August 4, 2015

Dr. William A. Covino, President
California State University, Los Angeles
5151 State University Drive
Los Angeles, CA 90032

Dear Dr. Covino:

Subject: Audit Report 15-33, College Reviews, California State University, Los Angeles

We have completed an audit of College Reviews as part of our 2015 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to the Office of Audit and Advisory Services’ website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,

Larry Mandel
Vice Chancellor and Chief Audit Officer

Cc: Timothy P. White, Chancellor
COLLEGE REVIEWS

California State University,
Los Angeles

College of Arts and Letters

Audit Report 15-33
July 1, 2015
EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of college administrative and financial controls; to evaluate adherence to the Integrated California State University Administrative Manual (ICSUAM) financial policies; and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

CONCLUSION

Based upon the results of the work performed within the scope of the audit, college administrative and financial controls in effect as of May 15, 2015, taken as a whole, were sufficient to meet the objectives of this audit.

In general, the audit did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on college administrative and financial controls. Overall, we found that college fiscal controls for the areas reviewed were sound. However, the review did identify opportunities for improvement in some areas, such as policies and procedures for approving cash collection points, the processing of special consultant pay, and cell phone expenditures.

Although the objectives of this audit were met, the issues identified indicate that some attention is needed to ensure that the college financial, operational, and administrative operations are in conformance with existing policies and to a level necessary to meet management expectations. Most issues listed below represent opportunities to improve the college administrative and financial controls at California State University, Los Angeles (CSULA).

Specific observations, recommendations, and management responses are detailed in the remainder of this report.
OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. CASH-HANDLING POLICIES AND PROCEDURES

OBSERVATION

Campus cash-handling policies and procedures did not address required approvals for official cash collection points.

We found that although the campus had fairly comprehensive cash-handling policies and procedures, the procedures did not address the approvals that departments or other campus areas must obtain to be recognized as official cash collection points. We also found that the resource office and the music, theatre, and dance department in the College of Arts and Letters collected cash and cash equivalents but had not been designated as official cash collection points by the campus vice president/chief financial officer or delegate as required by California State University (CSU) policy.

Campus administrators stated that they were aware that these two areas were collecting cash and cash equivalents, and that deposit bags and check endorsement stamps had been issued to these two areas by the director of student financial services, whom they believed had the authority to approve official cash collection points based on his job description.

Complete cash-handling policies and procedures and official designation of campus locations that accept cash and cash equivalents improves accountability of the funds and compliance with systemwide requirements, which decreases the campus’s exposure to loss or liability.

RECOMMENDATION

We recommend that the campus:

a. Update its cash-handling policies and procedures to include the required approvals for officially designated campus cash/cash equivalent collection points. This updated policy should be communicated to college personnel.

b. Document approval of the two areas discussed above as official cash collection points in accordance with the updated policies and procedures.

MANAGEMENT RESPONSE

The official designation and approval of cash/cash equivalent collection points will be established and documented, which will include the resource office and the music, theatre, and dance department in the College of Arts and Letters. The updated information will be communicated to college personnel. The implementation date is September 15, 2015.
2. TIMELY DEPOSITS

OBSERVATION

Cash and cash-equivalent collections were not always deposited in a timely manner.

We reviewed cash-handling processes at the resource office and the music, theatre, and dance department, the two areas that managed cash handling for box office ticket sales and the various workshops within the department. We found that the music, theatre, and dance department:

- Did not always deposit funds collected for the wind conducting workshop weekly or when collections exceeded $500, as required by campus policy.

- Had not deposited any of the funds collected for the past three annual Mariachi Gram events. These funds were retained in a locked cabinet within the department and, as of the date of our review, totaled $385. Oversight and limited staffing resources may have contributed to the lack of timely deposits.

Timely cash and cash-equivalent deposits decrease the campus’ exposure to loss or misappropriation of funds and ensures compliance with campus and systemwide requirements.

RECOMMENDATION

We recommend that the campus, in conjunction with the college:

a. Remind college and department administrators of campus requirements for timely deposits of cash and cash equivalents.

b. Deposit the Mariachi Gram funds into a state- or auxiliary-held account.

MANAGEMENT RESPONSE

Business financial services will work with University Auxiliary Services, Inc. (UAS) to remind the college and department administrators of requirements for timely deposits of cash and cash equivalents. The implementation date is August 15, 2015.

The Mariachi Gram account has been set up, and funds were deposited into the UAS account on May 19, 2015.

3. SPECIAL CONSULTANT PAYMENTS

OBSERVATION

The campus did not have written policies or procedures for special consultant payments made to faculty.
We found that the campus had processes in place for the processing of special consultant payments; however, these processes generally focused on approval of payments after the work had been performed. We reviewed several special consultant payments made to faculty in the College of Arts and Letters and found that documentation regarding pre-approval of the rate to be paid and work to be performed, and documentation of review for compliance with CSU additional compensation requirements prior to the commencement of the work, was unavailable.

College administrators stated that they pre-approve special consultant work and generally review appointments prior to the commencement of work to ensure compliance with additional compensation restrictions, but that this review was not always documented.

A clear and defined special consultant payment policy ensures the proper monitoring of faculty additional employment, establishes a clear understanding of payment and work terms, and decreases the risk of noncompliance with systemwide policy.

