

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

562-951-4430
562-951-4955 (Fax)
lmandel@calstate.edu

June 15, 2020

Dr. Jeffrey D. Armstrong, President
California Polytechnic State University, San Luis Obispo
1 Grand Avenue
San Luis Obispo, CA 93407

Dear Dr. Armstrong:

**Subject: Audit Report 20-16, *Housing and Residential Services*,
California Polytechnic State University, San Luis Obispo**

We have completed an audit of *Housing and Residential Services* as part of our 2020 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 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

c: Timothy P. White, Chancellor

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HOUSING AND RESIDENTIAL SERVICES

California Polytechnic State University, San Luis Obispo

Audit Report 20-16
April 27, 2020

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to housing and residential services (HRS) and to ensure compliance with relevant federal and state regulations, Trustee policy, Office of the Chancellor (CO) 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 HRS as of February 28, 2020, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that the campus had an appropriate framework for the administration of HRS, provided by University Housing (UH); however, we identified some areas needing improvement. We noted that UH residential staff did not consistently complete or retain documentation to confirm that all required background checks and training were completed. In addition, UH did not maintain necessary overnight guest logs and did not always comply with guest and visitor monitoring requirements and collection of related fees. Also, policies in the *UH Resident Handbook* and the *Housing and Dining License Agreement* were not in alignment. Further, we found that administration related to compliance, monitoring, and oversight of some UH-related fees needed improvement, and UH elected to forgo potential revenue sources despite the fact that it was not meeting reserve requirements. Additionally, UH facilities work orders (WO) were not always timely closed, the conditions of the service level agreement (SLA) were not always performed, and applicable charges were not consistently assessed and collected. Also, retention of records supporting UH disbursements and purchase approvals needed improvement, duplicate payments were made for overtime mileage reimbursements, and UH did not have an SLA for current services.

We also found that the administration of UH resident activities and events needed improvement related to collection and retention of release of liability, approval, and post evaluations. Further, Agricultural Housing (Ag Housing) did not conduct all required evacuation drills and did not have a separate emergency plan. Additionally, UH did not always maintain specific resident records required by the campus license agreement, and the license agreement needed to be revised. Also, UH administration of physical key and access card needed improvement related to monthly inventory and timely deactivation. In addition, UH and campus information technology (IT) did not always require UH staff to complete confidentiality or non-disclosure agreements and did not timely remove employees who separated from the university from StarRez. Additionally, a written campus reserve policy had not been established, and Ag Housing resident employees were not always paid for overtime hours.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. STAFF HIRING AND TRAINING

OBSERVATION

UH residential staff did not consistently complete or retain documentation to confirm that all required background checks and training were completed.

We reviewed training and personnel records for 20 residential staff members, including 14 resident advisors (RA), five coordinators of development (CSD), and one faculty-in-residence, and we found that:

- For five staff members, a background check was either not performed or a record of the background check was not retained, and for three staff members who started work in January 2020, background check results were pending.
- Documentation showing attendance at alcohol and drugs training was not readily accessible for any of the staff members. UH indicated that this training was provided by the Campus Health & Wellbeing center.
- 17 staff members did not complete Clery Act training.
- 16 staff members did not complete emergency preparedness training.
- Ten staff did not complete Title IX training.
- For 12 RAs, documentation was not retained showing that onboarding training that covered various topics was provided.
- Six RAs did not complete the UH RA *Terms and Conditions* form.
- 11 RAs did not complete required learning outcomes training, and three staff had completed only part of the training.
- For five staff members, records to show completion of learning outcomes were incomplete and did not identify the CSD staff who participated.

Further, we found ten active users with access to protected data in the housing management system, StarRez, who had not completed required information security awareness training.

Completion and retention of required background checks and training helps to ensure compliance with legal requirements and provides evidence that UH staff are properly trained and qualified for their positions and reduces exposure to potential litigation.

RECOMMENDATION

We recommend that the campus:

- a. Develop and implement a process that ensures all required employment activities are performed and documented, including completion of background checks and learning outcomes.
- b. Develop and implement a process to identify all staff who are required to take initial and refresher training, including specialized training noted above, and track and notify staff with overdue or incomplete training.
- c. Maintain required records to support all UH hiring and training activities.

