

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

May 3, 2023

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

Dear Dr. Covino:

Subject: Audit Report 22-20, University Auxiliary Services, California State University, Los Angeles

We have completed an audit of *Cal State L.A. University Auxiliary Services, Inc.* as part of our 2022-2023 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: Jolene Koester, Interim Chancellor
Lateefah Simon, Chair, Committee on Audit
Yammilette Rodriguez, Vice Chair, Committee on Audit

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CAL STATE L.A. UNIVERSITY AUXILIARY SERVICES, INC.

**California State University,
Los Angeles**

Audit Report 22-20
May 3, 2023

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to confirm compliance with regulatory requirements for the establishment and governance of auxiliary organizations; ascertain the effectiveness of operational, administrative, and financial controls for the activities conducted by Cal State L.A. University Auxiliary Services, Inc. (UAS) at California State University, Los Angeles; evaluate adherence to auxiliary policies and procedures and applicable Integrated California State University Administrative Manual (ICSUAM) policies, or, where appropriate, to an industry-accepted standard; 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, except for the weaknesses described below, the operational, administrative, and financial controls for UAS as of February 3, 2023, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that UAS had an appropriate administrative framework; however, we identified several areas that needed improvement. For example, we found that UAS did not always comply with its procurement policies for informal and formal bidding, including obtaining the required number of quotes for larger purchases and maintaining appropriate documentation and justification for sole-source purchases. We also found that the UAS *Fixed Asset Policy* was outdated and did not reflect current practices, and a physical inventory of UAS property and equipment had not been performed since 2015. Further, UAS did not always perform and document collection and follow-up activity for long-outstanding accounts receivable and non-active campus program accounts. Additionally, we identified a lack of some documentation for the monitoring for subrecipient awards and found that UAS did not ensure the accuracy and timeliness of commission receipts for dining and bookstore operations.

Furthermore, we found that administration of UAS governance documents needed improvement, and that several UAS policies and procedures were outdated, did not align with current practices, or did not address all necessary areas.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. PROCUREMENT

OBSERVATION

Administration of the informal and formal bidding process, including justification for sole-source purchases, needed improvement.

We reviewed nine purchases of goods that required formal or informal bidding and we found that:

- In eight instances, UAS did not obtain three quotes for purchases valued between \$10,000 and \$50,000 as required by the UAS *Purchasing Policy*. UAS's purchase order (PO) form indicated that quotes were only needed for purchases valued above \$50,000, which did not align with the policy and made the actual requirements unclear.
- In four instances, three of which also had the issue noted above, the required purchasing form for all procurements equal to or exceeding \$10,000 was not completed. We also noted that although the requirement to complete this form was implemented in mid-2021, it had not been documented in the UAS *Purchasing* policy.

In addition, we reviewed six sole-source purchases, and we found that:

- For two sole-source purchases, UAS did not include a written justification letter, did not have the purchase approved by the executive director, or did not include what other sources were considered or rejected as required by the UAS *Purchasing Policy*.
- The justification for three sole-source sponsored program purchases did not align with reasons referenced in Code of Federal Regulations (CFR) Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). The UAS *Expenditure Guide for Principal Investigators and Account Managers*, dated November 2016, and the UAS purchasing form included various justifications for sole-source purchases that were not allowable in the current version of Uniform Guidance §200.320(c), which was updated in 2018.

Proper administration of procurement transactions and completion of required forms can help to ensure compliance with procurement requirements, and competitive purchases provide transparency and mitigate favoritism towards certain vendors.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS:

- a. Update the PO form to align with the UAS *Purchasing Policy* regarding the threshold for when quotes are required for purchases.

