

Audit and Advisory Services
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

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

March 6, 2019

Dr. Robert S. Nelsen, President
California State University, Sacramento
6000 J Street
Sacramento, CA 95819

Dear Dr. Nelsen:

Subject: Audit Report 18-46, Associated Students, Inc., California State University, Sacramento

We have completed an audit of *Associated Students, Inc.* 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, INC.

**California State University,
Sacramento**

Audit Report 18-46
February 4, 2019

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, Inc. (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 the areas reviewed to be in need of major improvement.

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for ASI as of November 30, 2018, were unlikely to provide reasonable assurance that risks were being managed and objectives were met.

Overall, we found that ASI administrative, risk management, and financial controls require attention. Most important, risk management protocols were not always in place to minimize risk exposure. For example, we found that ASI agreements did not include several of the standard provisions required by the systemwide office, and certificates of insurance were not always obtained from external parties, both of which help to reduce legal and financial obligations related to activities conducted on campus. Further, risk management protocols did not always protect ASI and the campus from reputational exposure. Specifically, administration of program volunteers and employees, including those working in programs and activities involving minors, was insufficient, as volunteer acknowledgment forms were not always obtained or complete, pre-employment verifications such as background checks and sex-offender registry checks were either untimely or not performed, and training acknowledgements were not always obtained. Turnover in ASI personnel and management in the recent past and the prior decentralized administration of program activities may have contributed to insufficient oversight and enforcement of ASI and systemwide requirements.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. AQUATIC CENTER PROGRAM

OBSERVATION

Administration of the ASI Aquatic Center (AC) program needed improvement.

Specifically, we found that AC agreements, such as facilities-use agreements and visiting crew contracts, did not always contain all of the provisions required by systemwide policies, such as hold harmless/indemnification clauses and insurance requirements, and there was no documentation to indicate that a documented risk evaluation was performed to justify deviation from these required provisions. Furthermore, these types of agreements were not executed by an ASI or AC administrator, certificates of insurance were not obtained, and agreements were not always executed or timely executed by the third party. Additionally, we also found that the operating agreement between the Gold Fields Districts of California State Parks and the campus for the use of the AC was expired.

Our review also revealed that administration of volunteers, employee training, and asset dispositions at the AC did not align with ASI requirements. Specifically, we found that:

- Volunteer acknowledgment forms and release of liability waivers were not always obtained as required. The AC uses volunteers, including minor volunteers, to perform various activities for the AC program. We found that the AC used a volunteer form that was different from the one used for other ASI programs, and it did not include a release-from-liability waiver or section applicable to minor volunteers. Further, the volunteer forms and liability waivers used by the AC were not always obtained and on file.
- AC employees who worked in programs or activities involving minors did not acknowledge their understanding of the ASI *Protection of Minors on Campus Policy*. We found that AC administrators were unaware of the requirement to obtain such acknowledgement from employees and therefore had not established a process to do so.
- Asset disposition memos to document the removal and approval of asset dispositions were not always timely completed.

Proper administration of the AC program, including complete and timely executed agreements and certificates of insurance, decreases the risk of misunderstandings and miscommunication regarding rights and responsibilities and reduces financial exposure. Additionally, proper administration of volunteers, employee training, and asset dispositions helps to increase the safety and well-being of employees and participants, reduces reputational risks, and improves accountability of assets.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI:

- a. Review and update AC agreements as noted above, and include required standard provisions.
- b. Require the appropriate ASI or AC administrator to execute agreements, and timely obtain signed agreements from third parties as noted above.
- c. Develop and document a process to obtain certificates of insurance for agreements as noted above, and communicate this process to key personnel.
- d. Renew the AC operating agreement as noted above.
- e. Require AC administrators to use the correct ASI volunteer acknowledgment form and release-of-liability waiver for all volunteers, including minors, prior to the commencement of volunteer services.
- f. Develop a process for AC employees working with minors to acknowledge their understanding of the ASI *Protection of Minors on Campus Policy*, and obtain this acknowledgment from current employees working in programs/activities involving minors.
- g. Remind key AC personnel to timely complete and approve asset disposition memos as required.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will:

- a. Review and update AC agreements as noted above, and include required standard provisions. The estimated completion date is August 1, 2019.
- b. Require the appropriate ASI or AC administrator to execute agreements, and timely obtain signed agreements from third parties as noted above. The estimated completion date is April 1, 2019.
- c. Develop and document a process to obtain certificates of insurance for agreements as noted above, and communicate this process to key personnel. The estimated completion date is August 1, 2019.
- d. Renew the AC operating agreement as noted above once an agreement is reached with California State Parks. Implementation of this recommendation will require the assistance of California State Parks, with whom negotiations over use of the AC have been ongoing since the prior operating agreement expired. The estimated completion date is October 1, 2019.
- e. Require AC administrators to use the correct ASI volunteer acknowledgment form and release-of-liability waiver for all volunteers, including minors, prior to the commencement of volunteer services. The estimated completion date is April 1, 2019.

