AUXILIARY ORGANIZATIONS

CALIFORNIA STATE UNIVERSITY,
FRESNO

Audit Report 14-05
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THE CALIFORNIA STATE UNIVERSITY
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ABBREVIATIONS

Ag Foundation  Agricultural Foundation of California State University, Fresno
ASI  Associated Students, Inc. of California State University, Fresno
Association  California State University, Fresno Association, Inc.
Athletic Corporation  California State University, Fresno Athletic Corporation
CO  Chancellor’s Office
CSU  California State University
CSUF  California State University, Fresno
DRP  Disaster Recovery Plan
DSS  Data Security Standard
EO  Executive Order
Foundation  California State University, Fresno Foundation
ICSUAM  Integrated California State University Administrative Manual
IT  Information Technology
MOU  Memoranda of Understanding
OMB  Office of Management and Budget
PCI  Payment Card Industry
PFC  Fresno State Programs for Children, Inc.
POS  Point-of-Sale
RFIN  Resolution of the Committee on Finance
EXECUTIVE SUMMARY

In July 1981, the Board of Trustee policy concerning auxiliary organizations was adopted in the Resolution of the Committee on Finance (RFIN) 7-81-4. Executive Order 698, Board of Trustees Policy for The California State University Auxiliary Organizations, dated March 3, 1999, required that the Office of Audit and Advisory Services conduct internal compliance/internal control reviews of auxiliary organizations, and the Board of Trustees instructed that such reviews be conducted on a triennial basis pursuant to procedures established by the chancellor.

California State University, Fresno (CSUF) 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. This responsibility, in accordance with California Code of Regulations, Title 5, Section 42402 et seq. and Executive Order 698, Board of Trustees Policy for The California State University Auxiliary Organizations et seq., includes requiring the documentation of internal control, communicating requirements to employees, and assuring that its system of internal compliance/internal control is functioning as prescribed. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of a system of internal compliance/internal control are to provide management with reasonable, but not absolute, assurance that:

- Auxiliary operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and Trustee policy.
- Assets are adequately safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management’s authorization and recorded properly to permit the timely preparation of reliable financial statements.

We visited the CSUF campus and its auxiliary organizations from July 21, 2014, through August 22, 2014, and made a study and evaluation of the system of internal compliance/internal control in effect as of August 22, 2014. This report represents our triennial review.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls at the CSUF campus as of August 22, 2014, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report. Areas of concern include: fees, revenues, and receivables and information technology.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls at the California State University, Fresno Foundation as of August 22, 2014, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report. An area of concern is contracts and grants.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls at California State University, Fresno Association, Inc. as of August 22, 2014, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report.
report. Areas of concern include: corporate governance, cash receipts and handling, and commercial operations.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls at the Agricultural Foundation of California State University, Fresno as of August 22, 2014, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report. An area of concern is segregation of duties.

In our opinion, due to the effect of the weaknesses described below, the fiscal, operational, and administrative controls at the California State University, Fresno Athletic Corporation as of August 22, 2014, taken as a whole, were not sufficient to meet the objectives stated above and in the “Purpose” section of this report. Areas of major concern include: operating and administrative agreements; cash receipts and handling; petty cash and change funds; fees, revenues, and receivables; and personnel and payroll.

In our opinion, except for the effect of the weaknesses described below, the fiscal, operational, and administrative controls at Fresno State Programs for Children, Inc. as of August 22, 2014, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report. An area of concern is purchasing and accounts payable.

In our opinion, the fiscal, operational, and administrative controls in effect at Associated Students, Inc. of California State University, Fresno as of August 22, 2014, taken as a whole, were sufficient to meet the objectives stated above and in the “Purpose” section of this report.

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.

The following summary provides management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [ ] refer to page numbers in the report.

**CAMPUS**

**OPERATING AND ADMINISTRATIVE AGREEMENTS [15]**

Campus memoranda of understanding (MOU) for information technology (IT) services provided to the Agricultural Foundation of California State University, Fresno (Ag Foundation) had not been updated.
FEES, REVENUES, AND RECEIVABLES [15]

Campus university advancement did not obtain and maintain matching gift acceptance forms. Additionally, campus university advancement administration of gifts-in-kind required improvement. Specifically, gift acceptance forms were not always on file, and gift acknowledgment letters were not always sent to donors.

TRUSTS AND OTHER LIABILITIES [17]

The campus did not have a written delegation of authority from the campus president to the vice president of administration and chief finance officer for the authorization of campus program trust accounts.

INFORMATION TECHNOLOGY [18]

The campus had not completed network enhancements to address Payment Card Industry Data Security Standards requirements. Additionally, the campus had not ensured that all auxiliary employees with computer access had received information security awareness training. Further, the campus did not have an IT disaster recovery plan for the Ag Foundation that addressed specific details regarding recovery of system operations data, including off-site backup procedures.

CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

PURCHASING AND ACCOUNTS PAYABLE [22]

The California State University, Fresno Foundation (Foundation) did not always require travel authorization forms documenting advance approval of all travel and related expenditures.

PERSONNEL AND PAYROLL [22]

The Foundation did not always certify I-9 forms within three business days of a new employee’s first day of work.

CONTRACTS AND GRANTS [23]

The Foundation’s sub-recipient policies and procedures were incomplete. For example, the policies and procedures did not address a sub-recipient risk assessment to identify key risks and determine the level of monitoring required and did not fully address procedures for monitoring sub-recipients.

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.

CORPORATE GOVERNANCE [26]

The California State University, Fresno Association, Inc. (Association), which has responsibility for filing Articles of Incorporation or Bylaws for all auxiliaries, had not filed amended Articles of Incorporation or Bylaws with the chancellor’s office in a timely manner.
EXECUTIVE SUMMARY

CASH RECEIPTS AND HANDLING [27]

Association cashprinting operations at the University Student Union reservations center and the Student Recreation Center needed improvement. Specifically, at the reservations center, checks received by mail were neither immediately logged nor restrictively endorsed prior to being transferred for processing, and at the recreation center, the change fund was not audited daily.

PURCHASING AND ACCOUNTS PAYABLE [28]

The Association had not updated its written travel policy to reflect current business practice for meal per diem rates.

PERSONNEL AND PAYROLL [29]

The Association, which has the responsibility for processing Fresno State Programs for Children, Inc. (PFC) payroll, did not always implement employee salary changes in a timely manner.

COMMERCIAL OPERATIONS [30]

Association administration of line item discounts made by the cashiers using the Kennel Bookstore point-of-sale system needed improvement. For example, cashiers were able to override the sales price for up to 75 percent off without manager or supervisor approval, discounted sales pricing was not always adjusted in the master pricing list to reflect the current sales price, and end-of-day reports did not account for line-item discounts made by the cashiers.

AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO

OPERATING AND ADMINISTRATIVE AGREEMENTS [32]

Agreements between the Ag Foundation and third parties were not always fully executed in a timely manner.

SEGREGATION OF DUTIES [32]

Certain duties and responsibilities related to cash receipts and purchasing and accounts payable at Ag Foundation units (the winery, dairy processing industry, and meat lab) were not adequately segregated.

PERSONNEL AND PAYROLL [33]

The Ag Foundation did not always certify I-9 forms within three business days of a new employee’s first day of work.
EXECUTIVE SUMMARY

PROPERTY AND EQUIPMENT [34]

The Ag Foundation did not adequately secure the storage room at the Rue and Gwen Gibson Farm Market, as the room remained unlocked during business hours and was accessible to the public.

CALIFORNIA STATE UNIVERSITY, FRESNO ATHLETIC CORPORATION

OPERATING AND ADMINISTRATIVE AGREEMENTS [36]

The MOU between the California State University, Fresno Athletic Corporation (Athletic Corporation) and the Bulldog Foundation articulating the relationship between the two organizations did not address the degree and scope of campus and/or auxiliary oversight of Bulldog Foundation fundraising activities.

CORPORATE GOVERNANCE [37]

The Athletic Corporation had not filed amended Articles of Incorporation or Bylaws with the chancellor’s office in a timely manner.

FISCAL COMPLIANCE [37]

Planning and analysis of Athletic Corporation’s reserves were not adequately documented, communicated, or reviewed by the board of directors and the campus president.

OPERATIONAL COMPLIANCE [39]

The Athletic Corporation delegation of authority matrix for approval of contracting, procurement, and disbursements was not authorized by the board of directors.

CASH RECEIPTS AND HANDLING [39]

Cashiering operations at the Athletic Corporation Bulldog ticket office needed improvement. For example, the cash over/short log had not been maintained since 2013, cashiers’ tills and ticket stocks were not adequately secured, and a list of individuals with access to the safe and the date the combination was last changed was not on file.

PETTY CASH AND CHANGE FUNDS [41]

The Athletic Corporation Bulldog ticket office change fund was not always used for its intended purpose, and administration of the change fund needed improvement. Specifically, the change fund was occasionally distributed to sport camps for remote cashiering purposes, the change fund balance was not reduced during periods of slow ticket sales, and more frequent unannounced cash counts and reconciliations of the change fund were not performed during periods when a high balance was maintained.
FEES, REVENUES, AND RECEIVABLES [43]

The Athletic Corporation did not always perform and document accounts receivable collection and follow-up activity to facilitate collection and support timely account write-off. Additionally, the Athletic Corporation did not prepare monthly accounts receivable reconciliations.

PERSONNEL AND PAYROLL [45]

Administration of Athletic Corporation employee hiring needed improvement. For example, I-9 forms were not always certified within three business days of the date employment began, and documentation of approval to hire and authorized pay rate was not always on file.

PROPERTY AND EQUIPMENT [46]

The Athletic Corporation property and equipment policies and procedures did not adequately address the disposal of fixed assets.

INFORMATION TECHNOLOGY [47]

The Athletic Corporation did not have an IT DRP that addressed specific details regarding recovery of system operations data, including off-site data backup procedures.

FRESNO STATE PROGRAMS FOR CHILDREN, INC.

OPERATIONAL COMPLIANCE [49]

PFC did not have a written delegation of authority from the campus president giving its management the authority to sign/approve PFC contracts and grant proposals, and contracts and grants award agreements were not always signed by an officer of the corporation.

PURCHASING AND ACCOUNTS PAYABLE [50]

Administration of PFC credit cards needed improvement. Specifically, written policies and procedures had not been developed for the administration of credit cards, and one employee approved the payment of her own credit card expenses. Additionally, PFC travel claim forms were not always completed within 30 days of the traveler’s return.

PERSONNEL AND PAYROLL [51]

PFC did not always certify I-9 forms within three business days of a new employee’s first day of work.
ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, FRESNO

OPERATING AND ADMINISTRATIVE AGREEMENTS [53]

Agreements between the Associated Students, Inc. of California State University, Fresno (ASI) and the campus and third parties were not always fully executed in a timely manner.

PERSONNEL AND PAYROLL [53]

ASI did not always certify I-9 forms within three business days of a new employee’s first day of work.
INTRODUCTION

BACKGROUND

Education Code §89900 states, in part, that the operation of auxiliary organizations shall be conducted in conformity with regulations established by the Trustees.

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 such auxiliary organizations.

- Implement financial standards that will assure the fiscal viability of such various 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 the auxiliary organizations are within the educational mission of the state colleges.

- Develop policies for the appropriation of funds derived from indirect cost payments.

The Board of Trustee policy concerning auxiliary organizations was originally adopted in July 1981 in the Resolution of the Committee on Finance (RFIN) 7-81-4. Executive Order (EO) 698, Board of Trustees Policy for The California State University Auxiliary Organizations, dated March 3, 1999, represents policy of the Trustees addressing CSU auxiliary organization activity and governing the internal management of the system. CSU auxiliary organizations are required to comply with Board of Trustee policy (California Code of Regulations, Title 5, Section 42402 and Education Code, Section 89900).

This executive order requires that the Office of Audit and Advisory Services will perform an internal compliance/internal control review of auxiliary organizations. The review will be used to determine compliance with law, including statutes in the Education Code and rules and regulations of Title 5, and compliance with policy of the Board of Trustees and of the campus, including appropriate separation of duties, safeguarding of assets, and reliability and integrity of information. According to Board of Trustee instruction, each auxiliary organization shall be examined on a triennial basis pursuant to procedures established by the chancellor.

