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December 19, 2018

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

Dear Dr. Coley:

**Subject: Audit Report 18-09, Associated Students, Incorporated,  
California State Polytechnic University, Pomona**

We have completed an audit of *Associated Students, Incorporated* as part of our 2018 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which has been posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Larry Mandel  
Vice Chancellor and Chief Audit Officer

c: Timothy P. White, Chancellor

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**The California State University**  
Audit and Advisory Services

## **ASSOCIATED STUDENTS, INCORPORATED**

**California State Polytechnic University,  
Pomona**

Audit Report 18-09  
November 20, 2018

## EXECUTIVE SUMMARY

### OBJECTIVE

The objectives of the audit were to confirm compliance with regulatory requirements for the establishment and governance of auxiliary organizations; ascertain effectiveness of operational, administrative, and financial controls for the activities conducted by Associated Students, Incorporated (ASI); evaluate adherence to auxiliary policies and procedures and applicable Integrated California State University Administrative Manual (ICSUAM) policies, or, where appropriate, to an industry-accepted standard; and to ensure compliance with relevant governmental regulations, Trustee policy, Office of the Chancellor directives, and campus procedures.

### CONCLUSION

We found the control environment for some of the areas reviewed to be in need of improvement.

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for ASI, as of September 21, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met. However, we found that ASI facilities management procedures were not comprehensive. Additionally, we found that work orders sometimes reflected an incorrect progress status and were not processed in accordance with ASI procedures. Finally, we found that ASI did not always comply with policies and procedures on travel expense disbursements.

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

## **OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES**

### **1. FACILITIES MAINTENANCE PROCEDURES**

#### **OBSERVATION**

The procedures for facilities management at ASI needed improvement.

We found that desktop procedures addressed the work order creation and closing process but did not address other key processes, such as management oversight and reporting; administration of access in the ASI computerized maintenance management system, Main Boss; quality assurance protocols; and compilation and submission of reports to the campus for systemwide required reporting on deferred maintenance and capital renewal costs.

Comprehensive procedures provide better assurance of consistent and standardized administration and provide benchmarks for staff and management performance.

#### **RECOMMENDATION**

We recommend that the campus, in conjunction with ASI:

- a. Revise facilities management procedures to address key operations such as management oversight and reporting; administration of access in Main Boss; quality assurance protocols; and compilation and submission of reports to the campus for systemwide required reporting.
- b. Communicate the new procedures to affected facilities staff.

#### **MANAGEMENT RESPONSE**

We concur. ASI will work with the campus to:

- a. Revise facilities management procedures to address key operations such as management oversight and reporting; administration of access in Main Boss; quality assurance protocols; and compilation and submission of reports to the campus for systemwide required reporting.
- b. Communicate the new procedures to affected facilities staff.

Expected completion date: April 30, 2019

### **2. WORK ORDER ADMINISTRATION**

#### **OBSERVATION**

Administration of work orders in Main Boss needed improvement.

Specifically, we found that:

- Work order status was frequently incorrect. We reviewed all five aged open work orders and found that three had been completed and should have been updated to closed status.
- There were inconsistencies on the status reports for work orders. We reviewed a list of closed preventive-maintenance work orders and reviewed each individually, noting that the individual work orders reflected an open status, contrary to the status on the report. From the list of closed work orders, we reviewed seven to determine whether they were open or closed, and we found that only two of the tasks had been completed.
- Facilities was not always following procedures when closing work orders in the system. We reviewed 30 closed work orders and found that required fields such as hours and supplies were not being completed as required, and copies of work orders were not filed in personnel files in accordance with procedures.

Proper administration of the work-order process enhances service levels, provides greater assurance that assets will be well-maintained, and allows management to accurately report on auxiliary facilities and the resources necessary to maintain them.

#### **RECOMMENDATION**

We recommend that the campus, in conjunction with ASI:

- a. Review the process for recording work order status in Main Boss to identify and address procedures that result in incorrect labeling of work orders.
- b. Provide training to management and staff on work order completion requirements.

#### **MANAGEMENT RESPONSE**

We concur. ASI will work with the campus to:

- a. Review the process for recording work order status in Main Boss to identify and address procedures that result in incorrect labeling of work orders.
- b. Provide training to management and staff on work order completion requirements.

Expected completion date: April 30, 2019

### **3. PREVENTIVE MAINTENANCE FOR NEW EQUIPMENT**

#### **OBSERVATION**

ASI did not have a mechanism to centrally capture and track data on equipment that required regular preventive maintenance.

Specifically, we found that only equipment purchased by facilities management is tracked in Main Boss. Preventive maintenance tracking for equipment procured by other departments was the responsibility of the purchasing departments.

We reviewed procurement reports for fiscal years 2016/17 and 2017/18 and identified seven pieces of equipment purchased by ASI departments outside of facilities that would likely require preventive maintenance. These included maintenance systems for the pool, an electric vehicle, a scrubber vacuum, and a marquee sign. Management at the Bronco Recreation Center (BRIC) indicated that the pool equipment was serviced by outside vendors, but this service was not tracked. Similarly, the scrubber vacuum was being serviced by the vendor that sold it to ASI. However, the vehicle and the marquee sign were presumed to be internally serviced by facilities.

Centralized tracking of preventive maintenance provides a means for assuring performance of the maintenance whether it is provided by an outside vendor or internally.

**RECOMMENDATION**

We recommend that the campus, in conjunction with ASI, develop a procedure to capture preventive maintenance requirements for all applicable equipment within Main Boss or another centralized system.

**MANAGEMENT RESPONSE**

We concur. ASI will work with the campus to develop a procedure to capture preventive maintenance requirements for all applicable equipment within Main Boss or another centralized system.

Expected completion date: April 30, 2019

**4. TRAVEL EXPENSE DISBURSEMENTS**

**OBSERVATION**

ASI did not always comply with policies and procedures on travel-expense disbursements.

We reviewed 25 travel-expense reimbursements, and we found that:

- Five travel-related expenditures were not included in the corresponding travel-expense claims, as required by policy, but instead were paid directly from an invoice from the vendor. The total amount involved was \$33,202.61.
- Two transactions were linked to travel authorizations that were approved after the travel/event date. The total amount involved was \$11,745.44.
- One transaction was linked to a travel authorization that was not dated by the approver, and as such, we were not able to determine whether pre-approval was granted before the travel/event date. The amount involved was \$1,011.32.

Enforcement of established travel policies and procedures enhances accountability and provides greater assurance that funds are used for only established business purposes.

**RECOMMENDATION**

We recommend that the campus, in conjunction with ASI:

- a. Remind and, if necessary, retrain ASI staff and personnel on policies and procedures for travel-expense disbursements.
- b. Reiterate ASI policies and procedures regarding travel-expense disbursements to campus staff and students who submit disbursement and reimbursement requests to ASI.

**MANAGEMENT RESPONSE**

We concur. ASI will work with the campus to:

- a. Remind all ASI staff, students, university faculty, and staff about the requirement to submit the travel authorization form to financial services ten days before a trip.
- b. Reiterate to all ASI staff, students, university faculty, and staff the proper procedures to complete the Travel Expense Claim form, emphasizing the importance of including all prepaid travel expenses.

Expected completion date: January 31, 2019

## GENERAL INFORMATION

### BACKGROUND

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

Education Code §89900 states, in part, that the operation of auxiliary organizations shall be conducted in conformity with regulations established by the Trustees, and CCR Title 5, §42402, confirms the campus president's authority and responsibility for auxiliary organization operations. Campus management is responsible for establishing and maintaining an adequate system of internal compliance/internal control and assuring that each of its auxiliary organizations similarly establishes such a system.

Education Code §89904 states, in part, that the Trustees of the California State University (CSU) and the governing boards of the various auxiliary organizations shall:

- Institute a standard systemwide accounting and reporting system for businesslike management of the operation of auxiliary organizations.
- Implement financial standards that will assure the fiscal viability of auxiliary organizations. Such standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.
- Institute procedures to assure that transactions of auxiliary organizations are within the educational mission of the state colleges.
- Develop policies for the appropriation of funds derived from indirect cost payments.

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

ASI was established in 1963 as a non-profit public benefit corporation to create, promote, and fund social, cultural, and recreational programs and facilities; advocate for student interests; and participate in shared governance. ASI operates the Bronco Student Center (BSC), which houses a food court, study lounges, meeting rooms, business services, and a games room. ASI also operates the Children's Center and the BRIC, which provides California State Polytechnic University, Pomona (CPP) students a comprehensive campus recreation program. The BSC's

Bronco Events and Activities Team (BEAT) also brings live entertainment to campus and co-sponsors events with various campus organizations. ASI is governed by a student board of directors, which is assisted by advisory subcommittees composed of representatives from the campus and ASI administration.

## SCOPE

We visited the CPP campus and ASI, from August 6, 2018, through September 21, 2018. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative at ASI. The audit focused on procedures in effect from July 1, 2016, to September 21, 2018.

Specifically, we reviewed and tested:

- Timely and proper execution of agreements, contracts, and memoranda of understanding.
- Fiscal, operational, and program compliance, such as reserve provisions, unrelated business income tax, conflicts of interest, and risk management practices.
- Internal controls and segregation of duties over fiscal administration of areas such as accounts receivables, property and equipment, procurement, disbursements, and personnel and payroll.
- Auxiliary facilities maintenance.
- Auxiliary enterprise unit administration, including, but not limited to, the Children’s Center, summer camps, and, marketing and public relations services.

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. We did not perform a comprehensive review of management of the BRIC or of any of the recreational activities implemented by BEAT.

## CRITERIA

Our audit was based upon standards as set forth in CSU Board of Trustee policies; Office of the Chancellor policies, letters, and directives; campus procedures; and other sound administrative practices. This audit was conducted in conformance with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Education Code (EC) §89720
- EC §89756
- EC §89900
- EC §89904

- CCR, Title 5 §42401, *Declaration of Policy*
- CCR, Title 5 §42402, *Authority of Campus President*
- CCR, Title 5 §42500, *Functions of Auxiliary Organizations*
- Government Code §12586 (e)
- RFIN 7-81-4
- EO 1059, *Utilization of Campus Auxiliary Organizations*
- EO 849, *California State University Insurance Requirements*
- *CSU Auxiliary Organizations Compliance Guide*
- *CSU Auxiliary Organizations Sound Business Practices Guidelines*
- ICSUAM §1301.00, *Hospitality, Payment or Reimbursement of Expenses*
- ICSUAM §13680.00, *Placement and Control of Receipts for Campus Activities and Programs*
- *CPP ASI Accounts Receivable Collections and Write-off Procedures*
- *CPP ASI By-laws*
- *CPP ASI Children’s Center Tuition, Billing and Cash handling Procedures*
- *CPP ASI Facilities Procedures*
- *CPP ASI Fixed Assets Policy*
- *CPP ASI Non-student Personnel Policies and Procedures Manual*
- *CPP ASI Procurement Card Policy*
- *CPP ASI Procurement Policy*
- *CPP ASI Public Relations and Hospitality Policy*
- *CPP ASI Reserves Policy*
- *CPP ASI Risk Management Policy*
- *CPP ASI Scholarships Policy*
- *CPP ASI Student Personnel Policies and Procedures Manual*
- *CPP ASI Travel Request Policy*
- *CPP ASI Updated Employee Overtime Policy*
- *CPP ASI Whistleblower Policy*

## AUDIT TEAM

Audit Manager: Ann Hough  
Senior Auditor: Jon Saclolo