- f. Develop a process for AC employees working with minors to acknowledge their understanding of the ASI *Protection of Minors on Campus Policy*, and obtain this acknowledgment from current employees working in programs/activities involving minors. The estimated completion date is April 1, 2019.
- g. Remind key AC personnel to timely complete and approve asset disposition memos consistent with ASI policy. The estimated completion date is April 1, 2019.

2. PEAK ADVENTURES PROGRAM

OBSERVATION

Administration of the ASI Peak Adventures (PA) program needed improvement in the areas of rental equipment, employee and volunteer training, and employee certifications.

We found that current policies and procedures did not address the frequency of periodic physical inventory counts of rental equipment such as backpacks, tents, camping gear, and snowboards or the disposal/removal of these items from inventory. In our review, we found that the sale or disposal of PA rental equipment was not documented to show management approval and final disposition of the asset.

Additionally, we reviewed files for ten PA employees and ten PA volunteers, and we found that:

- Seven employees and one volunteer who worked in programs and or activities involving minors did not acknowledge their understanding of the ASI *Protection of Minors on Campus Policy*. PA had established a process to obtain these acknowledgements from youth camp counselors, but not from other employees or volunteers who may come into contact with minors.
- Employee certifications and evidence of job-specific training were not always on file. Specifically, required certifications such as CPR and or first aid were not on file for two employees. Additionally, there was insufficient documentation to show that four employees had completed job-specific training.
- One volunteer who had contact with minors did not have a background check, sex-offender registry check, and fingerprinting performed. PA administrators are responsible for notifying human resources of volunteers who may come into contact with minors to ensure these procedures are performed.

Clear and complete rental equipment policies and procedures improve accountability over rental equipment and reduce the risk of errors and irregularities. Additionally, performing background checks and maintaining records of certifications, job-specific training, and policy acknowledgements helps protect the health, well-being, and safety of participants, including minors, and reduces reputational risk.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI:

- a. Update current policies and procedures to address the frequency of periodic physical inventory counts of rental equipment and establish a process for the disposal/removal of these items from inventory, as noted above.
- b. Establish and document a process to obtain *Protection of Minors on Campus Policy* acknowledgments from all employees and volunteers who work in programs involving minors, as required.
- c. Remind key PA personnel to verify the completion of job-specific training and certifications as required.
- d. Remind key PA personnel to inform human resources of volunteers who may have contact with minors to ensure that background and sex-offender registry checks and fingerprinting are performed as required before the rendering of services.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will:

- a. Update current policies and procedures to address the frequency of periodic physical inventory counts of rental equipment and establish a process for the disposal/removal of these items from inventory, as noted above. The estimated completion date is September 1, 2019.
- b. Establish and document a process to obtain *Protection of Minors on Campus Policy* acknowledgments from all employees and volunteers who work in programs involving minors, as required. The estimated completion date is April 1, 2019.
- c. Remind key PA personnel to verify the completion of job-specific training and certifications as required. The estimated completion date is April 1, 2019.
- d. Remind key PA personnel to inform human resources of volunteers who may have contact with minors to ensure that background and sex-offender registry checks and fingerprinting are performed as required before the rendering of services. The estimated completion date is April 1, 2019.

3. PERSONNEL

OBSERVATION

Administration of new employees and employee separations, including fingerprinting, background checks, and the completion of separation checklists, did not comply with systemwide and ASI requirements.

We reviewed 20 newly hired employees and five separated employees at ASI, and we found that:

- In ten instances, fingerprinting for individuals who worked in programs or activities that involved minors was performed after the employee's hire date.
- In two instances, fingerprinting was not performed.
- In six instances, a background check was not performed or was performed after the employee's hire date.
- In 17 instances, sex-offender registry checks were not performed or documented. Systemwide policy requires this check for all individuals who have regular or direct contact with minors.
- Separation checklists, which ensure the return of all ASI property and timely completion of required personnel procedures, was not completed for any of the five separated employees. Some of these employees were part-time student workers, and management indicated that completion of this form was not necessary for this classification of employees. However, this exception was not specified in the current employee handbook.