EO 1059, Utilization of Campus Auxiliary Organizations, dated June 6, 2011, also represents policy of the Trustees addressing appropriate use of CSU auxiliary organizations. CSU auxiliary organizations are required to comply with Board of Trustee policy (California Code of Regulations, Title 5, §42401 and §42500 and Education Code §89720, §89756, and §89900).

This executive order requires CSU auxiliary organizations to operate within the regulations and oversight of the campus. The campus president is responsible for ensuring the fiscal viability of auxiliary organizations and compliance with applicable CSU policies. The campus chief financial officer is responsible for administrative compliance and fiscal oversight of auxiliary organizations. The campus,
with the approval of the chancellor (or designees), may assign certain functions to auxiliary organizations pursuant to the California Code of Regulations, Title 5, §42500. A written operating agreement is established detailing the functions that auxiliary organizations can perform. The campus may assign responsibility for an activity or program to auxiliary organizations, and the acceptance of the responsibility requires the assumption of the associated legal obligation and liabilities, fiscal liabilities, and fiduciary responsibilities by auxiliary organizations. Auxiliary organizations shall ensure that fiscal procedures and management systems are in place, consistent with California Code of Regulations, Title 5, §42401.

The Integrated California State University Administrative Manual §13680.00, Placement and Control of Receipts for Campus Activities and Programs, dated September 29, 2011, states that accountability and responsibility for campus activities and programs should be clearly established, and that related receipts are appropriately placed and controlled in university or auxiliary organization accounts. This policy guides campuses as to the administration of such receipts and instructs as to their proper placement in accordance with legal and regulatory requirements.

California State University, Fresno Foundation
The California State University, Fresno Foundation (Foundation) was established in 1931 as a non-profit public benefit corporation to provide services in support of the California State University, Fresno (CSUF) mission and goals. The Foundation provides and augments funding for educationally related services at CSUF not otherwise available through or funded by the state university system. It also gives CSUF the expertise, oversight, and advocacy to increase private giving and manage the philanthropic assets of the university and offers assistance to faculty and staff with the administration of grants, contracts, and trust accounts. The Foundation is governed by an independent board composed of representatives from the student body, university administration, faculty, alumni, and community. The Foundation relies on campus personnel from institutional advancement for the collection of philanthropic gifts and on the California State University, Fresno Association, Inc. for administrative and accounting support services.

California State University, Fresno Association, Inc.
The California State University, Fresno Association, Inc. (Association) was established in 1961 and was initially incorporated as the Fresno State College Association, Inc. to provide a legal body to administer the bookstore, food services, and student body activities. The breadth of operations has expanded since incorporation, and the Association is currently composed of the following operating units: Kennel Bookstore, Student Recreation Center, University Dining Services, University Courtyard, University Student Union, and Save Mart Center. The Association also provides management, accounting, information services, legal services, and professional services to other campus auxiliary organizations and operations, including the Foundation; the Agricultural Foundation of California State University, Fresno; Associated Students, Inc. of California State University, Fresno; and Fresno State Programs for Children, Inc. The Association is governed by a board of directors composed of representatives from the staff, faculty, students, and community.

Agricultural Foundation of California State University, Fresno
The Agricultural Foundation of California State University, Fresno (Ag Foundation) was established in 1954 as a non-profit benefit corporation. The Ag Foundation provides the financial resources, land, animals, orchards, and vineyards for students to receive practical experience in the field of agriculture that
reinforces their classroom instruction. The Ag Foundation is governed by an appointed board of directors, which is composed of university administrators and leaders from the valley’s agricultural community. The Ag Foundation relies on the Association personnel for administrative and accounting support services.

California State University, Fresno Athletic Corporation
The California State University, Fresno Athletic Corporation (Athletic Corporation) was established in 1982 as a non-profit public benefit corporation to provide services in support of the CSUF mission and goals. The Athletic Corporation provides educational and life-skill development programs for young men and women with exceptional athletic abilities. In addition, it helps in the regional development of the campus community and in the pursuit of national recognition and prestige for CSUF. The Athletic Corporation is governed by an independent board of directors composed of representatives from the community, student body, university administration, faculty, and alumni. The Athletic Corporation relies on campus personnel for administrative and accounting support services.

Fresno State Programs for Children, Inc.
Fresno State Programs for Children, Inc. (PFC) was established in 1996 as a non-profit public benefit corporation to provide campus-affiliated children’s programs. PFC provides services to the children of CSUF students, and to a limited extent, faculty, staff, and the larger community. Funded by the State Department of Education, PFC is committed to giving priority to those student families meeting state eligibility requirements. PFC runs three centers: campus children’s infant/toddler center, campus children’s preschool center, and Huggins center. PFC is governed by a board of directors composed of the executive director and representatives from the student body, community, university administration, and faculty. PFC relies on the Association for administrative and accounting support services.

Associated Students, Inc. of California State University, Fresno
Associated Students, Inc. California State University, Fresno (ASI) was established in 1986 as a non-profit public benefit corporation to provide a means for effective student participation in the governance of the university, to foster the awareness of student opinions on campus issues, to assist in the protection of student rights, and to provide programs and services to meet the needs of the students and campus community. ASI is governed by a board of directors composed of representatives from the student body and university administration. ASI relies on the Association for administrative and accounting support services.

PURPOSE

The principal audit objectives were to determine compliance with the Education Code, Title 5, and directives of the Board of Trustees and the Office of the Chancellor and to assess the adequacy of controls and systems. Specifically, we sought assurances that:

- Legal and regulatory requirements are complied with.
- Accounting data is provided in an accurate, timely, complete, or otherwise reliable manner.
- Assets are adequately safeguarded from loss, damage, or misappropriation.
- Duties are appropriately segregated consistent with appropriate control objectives.
- Transactions, accounting entries, or systems output is reviewed and approved.
- Management does not intentionally override internal controls to the detriment of control objectives.
INTRODUCTION

- Accounting and fiscal tasks, such as reconciliations, are prepared properly and completed timely.
- Deficiencies in internal controls previously identified were corrected satisfactorily and timely.
- Management seeks to prevent or detect erroneous recordkeeping, inappropriate accounting, fraudulent financial reporting, financial loss, and exposure.

SCOPE AND METHODOLOGY

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining whether fiscal, operational, and administrative controls are in place and operative. The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests that required annualized data, fiscal years 2012/13 and 2013/14 were the primary periods reviewed. In certain instances, we were concerned with representations of the most current data; in such cases, the test period was July 1, 2013, to August 22, 2014. Our primary focus was on internal compliance/internal control.

Specifically, we reviewed and tested:

- Formation of the auxiliary.
- Functions the auxiliary performs on the campus.
- Creation and operation of the auxiliary’s board.
- Establishment of policies and procedures based upon sound business practices.
- Maintenance of “arms-length” in business transactions between the auxiliary and the campus.
- Campus oversight of auxiliary operations.

Additionally, for the period reviewed, we examined other aspects of compliance of the campus and each auxiliary with the Education Code and Title 5 as they relate to the operation of CSU auxiliary organizations. Individual codes and regulations added to the scope of our review were identified through an assessment of risk. Similarly, internal controls were included within our scope based upon risk. Therefore, the scope of our review varied from auxiliary to auxiliary.

A preliminary survey of CSU auxiliaries at each campus was used to identify risks. Risk was defined as the probability that an event or action would adversely affect the auxiliary and/or the campus. Our assessment of risk was based upon a systematic process, using professional judgments on probable adverse conditions and/or events that became the basis for development of our final scope. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

California State University, Fresno Foundation
- Operating and Administrative Agreements
California State University, Fresno Foundation (cont.)
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Segregation of Duties
- Cash Receipts and Handling
- Investments
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Trusts and Other Liabilities
- Endowment Administration
- Contracts and Grants
- Auxiliary Programs
- Information Technology

California State University, Fresno Association, Inc.
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Segregation of Duties
- Cash Receipts and Handling
- Petty Cash and Change Funds
- Investments
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Trusts and Other Liabilities
- Commercial Operations
- Auxiliary Programs
- Information Technology

Agricultural Foundation of California State University, Fresno
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
Agricultural Foundation of California State University, Fresno (cont.)
- Segregation of Duties
- Cash Receipts and Handling
- Petty Cash and Change Funds
- Investments
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Commercial Operations
- Auxiliary Programs
- Information Technology

California State University, Fresno Athletic Corporation
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Segregation of Duties
- Cash Receipts and Handling
- Petty Cash and Change Funds
- Investments
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Trusts and Other Liabilities
- Commercial Operations
- Auxiliary Programs
- Information Technology

Fresno State Programs for Children, Inc.
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Segregation of Duties
- Cash Receipts and Handling
- Petty Cash and Change Funds
- Investments
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
INTRODUCTION

Fresno State Programs for Children, Inc. (cont.)
- Personnel and Payroll
- Property and Equipment
- Trusts and Other Liabilities
- Contracts and Grants
- Auxiliary Programs
- Information Technology

Associated Students, Inc. of California State University, Fresno
- Operating and Administrative Agreements
- Facilities Agreements
- Corporate Governance
- Fiscal Compliance
- Operational Compliance
- Program Compliance
- Segregation of Duties
- Cash Receipts and Handling
- Investments
- Fees, Revenues, and Receivables
- Purchasing and Accounts Payable
- Personnel and Payroll
- Property and Equipment
- Trusts and Other Liabilities
- Auxiliary Programs
- Information Technology

Campus
- Campus Oversight
- Auxiliary Support Services
- Information Technology

We have not performed any auditing procedures beyond August 22, 2014. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.
OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CAMPUS

OPERATING AND ADMINISTRATIVE AGREEMENTS

Campus memoranda of understanding (MOU) for information technology (IT) services provided to the Agricultural Foundation of California State University, Fresno (Ag Foundation) had not been updated.

We found that the existing MOU stated that the Jordan College of Agricultural Sciences and Technology was responsible for providing IT services to the Ag Foundation, instead of the campus technology services department.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that business arrangements be supported by current, written agreements.

The campus executive director of technology services stated that the MOU for the Ag Foundation related to IT services had not been updated because the campus technology services department had recently been reorganized.

The absence of a current written agreement increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 1

We recommend that the campus update the MOU for IT services provided to the Ag Foundation.

Campus Response

We concur. Technology services will work with the Ag Foundation to update the MOU prior to March 1, 2015.

FEES, REVENUES, AND RECEIVABLES

MATCHING GIFTS

Campus university advancement did not obtain and maintain matching gift acceptance forms.
We reviewed ten corporate matching gifts received between April 2011 and July 2014, and we found that matching gift acceptance forms had not been obtained or maintained for any of them.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the California State University (CSU) system. Section 8.9.3, *Donations, Program Service Fees, Other Income*, states that the auxiliary should establish a written recordkeeping system that enables gifts to be properly received, recorded, and acknowledged in accordance with donor restrictions and other requirements.

Title 5 §42401 and §42402 state that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates adequate administration of matching gifts.

The campus executive director of advancement services stated that the matching gift acceptance forms were completed online and hard copies were not retained due to oversight.

Insufficient administration of matching gifts increases the likelihood that funds will be misdirected and the campus will be exposed to liabilities from non-compliance with corporate donor policies.

**Recommendation 2**

We recommend that the campus obtain and maintain corporate matching gift acceptance forms.

**Campus Response**

We concur. Effective immediately, advancement services is keeping copies of gift acceptance forms.

**GIFTS-IN-KIND**

Campus university advancement administration of gifts-in-kind required improvement.

We reviewed ten gifts-in-kind received from April 2011 to July 2014, and we found that:

- In one instance, a gift acceptance form was not on file.
- In three instances, gift acknowledgment letters were not sent to donors.

California State University, Fresno University Advancement *Acknowledgement Guidelines* states that gifts-in-kind are to be acknowledged by a letter without a stated dollar value.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.3, *Donations, Program Service Fees, Other Income*, states that the auxiliary should
establish a written recordkeeping system that enables gifts to be properly received, recorded, and acknowledged in accordance with donor restrictions and other requirements.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates proper administration of gifts-in-kind.

