policy.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to:

- a. Ensure signature authorization cards for investment accounts are updated to reflect changes in employees.
- b. Ensure investment allocation percentages are in compliance with investment policy.
- c. Ensure that annual updates by the investment manager are communicated to the finance committee as required by the investment policy.

FEES, REVENUES, AND RECEIVABLES

The administration of Union accounts receivable was inadequate.

We found that:

- ▶ Written policies and procedures had not been developed to address the management of event expenditures and settlements through the accounts receivable module of the financial system.
- ▶ Reconciliations between the general ledger and the accounts receivable subsidiary ledger were not completed in a timely manner.
- ▶ Credit notes to authorize credit entries into the accounts receivable module were not properly authorized. We found several instances where the credit note was either not signed or the person signing was not authorized.

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

business practices. Sound business practice mandates an establishment of written systems to record receivables in a timely manner with proper documentation.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.4, *Receivables*, states that the auxiliary should properly record and promptly collect receivables in a consistent manner utilizing systems that ensure integrity of existing internal controls.

The Union associate director of administrative services stated that the accounts receivable module was the most effective way to account for settlements due to the module's ability to age and track vendors. She further stated that the failure to perform timely accounts receivable reconciliations was due to staff turnover. Finally, she stated that the failure to properly administer credit notes was due to oversight.

Inadequate administration of accounts receivable increases the risk of errors and/or misappropriation of funds.

Recommendation 28

We recommend that the Union:

- a. Develop written policies and procedures to address the management of event expenditures and settlements through the accounts receivable module of the financial system.
- b. Ensure that reconciliations between the general ledger and accounts receivable subsidiary ledger are completed in a timely manner.
- c. Ensure that all credit notes are properly authorized by appropriate personnel.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to:

- a. Develop written policies and procedures to address the management of event expenditures and settlements through the accounts receivable module of the financial system.
- b. Ensure that reconciliations between the general ledger and accounts receivable subsidiary ledger are completed in a timely manner.
- c. Ensure that all credit notes are properly authorized by appropriate personnel.

PURCHASING AND ACCOUNTS PAYABLE

The Union had not developed written travel policies to reflect current practice regarding the processing of travel-related disbursements.

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

The Union associate director of administrative services stated that the failure to document current travel policies was due to oversight.

Failure to develop written policies and procedures increases the risk that inconsistencies and misunderstandings will occur.

Recommendation 29

We recommend that the Union revise its travel policy to reflect current practice regarding the processing of travel-related disbursements.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to revise the travel policy to reflect current practice regarding the processing of travel-related disbursements.

PERSONNEL AND PAYROLL

Reconciliations between payroll costs charged by the campus to the Union work-study account and the amount recorded by the Union were not performed.

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

The Union associate director of administrative services stated that the failure to perform monthly work-study payroll reconciliations was due to oversight.

Failure to perform periodic payroll reconciliations increases the risk that loss, errors, and misappropriations will not be detected in a timely manner.

Recommendation 30

We recommend the Union perform monthly payroll reconciliations of its work-study accounts.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to perform monthly payroll reconciliations of its work-study accounts.

AUXILIARY PROGRAMS

Administration of the Union club sports program was deficient.

We noted the following:

- ▶ Club sports organizations did not have required faculty/staff advisors.
- ▶ Evidence of insurance coverage and liability waivers was not obtained for volunteers participating in the club sports program.

EO 969, *Student Activities*, dated January 30, 2006, states each officially recognized student organization must have a university advisor who is either a faculty member or professional member. In addition, no student, non-student, or volunteer may participate in a club sports without approved insurance, and no club may be recognized or organized to participate in practices, competition, or travel without approved insurance.

The Union executive director stated that the failure to fill faculty/staff advisor positions for the club sports program was due to a lack of interest by campus personnel. Further, the Union associate director of administrative services stated that the failure to obtain insurance and liability waivers was due to oversight.

Failure to administer club sports in compliance with CSU policy increases the risk of legal liability.

Recommendation 31

We recommend that the Union:

- a. Ensure that all club sports have appropriate campus advisors.
- b. Ensure that insurance and liability waivers are obtained for volunteers participating in the club sports program.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to:

- a. Ensure that all club sports have appropriate campus advisors.
- b. Ensure that insurance and liability waivers are obtained for volunteers participating in the club sports program.

