

Audit and Advisory Services
401 Golden Shore
Long Beach, CA 90802-4210

November 20, 2023

Dr. Adela de la Torre
San Diego State University
5500 Campanile Drive
San Diego, CA 92182

Dear Dr. de la Torre:

Subject: Audit Report 23-02, Academic Department Fiscal Review, San Diego State University

We have completed an audit of *Academic Department Fiscal Review* as part of our 2023-2024 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 will be posted to 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,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Mildred García, Chancellor
Yamilette Rodriguez, Chair, Committee on Audit
Jean Picker Firstenberg, Vice Chair, Committee on Audit

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ACADEMIC DEPARTMENT FISCAL REVIEW

SAN DIEGO STATE UNIVERSITY

**AUDIT REPORT 23-02
NOVEMBER 20, 2023**

EXECUTIVE SUMMARY

AUDIT OBJECTIVES AND BACKGROUND

In accordance with the fiscal year (FY) 2023/24 Audit Plan, as approved by the Board of Trustees, Audit and Advisory Services performed an academic department fiscal review of the College of Arts and Letters (CAL) at San Diego State University (SDSU).

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to the CAL and to ensure compliance with relevant federal and state regulations; Trustee policy; Office of the Chancellor (CO) directives; and campus and auxiliary procedures.

California State University (CSU) 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 CSU policies set forth by systemwide business and finance, while 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.

OVERALL CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for the CAL as of September 12, 2023, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

AUDIT SCOPE AND RESULTS

In general, we found that CAL operations were effective and services were provided in compliance with CSU policies and procedures. In our review, we did not note any issues related to the core operational, financial, and administrative controls at CAL. Although CAL had recently appointed a new interim dean, administrative personnel at the dean's office demonstrated a thorough understanding of their fiscal responsibilities and duties. We found that the college had effective approval processes for financial transactions, with the dean's office performing detailed reviews of stateside purchase requisitions, credit card transactions, and hospitality and travel expenses.

However, our review did note a few areas for improvement relating to property and equipment management and purchase order processing. Specifically, we found that a few assets were missing identification tags, and off-campus use-of-equipment agreements had not been completed at the time assets were taken off-site. Further, we noted that purchase orders were not always completed in a timely manner. A summary of the observations noted in the report is presented in the table below. Further details are specified in the remainder of the report.

Area	Processes Reviewed	Audit Assessment
Cash and Accounts Receivable	Cash collection and cash-handling policies and procedures, cash walkthroughs, petty cash/change funds, accounts receivable balances	<i>Effective – no reportable observations noted</i>
Contracts and Agreements	Delegations of authority, policies and procedures, contracts for goods and services, other contracts and agreements	<i>Effective – no reportable observations noted</i>
Expenditures	Delegations of authority, policies and procedures, procurement cards, expense reimbursements, campus and auxiliary fund account expenditures	<i>Observation noted in the execution of purchase order agreements</i>
Sensitive/Capitalized Equipment	Asset tagging and tracking, off-campus procedures, capitalized assets.	<i>Observations noted in asset tagging, tracking, and off-campus procedures</i>
Information Systems	Access to standalone systems, if any	<i>Effective – no reportable observations noted</i>

The audit focused on procedures in effect from July 1, 2021, through September 12, 2023. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. Our review was limited to gaining reasonable assurance that essential elements of operational, financial, and administrative controls at the CAL were in place and did not examine all aspects of the program.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. PROPERTY AND EQUIPMENT

OBSERVATION

Administration of property and equipment needed improvement to ensure proper asset tagging and tracking.

Per the SDSU *University Property and Equipment Procedures*, sensitive equipment and capitalized equipment with a value of \$5,000 or more is required to be tagged with a unique identification number and recorded in the asset management system. Further, the policy requires an Off-Campus Use of Equipment Agreement form to be completed and approved before equipment is taken off-site.

We selected 25 items from the CAL asset listing for review and found that:

- Eight items, including three tablets, three laptops, one camera, and one portable velocity meter, were taken off-campus without the completion of the Off-Campus Use of Equipment Agreement form. However, the campus completed off-campus agreement forms for all eight selections during fieldwork.
- Two items, one capitalized asset and one piece of sensitive equipment, did not have SDSU equipment tags, although we were able to locate both assets during walkthroughs. The items were a tablet and a geospatial data collection device acquired in 2012 and 2014 with acquisition values of \$759 and \$14,088, respectively.
- In two instances, we noted that asset tag numbers in the system were incorrect. For one item, a laptop, we noted that the asset was recorded in the system under a different tag number than the one selected for testing, and the old tag number had not been removed from the system. In another instance, we noted that the asset tag numbers of two items, a desktop and desktop camera, had been switched in the Oracle system, which was confirmed during walkthroughs.