The campus executive director of advancement services stated that the missing gift acceptance form was due to administrative oversight and that gift acknowledgement letters were sent by the school or college development staff, but copies had not been retained.

Insufficient administration of gifts-in-kind increases the likelihood of misdirected gifts and the risk that gifts will be handled contrary to the expectations of the donors and increases the risk of misunderstandings and miscommunication.

**Recommendation 3**

We recommend that the campus:


b. Send acknowledgment letters to donors.

**Campus Response**

We concur.

a. Effective immediately, gift acceptance forms sent to us for matching gifts will be maintained in a file.

b. Acknowledgement letters are sent by the college development officers. Effective January 1, 2015, Advancement services will be copied (cc’d) on acknowledgment letters to ensure that a record is maintained.

**TRUSTS AND OTHER LIABILITIES**

The campus did not have a written delegation of authority from the campus president to the vice president of administration and chief finance officer (CFO) for the authorization of campus program trust accounts.

Integrated California State University Administrative Manual (ICSUAM) §13680.00, *Placement and Control of Receipts for Campus Activities and Programs*, dated September 29, 2011, states that only the campus presidents or their designees may authorize a campus activity or program. When authorized, a specific determination should be made in writing defining the entity that is accountable
and responsible. Delegation of this authority must be documented and implemented consistent with campus policies and practices.

Executive Order (EO) 1059, *Utilization of Campus Auxiliary Organizations*, dated June 6, 2011, states that auxiliary organizations may accept or administer campus funds as an agent of the university when specifically authorized in writing by the campus president or his/her designee. Said authorizations shall be granted judiciously and only when it is advantageous to the university and supportive of the university mission. The authorization should include the rationale for making this choice and clearly articulate the advantages to the university.

The campus vice president of administration and CFO stated that the delegation of authority for the authorization of campus program trust accounts was not completed due to administrative oversight.

The absence of a delegation of authority for the authorization of campus program accounts increases the risk of non-compliance with relevant requirements and misunderstandings and miscommunication regarding rights and responsibilities.

**Recommendation 4**

We recommend that the campus prepare a written delegation of authority from the campus president to his designee for the authorization of campus program trust accounts.

**Campus Response**

We concur. The campus will complete a written delegation of authority from the campus president to his designee for the authorization of campus program trust accounts by January 31, 2015.

**INFORMATION TECHNOLOGY**

**PAYMENT CARD INDUSTRY DATA SECURITY STANDARD**

The campus had not completed network enhancements to address Payment Card Industry (PCI) Data Security Standards (DSS) requirements.

ICSUAM §8045.100, *Information Technology Security*, dated April 19, 2010, states that campuses must develop and implement appropriate technical controls to minimize risks to their information technology infrastructure. Each campus must take reasonable steps to protect the confidentiality, integrity, and availability of its critical assets and protected data from threats.

EO 698, *Board of Trustees Policy for The California State University Auxiliary Organizations*, dated March 3, 1999, states that the review of auxiliary organizations will be used to determine appropriate separation of duties, safeguarding of assets, and reliability and integrity of information.

The PCI DSS is a set of comprehensive requirements for enhancing payment account data security that was developed by the founding payment brands of the PCI Security Standards Council, including
American Express, Discover Financial Services, JCB International, MasterCard Worldwide, and Visa Inc. International, to help facilitate the broad adoption of consistent data security measures on a global basis. The PCI DSS is a multifaceted security standard that includes requirements for security management, policies, procedures, network architecture, software design, and other critical protective measures. This comprehensive standard is intended to help organizations proactively protect customer account data. According to payment brand rules, all merchants and their service providers are required to comply with the PCI DSS in its entirety.

The campus technical information security officer stated that the campus had been working to complete PCI DSS compliance, but the remaining issues involved the reconfiguration of the campus network, which was in progress but had not yet been completed. He further stated that the campus had given a contract to the chancellor’s office (CO) to provide a PCI DSS control analysis, which was already scheduled to be performed.

Lack of compliance with PCI DSS requirements exposes the auxiliaries and campus to potential financial penalties and credit card usage restrictions, which could include termination of the entities’ ability to accept credit cards.

**Recommendation 5**

We recommend that the campus complete network enhancement to address PCI DSS requirements.

**Campus Response**

We concur. These network enhancements will be completed prior to April 30, 2015.

**INFORMATION SECURITY AWARENESS TRAINING**

The campus had not ensured that all auxiliary employees with computer access had received information security awareness training.

We found that California State University, Fresno Athletic Corporation (Athletic Corporation) employees had not received information security awareness training.

ICSUAM §8035.0, *Information Security Awareness and Training*, dated April 19, 2010, states that each campus must implement a program for providing appropriate information security awareness and training to employees appropriate to their access to campus information assets. The campus information security awareness program must promote campus strategies for protecting information assets containing protected data. All employees with access to protected data and information assets must participate in appropriate information security awareness training. When appropriate, information security training must be provided to individuals whose job functions require specialized skill or knowledge in information security.

ICSUAM §8035.S000, *Security Awareness and Training Standard*, dated July 16, 2013, states that each campus information security officer (ISO) will be responsible for overseeing development and coordination of the campus information security awareness and training program. At a minimum,
each campus program must include: a) annual review of content, and refresh as necessary to address changes in law, policy, or present information security threats; b) information security awareness training for new employees; this training must be completed within reasonable proximity to the employee start date as established by the campus; c) annual information security awareness refresher training for all campus employees who interact with protected level 1 information assets; d) periodic information security awareness refresher training for all campus employees who access information assets on a schedule established by the campus and not to exceed three years; e) annual information security training for privileged users (e.g., system and security administrators) who interact with information systems containing protected data; and f) information security training for the ISO and other managers responsible for developing and coordinating the campus information security program and controls as needed to address changes in law, policy, or present information security threats.

The campus technical information security officer stated that the campus had been waiting for the new CSU-provided information security training to be released.

Lack of information security awareness training for all employees with access to computer resources increases the risk of mismanagement of protected data, which increases campus exposure to security breaches and could compromise compliance with statutory information security requirements.

Recommendation 6

We recommend that the campus ensure that all auxiliary employees with computer access receive information security awareness training.

Campus Response

We concur. Security awareness training has been completed for most auxiliary employees. Technology services will work with the Athletic Corporation to ensure that all employees with computer access complete this training by March 31, 2015.

DISASTER RECOVERY PLAN

The campus did not have an IT disaster recovery plan (DRP) for the Ag Foundation that addressed specific details regarding recovery of system operations data, including off-site data backup procedures.

EO 1014, California State University Business Continuity Program, dated October 8, 2007, provides detailed guidance to campuses for creating, implementing, and maintaining a business continuity program that includes an IT DRP. It further states that goals, which must be met by such a program, include, but are not limited to, the listing, prioritizing, and establishing of recovery time objectives for essential functions, systems, and applications through business impact analysis and risk assessments. Campuses must keep all business continuity-related plans current, must test all plans for viability, and must reference all materials necessary to recover from a disaster.

ICSUAM §8085.0, Business Continuity and Disaster Recovery, dated April 19, 2010, states that an information security program needs to support the maintenance and potential restoration of operations
through and after both minor and catastrophic disruptions. Campuses must ensure that their information assets can, in the case of a catastrophic event, continue to operate and be appropriately accessible to users. Each campus must maintain an ongoing program that ensures the continuity of essential functions and operations following a catastrophic event. The campus program must be in compliance with the CSU Business Continuity Program.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.10, *Computer Controls*, states that auxiliary organizations should establish written policies and practices that ensure secure computer system operations, including backup and recovery mechanisms and DRPs.

The campus IT liaison for the Ag Foundation stated that the responsibility for providing IT support services for the Ag Foundation had recently changed, and he was unaware that IT DRP had not been sufficiently addressed.

The absence of a comprehensive IT DRP increases the risk that business and data processing operations may not be restored within management expectations in the event of an emergency or disaster, which could result in financial and non-financial losses.

**Recommendation 7**

We recommend that the campus create an IT DRP for the Ag Foundation that addresses specific details regarding recovery of system operations data, including off-site data backup procedures.

**Campus Response**

We concur. Technology services will work with the Ag Foundation to create an IT DRP that meets these requirements prior to May 31, 2015.
CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

PURCHASING AND ACCOUNTS PAYABLE

The California State University, Fresno Foundation (Foundation) did not always require travel authorization forms documenting advance approval of all travel and related expenditures.

We reviewed ten travel disbursements and found that in five instances, a travel authorization form documenting advance approval of travel and related expenditures was not completed.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, Cash, states that the auxiliary should disburse cash in a consistent manner utilizing systems that ensure integrity of existing controls, with annual management review.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 9.7.1, Travel, states that because auxiliary organizations have a special relationship with the CSU, their travel reimbursement policies should generally parallel policies applicable to the CSU.

The director of Foundation financial services stated that neither the current auxiliary organization travel policy nor the campus procedure require a travel authorization form documenting advance approval of travel and related expenditures to be incurred.

The absence of documented travel approval increases the risk of errors, irregularities, and misappropriation of funds.

Recommendation 8

We recommend that Foundation require travel authorization forms documenting advance approval of all travel and related expenditures.

Campus Response

We concur; however, this is not a current campus and auxiliary policy requirement. Consultation will take place by March 31, 2015; policy implementation will be dependent upon final approval by the campus CFO for consistency with campus policies and procedures, as well as policies set forth by sponsor (funding) agencies.

PERSONNEL AND PAYROLL

The Foundation did not always certify I-9 forms within three business days of a new employee’s first day of work.
We reviewed 11 Foundation new hires and found that in two instances, I-9 forms were reviewed and approved six to 19 days after the employee’s first day of employment.

The Department of Homeland Security, U.S. Citizenship and Immigration Services, *Form I-9, Employment Eligibility Verification*, states that employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the date employment begins.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

The Association manager of auxiliary human resources stated that I-9 forms were not always certified within three business days of a new employee’s first day of work due to principal investigators and hiring managers allowing Foundation employees to begin work on grants and contracts prior to confirming that the I-9 forms had been approved.

Untimely certification of employment eligibility increases the risk of fines and penalties.

**Recommendation 9**

We recommend that Foundation reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

**Campus Response**

We concur. Effective immediately, auxiliary human resources is communicating a policy reminder at least quarterly to all Foundation principal directors and project supervisors.

**CONTRACTS AND GRANTS**

The Foundation’s sub-recipient policies and procedures were incomplete.

Specifically, we found that the policies and procedures did not:

- Address a sub-recipient risk assessment to identify key risks and determine the level of monitoring required.

- Fully address procedures for monitoring sub-recipients, such as the methodology for resolving findings of sub-recipient noncompliance or weaknesses in internal control and the requirements for processing sub-recipient audits, including appropriate adjustment of a pass-through entity’s accounts when necessary.
ICSUAM §11000.002.005, *Sub-recipient Monitoring*, effective December 1, 2011, states that it is the policy of the CSU that each campus shall have financial controls and procedures in place that ensure compliance with the sponsor’s requirements for sub-recipient monitoring. The campus president or designee must ensure that procedures established for sub-recipient risk assessment and monitoring are in compliance with the federal Office of Management and Budget (OMB) Circular A-133, applicable standards of other sponsors, CSU regulations, and campus policies. Campus procedures should provide consideration for documentation of compliance with minimum requirements of OMB Circular A-133 as it relates to sub-recipient monitoring, giving consideration to high-risk sub-recipients as necessary.

OMB Circular A-133, *Compliance Supplement Part 6-M, Sub-recipient Monitoring*, last revised March 2013, states that in order to provide reasonable assurance of compliance with federal requirements related to sub-recipients, official policies and procedures should exist establishing communication of federal award requirements to sub-recipients; responsibilities for monitoring sub-recipients; processes and procedures for monitoring; methodology for resolving findings of sub-recipient noncompliance or weaknesses in internal control; and requirements for and processing of sub-recipient audits, including appropriate adjustment of the pass-through entity’s accounts.

OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, Section D.400(d) states that for federal awards it makes, a pass-through entity shall issue a management decision on audit findings within six months after receipt of the sub-recipient’s audit report and ensure that the sub-recipient takes appropriate and timely corrective action, and consider whether sub-recipient audits necessitate adjustment of the pass-through entity’s own records.

The director of Foundation financial services stated that the Foundation’s existing sub-recipient monitoring policy was last updated in June 2010 and had not been updated to reflect current ICSUAM and federal OMB compliance requirements due to oversight.

Incomplete sub-recipient policies and procedures increase the risk of noncompliance with CSU and governmental requirements, as well as the risk that sub-recipients will not be adequately assessed and monitored.

**Recommendation 10**

We recommend that the Foundation update its sub-recipient policies and procedures to:

a. Address a sub-recipient risk assessment to identify key risks and determine the level of monitoring required.

b. Fully address the procedures for monitoring sub-recipients.

**Campus Response**

We concur.

a. A sub-recipient risk assessment will be completed by March 31, 2015.
b. The Foundation’s existing *Sub-recipient Monitoring Policy* will be updated and revised to address the deficient areas described in the above recommendations by May 1, 2015.
CORPORATE GOVERNANCE

The California State University, Fresno Association, Inc. (Association), which has responsibility for filing Articles of Incorporation and Bylaws for all auxiliaries, had not filed amended Articles of Incorporation or Bylaws with the CO in a timely manner.

We found that amendments had not been filed in a timely manner, as follows:

- Foundation Articles of Incorporation amendments made on September 20, 2012, were not filed with the CO until February 6, 2013, and amendments made to the Bylaws on December 5, 2013, had not been filed with the CO.

- Association Articles of Incorporation amendments made on December 21, 2012, and Bylaws amendments made on May 19, 2011, were not filed with the CO until February 6, 2013.

- Ag Foundation Articles of Incorporation amendments made on December 21, 2012, and Bylaws amendments made on September 28, 2012, were not filed with the CO until February 6, 2013.

- Fresno State Programs for Children, Inc. (PFC) Articles of Incorporation amendments made on December 21, 2012, and Bylaws amendments made on September 26, 2012, were not filed with the CO until February 6, 2013.

- Associated Students, Inc. of California State University, Fresno (ASI) Articles of Incorporation amendments made on June 27, 2013, and Bylaws amendments made on November 28, 2012, and March 20, 2013, were not filed with the CO until July 2014.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 11.6.1, Reporting Changes in Articles of Incorporation (or Constitution) and Bylaws, states that when an auxiliary organization makes changes to its Articles of Incorporation (or Constitution) or Bylaws, a complete amended copy is to be submitted to Contract Services and Procurement at the Office of the Chancellor within 30 calendar days. The submission should indicate the date the changes were approved by the governing board and/or members.

The associate vice president for auxiliary operations/executive director stated that the delay in submissions to the CO was due to time required to obtain board approval of meeting minutes, as well as time required to receive recorded copies of Articles of Incorporation from the Secretary of State’s office. She further stated that there was a staff transition in her office during this timeframe.

Untimely filing of amendments to Articles of Incorporation and Bylaws increases the risk of misunderstandings and may increase legal liability.
Recommendation 11

We recommend that the Association file all future changes and amendments to Articles of Incorporation and Bylaws with the Contract Services and Procurement department at the CO within 30 calendar days.

Campus Response

We concur. Future changes and amendments to Articles of Incorporation and Bylaws will be filed with the CSU Office of Contract Services and Procurement within 30 calendar days following board approval of the meeting minutes documenting the board’s approval of the required changes and amendments. A notice regarding this process was distributed on July 16, 2014.

CASH RECEIPTS AND HANDLING

Association cashiering operations at the University Student Union reservations center and the Student Recreation Center needed improvement.

We found that:

- At the reservations center, checks received by mail were neither immediately logged nor restrictively endorsed prior to being transferred for processing.
- At the recreation center, the change fund was not audited daily.

The Association Procedures for Logging Checks Received states that when opening the incoming mail, all negotiable instruments (e.g. checks, money orders, cash) must be logged in the book at the main reception desk prior to distribution to the appropriate staff for processing.

The Association Petty Cash and Change Fund Policy states that each unit supervisor is responsible for a daily audit of petty cash and change funds.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, Cash, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure the integrity of existing internal controls.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates adequate administration of cash receipts and change funds.
The associate vice president for auxiliary operations/executive director stated that the issues with cash receipts and change funds were due to lack of proper operational oversight by University Student Union management.

Inadequate administration of cash receipts and change funds increases the risk of loss or misappropriation of funds.

**Recommendation 12**

We recommend that the Association:

a. Immediately log checks received by mail and restrictively endorse them prior to transferring them for processing at the reservation center.

b. Audit change funds daily at the recreation center.

**Campus Response**

We concur.

a. This is a procedural requirement included in the Association’s current *Accounts Receivable/Cash Handling Policy*.

b. Change funds at the recreation center are audited daily.

**PURCHASING AND ACCOUNTS PAYABLE**

The Association had not updated its written travel policy to reflect current business practice for meal per diem rates.

We found that the auxiliary travel policy stated that the subsistence allowance was based on the maximum allowable per diem amounts consistent with the approved CSU rates. However, the CSU travel policy stated that the reimbursement of daily meal and incidental expenses for travel was based on actual amounts incurred, and per diems were not allowed.

The *Auxiliary Services Policy on Travel* states that for subsistence allowance, the auxiliary corporation’s maximum allowable per diem amounts will be consistent with the approved CSU rates. Receipts are not required for meals.

The *CSU Travel Policy* states that the reimbursement of daily meal and incidental expenses for travel within the continental United States will be based on actual amounts incurred subject to the daily maximum reimbursement. The meals reimbursement cap should not be treated as a per diem.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system.
Section 9.7.1, *Travel*, states that because auxiliary organizations have a special relationship with the CSU, their travel reimbursement policies should generally parallel policies applicable to the CSU.

The associate vice president for auxiliary operations/executive director stated that the travel policy for auxiliary organizations had not been updated with regard to diem rates due to administrative oversight.

The absence of updated written policies and procedures increases the risk of errors, irregularities, and misappropriation of funds.

**Recommendation 13**

We recommend that the Association update its travel policy to reflect current business practices for meal per diem rates.

**Campus Response**

We concur. The Association will update and revise its *Auxiliary Travel Policy* by January 31, 2015.

**PERSONNEL AND PAYROLL**

The Association, which has responsibility for processing the Fresno State Programs for Children, Inc. (PFC) payroll, did not always implement employee salary changes in a timely manner.

We reviewed 28 auxiliary salary changes, and we found that salary changes for three PFC employees did not take effect until one pay period after the authorized effective date of the salary change, and retroactive payments were not calculated and paid.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates sufficient administration of employee salary changes.

The Association manager of auxiliary human resources stated that all three authorized transaction forms were submitted together and were not provided to the Association in time for the pay changes to be included in the applicable pay period. She further stated that the need to calculate the retroactive pay amount due for one pay period was mistakenly overlooked.
Insufficient control over employee salary changes increases the risk of improper payments to employees and may increase legal liability.

**Recommendation 14**

We recommend that the Association implement employee salary changes in a timely manner.

**Campus Response**

We concur. Employee salary changes are implemented timely in accordance with established procedures.

**COMMERCIAL OPERATIONS**

Association administration of line item discounts made by the cashiers using the Kennel Bookstore point-of-sale (POS) system needed improvement.

We found that:

- Cashiers were able to override the sales price for up to 75 percent off without manager or supervisor approval.
- Discounted sales pricing was not always adjusted in the master pricing list to reflect the current sales price.
- End-of-day reports did not account for line-item discounts made by the cashiers.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls.

Title 5 §42401 and §42402 state that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates preserving the integrity of transactions processed through the POS.

The Association director of Kennel Bookstore stated that the current POS system did not have the ability to restrict or detect line-item discounts at each terminal.

Inadequate administration of cashiering operations increases the risk of loss or misappropriation of funds.
Recommendation 15

We recommend that Association implement the following changes at the Kennel Bookstore:

a. Require a manager or supervisor approval for any override of a sales price.
b. Adjust the master pricing list to reflect the current sales price.
c. Account for line-item discounts made by the cashiers on the end-of-day reports.

Campus Response

We concur. The Bookstore will implement the following internal procedures by January 31, 2015:

a. Require supervisor approval/handling of overrides for pricing discrepancies.
b. Adjust the MBS POS master pricing list to reflect current sales prices.
c. Account for line-item discounts using the daily MBS cashiers report.
OPERATING AND ADMINISTRATIVE AGREEMENTS

Agreements between the Agricultural Foundation of California State University, Fresno (Ag Foundation) and third parties were not always fully executed in a timely manner.

We reviewed ten agreements and found that three were signed after their effective dates. Execution delays ranged from 19 to 73 days.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that business arrangements be supported by complete written agreements executed in a timely manner.

The associate vice president for auxiliary operations/executive director stated that these agreement delays occurred due to the third parties, who did not sign or return the agreement to the Ag Foundation in a timely manner.

Untimely execution of written agreements increases the risk of misunderstandings and miscommunication regarding rights and responsibilities and subjects the auxiliaries and CSU to potential liability.

Recommendation 16

We recommend that the Ag Foundation fully execute all agreements with third parties in a timely manner.

Campus Response

We concur. Effective immediately, all agreements with third parties are fully executed in a timely manner.

SEGREGATION OF DUTIES

Certain duties and responsibilities related to cash receipts and purchasing and accounts payable at Ag Foundation units (the winery, dairy processing industry, and meat lab) were not adequately segregated.

We found that the unit managers:
Placed and received purchases, approved the payments, and were in charge of inventory and production.

Sold products, received the payments, made deposits, and were in charge of the inventory and ordering supplies.

EO 698, *Board of Trustees Policy for The California State University Auxiliary Organizations*, dated March 3, 1999, states that the review of auxiliary organizations will be used to determine appropriate separation of duties, safeguarding of assets, and reliability and integrity of information.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, and Section 8.9.5, *Procurement*, state that the auxiliary should establish a written internal control system that ensures cash receipts and disbursements are conducted with appropriate segregation of duties.

The associate vice president for auxiliary operations/executive director stated that inadequate segregation of duties was due to inadequate staffing. She further stated that this had been the business practice for many years and that it would not be fiscally viable to add additional staff at the units in order to segregate all required duties, given the management and accounting oversight provided by the Association in accordance with its management services agreement.

Inadequate segregation of duties increases the risk that errors and irregularities will not be detected in a timely manner.

**Recommendation 17**

We recommend that the Ag Foundation adequately segregate duties and responsibilities related to cash receipts and purchasing and accounts payable, or institute mitigating procedures approved by the campus CFO.

**Campus Response**

We do not concur. The campus president and campus CFO agree to accept the level of risk associated with cash handling and purchasing responsibilities being performed within the enterprise units on the farm laboratory consistent with current policies and procedures established by the Ag Foundation.

**PERSONNEL AND PAYROLL**

The Ag Foundation did not always certify I-9 forms within three business days of a new employee’s first day of work.

We reviewed five Ag Foundation new hires, and we found that in one instance, an I-9 form was reviewed and approved 14 days after the employee’s first day of employment.
The Department of Homeland Security, U.S. Citizenship and Immigration Services, *Form I-9, Employment Eligibility Verification*, states that employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the date employment begins.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

The Association manager of auxiliary human resources stated that on occasion, the hiring managers/supervisors would allow employees to begin work prior to confirming with human resources that the I-9 forms had been approved.

Untimely certification of employment eligibility increases the risk of fines and penalties.

**Recommendation 18**

We recommend that the Ag Foundation reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

**Campus Response**

We concur. Effective immediately, auxiliary human resources is communicating a policy reminder at least quarterly to all Ag Foundation and university employees who serve as enterprise managers and supervisors and who have hiring responsibilities.

**PROPERTY AND EQUIPMENT**

The Ag Foundation did not adequately secure the storage room at the Rue and Gwen Gibson Farm Market.