INFORMATION TECHNOLOGY

The Union had not developed a written IT disaster recovery plan.

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

The Union IT supervisor stated that the Union was currently in the process of developing an IT disaster recovery plan.

Without a detailed, written IT disaster recovery plan, business operations may be interrupted and data processing operations may not be restored within a reasonable time frame.

Recommendation 32

We recommend that the Union develop a written IT disaster recovery plan.

Campus Response

We concur. We will complete management remedial action, by the end of February 2008, to develop a written IT disaster recovery plan.

APPENDIX A: PERSONNEL CONTACTED

Name

Title

CAMPUS

Don W. Kassing	President
Rose Lee	Vice President, Administration and Finance
Becka Paulson	Associate Vice President, Finance
Ninh Pham-Hi	Director, Internal Controls

SAN JOSÉ STATE UNIVERSITY RESEARCH FOUNDATION

Cheree Aguilar	Human Resources Director
Adele Ajimura	Accounts Payable Supervisor
Sara Aujla	Special Assistant to the Chief Operating Officer
Jerri Carmo	Deputy Chief Operating Officer
Matt Cheung	Information Technology Manager
Jeanne Dittman	Associate Director, Sponsored Programs
Lan Duong	Associate Director, Post Award
Jeff Gordon	Director, Business and Community Partnerships
Paul Harris	Director, Finance and Accounting
Ranjit Kaur	Human Resources Coordinator
Kam Lam	Controller
Norma Rossiter	Associate Director, Business Services
Mary Sidney	Chief Operating Officer
Hoang Tran	Accountant III
John Troyan	Assistant Controller
Mila Valdez	Senior Cashier
Daisy Wan	Senior Accountant

THE TOWER FOUNDATION

Nancy Bussani	Executive Director
Leslie Rohn	Controller

SPARTAN SHOPS, INC.

Olga Acuna	Senior Vault Cashier
Ann Bui	Senior Accountant
Phil Chiaramonte	Director of Retail Services
James Chin	Senior Manager, Corporate Risk and Safety
Scott Cofer	Warehouse Manager
Jeanne Giacomini	Senior Accountant
Guadalupe Lechuga	Director, Human Resources and Risk Management
Lindsay Ledesma	General Supplies Buyer
Jerry Mimnaugh	Executive Director
Brian Mitchler	Systems Manager
Bill Mowson	Management Information Systems and Data Processing Manager
Julie Olesen	Administrative Services Manager
Jeff Pauley	Director of Dining Services
Beth Pugliese	Director of Commercial Services

APPENDIX A: PERSONNEL CONTACTED

Anthony Sanjume	Associate Director, Bookstore
Joan Shih	Director of Finance and Accounting
Jen Skebba	Gift and Clothing Department Manager, Bookstore
Trisha Vo	Payroll Administrator

ASSOCIATED STUDENTS SAN JOSÉ STATE UNIVERSITY

Shawn Chan	Finance and Accounting Manager
Helen Nguyen	Accountant
Vivian Nguyen	Cashier
Analisa Perez	Administrative Assistant, Child Development Center
Randy Saffold	Campus Recreation Manager
Jason Stovall	Information Technology Manager
Nancy Tepperman	Administrative Assistant, Child Development Center
Trinh Thai	Senior Accountant
Kevin Tran	Operations Coordinator, Computer Services Center
Cheryl Vargas	Executive Director

THE STUDENT UNION OF SAN JOSÉ STATE UNIVERSITY

Rachelle Berglund	Club Sports Coordinator
Cathy Busalacchi	Executive Director
Jerry Darrell	Information Technology Supervisor
Diane Do	Accounts Payable Accounting Technician
Connie Guan	Accounts Receivable Accounting Technician
Kim Hagens	Accounting Manager
Kris Kelly	Associate Director, Administrative Services
Caryn Murray	Recreation Facilities Manager

STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

Internal accounting and related operational controls established by the State of California, the California State University Board of Trustees, and the Office of the Chancellor are evaluated by the University Auditor, in compliance with professional standards for the conduct of internal audits, to determine if an adequate system of internal control exists and is effective for the purposes intended. Any deficiencies observed are brought to the attention of appropriate management for corrective action.