Further, we found that ASI did not have a process to verify pre-employment requirements for campus employees who were hired to work for ASI. Specifically, we found that ASI did not verify that these employees had completed pre-employment screenings such as background checks or drug tests.

Proper administration of personnel, including the timely performance of pre-employment screenings, helps protect the health, well-being, and safety of program participants and reduces the potential for reputational exposure. Furthermore, completion of separation checklists helps ensure that ASI property is timely returned and all required personnel procedures are completed.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI:

- a. Require the timely performance of required pre-employment checks as noted above, including fingerprinting, background checks, and sex-offender registry checks, and implement a process to verify that these checks are timely performed prior to onboarding.
- b. Require the appropriate ASI personnel to complete an employee separation checklist upon employee separation and, if necessary, review and update the employee handbook to specify exceptions to the employee separation checklist requirement, as noted above.
- c. Develop and document a process to timely verify pre-employment screenings, as noted above, for campus employees hired to work for ASI.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will:

- a. Require the timely performance of required pre-employment checks as noted above, including fingerprinting, background checks, and sex-offender registry checks, and implement a process to verify that these checks are timely performed prior to onboarding.
- b. Require the appropriate ASI personnel to complete an employee separation checklist upon employee separation and, if necessary, review and update the employee handbook to specify exceptions to the employee separation checklist requirement, as noted above.
- c. Develop and document a process to timely verify pre-employment screenings, as noted above, for campus employees hired to work for ASI.

The estimated date of completion is August 1, 2019.

4. ADMINISTRATION OF IRA FEES

OBSERVATION

ASI's administration of instructionally related activities (IRA) fees needed to be evaluated to ensure compliance with ASI and systemwide policies.

We found that ASI administered an IRA fee on behalf of the campus; however, this function was not outlined in the current approved ASI operating agreement and did not appear to be an allowable activity per systemwide policy. Specifically, the IRA fee, which is a mandatory student fee required from students at registration, was collected by the campus and transferred to ASI for fiscal processing. Systemwide policy states that auxiliary organizations are not authorized to hold permitted mandatory student fees.

Additionally, we found that ASI fiscal controls for the administration of these fees needed improvement. We reviewed five IRA travel advances and found that the advance requests were not pre-approved by the ASI director of finance or the accounting manager, as specified in ASI's *Check Request Supporting Documentation Requirements*. ASI management indicated that this requirement was not intended to apply to IRA travel advances, but the *Requirements* did not make this clear. Additionally, travel waivers were not submitted to ASI with the travel advance request as required. Moreover, we found that neither ASI nor the campus had clear policies and procedures for processing IRA-funded contractual agreements. Specifically, we reviewed several IRA-funded service agreements and found that although these agreements were signed by an administrator who had purchasing authority, these administrators did not have authority to contractually obligate ASI or the campus, the agreements were not always executed timely and did not include required provisions such as hold harmless/indemnification clauses and insurance requirements, and certificates of insurance were not obtained.

Proper administration of IRA fees reduces the risk of noncompliance with systemwide and ASI requirements.

RECOMMENDATION

We recommend that the campus and ASI consult with the systemwide office to determine whether ASI's administration of the IRA fee is an allowable function, and if so, update the ASI operating agreement to reflect this authorized function; require ASI to clarify and enforce current requirements for travel advances as noted above; and develop policies and procedures for IRA-funded contractual agreements that address the areas noted above.

MANAGEMENT RESPONSE

We concur. The campus and ASI will consult with the systemwide office to determine whether ASI's administration of the IRA fee is an allowable function, and if so, update the ASI operating agreement to reflect this authorized function; require ASI to clarify and enforce current requirements for travel advances as noted above; and develop policies and procedures for IRA-funded contractual agreements that address the areas noted above.

The estimated completion date is August 1, 2019.

5. CASH RECEIPTING

OBSERVATION

Cashiering policies were incomplete, safeguards were not always in place, and user access in POS systems was not always adequate.

We reviewed three cash-handling locations within ASI and found that:

- End-of-shift counts were not required at one location. We found that current policies and procedures require only mid-day and end-of-day counts; as a result, cashiers did not perform change counts at the end of their shift to ensure accountability of the funds before transferring custody of the cash drawer. Additionally, at this same location, the keys to the cash drawers were not secured, and access to the safe was not always restricted.
- Current policies and procedures did not address ASI's requirements for monitoring and approving voided transactions and refunds. None of the three locations we reviewed monitored voided transactions, and at one location, three of the four refunds we reviewed did not have managerial approval as required by current practice. Additionally, we found that POS system users did not always have appropriate access. Specifically, we found that in practice, voids and refund transactions were limited to specific individuals; however, in our review of POS system access for two locations, we found that several individuals who should not have had the ability to process these transactions had these user rights.

Proper administration of cashiering activities, including complete policies and procedures, end-of shift counts, safeguards, and system access, reduces the risk of loss or misappropriation of funds and ensures accountability.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI:

- a. Require the performance of end-of-shift drawer counts for the location identified above, update the policies and procedures for this location to reflect this requirement, and communicate these requirements to key personnel.
- b. Properly secure the keys to the cash drawer and restrict access to the safe at the location identified above.
- c. Develop policies and procedures for the processing and monitoring of refunds and voided transactions and communicate these policies and procedures to key personnel.
- d. Perform and document a review of POS system users for the locations noted above to ensure that the correct access level is assigned to individuals for voids and refunds, and update system access as needed.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will:

- a. Require the performance of end-of-shift drawer counts for the location identified above, update the policies and procedures for this location to reflect this requirement, and communicate these requirements to key personnel. The estimated completion date is July 1, 2019.
- b. Properly secure the keys to the cash drawer and restrict access to the safe at the location identified above. The estimated completion date is April 1, 2019.
- c. Develop policies and procedures for the processing and monitoring of refunds and voided transactions and communicate these policies and procedures to key personnel. The estimated completion date is September 1, 2019.
- d. Perform and document a review of POS system users for the locations noted above to ensure that the correct access level is assigned to individuals for voids and refunds, and update system access as needed. The estimated completion date is May 1, 2019.

6. SERVICE AGREEMENTS

OBSERVATION

ASI did not have clear policies and procedures for the execution of service agreements, and these agreements did not comply with systemwide requirements.

We reviewed several service agreements processed by ASI and found that in general, required systemwide provisions such as hold harmless and insurance requirements were not included,

and documented risk identification and evaluations to justify deviation from these required provisions were not performed.

Additionally, we found that although these service agreements were signed by individuals with purchasing authority, these individuals did not have documented authority to execute agreements on behalf of ASI. Further, these agreements were not always signed timely, and certificates of insurance were not always obtained or did not always include all of the required additional insured endorsements required by systemwide policy.

Clear, documented policies and procedures and properly executed service agreements decrease the risk of misunderstandings and miscommunication regarding rights and responsibilities and decrease financial liability. Further, complete certificates of insurance increase compliance with systemwide requirements and reduce financial and legal exposure.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI:

- a. Develop clear policies and procedures for service agreements that include the areas noted above, and communicate these requirements to key personnel.
- b. Develop and document a process to obtain certificates of insurance for service agreements, and communicate this process to key personnel.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will:

- a. Develop clear policies and procedures for service agreements that include the areas noted above, and communicate these requirements to key personnel.
- b. Develop and document a process to obtain certificates of insurance for service agreements, and communicate this process to key personnel.

The estimated completion date is September 1, 2019.

7. RELEASE OF LIABILITY WAIVERS

OBSERVATION

Release of liability waivers did not always include complete hold harmless and indemnification provisions.

ASI programs such as PA and AC obtain release-of-liability waivers from program participants and volunteers before they participate in activities. In our review, we found that each of these programs used different variations of the release-of-liability waiver, but in general, the hold harmless and indemnification provisions in these waivers did not always name the state of California, the Trustees of the California State University, California State University,

Sacramento, the auxiliary, and their employees, officers, directors, volunteers, and agents, as required by systemwide policy.

Complete hold harmless provisions in release-of-liability waivers decrease the risk of legal and financial exposure.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI, review the release-of-liability waivers used in ASI programs as noted above and update these waivers to include the appropriate hold harmless and indemnification provisions in accordance with systemwide requirements.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will review the release-of-liability waivers used in ASI programs as noted above and update these waivers to include the appropriate hold harmless and indemnification provisions in accordance with systemwide requirements.

The estimated completion date is July 1, 2019.

8. SYSTEM ACCESS

OBSERVATION

ASI financial system users did not always have assigned user accounts, and access to the ASI vendor master file was not adequately controlled.

In our review, we found that:

- Segregation of duties for ASI employees who could process changes to the vendor master file was inadequate. Specifically, we found that employees who processed accounts payable transactions were able to add/edit vendor data in the ASI vendor master file, and there was no evidence of mitigating controls to ensure that vendor changes were appropriate and properly approved.
- Individuals who did not need to have access to the vendor master file had access to process changes.
- ASI student services representatives were not provided with individual financial system login accounts. Rather, several student representatives shared a login account to process financial transactions.