Specifically, we found that the room remained unlocked during business hours and was accessible to the public.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates sufficient administration of property and equipment.
The associate vice president for auxiliary operations/executive director stated that the storage room needed to remain unlocked during business hours for delivery of products from the various farm enterprises, and it was not feasible for farm market staff to monitor and control access at all times.

Inadequate security at the storage room increases the risk of unauthorized access or loss and may subject the auxiliaries and CSU to potential liability.

**Recommendation 19**

We recommend that the Ag Foundation adequately secure the storage room at the Rue and Gwen Gibson Farm Market during business hours.

**Campus Response**

We concur. However, the practice of locking the storage room during business hours is an operational challenge given access required by the various farm enterprises for delivery of product. Instead, the Ag Foundation has installed a video surveillance camera in the storage room area for enhanced security and tracking of the stored product. This installation has been completed.
OPERATING AND ADMINISTRATIVE AGREEMENTS

The MOU between the California State University, Fresno Athletic Corporation (Athletic Corporation) and the Bulldog Foundation articulating the relationship between the two organizations did not address the degree and scope of campus and/or auxiliary oversight of Bulldog Foundation fundraising activities.

We found that the Athletic Corporation was closely affiliated with the Bulldog Foundation, a separate 501(c)3 public benefit corporation that is a component of CSU, Fresno. The Bulldog Foundation’s sole purpose is to provide fundraising activities for the Athletic Corporation. Additionally, the Athletic Corporation appears to be the only beneficiary of the endowment.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates the clear articulation of the relationship between closely affiliated organizations and proper oversight of affiliate transactions.

The campus vice president for administration and CFO stated that multiple campus executives reside on the Bulldog Foundation board of directors and stated her belief that executive representation on the board was adequate even though the MOU did not address the degree and scope of campus and/or auxiliary oversight of Bulldog Foundation fundraising activities.

The absence of clear articulation of the relationship between closely affiliated organizations and proper oversight of affiliate transactions increases the risk of misunderstandings and miscommunication regarding rights and responsibilities.

Recommendation 20

We recommend that the Athletic Corporation revise the MOU with the Bulldog Foundation to clearly articulate the relationship between the two organizations and address the degree and scope of campus and/or auxiliary oversight of fundraising activities of the Bulldog Foundation.

Campus Response

We concur. An updated MOU between the Bulldog Foundation and the Athletic Corporation will be created before February 28, 2015.
CORPORATE GOVERNANCE

The Athletic Corporation had not filed amended Articles of Incorporation or Bylaws with the CO in a timely manner.

We found that amendments made to the Articles of Incorporation on December 14, 2012, and the amendments made to the Bylaws on June 12, 2014, had not been filed with the CO.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 11.6.1, *Reporting Changes in Articles of Incorporation (or Constitution) and Bylaws*, states that when an auxiliary organization makes changes to its Articles of Incorporation (or Constitution) or Bylaws, a complete amended copy is to be submitted to Contract Services and Procurement at the Office of the Chancellor within 30 calendar days. The submission should indicate the date the changes were approved by the governing board and/or members.

The Athletic Corporation senior associate athletics director for administration/senior woman administrator stated that the filing of the amended Articles of Incorporation could not be located and that the filing of the amended Bylaws was delayed pending approval of the Athletic Corporation board of directors.

Untimely filing of amendments to Articles of Incorporation and Bylaws increases the risk of misunderstandings and may increase legal liability.

**Recommendation 21**

We recommend that the Athletic Corporation promptly file the amended Articles of Incorporation and Bylaws and reiterate to staff that all future changes and amendments to the Articles of Incorporation and Bylaws should be filed with the Contract Services and Procurement department at the CO within 30 calendar days.

**Campus Response**

We concur. Amended Articles of Incorporation and Bylaws will be filed with the Contract Services and Procurement department at the CO by December 31, 2014. Future changes and amendments will be filed within 30 days of the board approval of the minutes of the meeting where the changes are approved. A notice regarding this process will go out by January 31, 2015.

FISCAL COMPLIANCE

Planning and analysis of the Athletic Corporation’s reserves were not adequately documented, communicated, or reviewed by the board of directors and the campus president.
We found that the Athletic Corporation could not demonstrate that reserve balances were annually reviewed by the board of directors, nor that a plan to build and maintain reserves had been submitted annually to the campus president for approval.

The Athletic Corporation Reserve Policy for Intercollegiate Athletics includes a targeted reserve of $1,500,000, an annual contribution of up to 33 percent of the net increase in unrestricted assets, and an annual review of the reserve balance by the Athletic Corporation Board.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.1.1.2 A-2, Basis for Financial Standards and Fiscal Viability – Financial Standards, states that annually each auxiliary governing board shall review the fiscal viability of the auxiliary organization to include an evaluation of the need for reserves in the following areas: a) working capital, b) current operations, c) capital replacement, and d) planned future operations.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.1.1.2 A-4, Basis for Financial Standards and Fiscal Viability – Financial Standards, states that annually each auxiliary governing board shall review the fiscal viability of the auxiliary organization to include the submission of a report annually to the president, which includes a plan to build and maintain appropriate reserves. Such a report may be a part of the annual budget submission.

The associate vice president for auxiliary operations/executive director stated that although a specific analysis of reserves was not prepared and reviewed, the annual budget included a review of net assets, which was reviewed by the board of directors and submitted to and approved by the campus president, and was therefore considered to be sufficient.

Lack of adequate documentation, communication, and review for planning and analysis of reserves increases the risk of misunderstandings and miscommunication regarding available reserves, as well as the risk that the auxiliary will be unable to fund future needs.

**Recommendation 22**

We recommend that the Athletic Corporation adequately document and communicate the planning and analysis of reserves and provide the analysis to the board of directors and the campus president for review.

**Campus Response**

We concur. Our current policy and reserves will be reviewed with the board of directors and the campus president by March 31, 2015.
OPERATIONAL COMPLIANCE

The Athletic Corporation delegation of authority matrix for approval of contracting, procurement, and disbursements was not authorized by the board of directors.

Athletic Corporation Bylaws state that the board may authorize any officer or officers, or agent or agents, of the corporation, to enter into any contract, or execute and endorse any instrument, in the name of, and on behalf of, the corporation.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.5, Procurement, states that the auxiliary should establish a written system that provides for purchases and service contracts to be made within governing board policies, source restrictions, funds availability, and other applicable requirements.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates clear authorization for approval of contracting, procurement, and disbursements.

The Athletic Corporation senior associate athletics director for administration/senior woman administrator stated that records of the previous delegation of authority could not be located and that an updated delegation of authority matrix was in progress but delayed due to a change in management.

Lack of properly delegation of contracting, procurement, and disbursement authority increases the risk of unauthorized or inappropriate purchases and contracts.

Recommendation 23

We recommend that the Athletic Corporation provide the delegation of authority matrix for approval of contracting, procurement, and disbursements to the board of directors for authorization.

Campus Response

We concur. A delegation of authority matrix will be approved by the board prior to January 31, 2015.

CASH RECEIPTS AND HANDLING

Cashiering operations at the Athletic Corporation Bulldog ticket office needed improvement.
We found that:

- The cash over/short log had not been maintained since 2013. Additionally, supervisor investigations into cash overages and shortages of $5 or more and/or recurring overages and shortages had not been conducted and documented.

- Cashiers’ tills were not adequately secured. Cash drawers did not fully close and remained unlocked during business hours.

- Ticket stock was not adequately secured. It was in plain sight, and access was not limited to authorized personnel.

- A list of individuals with access to the safe and the date the combination was last changed was not on file.

The California State University, Fresno Athletics Department *Cash Handling – Over and Short* policy states that a cash over/short log should be kept for each cash collection area. This record should be used for any unexplained difference between the total of funds and receipts. It further states that the supervisor should investigate and document cash overages or shortages that were $5 or more and/or overages or shortages that are recurring. Last, the supervisor should sign off on this log as part of the daily routine.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should receive cash in a consistent manner utilizing systems that ensure integrity of existing internal controls.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates adequate administration of cash receipts and proper security over safe combinations.

The Athletic Corporation director of ticket operations stated that he was unaware of the requirement to investigate and document cash overages and shortages. He further stated that wear and tear on the old cash drawers could have prevented them from closing and locking properly, and the limited space in the old ticket office prevented the ticket stock from being stored in the locking cabinets. He added that a list of individuals with access to the safe and the date the combination was last changed was not on file due to oversight.

Inadequate administration and safeguarding of cash receipts, cash tills, and ticket stock increases the risk of loss or misappropriation of funds.
Recommendation 24

We recommend that the Athletic Corporation:

a. Maintain the cash over/short log and conduct and document investigation of cash overages or shortages of $5 or more and/or recurring overages or shortages.

b. Adequately secure cash tills and ticket stock.

c. Maintain a list of individuals with access to the safe and the date the combination was last changed.

Campus Response

We concur.

a. A log of shortages will be maintained and reviewed monthly and the review of the log will be provided by January 1, 2015.

b. As of September 3, 2014, the new ticket office location has secure cash tills and ticket stock.

c. A list of individuals with access to the safe and the date that the combination was changed was developed and will be maintained immediately.

PETTY CASH AND CHANGE FUNDS

The Athletic Corporation Bulldog ticket office change fund was not always used for its intended purpose, and administration of the change fund needed improvement.

We found that:

- The change fund was occasionally distributed to sport camps for remote cashing purposes.
- The change fund balance was not reduced during periods of slow ticket sales.
- More frequent unannounced cash counts and reconciliations of the change fund were not performed during periods when a high balance was maintained.

ICSUAM, §3102.10, Change Funds, dated June 5, 2012, states that change funds must not be commingled with other funds. Custodianship of a given change fund should be assigned to a single individual and cannot be independently transferred to another individual. When change funds are no longer needed, change funds will be re-deposited at the cashing office. The integrity of the change fund must be maintained at all times. An unannounced cash count and reconciliation of change funds for which cashiers and cash-handling employees are accountable must be performed on a periodic basis by someone other than the fund custodian. The frequency of such reconciliations can be
determined by the campus CFO based on the amount of funds at risk. The rationale for determining the audit schedule must be documented.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates adequate administration of change funds.

The Athletic Corporation senior associate athletics director for administration/senior woman administrator stated that as the ticket office operations evolved, the usage of the change fund expanded along with the business. She further stated that the balance on hand was typical for football season but had not been reduced during off-season due to oversight. Also, she stated that the frequencies of the independent counts had not been formally established, although she had formulated a plan to count the fund on a more frequent basis.

Inadequate administration of change funds increases the risk of loss or misappropriation of funds.

**Recommendation 25**

We recommend that the Athletic Corporation:

a. Refrain from using the change fund for unintended purposes.

b. Reduce the balance of the change fund during periods of slow ticket sales.

c. Increase the frequency of unannounced cash counts and reconciliations of change funds during periods when a high balance is maintained.

**Campus Response**

We concur.

a. Effective immediately, individual change funds are established as needed for an event. There will be no temporary change funds given out by the ticket office.

b. The change fund will be reduced to an adequate level during slow periods of ticket sales by January 31, 2015.

c. Effective immediately, when high cash funds are maintained during periods of high ticket sales, surprise cash counts are conducted at minimum on a monthly basis.
FEES, REVENUES, AND RECEIVABLES

ACCOUNTS RECEIVABLE

The Athletic Corporation did not always perform and document accounts receivable collection and follow-up activity to facilitate collection and support timely account write-off. We reviewed five delinquent accounts receivable from the accounts receivable aging report as of May 2014, and we found that:

- In two instances, collection and follow-up activity was not performed and documented to facilitate collection or support account write-off. The delinquent accounts receivable, totaling $2,773, were outstanding from 454 to 590 days.

- In both of the above instances, the uncollectible receivables were not written off in a timely manner. The receivables were outstanding for more than 365 days, and additional action had not been taken in either case to send the invoices to a collection agency and/or write them off.

The California State University, Fresno Athletics Department Delinquent Accounts Receivable policy states that outstanding invoices over 45 days past due will be sent a copy of the original invoice on a monthly basis to solicit payment. Accounts past due 90 days will be contacted by phone to discuss the delinquent status. Accounts over one year past due may be sent to a collection agency at the discretion of the associate athletics director for business operations. It further states that a review of uncollectible accounts will be done on an annual basis for accounts to be written off the receivable account.