- b. Update the *UAS Purchasing Policy* to include the requirement to complete the required purchasing form for all procurements equal to or exceeding \$10,000.
- c. Update the *Expenditure Guide for Principal Investigators and Account Managers* and the related purchasing form to align with federal Uniform Guidance regarding justification for sole-source purchases.
- d. Reiterate to all appropriate personnel the updated policies and forms and the importance of complying with the purchasing requirements, including the required number of quotes, completion of sole-source justification forms, and appropriate approvals and documentation.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall:

- a. Update the PO form to align with the *UAS Purchasing Policy* with regard to the threshold for purchases requiring quotes.
- b. Update the *UAS Purchasing Policy* to include the requirement to complete the required UAS purchasing form for all procurements equal to or exceeding \$10,000.
- c. Update the *Expenditure Guide for Principal Investigators and Account Managers* and the related purchasing form to align with federal Uniform Guidance regarding justification for sole-source purchases.
- d. Communicate the updated policies and procedures to all appropriate personnel.

The anticipated date of completion is June 30, 2023.

2. PROPERTY AND EQUIPMENT

OBSERVATION

The *UAS Fixed Asset Policy* did not reflect current practices, and physical inventories were not being completed on a regular basis.

The *UAS Fixed Asset Policy* states that the UAS financial services office will tag fixed assets that are \$5,000 or more and will ensure the integrity of an annual physical inventory of the assets. However, the current practice for the management of UAS property and equipment is a collaboration between UAS and the campus property management department.

We noted that UAS accounts payable and campus property management both tag capitalized equipment owned by the auxiliary with a value of \$5,000 or more, as well as non-capitalized/sensitive equipment such as computers, microscopes, and camera equipment with a value of at least \$500. In addition, campus property management staff records eligible assets in the AMS when notified by central receiving, other receiving departments/offices, or by UAS and is responsible for maintaining a record of assets from receipt to disposal in the

AMS. The completion of physical inventories is also a collaboration between UAS and the campus property management department. Although UAS policy states that an annual inventory will be conducted, in practice, an inventory is required to be completed once every three years for all capitalized and non-capitalized equipment (tagged assets) per CSU policy and every two years for federally funded equipment or as required by the sponsor.

We found that a physical inventory of all capitalized and non-capitalized/sensitive equipment had not been completed since July 1, 2015. There were 2,117 items included on the AMS listing of UAS physical assets we obtained during the audit. We reviewed the list and found that:

- There were more than 100 sensitive items, such as computers, that had not been inventoried per the AMS inventory report.
- The physical location for about 140 physical assets was either not listed, set to receiving warehouse, or incorrectly listed.
- In four instances, multiple assets were assigned the same tag number and asset ID in the AMS.

In addition, the campus property management department was inconsistent in how total acquisition cost was recorded for new assets. For example, we reviewed 18 new assets and identified 14 instances when warranty cost and sales tax were included and four other instances when they were excluded from the total acquisition cost.

Also, the UAS *Fixed Asset* policy did not address UAS practices relating to property disposals, such as the requirement to complete a property survey report.

Proper administration of property and equipment decreases the risk that property and equipment may be lost, stolen, or misrepresented in the financial statements. In addition, physical inventories should be completed to ensure compliance with campus policy and federal grant requirements.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS:

- a. Develop a schedule for the physical inventory of UAS assets and conduct a physical inventory for both capitalized assets and non-capitalized/sensitive equipment.
- b. Update the UAS *Fixed Asset* policy to address current practices, including the current responsibilities of all parties, the recording of assets in the AMS, and the disposal of assets.
- c. Reiterate to all appropriate personnel the updated processes and the importance of complying with the requirements.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall:

- a. Develop a schedule for the physical inventory of UAS assets and conduct a physical inventory for both capitalized assets and non-capitalized/sensitive equipment.
- b. Update the UAS *Fixed Asset* policy to address current practices, including the current responsibilities of all parties, the recording of assets in the AMS, and the disposal of assets.
- c. Communicate the updated policies and procedures to all appropriate personnel.

The anticipated date of completion is August 31, 2023.

3. ACCOUNTS RECEIVABLE

OBSERVATION

UAS did not always perform collection efforts and follow-up activity for long-outstanding accounts receivable, and UAS could not provide evidence of management review of accounts receivable monthly aging reports.

We reviewed processes surrounding accounts receivable, as well as policies, aging reports, and 16 delinquent accounts, and we found that:

- Collection and follow-up activity was not performed to facilitate collection for 14 of the 16 delinquent accounts we reviewed. The account balances totaled \$53,697 and were outstanding between 119 and 377 days.
- There was no evidence of management review of the accounts receivable aging reports since July 1, 2020.
- UAS did not have written policies and procedures that addressed the collection process for invoices that were not related to grants and contracts.

Adequate control and properly defined policies and procedures for accounts receivable improve the likelihood of collection and positively impact cash flow.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS:

- a. Develop and implement a written procedure related to delinquent accounts receivable, including documenting the follow-up activity for delinquent accounts to facilitate collection efforts.
- b. Document management review of account receivable aging reports.

- c. Communicate and distribute the updated policies and procedures to appropriate personnel.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall:

- a. Develop and implement a written accounts receivable procedure related to delinquent accounts, including documenting the follow-up activity to facilitate collections efforts.
- b. Document management review of accounts receivable aging reports.
- c. Communicate the updated policies and procedures to appropriate personnel.

The anticipated completion date is July 31, 2023.

4. SUBRECIPIENT MONITORING

OBSERVATION

Documentation of monitoring for subrecipient awards was not always maintained.

Uniform Guidance requires prime recipients of federal funds to monitor subawards and to ensure subrecipients meet federal audit requirements and use funds in accordance with applicable laws and regulations.

We requested monitoring documentation for subrecipient awards for fiscal year (FY) 2021/22 and found that UAS did not retain documentation to show that subrecipient monitoring was completed for any of them. UAS indicated that subrecipient monitoring for FY 2021/22 was completed, but the information was not stored centrally and was lost as a result of computer issues. UAS did have documentation to show that all required subrecipient monitoring for FY 2020/21 was completed.

Inadequate documentation of the monitoring of subrecipients increases the risk of noncompliance with regulatory requirements.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS, update the subrecipient policy to include procedures for maintaining supporting documentation for subrecipient monitoring.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall update the subrecipient policy to include procedures for maintaining supporting documentation for subrecipient monitoring.

The anticipated completion date is June 30, 2023.

5. CAMPUS PROGRAMS

OBSERVATION

UAS did not properly monitor and follow up on inactive campus program accounts, and campus program hospitality expenditures were not always adequately documented.

We reviewed supporting documentation for 10 inactive campus program accounts (accounts that have been inactive for at least one year) and 15 campus program expenditures and found that:

- In nine instances, UAS did not provide documentation to show that follow-up was completed with the campus program account manager to determine whether the account should remain open. The nine campus program accounts carried balances from \$1,839 to \$123,958 and had no activity for four years. In a further review of the remaining 213 campus program accounts, we noted that 58 campus program accounts had no transactions in the past two years, and 20 of those had no transactions in the past four years.
- UAS did not maintain a copy of the campus program account agreement for two of the campus program accounts reviewed.
- For all 10 accounts, the authorized account signatories on the campus program agreement were not current and included approvers that were separated employees. However, in our review of 15 campus program expenditures, we noted that the expenditures reviewed appeared to be signed by an appropriate individual, such as the college dean, campus chief financial officer, or campus president, even if they were not included on the authorized approvers listing.
- For three of the 15 campus program expenditures reviewed, the hospitality form was not completed and a list of attendees was not provided.

Inadequate administration of campus program accounts increases the risk of non-compliance with relevant requirements and misunderstandings regarding rights and responsibilities.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS:

- a. Develop and implement written procedures to consistently monitor inactive campus program accounts and document follow-up activities performed.
- b. Reiterate to campus program account managers the requirement to submit a new campus program application and agreement form to UAS upon changes to account signatories.
- c. Complete a review of all campus program accounts to ensure current agreements are in place, including appropriate authorized account signatories.

- d. Reiterate the policy for hospitality-related expenses and the importance of fully completing the hospitality forms to appropriate personnel.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall:

- a. Develop and implement written procedures to consistently monitor inactive campus program accounts and document follow-up activities performed.
- b. Reiterate to campus program account managers the requirement to submit a new campus program application and agreement form to UAS upon changes to account signatories.
- c. Complete a review of all campus program accounts to ensure current agreements are in place, including appropriate authorized account signatories.
- d. Communicate the policy for hospitality-related expenses and the importance of fully completing the hospitality forms to appropriate personnel.

The anticipated completion date is August 31, 2023.

6. COMMISSION RECEIPTS

OBSERVATION

UAS did not have documented policies and procedures regarding the review of commission receipts, and support for these receipts was not always adequate or timely submitted.

We reviewed the processes surrounding commission receipts for commercial services and found that UAS did not have written policies and procedures for the process to periodically audit commission receipts to ensure that payments were made in accordance with contractual requirements.

We reviewed commission receipts for six vendors and found that:

- For one dining vendor, commission receipts were not calculated based on the agreed-upon base minimum rent commission rate stated in the agreement. As a result, the commission received by UAS was understated by \$1,761.
- Three of the dining vendors and the bookstore vendor did not provide detailed reports to support the numbers included in the summary statement reports provided to UAS. The vendors communicated their total monthly sales amounts in a summary spreadsheet, sales report, or the body of an email without sufficient detail. For example, one vendor's monthly reports did not have enough information for UAS to be able to recalculate the commission payments received by the vendor. The agreement indicated that the commission rate was calculated after deducting taxes, deposits, recycling fees, and other government-mandated fees, but that information was not included in the report provided to UAS.

- Bookstore commission payments were not received on a monthly basis as stipulated in the agreement. The commission payment for the period from May 2022 to August 2022 was paid in September 2022, and the September 2022 and October 2022 commissions were paid in January 2023.

Reviews of commission receipts help to ensure that commission payments are accurate and timely and that UAS receives all amounts due.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS:

- a. Develop and implement written policies and procedures that address review of commission receipts to ensure that commissions are paid in accordance with contractual requirements.
- b. Communicate to vendors the requirement that monthly statement reports for commissions must provide enough detail for UAS to recalculate the payment amount.
- c. Communicate and distribute the new policies and procedures to appropriate personnel.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall:

- a. Develop and implement a written procedure that addresses the review of commission receipts to ensure that commissions are paid in accordance with contractual requirements.
- b. Communicate to vendors the requirement that appropriate sales reports for commissions must provide sufficient detail for UAS to confirm the commission calculations.
- c. Communicate and distribute the new procedures to appropriate personnel.

The anticipated completion date is June 30, 2023.

7. GOVERNANCE

OBSERVATION

Administration of UAS governing documents needed improvement.

Specifically, we noted that:

- UAS bylaws were amended in March 2017, and an addendum to the operating agreement was executed in June 2017; however, these changes were not submitted to the chancellor's office as required by Executive Order (EO) 1059, *Utilization of Campus Auxiliary Organizations*.

- UAS bylaws had conflicting information regarding the required number of directors on its governing board. According to section 5.03 of the UAS Bylaws, the board of directors (BOD) shall consist of 17 members: six directors, two staff directors, three faculty directors, three student directors, and three community directors. However, section 5.01 indicates that the BOD shall consist of up to 17 voting directors, which would allow for 17 or less to serve at any time. We found that for FY 2020/21 and 2021/22, the BOD composition did not comply with section 5.03 and consisted of only 11 and 13 board members, respectively.
- UAS did not maintain documentation to specify the frequency of audit committee meetings. UAS bylaws indicate that the audit committee shall meet as designated by the executive committee and approved by the BOD; however, we could not verify that this designation and approval occurred. We reviewed audit committee meetings minutes and noted that meetings were held on an annual basis.

Inadequate review of auxiliary organization written operating agreements and functions increases the risk of unauthorized activities and misunderstandings regarding rights and responsibilities. Additionally, appropriate governing board composition and establishment of meeting frequency helps to ensure compliance with government code, systemwide policies, and adequate representation of the campus community.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS:

- a. Establish a written procedure to ensure that any required changes to auxiliary governing documents or status, as discussed in EO 1059, are timely submitted to the chancellor's office.
- b. Review and update the UAS bylaws to address board composition and audit committee meeting frequency, appoint board members in accordance with the updated bylaws, and submit the updated bylaws to the chancellor's office in accordance with systemwide policy.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall:

- a. Implement a written procedure to ensure that any required changes to auxiliary governing documents or status, as discussed in EO 1059, are timely submitted to the chancellor's office.
- b. Review and update the UAS bylaws to address board composition and audit committee meeting frequency, appoint board members in accordance with the updated bylaws, and submit the updated bylaws to the chancellor's office in accordance with systemwide policy.

The anticipated completion date is September 30, 2023.

8. POLICIES AND PROCEDURES

OBSERVATION

UAS policies and procedures needed improvement to ensure that they were comprehensive and reflected current practices.

Specifically, we found that:

- The *Procurement Card Policy and Procedures Manual* did not reflect current practices. We reviewed 46 of 196 transactions, totaling \$44,237, and we found that in 19 instances, the purchased items, totaling \$23,987, were included on the prohibited items list referenced in the *UAS Procurement Card Policy and Procedures Manual* and did not have pre-approval. The purchased items were related to travel, computer items, equipment valued at more than \$500, and food items used for dining. UAS stated that these items were allowable expenditures and were approved by the executive director during review of monthly purchase summaries; however, the current policy shows them as prohibited without pre-approval.
- Cash-handling policies and procedures did not address management review, follow-up of cash overages or shortages, processes for and timing of monthly reconciliations of bank accounts, and processes for deposits related to the UAS main office. However, the monthly bank reconciliations and deposits we reviewed were processed accurately and timely.
- UAS did not have documented policies and procedures related to various dining operational areas, including opening and closing processes for dining sales, management oversight of dining inventory receiving and return processes, and processes for catering events.
- UAS did not have documented policies and procedures that specified when safe codes should be changed. The safe access code should be changed periodically or when the employment of staff with access to the safe is terminated. UAS did implement safe access logs in September 2022, but this practice should be documented.
- The *UAS Travel* policy did not address the timeframe to submit travel claims or what should occur if a trip is cancelled. We noted three travel expenses that were not submitted to UAS timely. These expenses were submitted between three months and 15 months after the travel had occurred.
- UAS did not have a documented policy to address records retention.

Subsequent to the completion of fieldwork, UAS updated and submitted drafts of all policies and procedures identified in the observation.

Complete and updated policies and procedures can provide guidance and improve operational compliance.

RECOMMENDATION

We recommend that the campus, in conjunction with UAS:

- a. Develop a process to periodically review and update policies to ensure they are comprehensive and reflect current practices.
- b. Develop or update policies to address the areas noted in the observation.
- c. Communicate and distribute the updated policies and procedures to appropriate personnel.

MANAGEMENT RESPONSE

We concur. UAS, in conjunction with the campus, shall:

- a. Develop a procedure to periodically review and update policies to ensure they are comprehensive and reflect current practices.
- b. Develop or update policies to address the areas noted in this observation.
- c. Communicate and distribute the developed or updated policies and procedures to appropriate personnel.

The anticipated completion date is June 30, 2023.

GENERAL INFORMATION

BACKGROUND

Auxiliary organizations are separate business and legal entities that perform activities essential to the educational program of a campus that cannot be legally or effectively administered using state funding. California Code of Regulations (CCR) Title 5, §42401, states that auxiliary organizations provide the fiscal means and the management procedures that allow the campus to carry on activities providing those instructional and service aids not normally furnished by the state budget.

Education Code §89900 states, in part, that the operation of auxiliary organizations shall be conducted in conformity with regulations established by the Trustees, and CCR Title 5, §42402, confirms the campus president's authority and responsibility for auxiliary organization operations. Campus 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.

