

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

August 22, 2024

Dr. Soraya M. Coley, President
California State Polytechnic University, Pomona
3801 W. Temple Avenue
Pomona, CA 91768

Dear Dr. Coley:

**Subject: Audit Report 23-82, Follow Up: Auxiliary-Owned Housing,
California State Polytechnic University, Pomona**

We have completed an audit of *Follow Up: Auxiliary-Owned Housing* 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 university personnel over the course of this review.

Sincerely,



Vlad Marinescu
Vice Chancellor and Chief Audit Officer

c: Mildred García, Chancellor
Lillian Kimbell, Chair, Committee on Audit
Anna Ortiz-Morfit, Vice Chair, Committee on Audit

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FOLLOW UP: AUXILIARY- OWNED HOUSING

**CALIFORNIA STATE
POLYTECHNIC UNIVERSITY,
POMONA**

**AUDIT REPORT 23-82
AUGUST 22, 2024**



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 a follow-up review of University Village (UV), the student housing complex owned by the Cal Poly Pomona Foundation (Foundation) at California State Polytechnic University, Pomona (CPP).

In FY 2021/22, A&AS audited UV to review and assess compliance with relevant federal and state regulations, Trustee policy, Office of the Chancellor (CO) directives, and university and Foundation procedures.

Based on the results of the audit work we performed, we found that operational, administrative, and financial controls for the UV as of September 2, 2021, were unlikely to provide reasonable assurance that risks were being managed and objectives were met.

The objective of this follow-up audit was to review the work performed by the university and the Foundation to remediate each of the seven observations contained in the FY 2021/22 audit. This included evaluating the operational and business practices implemented in response to each observation and providing university management with the results of the review.

OVERALL CONCLUSION

Our review included an evaluation of the following areas: license agreement compliance, resident fee monitoring, cancellations and refunds, disbursements, physical access, staff hiring and training, and system access administration.

Overall, the university and Foundation had made significant efforts to address the observations, and in our opinion, these efforts had a positive impact on UV. Our review found that controls had been implemented to fully address five of the seven observations and to partially address the remaining two observations related to license agreement compliance and resident fee monitoring. However, further work to fully address management's action plan is required. Additional information is detailed in the remainder of this report.

FOLLOW-UP EVALUATION

Below is a summary of the two remaining management action plans that had not been fully completed at the time of our auxiliary-owned housing follow-up review, as well as the status of work performed to address management's action plan.

1. LICENSE AGREEMENT COMPLIANCE

SUMMARY OF FY 2021/22 OBSERVATION

We found that UV did not obtain and enforce signed license agreements from residents in accordance with the operating agreement between the Foundation and the university.

Specific observations included exceptions relating to obtaining and retaining signed license agreements; controls to ensure that CPP students were provided priority over students from other universities; documentation to demonstrate that tenant eligibility was confirmed and maintained; collection of room inventory forms from tenants to document unit conditions; and required license language addressing cancellation of unit reservations.

MANAGEMENT ACTION PLAN

The campus, in conjunction with the Foundation, will:

- a. Develop a process to obtain and retain signed license agreements and required addendums from all residents.
- b. Review and update the license agreement to ensure it incorporates all required provisions, including proper disclosure of terms for canceling or vacating a unit.
- c. Develop and implement a process that ensures priority placement to eligible CPP students before students from other universities or faculty and staff.
- d. Implement procedures to maintain documentation verifying resident eligibility requirements prior to move-in and during the academic year.
- e. Enforce resident documentation policies, including the requirement to complete a room inventory attesting to the condition of the furniture and equipment.
- f. Review and assess the current methods for communicating information from the required COVID-19 Addendum in various documents rather than in a separate and complete addendum. Ensure that final practices include all disclosures and requirements, including protocols for resident-suspected exposure to COVID-19 and requirements to maintain personal protective equipment.
- g. Implement procedures to monitor resident vaccination requirements, as required in the COVID-19 Addendum.

Expected completion date: September 30, 2022

STATUS OF WORK PERFORMED

In September 2022, the university submitted documentation for corrective action indicating that the Foundation, along with UV staff, had developed a new *License Agreement Signature and Retention Procedure*, which effectively addressed audit concerns, and had communicated the changes to the relevant management and staff. The documentation also included an updated license agreement that demonstrated the required language for the cancellation of unit reservations.

Additionally, the university provided an updated *Priority Placement of Cal Poly Pomona Students* policy, addressing the requirement to give placement priority to CPP students, and an updated *Eligibility Documentation* policy to ensure tenants meet the requirements to live in UV.

In our review, we did not note issues with priority placement for CPP students, room and apartment inventory forms, proof of resident eligibility verifications, and the addition of terms to the license agreement for canceling or vacating a unit. However, we found instances in which signed license agreements were not obtained or were obtained in the last month of the semester covered by the agreement. We selected 10 UV tenants from the 2023/24 academic year and found that one had never submitted a signed license agreement and three had signed their agreements in May 2024, shortly before moving out.

Management indicated that although the corrective action originally submitted used a manual process to ensure physical license agreements were obtained, UV later moved to an electronic process using a DocuSign integration with StarRez, their housing platform. All four instances occurred during the implementation period in Spring 2024, and management attributes these instances to the process conversion. Management stated that UV has made further updates so that starting with the next application cycle, applicants cannot select a room in StarRez until UV staff have received notification from DocuSign that the applicant has electronically signed the license agreement. Additionally, DocuSign can also provide reports that can be used to verify and ensure compliance.

PROCEDURES REMAINING TO BE FULLY IMPLEMENTED

We recommend that the university, in conjunction with the Foundation:

- a. Update policies and procedures regarding signed license agreements to reflect new electronic signature processes.
- b. Implement a documented process to monitor and follow up on any exceptions.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Update policies and procedures regarding signed license agreements to reflect new electronic signature processes.
- b. Implement a documented process to monitor and follow up on any exceptions.

Expected completion date: November 15, 2024

2. RESIDENT FEE MONITORING

SUMMARY OF FY 2021/22 OBSERVATION

We found that UV did not monitor or have a process for the timely review of delinquent housing fees, and there were no formal efforts to collect on delinquencies for current residents. We further found that UV could not provide information regarding the status or resolution of delinquent fees from previous academic years. The practice of recording revenues and receivables on a summary basis rather than an individual tenant basis at the Foundation resulted in a loss of detail on aged receivables, hindering collection efforts and bad debt estimates. In addition, the Foundation did not effectively reconcile room and board fees in StarRez to the housing fee revenue posted to the general ledger (GL).

MANAGEMENT ACTION PLAN

The campus, in conjunction with the Foundation, will:

- a. Investigate the capabilities of StarRez to produce fee management reports, such as comprehensive aging reports, and determine whether previous periods can be reconstructed.
- b. Establish and document a process to ensure that delinquent housing-related fees are monitored and license agreement terms are enforced.
- c. Implement policies and procedures to capture, monitor, and resolve delinquencies, including standards for follow up, collections, and write offs.
- d. Develop and implement a process to perform periodic reconciliations of housing-related fees, including review of delinquent accounts, in StarRez to the housing fee revenue posted to the general ledger.

Expected completion date: September 30, 2022

STATUS OF WORK PERFORMED

In September 2022, the university submitted documentation for corrective action, including the requested analysis of the reporting capabilities of StarRez. The analysis allowed UV to identify opportunities and revise procedures to include enhanced review of current delinquencies, as well as a procedure for capturing individual GL records for delinquencies from previous terms. This analysis resulted in a newly revised policy, *Resident Fee Monitoring Procedures*, which further addressed and improved upon procedures for follow-up, collections, and write-offs. This policy also included a section addressing all reconciliations, which included a reconciliation between StarRez and the GL.

However, in our review, we found instances in which UV did not charge late fees for delinquent payments. We selected 10 delinquent accounts from the delinquency reports and reviewed them to see whether the accounts were managed in accordance with the revised policy. For three of these accounts, we found that late fees were not charged for every month in which a payment was not paid or paid late. The policy states that tenants will be charged a late fee if their fees have not been paid by the 10th of the month but also allows tenants to apply for a waiver on a specified form. We did not locate any approved waiver forms for any of the months in question.

Management indicated that in all three of these instances, there were circumstances or hardships unique to the tenant and that they were working with the tenants to work out a payment plan or other

form of remediation, thereby allowing the late fees to be waived while the negotiations were under way. However, UV acknowledged that it did not enforce use of the waiver request form or otherwise adequately document the decision and justification to waive the fees. In response, management indicated that it will update the process for applying late fees to automatically apply a late-fee charge in all cases and will subsequently reverse the fee if a late-fee waiver is approved. Management has also committed to requiring the fee waiver form in all circumstances, including those in which the tenant has been cooperative in working out remediation, and to improving documentation within tenant files to justify waivers or lack thereof.

PROCEDURES REMAINING TO BE FULLY IMPLEMENTED

We recommend that the campus, in conjunction with the Foundation, update the existing policy regarding resident-fee monitoring to reflect the new controls proposed to ensure that late fees are charged when appropriate and that supporting documentation is retained for any fee waivers or adjustments.

MANAGEMENT RESPONSE
<p>We concur. The campus will update the existing policy regarding resident-fee monitoring to reflect the new controls proposed to ensure that late fees are charged when appropriate and that supporting documentation is retained for any fee waivers or adjustments.</p> <p>Expected completion date: November 15, 2024</p>

GENERAL INFORMATION

ADDITIONAL BACKGROUND

UV is an apartment-style housing complex located in the southwest corner of the CPP campus within walking distance of the center of the campus. Built in three phases between 1985 and 2005, the complex is owned by the Foundation and sits on land leased from the university. The property consists of 328 units with a capacity of 1,300 beds, as well as community recreation and study areas. UV also has 16 units that have been modified to accommodate students with accessibility or special needs. Applicants for residency must be age 21 or older or must have completed at least 24 semester units. Residents are mostly CPP students, but students from other local higher-education institutions may also apply to be residents. Housing assignments are granted on a first-come, first-serve basis with priority given to CPP students.

UV operates under a supplemental operating agreement between the university and the Foundation that was established in 2000 and expires in 2025. Though as an auxiliary-owned entity, UV is not technically required to comply with California Code of Regulations, Title 5 §42000-42103, which addresses student housing, it committed in the supplemental operating agreement to meet these requirements.

As of Fall 2024, UV was anticipating a 100 percent occupancy rate, reflecting a return to normal operations after the years following the global pandemic, which required housing to be vacated in March 2020, with continued limited operations in the next two years to adhere to health and safety guidelines. UV is led by an executive director and a director of housing, as well as professional staff members in operations, leadership development, community standards, and housing technology. UV also has student resident assistants who report to the leadership development department, live in the complex, and provide support to residents.

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:

- California Code of Regulations, Title 5 §42000-42103
- Government Code §13402 and §13403
- California State University (CSU) *Delegation of Fiscal Authority*
- *CSU Utilization of Campus Auxiliary Organizations*
- *CSU Auxiliary Organizations Compliance Guide*
- *CSU Auxiliary Organizations Sound Business Practices Guidelines*
- *CSU Access Controls*
- *CSU Accounts Receivable Management*
- *UV Policies and Procedures Operations Manual*
- *UV License Agreement*
- *UV Community Standards*

AUDIT TEAM

Audit Manager: Kyle Ishii

Audit Consultant: Ann Hough