The Compilation of Policies and Procedures for California State University Auxiliary Organizations sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.4, Receivables, states that the auxiliary should establish a written system to invoice customers promptly, in a consistent manner, while exercising due diligence in the follow-up and collection of past-due accounts.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates sufficient documentation of accounts receivable collection efforts and write-off of uncollectible accounts in a timely manner.

The Athletic Corporation senior associate athletics director for administration/senior woman administrator stated that the lack of documented follow-up and additional action taken on delinquent accounts may be attributed to staff turnover. She further stated that a bad-debt allowance was made for these invoices, but they had not been written off because management requested additional attempts to collect.
Inadequate control over accounts receivable collection and write-off increases the risk that receivables will not be properly controlled and accurately reflected in auxiliary financial statements, reduces the likelihood of collection, and negatively impacts cash flow.

**Recommendation 26**

We recommend that the Athletic Corporation:

a. Perform and document collection and follow-up activity for delinquent accounts receivable to facilitate collection or support account write-off.

b. Write off uncollectible receivables in a timely manner and send uncollectible accounts to the collection agency as necessary.

**Campus Response**

We concur.

a. Documentation of collection and follow-up activity for delinquent accounts will be maintained; however, write-offs have been less than .02 percent of annual revenues.

b. Accounts receivable will be written off at the point that they are deemed uncollectible and approved by management. This will be completed by March 31, 2015.

**RECONCILIATIONS**

The Athletic Corporation did not prepare monthly accounts receivable reconciliations, and as a result, two invoices from November 2012 and June 2013, totaling $2,554, had not been carried forward to the current list of outstanding invoices requiring collection.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.4, *Receivables*, states that the auxiliary should reconcile subsidiary receivables ledgers to the general ledger on a timely basis with independent management review.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates accounts receivable reconciliations be prepared and reviewed in a timely manner.

The Athletic Corporation director of business operations stated that the sub-ledger was tied to the general ledger but a formal reconciliation had not been completed or maintained on file due to oversight.
A lack of monthly accounts receivable reconciliations limits the auxiliary’s ability to detect errors and irregularities, increases the likelihood of loss of funds, and compromises accountability.

**Recommendation 27**

We recommend that the Athletic Corporation prepare monthly accounts receivable reconciliations.

**Campus Response**

We concur. Monthly accounts receivable reconciliations will be performed by accounting and approved by Athletic Corporation management by January 31, 2015.

**PERSONNEL AND PAYROLL**

Administration of Athletic Corporation employee hiring needed improvement.

We reviewed new-hire documentation for ten employees, and we found that:

- In eight instances, I-9 forms were not certified within three business days of the date employment began. The forms were either not on file, not completed and certified, or certified late.

- In seven instances, documentation of approval to hire and authorized pay rate was not on file.

The Department of Homeland Security, U.S. Citizenship and Immigration Services, *Form I-9, Employment Eligibility Verification*, states that employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the date employment begins.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates sufficient administration of employee hiring.

The Athletic Corporation senior associate athletics director for administration/senior woman administrator stated that on occasion the hiring managers or supervisors would allow employees to begin work prior to confirming with human resources that the I-9 forms had been approved. She further stated that new-hire documentation was not always readily available because some documents
were maintained within the Athletic Corporation and some were maintained by campus human resources.

Lack of or untimely certification of employment eligibility increases the risk of fines and penalties, and insufficient documentation of approval to hire and authorized pay rate increases the risk of errors in hiring data and pay rates.

Recommendation 28

We recommend that the Athletic Corporation:

a. Reiterate to staff that I-9 forms for new employees must be certified within three business days of the date employment begins.

b. Obtain documentation of approval to hire and authorized pay rate, and maintain such documentation in the employee file.

Campus Response

We concur.

a. All managers and coaches will be sent a letter documenting the important requirement that under federal law all new hires must submit an I-9 within three business days of employment start date. By January 31, 2015, the payroll/benefits coordinator will follow up with new hires on the third day if the employee has not completed and documented eligibility to work in the U.S.

b. An approval to hire and an authorized pay rate form will be created to document hire and pay rate actions for non-recruited positions by January 31, 2015. Such documentation will be placed into the employee’s payroll file.

PROPERTY AND EQUIPMENT

The Athletic Corporation property and equipment policies and procedures did not adequately address the disposal of fixed assets.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates sufficient administration of property and equipment disposals.

The Athletic Corporation senior associate athletics director for administration/senior woman administrator stated that the need for written policies and procedures for disposal of fixed assets had been overlooked because an informal process was in place.
The absence of written policies and procedures for disposal of fixed assets increases the risk of misunderstandings and increases the risk that property will be lost or stolen or misrepresented in the financial statements.

**Recommendation 29**

We recommend that the Athletic Corporation update property and equipment policies and procedures to adequately address the disposal of fixed assets.

**Campus Response**

We concur. The policy will be modified to include an asset disposal procedure by March 31, 2015.

**INFORMATION TECHNOLOGY**

The Athletic Corporation did not have an IT DRP that addressed specific details regarding recovery of system operations data, including off-site data backup procedures.

EO 1014, *California State University Business Continuity Program*, dated October 8, 2007, provides detailed guidance to campuses for creating, implementing, and maintaining a business continuity program that includes an IT DRP. It further states that goals, which must be met by such a program, include, but are not limited to, the listing, prioritizing, and establishing of recovery-time objectives for essential functions, systems, and applications through business impact analysis and risk assessments. Campuses must keep all business continuity-related plans current, must test all plans for viability, and must reference all materials necessary to recover from a disaster.

ICSUAM §8085.0, *Business Continuity and Disaster Recovery*, dated April 19, 2010, states that an information security program needs to support the maintenance and potential restoration of operations through and after both minor and catastrophic disruptions. Campuses must ensure that their information assets can, in the case of a catastrophic event, continue to operate and be appropriately accessible to users. Each campus must maintain an ongoing program that ensures the continuity of essential functions and operations following a catastrophic event. The campus program must be in compliance with the CSU Business Continuity Program.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.10, *Computer Controls*, states that auxiliary organizations should establish written policies and practices that ensure secure computer system operations, including backup and recovery mechanisms and DRPs.

The campus athletic information systems/network analyst stated that most of the files and equipment could be replaced easily either off the shelf or from the third-party vendor, and he was unaware that the IT DRP had not been sufficiently addressed.
The absence of a comprehensive IT DRP increases the risk that business and data processing operations may not be restored within management expectations in the event of an emergency or disaster, which could result in financial and non-financial losses.

**Recommendation 30**

We recommend that the Athletic Corporation create an IT DRP to address specific details regarding recovery of system operations data, including off-site data backup procedures.

**Campus Response**

We concur. Technology services will work with the Athletic Corporation to create an IT DRP that meets these requirements prior to May 31, 2015.
FRESNO STATE PROGRAMS FOR CHILDREN, INC.

OPERATIONAL COMPLIANCE

Fresno State Programs for Children, Inc. (PFC) did not have a written delegation of authority from the campus president giving its management the authority to sign/approve PFC contracts and grant proposals, and contracts and grants award agreements were not always signed by an officer of the corporation.

PFC Bylaws state that the chair may sign, with the secretary or any other proper officer of the corporation authorized by the board of directors, any deeds, mortgages, bonds, contracts, or other instruments, except in cases where the signing thereof shall be expressly delegated by the board of directors.

EO 890, Administration of Grants and Contracts in Support of Sponsored Programs, dated January 7, 2004, states that the university and the auxiliary shall enter into a master agreement setting forth the roles and responsibilities of each party with regard to the administration of sponsored programs by an auxiliary. It further states that proposals for sponsored programs shall not be submitted to the sponsor without prior written approval of the president of the university or the president’s university designee and of the CFO or the CFO’s university designee.

The associate vice president for auxiliary operations/executive director stated that not having a written delegation of authority from the campus president to sign and approve contracts and grants proposals for PFC was due to administrative oversight. She further stated that a letter from the PFC program director was sent to the funding agencies indicating that the association controller could sign, but the PFC board policies did not allow this.

The absence of documented delegations of authority for approval of contracts and grant proposals and unauthorized acceptance of award agreements increases the risk that sponsored programs will not be subject to adequate review and misunderstandings or unauthorized activities will occur.

Recommendation 31

We recommend that PFC:

a. Obtain written a delegation of authority from the campus president giving its management the responsibility to sign/approve contracts and grant proposals.

b. Allow only officers of the corporation to sign award agreements.

Campus Response

We concur.

a. Written delegation of authority from the campus president is now on file.
b. A reminder communication has been sent to PFC staff reminding them who has signatory authority for PFC per a Board-approved resolution.

PURCHASING AND ACCOUNTS PAYABLE

CREDIT CARDS

Administration of PFC credit cards needed improvement.

We reviewed two credit card reconciliations for April and June 2014, and we found that:

- Written policies and procedures had not been developed for the administration of credit cards.
- One employee approved the payment of her own credit card expenses.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should disburse cash in a consistent manner utilizing systems that ensure the integrity of existing internal controls.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates adequate administration of credit cards.

The associate vice president for auxiliary operations/executive director stated that the lack of a corporate credit card policy for PFC was due to administrative oversight. She further stated that the employee should not have approved payment of her own credit card expenses, even though they were less than $100, and this was due to the lack of a formal policy.

The absence of written policies and procedures and the lack of appropriate approval for credit cards increases the risk that errors, irregularities, misunderstandings, and misappropriation of funds will occur.

Recommendation 32

We recommend that PFC:

a. Develop written policies and procedures for the administration of credit cards.
b. Ensure that credit card payments are not approved by the cardholder.

Campus Response

We concur.
a. The PFC board of directors has recently approved a *Credit Card Policy*.

b. Credit card payments will be processed in accordance with the *Accounts Payable Documentation of Expenditures Guidelines*, which requires supervisor approval on all credit card payments and personal reimbursements to employees.

**TRAVEL**

PFC travel expense claim forms were not always completed within 30 days of the traveler’s return.

We reviewed eight PFC travel-related disbursements, and we found that in two instances, travel expense claim forms were not completed within 30 days of the traveler’s return. The *Auxiliary Services Travel Policy* states that a travel claim shall be submitted for reimbursement within 30 calendar days from the date of the travel.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.1, *Cash*, states that the auxiliary should disburse cash in a consistent manner utilizing systems that ensure integrity of existing controls, with management review.

The associate vice president for auxiliary operations/executive director stated that these travel expense claim forms were not completed in a timely manner due to lack of PFC compliance with existing policy.

The untimely submission of travel claims limits the auxiliary’s ability to detect errors and irregularities, increases the likelihood of loss of funds, and compromises accountability.

**Recommendation 33**

We recommend that PFC reiterate to employees that travel expense claims must be completed within 30 days after the traveler’s return.

**Campus Response**

We concur. A reminder has been sent to PFC’s program director reminding her of this policy requirement.

**PERSONNEL AND PAYROLL**

PFC did not always certify I-9 forms within three business days of a new employee’s first day of work.

We reviewed five PFC new hires, and we found that in two instances, I-9 forms were reviewed and approved eight to 14 days after the employee’s first day of employment.
The Department of Homeland Security, U.S. Citizenship and Immigration Services, *Form I-9, Employment Eligibility Verification*, states that employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the date employment begins.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

The Association manager of auxiliary human resources stated that on occasion, PFC managers and supervisors allowed employees to begin work prior to confirming that the I-9 forms had been approved.

Untimely certification of employment eligibility increases the risk of fines and penalties.

**Recommendation 34**

We recommend that PFC reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

**Campus Response**

We concur. Auxiliary human resources will communicate a policy reminder at least quarterly to all PFC supervisors and managers.
ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, FRESNO

OPERATING AND ADMINISTRATIVE AGREEMENTS

Agreements between Associated Students, Inc. of California State University, Fresno (ASI) and the campus and third parties were not always fully executed in a timely manner.

We reviewed 14 agreements and found that two were signed after their effective dates. Execution delays ranged from 11 to 257 days.