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 auxiliary organizations.
- Implement financial standards that will assure the fiscal viability of 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 auxiliary organizations are within the educational mission of the state colleges.
- Develop policies for the appropriation of funds derived from indirect cost payments.

EO 1059, *Utilization of Campus Auxiliary Organizations*, dated June 6, 2011, represents Trustee policy addressing appropriate use of CSU auxiliary organizations. This EO requires CSU auxiliary organizations to operate within the regulations and oversight of the campus. The EO reiterates that the campus president is responsible for ensuring the fiscal viability of auxiliary organizations and their compliance with applicable CSU policies, and it further designates the campus chief financial officer as the individual responsible for administrative compliance and fiscal oversight of auxiliary organizations.

California State University, Los Angeles, has four separate auxiliary organizations, each of which provides a function that contributes to the educational mission of the university. UAS is a nonprofit corporation responsible for the administration of externally sponsored programs (grants and contracts), campus programs, the childcare center, and commercial services. UAS operates the Golden Eagle Building, a venue used for food services, meetings, catering, and other events; the University Club, an on-campus dining service; and the Anna Bing Arnold Children's Center. UAS outsources the operations of the University bookstore and the

operations of the food court restaurants to several national brand vendors in exchange for commission on the revenues generated by these enterprises. UAS is governed by a board of directors composed of representatives from the university and auxiliary administration, faculty, student body, and community. UAS contracts with the university for certain administrative and accounting support services.

SCOPE

We performed fieldwork from November 28, 2022, through February 3, 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 at UAS. The audit focused on procedures in effect from July 1, 2020, to February 3, 2023.

Specifically, we reviewed and tested:

- Corporate governance, including compliance with education, government, and corporation codes.
- Timely and proper execution of agreements, contracts, and memoranda of understanding.
- Fiscal, operational, and program compliance, such as reserve provisions, conflicts of interest, and risk management practices.
- Internal controls and segregation of duties over fiscal administration of areas such as cash receipts, accounts receivables, property and equipment, procurement, and disbursements.
- Outsourced commercial operations, such as the bookstore and dining services.
- Auxiliary dining program administration, including, but not limited to, cash receipts, purchasing, inventory, disbursements, and catering activities.
- Selected areas of sponsored programs post-award administration, including fiscal processes surrounding allowable costs, sub-recipient monitoring, and cost sharing.

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, which was designed to provide a review of key operational, administrative, and financial controls, included interviews, walkthroughs, and detailed testing on certain aspects of UAS operations. Our review was limited to gaining reasonable assurance that essential elements of UAS operations were in place and did not examine all aspects of the program, such as operation of the Children's Center.

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 and auxiliary 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:

- Code of Federal Regulations (CFR) Title 2, Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*
- CCR, Title 5 §42401, *Declaration of Policy*
- CCR, Title 5 §42402, *Authority of Campus President*
- CCR, Title 5 §42500, *Functions of Auxiliary Organizations*
- Education Code (EC) §89720
- EC §89756
- EC §89900
- EC §89904
- EO 1059, *Utilization of Campus Auxiliary Organizations*
- ICSUAM §1301.00, *Hospitality, Payment or Reimbursement of Expenses*
- ICSUAM §11000, *Sponsored Programs Administration*
- ICSUAM §13680.00, *Placement and Control of Receipts for Campus Activities and Programs*
- Coded memorandum ASA 2016-28 *Coordination of External Grant/Scholarships with Financial Aid*
- Coded memorandum Human Resources 2015-05, *Principal Investigators – Nongovernmental*
- *CSU Auxiliary Organizations Compliance Guide*
- *CSU Auxiliary Organizations Sound Business Practices Guidelines*
- *UAS Cash and Check Handling*
- *UAS Expenditure Guide for Principal Investigators and Account Managers*
- *UAS Fixed Assets*
- *UAS Hospitality*
- *UAS Purchasing Policy*
- *UAS Subrecipient Policy*
- *UAS Travel Policy*

AUDIT TEAM

Audit Manager: Hannah Gardener
Senior Auditor: Alexandra Gonzalez