Adequate oversight and controls over access to the vendor master file and financial system accounts decrease the risk of inappropriate modifications to vendor information and provide accountability of transactions entered into the system.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI:

- a. Perform and document a review of system access to the vendor master file and remove/restrict access as needed to ensure adequate segregation of duties as noted above, and implement controls to ensure changes to the vendor master file are adequate and properly approved.
- b. Perform a review of financial system accounts used by student services representatives, disable any shared login accounts, and assign individual login accounts as needed.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will

- a. Perform and document a review of system access to the vendor master file and remove/restrict access as needed to ensure adequate segregation of duties as noted above, and implement controls to ensure changes to the vendor master file are adequate and properly approved.
- b. Perform a review of financial system accounts used by student services representatives, disable any shared login accounts, and assign individual login accounts as needed.

The estimated completion date is April 1, 2019.

9. CASH DISBURSEMENTS

OBSERVATION

Petty cash expenditures were not always below the established ASI monetary threshold, and hospitality expenditures did not always include a listing of attendees.

We reviewed 10 petty cash expenditures and 10 hospitality expenditures, and we found that:

- Three petty cash expenditures were above the \$50 limit established in the ASI petty cash policy.
- A listing of attendees was not obtained for four hospitality expenditures, as required by the hospitality policy.

Proper administration of petty cash and hospitality expenditures reduces the risk of noncompliance with campus and ASI policies.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI:

- a. Remind petty cash custodians of the \$50 limit established in the ASI policy.
- b. Remind key personnel of hospitality requirements as noted above.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will:

- a. Remind petty cash custodians of the \$50 limit established in the ASI policy.
- b. Remind key personnel of hospitality requirements as noted above.

The estimated completion date is April 1, 2019.

10. RESERVE POLICY

OBSERVATION

The ASI reserve policy needed to be updated to align with current ASI practice.

We found that ASI had reserves in various categories, including alternative transportation, board-designated funds, children’s center project, food pantry, and ASI Dollars for Organizations and Clubs (DOC); however, the current ASI reserve policy did not address requirements for administering these reserve balances.

A comprehensive reserve policy helps to ensure that employees and board members are aware of reserve requirements and financial activities are carried out consistently.

RECOMMENDATION

We recommend that the campus, in conjunction with ASI, review and update the reserve policy to include requirements for the reserve categories noted above.

MANAGEMENT RESPONSE

We concur. The campus, in conjunction with ASI, will review and update the reserve policy to include requirements for the reserve categories noted above.

The estimated completion date is September 1, 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 at California State University, Sacramento was established in 1956 as a non-profit public benefit corporation to provide support to a variety of programs aimed at meeting the needs of the students of the university. ASI also serves as a vehicle for participation of students in the governance of the university and as the fiscal agent for deposit accounts for student organizations and other student-related programs and activities. ASI is governed by a board of directors composed of both student and university representative members.

SCOPE

We visited the California State University, Sacramento campus and ASI from October 15, 2018, through November 30, 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 November 30, 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, risk management practices, and student financial assistance.
- Internal controls and segregation of duties over fiscal administration of areas such as cash receipts, accounts receivables, disbursements, personnel and payroll, and instructionally related activities fees.
- The administration of the Aquatics Center, Peak Adventures, and Safe Rides.
- Information systems.

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.

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 §89756
- Education Code §89900
- Education Code §89904
- CCR, Title 5 §42401, *Declaration of Policy*
- CCR, Title 5 §42402, *Authority of Campus President*
- CCR, Title 5 §42500, *Functions of Auxiliary Organizations*
- RFIN 7-81-4
- EO 1041, *California State University – Student Travel*
- EO 1059, *Utilization of Campus Auxiliary Organizations*
- ICSUAM §1301.00, *Hospitality, Payment or Reimbursement of Expenses*

- ICSUAM §8000.00, *Information Security*
- Risk Management Technical Letter 2012-01, *California State University Insurance Requirements*
- Human Resources 2017-17 Coded Memo, *Background Check Policy*
- CSU *Auxiliary Organizations Compliance Guide*
- CSU *Auxiliary Organizations Sound Business Practices Guidelines*
- CSU Risk Management Authority, Auxiliary Organizations Risk Management Alliance, *Recommended Facilities Use Agreement Handbook*
- California State University, Sacramento *Hospitality Expenses Policy*
- *ASI Employee Handbook*
- *ASI Petty Cash Policy*
- *ASI Protection of Minors on Campus policy*

AUDIT TEAM

Audit Manager: Cindy Merida
IT Audit Manager: Greg Dove
Senior Auditor: Samer Harb