Title 5 §42401 and §42402 indicate that the campus president shall require that auxiliary organizations operate in conformity with policy of the Board of Trustees and the campus. One of the objectives of the auxiliary organizations is to provide fiscal procedures and management systems that allow effective coordination of the auxiliary activities with the campus in accordance with sound business practices. Sound business practice mandates that business arrangements be supported by complete, written agreements executed in a timely manner.

The ASI program coordinator stated that the delay in signing agreements prior to the effective date was due to administrative oversight.

Untimely execution of written agreements increases the risk of misunderstandings and miscommunication regarding rights and responsibilities and subjects the auxiliaries and CSU to potential liability.

Recommendation 35

We recommend that ASI fully execute all agreements with the campus and third parties in a timely manner.

Campus Response

We concur. Effective January 6, 2015, a reminder went out to ASI personnel regarding the importance of ensuring that agreements are executed in a timely fashion.

PERSONNEL AND PAYROLL

ASI did not always certify I-9 forms within three business days of a new employee’s first day of work.

We reviewed five ASI new hires, and we found that in one instance, an I-9 form was reviewed and approved 14 days after the employee’s first day of employment.
The Department of Homeland Security, U.S. Citizenship and Immigration Services, *Form I-9, Employment Eligibility Verification*, states that employers must complete Section 2 by examining evidence of identity and employment authorization within three business days of the date employment begins.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* sets sound business practice guidelines for auxiliary organizations operating within the CSU system. Section 8.9.6, *Payroll*, states that the auxiliary should establish a written system that ensures proper authorization, approval, and documentation of new hires, changes in employment, salary and wage rates, and payroll deductions.

The Association manager of auxiliary human resources stated that on occasion, hiring managers and supervisors would allow employees to begin work prior to confirming with human resources that the I-9 forms had been approved.

Untimely certification of employment eligibility increases the risk of fines and penalties.

**Recommendation 36**

We recommend that ASI reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

**Campus Response**

We concur. We will communicate this policy reminder at least semi-annually to all ASI officers and supervisors.
# APPENDIX A:
## PERSONNEL CONTACTED

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>CAMPUS</strong></td>
<td></td>
</tr>
<tr>
<td>Joseph I. Castro</td>
<td>President</td>
</tr>
<tr>
<td>Deborah Adishian-Astone</td>
<td>Associate Vice President for Auxiliary Operations/Executive Director</td>
</tr>
<tr>
<td>John Bopp</td>
<td>Athletic Information Systems/Network Analyst</td>
</tr>
<tr>
<td>Rusty Estrada</td>
<td>Information Technology Support Development</td>
</tr>
<tr>
<td>Robert Guinn</td>
<td>Associate Director of Technology Services</td>
</tr>
<tr>
<td>Ellen Jamra</td>
<td>Executive Director of Advancement Services</td>
</tr>
<tr>
<td>Jim Michael</td>
<td>Executive Director of Technology Services</td>
</tr>
<tr>
<td>Clinton Moffitt</td>
<td>Associate Vice President for Financial Services</td>
</tr>
<tr>
<td>Manuel Serrano</td>
<td>Information Technology Liaison, Children’s Centers</td>
</tr>
<tr>
<td>Cynthia Teniente-Matson</td>
<td>Vice President for Administration and Chief Financial Officer</td>
</tr>
<tr>
<td>Rafael Villegas</td>
<td>Technical Information Security Officer</td>
</tr>
<tr>
<td>Cherie Weber</td>
<td>Accountant, Accounting Services</td>
</tr>
<tr>
<td>Llarehn Wint</td>
<td>Information Technology Liaison, Ag Foundation</td>
</tr>
</tbody>
</table>

**CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION**

<table>
<thead>
<tr>
<th>Name</th>
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</thead>
<tbody>
<tr>
<td>Deborah Adishian-Astone</td>
<td>Associate Vice President for Auxiliary Operations/Executive Director</td>
</tr>
<tr>
<td>Linda Christian</td>
<td>Post Award Manager</td>
</tr>
<tr>
<td>Keith Kompsi</td>
<td>Director of Foundation Financial Services</td>
</tr>
<tr>
<td>Jill Richards</td>
<td>Procurement Technician, Foundation Financial Services</td>
</tr>
<tr>
<td>Elizabeth Sinor</td>
<td>Senior Accountant, Foundation Financial Services</td>
</tr>
<tr>
<td>Pam Woody</td>
<td>Accounting Technician, Foundation Financial Services</td>
</tr>
</tbody>
</table>

**CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC.**

<table>
<thead>
<tr>
<th>Name</th>
<th>Title</th>
</tr>
</thead>
<tbody>
<tr>
<td>Deborah Adishian-Astone</td>
<td>Associate Vice President for Auxiliary Operations/Executive Director</td>
</tr>
<tr>
<td>Amy Allen</td>
<td>Customer Relations Coordinator, Student Recreation Center</td>
</tr>
<tr>
<td>Erin Boele</td>
<td>Director of Housing</td>
</tr>
<tr>
<td>Martha Chavez</td>
<td>Administrative Assistant, Student Recreation Center</td>
</tr>
<tr>
<td>Theresa Eurich</td>
<td>Director, Management Information Systems</td>
</tr>
<tr>
<td>Melissa Ginotti</td>
<td>Director, Student Involvement</td>
</tr>
<tr>
<td>Rachel Kauffman</td>
<td>Fitness and Promotions Coordinator, Student Recreation Center</td>
</tr>
<tr>
<td>Erin Kent</td>
<td>Operations Services Coordinator, University Student Union</td>
</tr>
<tr>
<td>Nicole Lane</td>
<td>Manager, Auxiliary Human Resources</td>
</tr>
<tr>
<td>John Melikian</td>
<td>Staff Counsel</td>
</tr>
<tr>
<td>Liz Nunes</td>
<td>Administrative Coordinator</td>
</tr>
<tr>
<td>Curt Parkinson</td>
<td>Director, Kennel Bookstore</td>
</tr>
<tr>
<td>Mark Platner</td>
<td>Network Manager</td>
</tr>
<tr>
<td>Patricia Thomason</td>
<td>Recreation Center Manager, University Student Union</td>
</tr>
<tr>
<td>Kate Tuckness</td>
<td>Controller</td>
</tr>
<tr>
<td>Derek Walters</td>
<td>Director, Student Recreation Center</td>
</tr>
</tbody>
</table>
APPENDIX A: PERSONNEL CONTACTED

CALIFORNIA STATE UNIVERSITY, FRESNO ASSOCIATION, INC. (CONT.)

Mehrzad Zarrin
Facilities Coordinator, University Student Union

AGRICULTURAL FOUNDATION OF CALIFORNIA STATE UNIVERSITY, FRESNO

Deborah Adishian-Astone
Associate Vice President for Auxiliary Operations/
Executive Director

Daniel B. Avila
Dairy Processing Manager

John Giannini
Winemaker

Mike Mosinski
Farm Manager

Nina Palomino
Farm Market Manager

Chance Reeder
Meats Lab Supervisor

Mark Salwasser
Orchard Manager

Stephanie Stilwell
Horse Unit Manager

Elisa Valdez
Floral Manager

CALIFORNIA STATE UNIVERSITY, FRESNO ATHLETIC CORPORATION

Michael Boele
Senior Associate Athletics Director for Administration/
Senior Woman Administrator

Lisa Chavez
Director of Business Operations

Russell Hayden
Director of Ticket Operations

FRESNO STATE PROGRAMS FOR CHILDREN, INC.

Catherine Mathis
Program Director

ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, FRESNO

Tara Powers-Mead
Program Coordinator
STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

Internal accounting and related operational controls established by the State of California, the California State University Board of Trustees, and the Office of the Chancellor are evaluated by the Vice Chancellor and Chief Audit Officer, in compliance with professional standards for the conduct of internal audits, to determine if an adequate system of internal control exists and is effective for the purposes intended. Any deficiencies observed are brought to the attention of appropriate management for corrective action.

B. INTERNAL CONTROL DEFINITION

Internal control, in the broad sense, includes controls that may be characterized as either accounting or operational as follows:

1. Internal Accounting Controls

   Internal accounting controls comprise the plan of organization and all methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and the reliability of financial records. They generally include such controls as the systems of authorization and approval, separation of duties concerned with recordkeeping and accounting reports from those concerned with operations or asset custody, physical controls over assets, and personnel of a quality commensurate with responsibilities.

2. Operational Controls

   Operational controls comprise the plan of organization and all methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

C. INTERNAL CONTROL OBJECTIVES

The objective of internal accounting and related operational control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting and operational control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgment by management.
D. INTERNAL CONTROL SYSTEMS LIMITATIONS

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and related operational control. In the performance of most control procedures, errors can result from misunderstanding of instruction, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the executing and recording of transactions. Moreover, projection of any evaluation of internal accounting and operational control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate. It is with these understandings that internal audit reports are presented to management for review and use.
January 7, 2015

MEMORANDUM

To: Larry Mandel
Vice Chancellor and Chief Audit Officer, California State University

From: Clinton Moffitt
Interim Chief Financial Officer and Associate VP for Financial Services

Subject: Response to the Auxiliary Organizations Incomplete Draft Audit Report 14-05

California State University, Fresno has reviewed the incomplete draft report for the Auxiliary Organizations Audit 14-05. Please find attached a revised response to the recommendations. Thank you.

Attachment

c: Dr. Joseph I. Castro
Ms. Deborah Adishian-Astone
Mr. Clinton Moffitt
Mr. Jim Michael
Ms. Janice Mirza
Mr. Greg Dove
Ms. Caroline Lee
AUXILIARY ORGANIZATIONS
CALIFORNIA STATE UNIVERSITY,
FRESNO
Audit Report 14-05

CAMPUS

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 1

We recommend that the campus update the MOU for IT services provided to the Ag Foundation.

Campus Response

We concur. Technology Services will work with the Ag Foundation to update the MOU prior to March 1, 2015.

FEES, REVENUES, AND RECEIVABLES

MATCHING GIFTS

Recommendation 2

We recommend that the campus obtain and maintain corporate matching gift acceptance forms.

Campus Response

We concur. Effective immediately, Advancement Services are keeping copies of gift acceptance forms.

GIFTS-IN-KIND

Recommendation 3

We recommend that the campus:


b. Send acknowledgment letters to donors.
Campus Response

a. We concur. Effective immediately, gift acceptance forms sent to us for matching gifts will be maintained in a file.

b. We concur. Acknowledgement letters are sent by the college development officers. Effective January 1, 2015, Advancement Services will be copied (cc’d) on acknowledgment letters to ensure that a record is maintained.

TRUSTS AND OTHER LIABILITIES

Recommendation 4

We recommend that the campus prepare a written delegation of authority from the campus president to his designee for the authorization of campus program trust accounts.

Campus Response

We concur. The campus will complete a written delegation of authority from the campus president to his designee for the authorization of campus program trust accounts by January 31, 2015.

INFORMATION TECHNOLOGY

PAYMENT CARD INDUSTRY DATA SECURITY STANDARD

Recommendation 5

We recommend that the campus complete network enhancement to address PCI DSS requirements.

Campus Response

We concur. These network enhancements will be completed prior to April 30, 2015.

INFORMATION SECURITY AWARENESS TRAINING

Recommendation 6

We recommend that the campus ensure that all auxiliary employees with computer access receive information security awareness training.

Campus Response

We concur. Security awareness training has been completed for most auxiliary employees. Technology Services will work with the Athletic Corporation to ensure that all employees with computer access complete this training by March 31, 2015.
DISASTER RECOVERY PLAN

Recommendation 7

We recommend that the campus create an IT DRP for the Ag Foundation that addresses specific details regarding recovery of system operations data, including off-site data backup procedures.

Campus Response

We concur. Technology Services will work with the Ag Foundation to create an IT DRP that meets these requirements prior to May 31, 2015.
CALIFORNIA STATE UNIVERSITY, FRESNO FOUNDATION

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 8

We recommend that Foundation require travel authorization forms documenting advance approval of all travel and related expenditures.

Campus Response

We concur; however, this is not a current campus and auxiliary policy requirement. Consultation will take place by March 31, 2015; policy implementation will be dependent upon final approval by the campus CFO for consistency with campus policies and procedures as well as policies set forth by sponsor (funding) agencies.