B. INTERNAL CONTROL DEFINITION

Internal control, in the broad sense, includes controls that may be characterized as either accounting or operational as follows:

1. Internal Accounting Controls

Internal accounting controls comprise the plan of organization and all methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and the reliability of financial records. They generally include such controls as the systems of authorization and approval, separation of duties concerned with recordkeeping and accounting reports from those concerned with operations or asset custody, physical controls over assets, and personnel of a quality commensurate with responsibilities.

2. Operational Controls

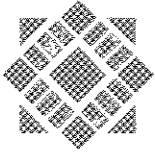
Operational controls comprise the plan of organization and all methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

C. INTERNAL CONTROL OBJECTIVES

The objective of internal accounting and related operational control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting and operational control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgment by management.

D. INTERNAL CONTROL SYSTEMS LIMITATIONS

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and related operational control. In the performance of most control procedures, errors can result from misunderstanding of instruction, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the executing and recording of transactions. Moreover, projection of any evaluation of internal accounting and operational control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate. It is with these understandings that internal audit reports are presented to management for review and use.



San José State
UNIVERSITY

**Office of the Vice President
Administration and Finance**

One Washington Square
San José, CA 95192-0006
Voice: 408-924-1500
Fax: 408-924-1515

RECEIVED
UNIVERSITY AUDITOR

DEC 5 2007

THE CALIFORNIA STATE
UNIVERSITY

December 7, 2007

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

SJSU Auxiliary Audit No. 07- 45

Enclosed is the written response to finalize San José State University's SJSU Auxiliary Audit No. 07- 45.

If you have any questions please contact Ninh Pham-Hi at (408) 924-1603. Thank you.

A handwritten signature in cursive script that reads "Rose L. Lee".

ROSE L. LEE
Vice President for Administration and Finance

Enclosure

c: Don W. Kassing, President
Ninh Pham-Hi, Director, Internal Control

AUXILIARY ORGANIZATIONS
SAN JOSÉ STATE UNIVERSITY

Audit Report 07-45
November 7, 2007

SAN JOSÉ STATE UNIVERSITY RESEARCH FOUNDATION

PERSONNEL AND PAYROLL

Recommendation 1

We recommend that the Foundation:

- a. Ensure all personnel files contain documentation acknowledging the receipt of new employee human resources and payroll documents.
- b. Ensure all temporary employees have current employment documentation maintained within their personnel files.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to:

- a. Ensure all personnel files contain documentation acknowledging the receipt of new employee human resources and payroll documents.
- b. Ensure all temporary employees have current employment documentation maintained within their personnel files.

PROPERTY AND EQUIPMENT

Recommendation 2

We recommend that the Foundation ensure that all property and equipment is tagged in a timely manner.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to ensure that all property and equipment is tagged in a timely manner.

AUXILIARY PROGRAMS

Recommendation 3

We recommend that the Foundation reimburse the General Fund for all direct and indirect costs associated with services provided to all auxiliary sponsored programs.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to reimburse the General Fund for all direct and indirect costs associated with services provided to all auxiliary sponsored programs.

INFORMATION TECHNOLOGY

Recommendation 4

We recommend that the Foundation encrypt sensitive personnel information stored on the financial system as soon as possible or replace the system with a product that will provide such encryption. Until encryption can be provided, we recommend that the Foundation work with the campus to ensure that the server is protected from unauthorized internal network traffic, and that server logs are generated and maintained separate from the server itself.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to protect sensitive personnel information stored on the financial system, either via encryption or via strengthen access control of internal network traffic and strengthened server logs procedure.

THE TOWER FOUNDATION

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 5

We recommend that the TF establish a written agreement with university advancement regarding their responsibilities over donation and gift processing.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to establish a written agreement with university advancement regarding their responsibilities over donation and gift processing.

CORPORATE GOVERNANCE

Recommendation 6

We recommend that the TF ensure that all board positions are filled in a timely manner.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to ensure that all board positions are filled in a timely manner.

FEES, REVENUES, AND RECEIVABLES

RECONCILIATION

Recommendation 7

We recommend that the TF document reconciliations between its accounting system and bank statements.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to document reconciliations between our accounting system and bank statements.