MANAGEMENT RESPONSE

- a. We concur and will develop and implement a process that ensures all required employment activities are performed and documented, including completion of background checks and learning outcomes.
- b. We concur and will develop and implement a process to identify all staff who are required to take initial and refresher training, including specialized training noted above, and track and notify staff with overdue or incomplete training.
- c. We concur and will maintain required records to support all UH hiring and training activities.

Anticipated implementation date: January 27, 2021

2. GUEST AND VISITOR POLICIES

OBSERVATION

UH did not maintain necessary overnight guest logs and did not always comply with all guest and visitor monitoring requirements and fee collection required by campus policy. In addition, policies in the *UH Resident Handbook* and the *Housing and Dining License Agreement* were not always in alignment.

Per the *UH Resident Handbook*, a visitor is defined as a non-resident in or around campus student housing who does not stay overnight, while a guest is a non-resident who stays overnight.

We found that UH did not maintain all overnight guest logs for academic year (AY) 2018/19; therefore, for this period, we could not validate data from the proprietary information system or verify the effectiveness of monitoring procedures over overnight guests. However, we reviewed all 43 overnight guests registered in StarRez for AY 2019/20, and we found that:

- In four instances, an overnight guest who stayed more than two days was not assessed the overnight guest fee of \$10 per additional night, as required by the *Housing and Dining License Agreement*. UH indicated that it had not enforced this requirement for the past eight years.

- Records were not maintained to show that residents obtained approval from their RA when hosting an overnight guest.
- In four instances, a written consent form from the minor’s parents or legal guardian for guests under 18 was not obtained or retained, and required UH approval was not obtained from the director of residential life and education.
- In 11 instances, the guest’s date of birth was inaccurate. This is important information to monitor, as it relates to identifying the presence of minor guests in UH and subsequent requirements.

We noted that UH had not established processes for:

- Maintaining a record of all visitors, such as a registration or sign-in log.
- Identifying unauthorized or unapproved guests.
- Monitoring the number of guests allowed at any one time in a room or apartment. For example, we found that two residents had more than two overnight guests registered during the same time period.
- Maintaining a list of banned overnight guests.

In addition, policies related to guests and visitors in the *UH Resident Handbook* did not align with the *Housing and Dining License Agreement*. Specifically:

- The *UH Resident Handbook* addresses the maximum number of overnight guests allowed per room, but the *Housing and Dining License Agreement* does not.
- The *Housing and Dining License Agreement* specifies that the director of residential life and education or designee was required to approve an overnight guest who is a minor, but the *UH Resident Handbook* does not.
- The *UH Resident Handbook* indicates that the RA or a designated UH staff member must approve an overnight guest, but the *Housing and Dining License Agreement* says that only the RA is authorized to make such an approval.

Compliance with the UH guest and visitor monitoring requirements and complete records of guests and visitors to the residential communities can help to improve campus security and safety and reduce the potential risk and liability to the campus.

RECOMMENDATION

We recommend that the campus:

- a. Implement a record retention plan to address the issues noted above and communicate it to all personnel involved in UH activities.

- b. Review UH guest and visitor fees and determine whether they are appropriate. If so, comply with the policy and consistently assess and collect the fees. If not, update UH and campus policies accordingly. In either case, communicate the chosen procedure and policy to all personnel involved in UH activities.
- c. Implement a process such as a registration or sign-in log to monitor guests and visitors to UH communities, and obtain written consent from the parent or legal guardian of any guest who is a minor.
- d. Establish processes to address the key operating areas noted above, including maintaining a record of guests and visitors, identifying unauthorized or unapproved guests, monitoring the maximum number of guests allowed at any one time in a room or apartment, and maintaining a list of banned overnight guests.
- e. Review the guest and visitor policies in the *UH Resident Handbook* and the *Housing and Dining License Agreement*, update them accordingly to align and reflect current practices, and communicate the revised policies to all personnel involved in UH activities.