PERSONNEL AND PAYROLL

Recommendation 9

We recommend that Foundation reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

Campus Response

We concur. Effective immediately, Auxiliary Human Resources are communicating a policy reminder at least quarterly to all Foundation Principal Directors and project supervisors.

CONTRACTS AND GRANTS

Recommendation 10

We recommend that the Foundation update its sub-recipient policies and procedures to:

a. Address a sub-recipient risk assessment to identify key risks and determine the level of monitoring required.

b. Fully address the procedures for monitoring sub-recipients.

Campus Response

We concur.

a. A sub-recipient risk assessment will be completed by March 31, 2015.

b. The Foundation’s existing Sub-recipient Monitoring Policy will be updated and revised to address the deficient areas described in the above recommendations by May 1, 2015.
CORPORATE GOVERNANCE

Recommendation 11

We recommend that the Association file all future changes and amendments to Articles of Incorporation and Bylaws with the Contract Services and Procurement department at the CO within 30 calendar days.

Campus Response

We concur. Future changes and amendments to Articles of Incorporation and Bylaws will be filed with the CSU Office of Contract Services and Procurement within 30 calendar days following board approval of the meeting minutes documenting the board’s approval of the required changes and amendments. A notice regarding this process was distributed on July 16, 2014.

CASH RECEIPTS AND HANDLING

Recommendation 12

We recommend that the Association:

a. Immediately log checks received by mail and restrictively endorse them prior to transferring them for processing at the reservation center.

b. Audit change funds daily at the recreation center.

Campus Response

a. We concur. This is a procedural requirement included in the Association's current Accounts Receivable/Cash Handling Policy.

b. We concur. Change funds at the recreation center are audited daily.

PURCHASING AND ACCOUNTS PAYABLE

Recommendation 13

We recommend that the Association update its travel policy to reflect current business practices for meal per diem rates.

Campus Response

We concur. The Association will update and revise its Auxiliary Travel Policy by January 31, 2015.
PERSONNEL AND PAYROLL

Recommendation 14

We recommend that the Association implement employee salary changes in a timely manner.

Campus Response

We concur. Employee salary changes are implemented timely in accordance with established procedures.

COMMERCIAL OPERATIONS

Recommendation 15

We recommend that Association implement the following changes at the Kennel Bookstore:

a. Require a manager or supervisor approval for any override of a sales price.
b. Adjust the master pricing list to reflect the current sales price.
c. Account for line-item discounts made by the cashiers on the end-of-day reports.

Campus Response

We concur. The Bookstore will implement the following internal procedures by January 31, 2015:

a. Require supervisor approval/handling of overrides for pricing discrepancies.
b. Adjust the MBS POS master pricing list to reflect current sales prices.
c. Account for line-item discounts using the daily MBS cashiers report.
AGRICULTURAL FOUNDATION OF
CALIFORNIA STATE UNIVERSITY, FRESNO

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 16

We recommend that the Ag Foundation fully execute all agreements with third parties in a timely manner.

Campus Response

We concur. Effective immediately, all agreements with third parties are fully executed in a timely manner.

SEGREGATION OF DUTIES

Recommendation 17

We recommend that the Ag Foundation adequately segregate duties and responsibilities related to cash receipts and purchasing and accounts payable, or institute mitigating procedures approved by the campus CFO.

Campus Response

We do not concur. The campus president and campus CFO agree to accept the level of risk associated with cash handling and purchasing responsibilities being performed within the enterprise units on the farm laboratory consistent with current policies and procedures established by the Ag Foundation.

PERSONNEL AND PAYROLL

Recommendation 18

We recommend that the Ag Foundation reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

Campus Response

We concur. Effective immediately, Auxiliary Human Resources are communicating a policy reminder at least quarterly to all Ag Foundation and University employees who serve as enterprise managers and supervisors and who have hiring responsibilities.
PROPERTY AND EQUIPMENT

Recommendation 19

We recommend that the Ag Foundation adequately secure the storage room at the Rue and Gwen Gibson Farm Market during business hours.

Campus Response

We concur. However, the practice of locking the storage room during business hours is an operational challenge given access required by the various farm enterprises for delivery of product. Instead, the Ag Foundation has installed a video surveillance camera in the storage room area for enhanced security and tracking of the stored product. This installation has been completed.
OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 20

We recommend that the Athletic Corporation revise the MOU with the Bulldog Foundation to clearly articulate the relationship between the two organizations and address the degree and scope of campus and/or auxiliary oversight of fundraising activities of the Bulldog Foundation.

Campus Response

We concur. An updated MOU between the Bulldogs Foundation and the Athletic Corporation will be created before February 28, 2015.

CORPORATE GOVERNANCE

Recommendation 21

We recommend that the Athletic Corporation promptly file the amended Articles of Incorporation and Bylaws and reiterate to staff that all future changes and amendments to the Articles of Incorporation and Bylaws should be filed with the Contract Services and Procurement department at the CO within 30 calendar days.

Campus Response

We concur. Amended Articles of Incorporation and Bylaws will be filed with the Contract Services and Procurement department at the CO by December 31, 2014. Future changes and amendments will be filed within 30 days of the board approval of the minutes of the meeting where the changes are approved. A notice regarding this process will go out by January 31, 2015.

FISCAL COMPLIANCE

Recommendation 22

We recommend that the Athletic Corporation adequately document and communicate the planning and analysis of reserves and provide the analysis to the board of directors and the campus president for review.

Campus Response

We concur. Our current policy and reserves will be reviewed with the Board of Directors and the campus president by March 31, 2015.
OPERATIONAL COMPLIANCE

Recommendation 23

We recommend that the Athletic Corporation provide the delegation of authority matrix for approval of contracting, procurement, and disbursements to the board of directors for authorization.

Campus Response

We concur. A delegation of authority matrix will be approved by the Board prior to January 31, 2015.

CASH RECEIPTS AND HANDLING

Recommendation 24

We recommend that the Athletic Corporation:

a. Maintain the cash over/short log and conduct and document investigation of cash overages or shortages of $5 or more and/or recurring overages or shortages.

b. Adequately secure cash tills and ticket stock.

c. Maintain a list of individuals with access to the safe and the date the combination was last changed.

Campus Response

a. We concur. A log of shortages will be maintained and reviewed monthly and the review of the log will be provided by January 1, 2015.

b. We concur. As of September 3, 2014, the new ticket office location has secure cash tills and ticket stock.

c. We concur. A list of individuals with access to the safe and the date that the combination was changed was developed and will be maintained immediately.

PETTY CASH AND CHANGE FUNDS

Recommendation 25

We recommend that the Athletic Corporation:

a. Refrain from using the change fund for unintended purposes.

b. Reduce the balance of the change fund during periods of slow ticket sales.

c. Increase the frequency of unannounced cash counts and reconciliations of change funds during periods when a high balance is maintained.
Campus Response

a. We concur. Effective immediately, individual change funds are established as needed for an event. There will be no temporary charge funds given out by the ticket office.

b. We concur. The change fund will be reduced to an adequate level during slow periods of ticket sales by January 31, 2015.

c. We concur. Effective immediately, when high cash funds are maintained during periods of high ticket sales, surprise cash counts are conducted at minimum on a monthly basis.

FEES, REVENUES, AND RECEIVABLES

ACCOUNTS RECEIVABLE

Recommendation 26

We recommend that the Athletic Corporation:

a. Perform and document collection and follow-up activity for delinquent accounts receivable to facilitate collection or support account write-off.

b. Write off uncollectible receivables in a timely manner and send uncollectible accounts to the collection agency as necessary.

Campus Response

a. We concur. Documentation of collection and follow-up activity for delinquent accounts will be maintained, however write-offs have been less than .02% of annual revenues.

b. We concur. Accounts Receivable will be written off at the point that they are deemed uncollectible and approved by management. This will be completed by March 31, 2015.

RECONCILIATIONS

Recommendation 27

We recommend that the Athletic Corporation prepare monthly accounts receivable reconciliations.

Campus Response

We concur. Monthly accounts receivable reconciliations will be performed by accounting and approved by Athletic Corporation management by January 31, 2015.
PERSONNEL AND PAYROLL

Recommendation 28

We recommend that the Athletic Corporation:

a. Reiterate to staff that I-9 forms for new employees must be certified within three business days of the date employment begins.

b. Obtain documentation of approval to hire and authorized pay rate, and maintain such documentation in the employee file.

Campus Response

a. We concur. All managers and coaches will be sent a letter documenting the important requirement that under federal law all new hires must submit an I-9 within three (3) business days of employment start date. By January 31, 2015, the Payroll/Benefits Coordinator will follow-up with new hire on 3rd day if employee has not completed and documented eligibility to work in the U.S.A.

b. We concur. An approval to hire and an authorized pay rate form will be created to document hire and pay rate actions for non-recruited positions by January 31, 2015. Such documentation will be placed into employee’s payroll file.

PROPERTY AND EQUIPMENT

Recommendation 29

We recommend that the Athletic Corporation update property and equipment policies and procedures to adequately address the disposal of fixed assets.

Campus Response

We concur. The policy will be modified to include an asset disposal procedure by March 31, 2015.

INFORMATION TECHNOLOGY

Recommendation 30

We recommend that the Athletic Corporation create an IT DRP to address specific details regarding recovery of system operations data, including off-site data backup procedures.

Campus Response

We concur. Technology Services will work with the Athletic Corporation to create an IT DRP that meets these requirements prior to May 31, 2015.
FRESNO STATE PROGRAMS FOR CHILDREN, INC.

OPERATIONAL COMPLIANCE

Recommendation 31

We recommend that PFC:

a. Obtain written a delegation of authority from the campus president giving its management the responsibility to sign/approve contracts and grant proposals.

b. Allow only officers of the corporation to sign award agreements.

Campus Response

a. We concur. Written delegation of authority from the campus president is now on file.

b. A reminder communication has been sent to PFC staff reminding them who has signatory authority for PFC per a Board approved resolution.

PURCHASING AND ACCOUNTS PAYABLE

CREDIT CARDS

Recommendation 32

We recommend that PFC:

a. Develop written policies and procedures for the administration of credit cards.

b. Ensure that credit card payments are not approved by the cardholder.

Campus Response

a. We concur. The PFC Board of Directors has recently approved a Credit Card Policy.

b. We concur. Credit card payments will be processed in accordance with the Accounts Payable Documentation of Expenditures Guidelines which requires supervisor approval on all credit card payments and personal reimbursements to employees.

TRAVEL

Recommendation 33

We recommend that PFC reiterate to employees that travel expense claims must be completed within 30 days after the traveler’s return.
Campus Response

We concur. A reminder has been sent to PFC’s Program Director reminding her of this policy requirement.

PERSONNEL AND PAYROLL

Recommendation 34

We recommend that PFC reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

Campus Response

We concur. Auxiliary Human Resources will communicate a policy reminder at least quarterly to all FFC supervisors and managers.
ASSOCIATED STUDENTS, INC. OF CALIFORNIA STATE UNIVERSITY, FRESNO

OPERATING AND ADMINISTRATIVE AGREEMENTS

Recommendation 35

We recommend that ASI fully execute all agreements with the campus and third parties in a timely manner.

Campus Response

We concur. Effective January 6, 2015, a reminder went out to ASI personnel regarding the importance of ensuring that agreements are executed in a timely fashion.

PERSONNEL AND PAYROLL

Recommendation 36

We recommend that ASI reiterate to staff that I-9 forms for new employees must be certified within three business days of a new employee’s first day of work.

Campus Response

We concur. We will communicate this policy reminder at least semi-annually to all ASI officers and supervisors.
January 23, 2015

MEMORANDUM

TO: Mr. Larry Mandel
    Vice Chancellor and Chief Audit Officer

FROM: Timothy P. White
      Chancellor

SUBJECT: Draft Final Report 14-05 on Auxiliary Organizations,
         California State University, Fresno

In response to your memorandum of January 23, 2015, I accept the response as
submitted with the draft final report on Auxiliary Organizations, California State
University, Fresno.

TPW/amd