**RECOMMENDATION**

We recommend that the campus:

a. Develop a special consultant payment policy to ensure that faculty appointments are reviewed for additional compensation compliance, payment terms are established and agreed upon, and proper approvals for the work to be performed are obtained.

b. Communicate the policy to appropriate college administrators and employees responsible for processing special consultant payments.

**MANAGEMENT RESPONSE**

Human resources management is developing the special consultant payment procedures and will communicate the procedures to the appropriate college administrators and employees. The implementation date is September 30, 2015.

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4. **CELL PHONE EXPENDITURES**

**OBSERVATION**

The campus did not have a cell phone expenditure policy to govern the payment or reimbursement of university-owned or employee-owned cell phones.

We noted that although the campus pays for or reimburses business-related cell phone charges, there was no campus policy in place to address eligibility, approvals, and compliance with internal revenue service taxability requirements. Campus administrators stated that a draft cell phone expenditure policy had been developed, but that it was still pending final approval from the academic senate as of the date of our review.
A documented cell phone expenditure policy ensures that employees are aware of university requirements and that cell phone expenditures are properly approved and processed consistently.

RECOMMENDATION

We recommend that the campus finalize the cell phone expenditure policy and communicate it to appropriate college and financial administrators.

MANAGEMENT RESPONSE

The cell phone expenditure policy will be finalized and communicated to appropriate college and financial administrators. The implementation date is September 1, 2015.
GENERAL INFORMATION

BACKGROUND

The California State University is the nation’s largest four-year public university system, with 23 campuses offering more than 1,800 bachelor’s and master’s degree programs in 240 subject areas. Campuses are generally organized into academic colleges that house schools, departments, and programs specific to an area of study. Each college is headed by a dean, who reports to the provost in the division of academic affairs. Colleges and academic departments may be responsible for a wide variety of financial activities, including, but not limited to, managing budgets; generating revenues through workshops, clinics, and other services; processing requisitions; and initiating disbursements. College funds may be held either in campus or auxiliary organization accounts. Funds held in campus accounts must follow ICSUAM requirements; funds in auxiliary organization accounts primarily follow requirements set forth in the Compilation of Policies and Procedures for CSU Auxiliary Organizations and Title 5 of the California Code of Regulations.

At CSULA, the dean and associate dean of each college has overall responsibility for oversight of financial administration within the college, supported by the chair of each department. Additionally, each college has a resource manager to ensure compliance with fiscal policies and procedures and to act as a liaison to the division of administration and finance. The resource manager works under the direct authority of the dean. Centralized oversight over college financial activities is also provided by the division of administration and finance.

The College of Arts and Letters consists of eight departments: art; communication studies; English; liberal studies; modern languages and literature; music, theatre, and dance; philosophy; and television, film, and media studies. It houses a variety of programs and activities that integrate the community with the college, including the Blues Camp, American Communities Program, Center for the Study of Genders and Sexualities, and Center for Contemporary Poetry and Poetics. The college also produces art exhibits, music and dance events, and film, television, multimedia, and theatrical performances.

SCOPE

We used financial and other factors to select an academic college for review. Our review did not consider separate colleges of graduate studies, international education, or extended education. We used factors that we considered important to evaluate the risks in the overall college fiscal and administrative control environment, such as total revenues and expenditures, college activities, and management turnover, to make our determination.

We visited the CSULA campus from April 20, 2015, through May 15, 2015. Our audit and evaluation included the audit tests we considered necessary in determining whether administrative and financial controls are in place and operative at the College of Arts and Letters at CSULA. The audit focused on procedures in effect from January 1, 2013, through May 15, 2015.
Specifically, we reviewed and tested:

- Processes to ensure that segregation of duties is adequate, accountability is maintained, and safeguarding is adequate for cash and cash equivalents.
- Processes to ensure that appropriate reviews and approvals are in place for contracting activities.
- Processes to ensure that expenditures are appropriate, properly authorized, and processed in accordance with CSU and campus policies.
- Identification, tracking, and tagging of sensitive equipment purchases.
- Administration of faculty and staff reimbursed time.
- Measures to ensure that stand-alone information systems are included in the campus inventory of information assets.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology was designed to provide a review of key financial controls, which included detailed testing on a limited number of transactions. Our review did not examine all aspects of financial controls or encompass all areas within the college where financial activities may have taken place.

CRITERIA

Our audit was based upon standards as set forth in CSU Board of Trustee policies; Office of the Chancellor policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing.*

This review emphasized, but was not limited to, compliance with:

- ICSUAM §1101.00, *Delegation of Authority to Obligate the University*
- ICSUAM §13680.0, *Placement and Control of Receipts for Campus Activities and Programs*
- ICSUAM §3000, *General Accounting*
- ICSUAM §5000, *Contracts and Procurement*
- ICSUAM §8000, *Information Security*
- *Compilation of Policies and Procedures for CSU Auxiliary Organizations*
- Government Code §13402 and §13403
- California Code of Regulations, Title 5
- Coded memorandum Human Resources 2002-05, *Additional Employment*
- *CSULA Cash Handling and Timely Deposit Procedures*
AUDIT TEAM

- Senior Director: Michelle Schlack
- Senior Audit Manager: Wendee Shinsato
- Senior Auditor: Cindy Merida