MANAGEMENT RESPONSE

- a. We concur and will review the record retention plan and adjust it to align and reflect current practices, and communicate the revised policies to all personnel involved in UH activities.
- b. We concur and will review UH guest and visitor fees and determine whether they are appropriate. If so, we will comply with the policy and consistently assess and collect the fees. If not, we will update UH and campus policies accordingly. In either case, we will communicate the chosen procedure and policy to all personnel involved in UH activities.
- c. We concur and will implement a process such as a registration or sign-in log to monitor guests and visitors to UH communities, and obtain written consent from the parent or legal guardian of any guest who is a minor.
- d. We concur and will establish processes to align and reflect current practices for the key operating areas noted above, including maintaining a record of guests and visitors, identifying unauthorized or unapproved guests, monitoring the maximum number of guests allowed at any one time in a room or apartment, and maintaining a list of banned overnight guests, and communicate the revised policies to all personnel involved in UH activities.
- e. We concur and will review the guest and visitor policies in the *UH Resident Handbook* and the *Housing and Dining License Agreement*, update them accordingly to align and reflect current practices, and communicate the revised policies to all personnel involved in UH activities.

Anticipated implementation date: January 27, 2021

3. FISCAL ADMINISTRATION

OBSERVATION

Administrative oversight related to compliance, monitoring, and oversight of some UH-related fees needed improvement, and UH elected to forgo potential revenue sources despite the fact that it was not meeting reserve requirements.

We found that some required fees listed on the UH *Housing and Dining License Agreement* were not enforced. Specifically:

- The overnight guest fee had not been enforced for the past eight years. Per the license agreement, a \$10 per-day overnight guest fee should be charged after two days for a maximum of four total days per calendar month.
- According to the *Housing and Dining License Agreement*, a \$25 late payment fee was required to be charged to the resident's student account if payment was not received by the scheduled due date. However, we found that the late payment fee was not implemented by campus student accounts effective 2019.
- The initial non-refundable payment of \$500 for continuing and transfer students was refunded in nine of 20 instances during AY 2019/20 and 2018/19. The UH website indicated that the initial payment of \$500 was nonrefundable, and the continuing and transfer students' license agreement addenda stated that cancellation would cause the student to forfeit any nonrefundable initial payments. Further, UH waived the fee for failing to provide 30-day notice for early license releases due to medical and academic dismissal reasons. However, these fee waiver exceptions were not explicitly stated on the housing license agreement or in UH policy.
- UH did not consistently assess and collect fees for chargeable WOs. Chargeable WOs were usually related to individual damages or re-keying of locks, which can cost between \$5 and \$500.

Additionally, monitoring and oversight of UH fees needed improvement. Specifically:

- UH did not reconcile the room and board fees in StarRez to the housing fee revenue posted to the general ledger.
- UH did not monitor or have a process for timely reviewing delinquent housing-related fees. For example, delinquent fees were approximately \$46,000 for the period of August 2018 through December 2019 and were still on the delinquent report when we were performing fieldwork.
- UH did not have documentation to verify that the new or adjusted fee schedule for damages was approved, in accordance with campus policy.
- Oversight of certain processes in Ag Housing related to managing some required student fees did not comply with established policies and procedures. We found that required

guest fees between \$10 and \$20 detailed in the *Agricultural Student Housing License Agreement* were not assessed. Also, Ag Housing did not have a documented budget.

In addition, we noted that UH had elected to forgo potential sources of revenue, as shown below, despite the fact that it was not meeting reserve requirements.

- UH currently provides free laundry services to all residents for an estimated annual cost of \$220,000. In the past, UH management estimated that it took in up to \$400,000 in annual laundry revenues. We found that several other California State University (CSU) housing operations did not provide free laundry services to residents.
- UH did not assess fees for room changes or room trades before or after the move-in date. Specifically, there were 497 trades before and 170 trades after the move-in date in AY 2019/20. Further, there were 214 trades before and 211 after the move-in date in AY 2018/19. Potential trade charges may include administrative, cleaning, and re-keying of locks.
- UH did not assess a cancellation fee for residents who requested to be released early from the *Housing and Dining License Agreement*.
- UH was in the process of completing an SLA with campus dining regarding the administration of meal plans, including the use of StarRez.

Effective oversight related to compliance, monitoring, and reconciliation of UH-related fees can provide greater assurance that errors or unrecorded transactions will be detected and corrected promptly, and consideration of new revenue sources can help to increase revenue for UH.

RECOMMENDATION

We recommend that the campus:

- a. Implement a process to consistently assess and collect all UH and Ag Housing charges required by the license agreement.
- b. 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.
- c. Identify and consider potential sources of revenue, including those noted above.
- d. Develop and routinely review the budget for Ag Housing.

MANAGEMENT RESPONSE

- a. We concur and will review the process to consistently assess and collect all UH and Ag Housing charges required by the license agreement, and update them accordingly to align and reflect current practices, and communicate the revised policies to all personnel involved in UH and Ag Housing charges activities.

- b. We concur and will 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.
- c. We concur and will identify and consider potential sources of revenue, including those noted above.
- d. We concur and will develop and routinely review the budget for Ag Housing.

Anticipated implementation date: January 27, 2021

4. FACILITIES MAINTENANCE

OBSERVATION

UH facilities WOs were not always timely closed, reviews required in the SLA between UH and campus facilities management and development (FM&D) were not always performed, and applicable WO charges were not consistently assessed and collected.

We reviewed the open WO aging report as of December 31, 2019, from UH's Maintenance Connection system, and we found that UH did not always timely close WOs. Specifically, there were 100 long-outstanding WOs (from 31 to 168 days) and 60 long-outstanding WOs (from 187 to 502 days) during AY 2019/20 and 2018/19, respectively.

We found that UH has an SLA with FM&D to provide routine/preventive and non-routine maintenance, project management support, and landscape services. UH management indicated that most of these long-outstanding WOs were tied to the campus FM&D WO system, FAMIS. It appeared that UH facilities could not close a WO in their system until campus FM&D first closed the corresponding WO.

We also found that UH and FM&D were not conducting periodic reviews of the service performance against agreed-upon service-level expectations required by the SLA.

Further, we obtained an updated open WO listing as of February 20, 2020, and reviewed a sample of 20 open WOs, including 15 that were flagged chargeable. We found that:

- For six WOs with a "complete" status in either the UH Maintenance Connection system or the campus FAMIS system, the corresponding WO had not been updated to a "closed" status in UH Maintenance Connection.
- For six WOs, the resident was not assessed charges indicated in the WO detail. Examples of these charges were improper checkout, replacement key, and improper trash disposal. The total uncollected charges were \$205.
- For one WO, a damage charge of \$1,187 for broken ceiling tiles was not assessed or collected because the WO detail was incomplete and did not identify whom to charge.

- For three WOs flagged “chargeable,” the WO detail was missing necessary information to make the assessment or collection, including a description, the amount, and whom to charge.

Timely administration of all WO requests, including monitoring, timely closure, and collection of chargeable fees, and performing agreed-upon conditions of the SLA can help to enhance service levels, provide greater assurance that assets will be properly maintained, and generate reimbursement for maintenance expenses.

RECOMMENDATION

We recommend that the campus:

- Establish a process to review long-outstanding WOs and timely close completed WOs.
- Conduct periodic reviews of the service performance against agreed-upon service-level expectations with FM&D.
- Implement a process to consistently identify and assess all applicable facilities charges.

MANAGEMENT RESPONSE

- We concur and will establish a process to review long-outstanding WOs and timely close completed WOs.
- We concur and will conduct periodic reviews of the service performance against agreed-upon service-level expectations with FM&D.
- We concur and will implement a process to consistently identify and assess all applicable facilities charges.

Anticipated implementation date: January 27, 2021

5. DISBURSEMENT AND CONTRACT ADMINISTRATION

OBSERVATION

Record retention supporting UH disbursements and purchase approvals needed improvement, duplicate payments were made for overtime mileage reimbursements, and UH did not have a SLA for certain services.

We reviewed 35 disbursements from January 2018 through July 2019, including 24 from UH and 11 from Ag Housing. We found that supporting documentation was not provided for 18 disbursements, including:

- Three UH contractual services expenditures totaling \$981,167.
- Five UH event-hosting expenditures totaling \$22,294.
- Six UH travel expenditures totaling \$15,136.

- Two UH equipment expenditures totaling \$6,722.
- Two UH supplies and IT hardware expenditures totaling \$2,428.

In addition, approval was not obtained for one of the 24 expenditures for UH equipment totaling \$4,322.

We also reviewed 15 overtime mileage reimbursements and found that in four instances, duplicate payments totaling \$79 were made to a custodial employee.

Further, we found that student storage services were being provided by campus strategic business services (SBS) without an SLA. We noted that a third-party vendor had provided this service through October 1, 2019, and that UH was in the process of completing an SLA with SBS.

Retention of supporting documentation, proper approval of expenditures, and timely contract execution helps to reduce the risk of incurring unallowable costs or misuse of funds, and ensure compliance with campus procurement policies.

RECOMMENDATION

We recommend that the campus:

- a. Remind all key personnel of the importance of maintaining supporting documentation and approval for all expenditures.
- b. Document the actions taken to correct duplicate payments noted above and conduct periodic review of all overtime mileage reimbursements.
- c. Complete the SLA for student storage services provided by SBS.

MANAGEMENT RESPONSE

- a. We concur and will remind all key personnel of the importance of maintaining supporting documentation and approval for all expenditures.
- b. We concur and will document the actions taken to correct duplicate payments noted above and conduct periodic review of all overtime mileage reimbursements.
- c. We concur and will complete the SLA for student storage services provided by SBS should this be needed.

Anticipated implementation date: January 27, 2021

6. RESIDENT ACTIVITIES

OBSERVATION

The administration of UH resident activities and events needed improvement related to collection and retention of release of liability forms, approvals, and post-evaluation forms.

We reviewed five UH weekend events and found that:

- For one event, the *University Release of Liability Agreement, University Participation Release Agreement (Release of Liability, Promise Not to Sue, Assumption of Risk and Agreement to Pay Claims)* was not completed by student attendees. Also, the standard agreement that includes the indemnification clause was not completed, and additional insurance was not collected from the vendor.
- For four events, there was no documentation showing approval of the event.
- For three events, the post-evaluation form required by UH was not completed.

We also reviewed five UH non-weekend events and found that for three events, the activity strategy form was not completed to show that the RA obtained approval for the event.

Proper administration of housing resident activities and events provides greater assurance that UH activities will be conducted in a safe and well-controlled manner and helps to reduce the risk of campus exposure to potential litigation.

RECOMMENDATION

We recommend that the campus:

- a. Retain the appropriate completed release or waiver form from all student attendees for applicable UH events.
- b. Retain completed risk management forms required from third-party vendors and performers, including a standard agreement form and proof of the required additional insurance.
- c. Retain post-evaluation forms for all UH events.
- d. Update the activities proposal guidelines and proposal process to include steps to consider the application of risk management requirements, and communicate the new procedure to affected housing staff and RAs.
- e. Review and update the RA manual to reflect current processes for UH events.

MANAGEMENT RESPONSE

- a. We concur and will retain the appropriate completed release or waiver form from all student attendees for applicable UH events.
- b. We concur and will retain completed risk management forms required from third-party vendors and performers, including a standard agreement form and proof of the required additional insurance.
- c. We concur and will retain post-evaluation forms received for all UH events.
- d. We concur and will update the activities proposal guidelines and proposal process to include steps to consider the application of risk management requirements, and communicate the new procedure to affected housing staff and RAs.
- e. We concur and will review and update the RA manual to reflect current processes for UH events.

Anticipated implementation date: January 27, 2021

7. AG HOUSING EVACUATION DRILLS

OBSERVATION

Ag Housing did not conduct all required evacuation drills and did not have a separate emergency plan.

We found that:

- None of the 12 Ag Housing buildings had evacuation diagrams for exiting the building or performed annual evacuation drills.
- Although Ag Housing followed the campus emergency plan, there were no additional written emergency policies or procedures to address, among other items, the health and welfare of humans and animals, emergency contacts and protocols for each building, designated evacuation locations, and emergency roles of current Ag Housing staff.

Completion of evacuation drills and separate emergency plans help to ensure that live-in residents will be properly prepared to respond to an emergency, increases safety, and reduces the risk of noncompliance with campus and CSU requirements.

RECOMMENDATION

We recommend that the campus:

- a. Conduct and document evacuation drills and display required evacuation diagrams at all Ag Housing buildings.

- b. Create a separate emergency plan for Ag Housing, including the elements noted above.

MANAGEMENT RESPONSE

- a. We concur and will conduct and document evacuation drills and display required evacuation diagrams at all Ag Housing buildings.
- b. We concur and will create a separate emergency plan for Ag Housing, including the elements noted above.

Anticipated implementation date: January 27, 2021

8. STUDENT LICENSE AGREEMENT

OBSERVATION

UH did not always maintain specific resident records required by the UH license agreement, and the license agreement needed revision.

We reviewed the records of 50 residents from StarRez for AY 2019/20 and 2018/19, and we found that:

- For six Cal Poly Lofts residents, UH did not maintain documentation, such as the applicant scoresheet, to justify and document how the student was selected to reside at Cal Poly Lofts. UH indicated that the records were disposed of to protect student privacy.
- For 13 and seven residents during AY 2019/20 and 2018/19, respectively, UH did not obtain a completed *Room/Apartment Condition Inventory*, as required by the license agreement. According to UH management, the residents accepted the condition of the room by not responding; however, this requirement was not explicitly indicated on the license agreement prior to December 11, 2019, or in the resident handbook.

We also found that the terms and conditions of the UH license agreement did not include the following required statement: “The use of housing facilities is subject to Articles 5 and 6 of Subchapter 5 of Chapter 1 of Part V (§42000-42103) of Title 5 of the California Code of Regulations.”

Retaining required records, including application and onboarding documents, and using required language in student license agreements helps ensure compliance and can help to legally protect the campus from potential claims.

RECOMMENDATION

We recommend that the campus:

- a. Maintain documentation to support the application and selection of student residents for the Cal Poly Lofts.

- b. Reiterate to residents that failure to complete the *Room/Apartment Condition Inventory* means that they accept the conditions of the room and any related consequences.
- c. Update the UH license agreement to include the required statement noted above.

MANAGEMENT RESPONSE

- a. We concur and will maintain documentation to support the application and selection of student residents for the Cal Poly Lofts.
- b. We concur and will reiterate to residents that failure to complete the *Room/Apartment Condition Inventory* means that they accept the conditions of the room and any related consequences.
- c. We concur and will update the UH license agreement to include the required statement noted above.

Anticipated implementation date: January 27, 2021

9. PHYSICAL KEY AND ACCESS CARD

OBSERVATION

UH administration of physical keys and access cards needed improvement related to monthly inventory and timely deactivation.

We found that UH did not maintain documentation showing that a monthly inventory of all keys stored in the front desk key box was performed by the CSD, as required by *UH Resident Building Key Operations*.

We noted that Onity access cards were used for most residence halls and apartments, except *yak?it?ut?u*, the newest UH community, with about 1,500 residents. We obtained a report of 16 unassigned Onity access cards as of February 2020 and reviewed ten, and we found that some residents' Onity access cards were not properly updated or deactivated. Specifically, one student canceled housing and moved out in January 2020, and another student completed a room change in January 2020. Both exceptions were corrected during audit fieldwork.

Effective administration of residential hall physical keys and access cards increases the safety and security of the residential community and reduces the potential liability to the campus.

RECOMMENDATION

We recommend that the campus:

- a. Document and maintain a monthly inventory of all physical keys, as required by *UH Resident Building Key Operations* procedures.

- b. Establish a process to timely update or deactivate resident access cards.

MANAGEMENT RESPONSE

- a. We concur and will document and maintain a monthly inventory of all physical keys, as required by *UH Resident Building Key Operations* procedures.
- b. We concur and will establish a process to timely update or deactivate resident access cards.

Anticipated implementation date: January 27, 2021

10. SYSTEM ACCESS CONTROLS

OBSERVATION

UH and campus IT did not always require UH staff who has access to StarRez to complete confidentiality or non-disclosure agreements and did not timely remove employees who separated from the university from StarRez.

We reviewed ten active and 21 inactive StarRez users, and we found that:

- In three instances, the active user did not complete a confidentiality or non-disclosure agreement. In addition, UH did not provide documentation showing the request for the user to access StarRez.
- In two instances, the inactive user had separated from UH in fall 2019; however, user access was not deactivated until January 27, 2020.

Completion of confidentiality or non-disclosure agreement raises awareness of the importance of keeping private data secured, and timely removal of system access from StarRez helps to prevent unauthorized access to restricted data and confidential student information.

RECOMMENDATION

We recommend that the campus:

- a. Retain documentation showing all requests for user access to StarRez and completed confidentiality or non-disclosure agreements from UH staff who have been granted access to StarRez.
- b. Remind campus IT of the responsibility to timely deactivate user access from StarRez for all employees who separate from UH.

MANAGEMENT RESPONSE

- a. We concur and will retain documentation showing all requests for user access to StarRez and completed confidentiality or non-disclosure agreements from UH staff who have been granted access to StarRez.
- b. We concur and will remind Student Affairs Technology of the responsibility to timely deactivate user access from StarRez for all employees who separate from UH.

Anticipated implementation date: January 27, 2021

11. CAMPUS RESERVE POLICY

OBSERVATION

The campus did not have a current reserve policy and did not complete an in-depth review to assess the adequacy of the reserves.

We found that the campus, including UH, followed the CO reserve policy; however, the campus had not established a written reserve policy. Therefore, we could not confirm that actual UH reserve balances matched documented funding levels. Additionally, the campus had not completed an in-depth review to assess the adequacy of the reserves within the past three years, and UH management indicated that UH was not meeting the reserves requirement.

Also, it was unclear how the requirement to establish required reserve designations, such as facility maintenance and repair and capital improvement/construction had been met.

The campus stated that it was updating a draft reserve policy that had been written in 2003.

A current reserve policy provides greater assurance of financial stability and a basis for establishing an adequate reserve amount.

RECOMMENDATION

We recommend that the campus:

- a. Review, revise, and finalize the prior draft campus reserve policy and include a provision that it must be reviewed on a routine basis to maintain compliance with the *CSU Designated Balances and Reserves Policy*.
- b. Perform an in-depth review to assess the adequacy of the reserves.

MANAGEMENT RESPONSE

- a. We concur and will review, revise, and finalize the prior draft campus reserve policy and include a provision that it must be reviewed on a routine basis to maintain compliance with the *CSU Designated Balances and Reserves Policy*.

- b. We concur and will perform an in-depth review to assess the adequacy of the reserves.

Anticipated implementation date: January 27, 2021

12. AG HOUSING STUDENT OVERTIME

OBSERVATION

Ag Housing resident student employees were not always paid for overtime hours.

We noted that Ag Housing residents were also hired as student employees, who are required to work between 20 to 30 hours a month, and that any overtime hours worked were paid in the form of a payroll check. However, we reviewed overtime information for all Ag Housing resident student employees for AY 2019/20 and 2018/19, and we found that seven were owed overtime payments totaling \$465.

Administrative oversight of payroll activities helps ensure that student employees are properly paid for overtime hours.

RECOMMENDATION

We recommend that the campus:

- a. Establish a process to ensure that Ag Housing resident student employees are properly paid for all overtime hours worked.
- b. Take action and document payment for the unpaid overtime hours noted above.

MANAGEMENT RESPONSE

- a. We concur and will establish a process to ensure that Ag Housing resident student employees are properly paid for all overtime hours worked.
- b. We concur and will take action and document payment for the unpaid overtime hours noted above.

Anticipated implementation date: January 27, 2021

GENERAL INFORMATION

BACKGROUND

The Board of Trustees (BOT) reaffirmed the importance of student housing as a means for realizing the educational mission of the California State University (CSU) in July 1982, when it issued Resolution of the Committee on Finance (RFIN) 9-82-10, Report of the Student Housing Policy Study Group. In this document, the Board resolved to encourage and support the development of on-campus student housing and outlined objectives that addressed both programmatic goals, such as activities that complement the academic programs of the institution, as well as practical goals, such as facility maintenance, strategic planning, and fiscal responsibility.

Prior to July 1994, the responsibility for student housing, both financially and operationally, was with the Office of the Chancellor (CO). However, faced with a declining student housing occupancy rate beginning in the late 1980s/early 1990s, combined with an erosion of housing system reserves, the CO began working with the BOT in January 1993 to identify practical solutions. A task force was convened, and its study recommended a transition plan, designed to decentralize responsibilities for student housing, that transferred responsibility for housing operations to the campuses while leaving the primary financing responsibility at the CO. The proposed solution allowed each campus to assume full responsibility for the financial viability of its housing program, including facility maintenance and establishment of reserves, as well as programmatic objectives targeting the personal and academic development of student residents. In addition, the proposal stated that the CO would continue to coordinate the sale of housing system revenue bonds and monitor and report on housing financial activities, retaining the advantages and requirements for systemwide debt financing. The plan was accepted and implemented in July 1994.

Currently, campuses that want to propose a student housing project funded by systemwide revenue bonds or other non-state sources must have the project reviewed by the Housing Proposal Review Committee (HPRC) and are responsible for presenting their projects to the committee. The HPRC studies the housing proposal and submits its recommendations to the BOT for consideration. If approved, bonds are advertised and sold or otherwise financed, followed by a bond escrow period. Once funds are received, a construction contract can be executed, and the project can proceed.

Housing licensing and other fees are category V fees under the current fee policy. Category V fees are defined as fees paid to self-support programs that do not receive state general fund appropriations, but instead fully support operations through fee revenue. The campus president is delegated authority for the establishment, oversight, and adjustment to category V fees.

At California Polytechnic State University, San Luis Obispo (Cal Poly San Luis Obispo), UH provides a residential campus experience that promotes academic success, personal growth, persistence to graduation, and promising careers. With the recent completion of additional housing and refurbishment, which added about 1,500 beds, the campus has capacity for approximately 7,800 residents in eight residence halls and apartments. The department of UH is within the division of Student Affairs, Student Life. In addition, Ag Housing, consisting of 12 buildings with 42 beds, is available to qualified students who are enrolled in the agricultural

science degree program and who work at agricultural production units to gain practical experience. Ag Housing, which was managed by UH until 2017, is managed by the animal science department under the College of Agriculture, Food and Environmental Sciences.

SCOPE

We visited the Cal Poly San Luis Obispo campus from January 21, 2020, through February 28, 2020. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from January 1, 2018, through February 28, 2020.

Specifically, we reviewed and tested:

- Campus housing policies and procedures to determine whether they are current, comprehensive, and aligned with relevant state and federal regulations, Trustee policies, and CO directives.
- Clear lines of organizational authority and responsibility in the administration and management of campus housing and residential services.
- The student license to ensure it is comprehensive, timely executed, and enforced; and residential revocations, cancellations, and notices to vacate to ensure they are adequately supported and properly processed.
- The resident placement process to determine whether it is adequately documented, fairly applied to all applicants, and properly considers required priority student populations.
- Adequate enforcement of guest and visitor policies.
- Hard-copy and online confidential residential information to ensure they are adequately secured and protected against unauthorized access.
- Adequate control and monitoring of vending contracts and facility lease operations.
- Proper approval of residential fees and accurate recording, adequate safeguarding, proper processing, and timely collection of all housing revenues.
- Screening, training, and campus employment qualifications for residential coordinators and advisors.
- Appropriate establishment of student housing reserves.
- Residence hall programs and activities to ensure they are planned and implemented in accordance with established guidelines and are reflective of campus initiatives and missions.
- Adequate maintenance of facilities.
- The emergency evacuation plan and safety procedures.

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 the housing and residential services function. Our review was limited to gaining reasonable assurance that essential elements of the housing and residential services function were in place and did not examine all aspects of the program.

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
- Education Code §66014.2
- Government Code §13402 and §13403
- Executive Order (EO) 803, *Immunization Requirements*
- EO 847, *Facility Maintenance*
- EO 994, *Financing and Debt Management Policy; Project Development and the Systemwide Revenue Bond Program*
- EO 1000, *Delegation of Fiscal Authority*
- EO 1056, *California State University Emergency Management Program*
- EO 1073, *Student Conduct Procedures*
- EO 1095, *Systemwide Sex Discrimination, Sexual Harassment, Sexual Misconduct, Dating and Domestic Violence, and Stalking Policy*
- EO 1097, *Systemwide Policy Prohibiting Discrimination, Harassment & Retaliation, Sexual Misconduct, Dating & Domestic Violence, & Stalking Against Students & Procedure for Addressing*
- EO 1102, *California State University Student Fee Policy*
- EO 1107, *Clery Act Implementation*
- EO 8060, *Access Control*
- Coded memorandum Human Resources 2017-17, *Background Check Policy*
- CSU Board of Trustees REP 07-01-03, *Alcohol Policies and Prevention Program Final Report*
- CSU *Designated Balances and Reserves Policy*
- Cal Poly San Luis Obispo (SLO) UH *Housing and Dining License Agreement*
- Cal Poly SLO UH *Resident Handbook*
- Cal Poly SLO UH *Resident Building Key Operations*
- Cal Poly SLO UH *Resident Advisor Handbook*

AUDIT TEAM

Senior Audit Manager: Joanna McDonald

| Senior Auditors: May Flores and Alexandra Gonzalez