Proper administration of property and equipment decreases the risk that assets may be lost, stolen, or misrepresented in financial statements.

RECOMMENDATION

We recommend that the campus:

- a. Reiterate the off-campus use of equipment policy and asset tagging procedures to appropriate campus personnel.
- b. Correct the asset tag numbers in the Oracle system for the items identified above.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Reiterate the off-campus use of equipment policy and asset tagging procedures to appropriate campus personnel.
- b. Correct the asset tag numbers in the Oracle system for the items identified above.

Estimated completion date: April 30, 2024

2. PURCHASE ORDERS

OBSERVATION

Purchase orders were not always processed in a timely manner.

Per *CSU General Provisions for Service Acquisitions*, a contractor shall not commence work until they have received an executed contract.

We reviewed 35 stateside expenditures and found that of the 12 purchase order expenditures selected, five were executed either after or during the service period.

Timely execution of purchase orders decreases the risk of misunderstandings and miscommunications regarding rights and responsibilities, as well as potential revenue loss, and reduces potential liability to the CSU.

RECOMMENDATION

We recommend that the campus remind employees involved in the purchasing process that purchase orders should be processed before services are provided or work is performed.

MANAGEMENT RESPONSE
<p>We concur. The campus will remind employees involved in the purchasing process that purchase orders should be processed before services are provided or work is performed.</p> <p>Estimated completion date: April 30, 2024</p>

GENERAL INFORMATION

ADDITIONAL BACKGROUND

SDSU has seven academic colleges administered under the division of Academic Affairs. The provost and vice president of academic affairs is responsible for budgets for all schools and provides centralized oversight for financial activities. The dean of each college has overall responsibility for oversight of financial administration within the college, supported by the associate dean(s) and chair of each department. Additionally, each college has an administrative manager or director, under the oversight of the dean, who ensures compliance with fiscal policies and procedures and acts as a liaison to the division of Business and Financial Affairs.

The CAL has 18 academic departments and 10 interdisciplinary programs and offers more than 85 majors and minors, 33 certificate programs, and 20 graduate programs, including but not limited to: anthropology, economics, English, geography, history, humanities, LGBTQ+ studies, philosophy, political science, sociology, study of religion, and women's studies. The CAL also has several centers and institutes dedicated to research conducted by faculty, graduate students, and undergraduate students, including the Bread and Roses Center for feminist research and activism. To support and provide guidance to the numerous centers and institutes and their efforts, the CAL also runs the Undergraduate Research Office CAL and the CAL Office for Research and Innovation.

CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance; Trustee policy; Office of the Chancellor directives; and campus procedures; as well as sound administrative practices and consideration of the potential impact of significant risks. 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:

- Government Code §13402 and §13403
- California Code of Regulations, Title 5
- CSU *Contracts and Procurement Policy*
- CSU *Travel and Business Expense Reimbursement Policy*
- CSU *Auxiliary Organization Compliance Guide*
- CSU *Auxiliary Sound Business Practice Guidelines*
- Executive Order (EO) 1000, *Delegation of Fiscal Authority and Responsibility*
- EO 1059, *Utilization of Campus Auxiliary Organizations*
- Integrated California State University Administrative Manual (ICSUAM) §1101.00, *Delegation of Authority to Obligate the University*
- ICSUAM §1301.00, *Hospitality*
- ICSUAM §1401.00, *Administration of University Property*
- ICSUAM §3103.01, *Disbursements-General*
- ICSUAM §3130.01, *Accounts Receivable Management*
- ICSUAM §3601.01, *Travel Policy*
- ICSUAM §6200.00, *Campus Administration of Systemwide Cash and Management Policy*
- ICSUAM §6201.00, *Sensitive Positions and Cash Handling*
- ICSUAM §6202.00, *Segregation of Cash Handling Duties*

- ICSUAM §6320.00, *Petty Cash and Change Funds*
- ICSUAM §6330.00, *Security of Cash and Cash Equivalents*
- ICSUAM §6340.00, *Debit/Credit Card Payment Policy*
- ICSUAM §13680.00, *Placement and Control of Receipts for Campus Activities and Programs*
- *SDSU Cashiering Policies*
- *SDSU Credit Card Programs Maintenance Procedures*
- *SDSU Guest/Special Lecturer Payment Procedure*
- *SDSU Hospitality Expense Policy*
- *SDSU Non-PO Procure to Pay Policy*
- *SDSU Travel Policy, Procedures, and Regulations*
- *SDSU University Property and Equipment Procedures*
- *SDSU Research Foundation Procurement Card Program Policy and Procedure Manual*
- *SDSU Research Foundation Project Administration Guide*

AUDIT TEAM

Audit Manager: Kyle Ishii

Senior Auditor: Janaki Nakum

Senior Auditor: Carolyn Phu