ACCOUNTS RECEIVABLE

Recommendation 8

We recommend the TF fully document policies and procedures to address accounts receivable aging and the write-off and approval of uncollectible receivables.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to document policies and procedures to address accounts receivable aging and the write-off and approval of uncollectible receivables.

INVESTMENTS

Recommendation 9

We recommend that the TF update its investment policy to reflect current permitted investments and acceptable asset allocation ranges.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to update our investment policy to reflect current permitted investments and acceptable asset allocation ranges.

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 10

We recommend that the TF develop written procurement policies and procedures to address the competitive bidding process and the use of purchase orders.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to develop written procurement policies and procedures to address the competitive bidding process and the use of purchase orders.

ENDOWMENT ADMINISTRATION

Recommendation 11

We recommend that the TF:

- a. Obtain updated signature cards of all authorized and appointed signers on endowment files and endowment distribution accounts.
- b. Ensure proper reconciliations between the accounting system and computerized donor records maintained by university advancement are performed.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to:

- a. Obtain updated signature cards of all authorized and appointed signers on endowment files and endowment distribution accounts.
- b. Ensure proper reconciliations between the accounting system and computerized donor records maintained by university advancement are performed.

AUXILIARY PROGRAMS

Recommendation 12

We recommend that the TF obtain proper documentation authorizing the establishment of all accounts.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to obtain proper documentation authorizing the establishment of all accounts.

SPARTAN SHOPS, INC.

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 13

We recommend that the Shops establish a written agreement with its janitorial service provider.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to establish a written agreement with its janitorial service provider.

OPERATIONAL COMPLIANCE

Recommendation 14

We recommend that the Shops ensure that annual conflict-of-interest statements are obtained from all senior management and board members or update the conflict-of-interest policies and procedures to reflect current practice.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to ensure that annual conflict-of-interest statements are obtained from all senior management and board members; and to update the conflict-of-interest policies and procedures to reflect current practice.

CASH RECEIPTS AND HANDLING

Recommendation 15

We recommend that the Shops:

- a. Establish a policy to address cash shortages and/or overages.
- b. Adequately investigate and document cash shortages and/or overages.
- c. Develop procedures to mitigate, investigate, and/or recover cash shortages.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to:

- a. Establish a policy to address cash shortages and/or overages.
- b. Adequately investigate and document cash shortages and/or overages.
- c. Develop procedures to mitigate, investigate, and/or recover cash shortages.

FEEES, REVENUES, AND RECEIVABLES

Recommendation 16

We recommend that the Shops document procedures to address accounts receivable aging, collection of past-due accounts, assessment of allowance for doubtful accounts, and write-off of uncollectible accounts.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to document procedures to address accounts receivable aging, collection of past-due accounts, assessment of allowance for doubtful accounts, and write-off of uncollectible accounts.

INFORMATION TECHNOLOGY

DISASTER RECOVERY PLAN

Recommendation 17

We recommend that the Shops develop a written IT disaster recovery plan.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to develop a written IT disaster recovery plan.

AS 400 SECURITY

Recommendation 18

We recommend that the Shops set password security controls for its AS 400 computer system to ensure that passwords are subject to periodic password changes and command line privileges are restricted for end users.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to set security controls for the AS 400 computer system to ensure that passwords are subject to periodic changes and command line privileges are restricted for end users.

ASSOCIATED STUDENTS SAN JOSÉ STATE UNIVERSITY

CORPORATE GOVERNANCE

DISSOLUTION OF AUXILIARY

Recommendation 19

We recommend that the AS update its Articles of Incorporation to reflect a proper dissolution clause.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to update the Articles of Incorporation to reflect a proper dissolution clause.

AUDIT COMMITTEE

Recommendation 20

We recommend that the AS implement an audit committee and establish a written charter explaining the roles and responsibilities of the committee's members.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to establish an audit committee and a written charter explaining the roles and responsibilities of the committee's members.

PROGRAM COMPLIANCE

Recommendation 21

We recommend that the AS educate and inform campus organizations of the requirement to properly identify and report scholarship payments processed through campus organization accounts.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to educate and inform campus organizations of the requirement to properly identify and report scholarship payments processed through campus organization accounts.

FEES, REVENUES, AND RECEIVABLES

Recommendation 22

We recommend that the AS include sufficient documentation to support variances in its revenue reconciliation.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to include sufficient documentation to support variances in the revenue reconciliation.

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 23

We recommend that the AS maintain written signature authorization forms for individuals designated to approve disbursements on all departmental accounts.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to maintain written signature authorization forms for individuals designated to approve disbursements on all departmental accounts.

INFORMATION TECHNOLOGY

Recommendation 24

We recommend that the AS encrypt sensitive personnel information stored on the financial system as soon as possible or replace the system with a product that will provide such encryption. Until encryption can be provided, we recommend that the AS work with the campus to ensure that the server is protected from unauthorized internal network traffic, and that server logs are generated and maintained separate from the server itself.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to protect sensitive personnel information stored on the financial system, either via encryption or via strengthen access control of internal network traffic and strengthened server logs procedure.

THE STUDENT UNION OF SAN JOSÉ STATE UNIVERSITY

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 25

We recommend that the Union amend its operating agreement to include the administration of club sports as an authorized activity.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to amend the operating agreement to include the administration of club sports as an authorized activity.

CORPORATE GOVERNANCE

Recommendation 26

We recommend that the Union implement an audit committee and establish a written charter explaining the roles and responsibilities of its members.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to establish an audit committee and a written charter explaining the roles and responsibilities of the committee's members.

INVESTMENTS

Recommendation 27

We recommend that the Union:

- a. Ensure signature authorization cards for investment accounts are updated to reflect changes in employees.
- b. Ensure investment allocation percentages are in compliance with investment policy.
- c. Ensure that annual updates by the investment manager are communicated to the finance committee as required by the investment policy.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to:

- a. Ensure signature authorization cards for investment accounts are updated to reflect changes in employees.
- b. Ensure investment allocation percentages are in compliance with investment policy.

- c. Ensure that annual updates by the investment manager are communicated to the finance committee as required by the investment policy.

FEES, REVENUES, AND RECEIVABLES

Recommendation 28

We recommend that the Union:

- a. Develop written policies and procedures to address the management of event expenditures and settlements through the accounts receivable module of the financial system.
- b. Ensure that reconciliations between the general ledger and accounts receivable subsidiary ledger are completed in a timely manner.
- c. Ensure that all credit notes are properly authorized by appropriate personnel.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to:

- a. Develop written policies and procedures to address the management of event expenditures and settlements through the accounts receivable module of the financial system.
- b. Ensure that reconciliations between the general ledger and accounts receivable subsidiary ledger are completed in a timely manner.
- c. Ensure that all credit notes are properly authorized by appropriate personnel.

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 29

We recommend that the Union revise its travel policy to reflect current practice regarding the processing of travel-related disbursements.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to revise the travel policy to reflect current practice regarding the processing of travel-related disbursements.

PERSONNEL AND PAYROLL

Recommendation 30

We recommend the Union perform monthly payroll reconciliations of its work-study accounts.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to perform monthly payroll reconciliations of its work-study accounts.

AUXILIARY PROGRAMS

Recommendation 31

We recommend that the Union:

- a. Ensure that all club sports have appropriate campus advisors.
- b. Ensure that insurance and liability waivers are obtained for volunteers participating in the club sports program.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to:

- a. Ensure that all club sports have appropriate campus advisors.
- b. Ensure that insurance and liability waivers are obtained for volunteers participating in the club sports program.

INFORMATION TECHNOLOGY

Recommendation 32

We recommend that the Union develop a written IT disaster recovery plan.

Campus Response

We concur. We will complete management remedial action, by end of Feb 2008, to develop a written IT disaster recovery plan.



THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

December 19, 2007

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

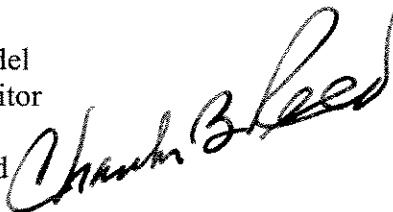
EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Audit Report 07-45 on *Auxiliary Organizations*,
San José State University

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of December 19, 2007, I accept the response
as submitted with the draft final report on *Auxiliary Organizations*, San José
State University.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Don W. Kassing, President
Ms. Rose L. Lee, Vice President, Administration and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS