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November 1, 2018

Dr. Mary A. Papazian, President
San José State University
One Washington Square
San José, CA 95192

Dear Dr. Papazian:

Subject: Audit Report 18-05, *Housing and Residential Services*, San José State University

We have completed an audit of *Housing and Residential Services* 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



The California State University
Audit and Advisory Services

HOUSING AND RESIDENTIAL SERVICES

San José State University

Audit Report 18-05
September 26, 2018

EXECUTIVE SUMMARY

OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of the operational, administrative, and financial controls for housing and residential services (HRS) 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 housing and residential services as of July 20, 2018, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

In general, we noted that the campus had an appropriate framework for the administration of HRS, provided by University Housing Services (UHS); however, we identified some areas needing improvement. We noted that various UHS emergency management policies and procedures were incomplete or outdated. In addition, we noted that UHS resident activities approval guidelines did not require or address necessary risk management practices such as obtaining liability waivers for high-risk activities and implementing safeguards for student travel. Further, we found that guest and visitor policies did not include guest requirements for every building, and that the campus did not sufficiently implement guest-monitoring requirements. Additionally, UHS could not provide evidence that it collected an original and signed hard copy of the license agreement from all licensees who were under the age of 18. We also found that work orders for facilities maintenance within UHS were not always updated with the most current status of the task, resulting in an inaccurate aging of open orders. In addition, UHS did not always maintain adequate records showing that training was provided to residence life professional staff. Also, the campus reserve policy had not been reviewed and revised to reflect changes and/or additions to established reserves and did not address all reserve requirements. In addition, UHS did not conduct a periodic review of user access roles and permissions within the StarRez housing system, and an agreement between UHS and a campus auxiliary for housing spaces was executed by an individual without delegated authority.

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

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. EMERGENCY MANAGEMENT POLICIES AND PROCEDURES

OBSERVATION

UHS emergency management policies and procedures were incomplete and contained outdated information.

Specifically, we found that:

- The UHS *Emergency Response Handbook* was last updated in 2016 and did not note the designated evacuation locations for two UHS buildings or the building coordinator and emergency roles for one building. Additionally, the emergency roles section had not been updated to reflect current UHS staff.
- UHS *Emergency Procedures* manuals for resident advisors and UHS were in draft form at the time of the audit.
- The UHS *Desk Manual* did not address emergency protocols for one building.

Maintaining complete and current emergency management policies and procedures helps to ensure that emergency response outcomes are achieved and staff are adequately prepared in the event of an emergency.

RECOMMENDATION

We recommend that the campus:

- a. Update the UHS *Emergency Response Handbook* to include the designated evacuation locations and the building coordinator and emergency roles for all UHS buildings.
- b. Finalize and distribute the UHS *Emergency Procedures* manuals.
- c. Update the UHS *Desk Manual* to include emergency protocols for all UHS buildings.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Update the UHS *Emergency Response Handbook* to include the designated evacuation locations and the building coordinator and emergency roles for all UHS buildings.
- b. Finalize and distribute the UHS *Emergency Procedures* manuals.
- c. Update the UHS *Desk Manual* to include emergency protocols for all UHS buildings.

This will be completed by December 1, 2018.

2. RESIDENT ACTIVITIES GUIDELINES

OBSERVATION

The UHS resident activity proposal guidelines did not incorporate risk management requirements into the UHS resident activity approval process.

Specifically, we reviewed the resident activities proposal and review process, and we determined that it did not incorporate a step to determine whether the proposed activity would fall under the requirements of Executive Order (EO) 1041, *Student Travel*, or EO 1051, *Use of Approved Waiver of Liability*. During our review of the resident activities offered between July 1, 2016, and July 20, 2018, we noted five activities that would likely have been subject to the requirements of one or both of the policies, including four off-site hiking trips and an outing to a rock-climbing venue.

Providing complete guidelines defining risk management and other important requirements, such as liability waivers and/or insurance, provides greater assurance that requirements are clear, activity-related risks are mitigated, participants understand the risk associated with activities, and the university's financial and legal exposure is mitigated.

RECOMMENDATION

We recommend that the campus revise the resident activities proposal guidelines and proposal process to include steps to consider the application of risk management requirements and communicate the new procedure to affected housing staff and resident participants.

MANAGEMENT RESPONSE

We concur. The campus will revise the resident activities proposal guidelines and proposal process to include steps to consider the application of risk management requirements and communicate the new procedure to affected housing staff and resident participants. This will be completed by December 1, 2018.

3. GUEST AND VISITOR POLICIES

OBSERVATION

Certain guest and visitor policies and procedures were incomplete, and the campus did not sufficiently implement guest-monitoring requirements.

Specifically, we found that:

- a. The guest/visitation policy in the UHS *Housing License Agreement* did not address guest requirements for two of the six UHS buildings.

- b. Guest registration logs were not maintained at the two buildings referenced above, and guest registration logs maintained at the other four UHS buildings were used inconsistently.
- c. The guest policy posted on the UHS website did not address guest requirements for all UHS buildings and was missing content found in the guest/visitation policy of the current *UHS Housing License Agreement*.

Comprehensive guest/visitation policies and procedures help to ensure that residents and their guests/visitors understand housing guest-visitation requirements and expectations. Complete registration logs ensure that guests and visitors are adequately controlled and identifiable in case of an emergency situation.

RECOMMENDATION

We recommend that the campus:

- a. Update the guest/visitation policy found in the current *UHS Housing License Agreement* to include the two buildings currently not listed.
- b. Establish and implement guest/visitor registration logs at the two UHS buildings noted above, and require that consistent and complete guest/visitor registration information be collected and maintained at all UHS buildings.
- c. Align the content of the guest policy posted on the UHS website based on the updated guest/visitation policy noted above.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Update the guest/visitation policy to include the two buildings currently not listed.
- b. Implement guest/visitor registration logs at the two UHS buildings noted above, and require that guest/visitor registration information be collected and maintained at all UHS buildings.
- c. Align the content of the guest policy posted on the UHS website based on the updated guest/visitation policy noted above.

This will be completed by December 1, 2018.

4. HOUSING LICENSE AGREEMENT COMPLIANCE

OBSERVATION

The campus did not always obtain properly executed license agreements from residents under the age of 18.

UHS policies require that the licensing agreements for any residents under the age of 18 be signed by the parent, guardian, or other adult responsible for the licensee. We reviewed the license agreements for six new residents under the age of 18 and found that four had not been signed by a parent, guardian, or other adult responsible for the licensee.

Collection and retention of properly executed license agreements protects the campus from potentially unenforceable agreements.

RECOMMENDATION

We recommend that the campus implement a process to ensure that properly executed agreements are obtained from residents under the age of 18.

MANAGEMENT RESPONSE

We concur. The campus will implement a process to ensure that properly executed agreements are obtained from residents under the age of 18. This will be completed by February 1, 2019.

5. FACILITIES WORK ORDERS

OBSERVATION

The status of UHS facilities work orders were not always timely updated.

Specifically, we found that 197 unique work orders managed by UHS established between January 1, 2017, and June 28, 2018, had been open for more than 30 days. These work orders were aged between 32 and 295 days.

We selected 10 of these aged work orders for review and found that three had been completed and should have been updated with a closed status. Management indicated that the other seven had also been completed, but could not provide evidence to support closure of the work order.

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 state facilities and the resources necessary to maintain them.

RECOMMENDATION

We recommend that the campus timely update the status of UHS facilities work orders.

MANAGEMENT RESPONSE

We concur. The campus will strengthen procedures to keep the status information of UHS facilities work orders up to date. This will be completed by December 1, 2018.

6. TRAINING DOCUMENTATION

OBSERVATION

The campus did not consistently retain proof that all UHS professional staff had received training.

We reviewed the training provided to residential life coordinators and administrative coordinators, and we found that although the training was comprehensive, UHS did not retain records of individual attendance or participation.

Proper documentation of training attendance provides evidence that residential life professional staff have been provided and have obtained proper training to perform their job duties and responsibilities.

RECOMMENDATION

We recommend that the campus maintain written training attendance records for residential life professional staff.

MANAGEMENT RESPONSE

We concur. The campus will maintain written training attendance records for residential life professional staff. This will be completed by December 1, 2018.

7. CAMPUS RESERVE POLICY

OBSERVATION

The *Campus Reserve Policy* was outdated and did not address all required elements as outlined in Integrated California State University Administrative Manual (ICSUAM) §2001.00, *Campus Reserves*.

Specifically, we noted the following:

- The policy was last revised in October 2015. Because the policy addresses the required information by individual department entity reserve or pre-determined and designated use rather than by category, it should be reviewed and revised on a routine basis to ensure it addresses any campus project or program changes.
- It is unclear how the requirement to establish other required reserve designations, such as catastrophic events, had been met.
- Established reserves for operating funds for both UHS and parking services mentioned that a portion of those reserves would be transferred to construction reserve funds. However, the *Campus Reserve Policy* does not document a separate item addressing construction reserve funds.

- The UHS 2017/18 business plan referred to plans to allocate additional funds from the closing of the Campus Village 2 project into a new housing reserves fund, which it indicated might be used for future capital projects. However, the *Campus Reserve Policy* did not reflect this new housing reserve fund.

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

RECOMMENDATION

We recommend that the campus review and revise the *Campus Reserve Policy* and include a provision to review it on a routine basis to maintain compliance with ICSUAM §2001.00.

MANAGEMENT RESPONSE

We concur. The campus will review and revise the *Campus Reserve Policy* and implement a process to review it on a routine basis. This will be completed by February 1, 2019.

8. INFORMATION SYSTEM ADMINISTRATION

OBSERVATION

The campus was not in full compliance with policies regarding access to systems containing UHS resident information.

We reviewed user access procedures for StarRez, the UHS student housing system, and found that:

- UHS did not perform a periodic review of user access roles and permissions within StarRez, which contains confidential data, as required by ICSUAM §8060, *Access Control*.
- The UHS process to grant or remove user system access was informal, inconsistently applied, and did not meet the requirement of ICSUAM §8060. For example, the campus did not employ a form or other standardized method to grant or terminate user access, and documentation was not always sufficient to show proper approval. Moreover, we identified 10 StarRez system user accounts that had not been deactivated when the individuals separated from UHS.
- The campus did not assign information security awareness training to UHS student workers who had access to protected data and information, and confidentiality (non-disclosure) agreements were not obtained from these student workers in accordance with ICSUAM §8035, *Information Security Awareness and Training*, and ICSUAM §8030, *Personnel Information Security*.

Compliance with systemwide requirements related to periodic review of user access roles and permissions and deactivation of system access helps to prevent unauthorized access to restricted data and information. Providing required information security training raises

awareness to the importance of keeping private data secure and provides steps that employees can take to help maintain the security and confidentiality of private information.

RECOMMENDATION

We recommend that the campus:

- a. Perform a periodic review of user access roles and permissions within the StarRez system in accordance with ICSUAM §8060.
- b. Develop and implement a process for provisioning approved additions, changes, and terminations of access rights and reviewing access of existing account holders in accordance with ICSUAM §8060.
- c. Require all UHS student workers with access to protected data and information to complete information security awareness training and obtain confidentiality agreements in accordance with ICSUAM §8035 and ICSUAM §8030.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Perform a periodic review of user access roles and permissions within the StarRez system in accordance with ICSUAM §8060.
- b. Develop and implement a process for provisioning approved additions, changes, and terminations of access rights and reviewing access of existing account holders in accordance with ICSUAM §8060.
- c. Require all UHS student workers with access to protected data and information to complete information security awareness training and obtain confidentiality agreements in accordance with ICSUAM §8035 and ICSUAM §8030.

This will be completed by housing services IT based on guidance from the campus ISO by February 1, 2019.

9. CONTRACT ADMINISTRATION

OBSERVATION

The campus was not properly executing and maintaining all contracts and agreements.

Specifically, we found that:

- The contract for an ongoing agreement between UHS and the web service company that installed, maintained, and operated card-operated washers and dryers expired on February 14, 2017.

- An active MOU between UHS and the SJSU Research Foundation – International Gateways, a campus auxiliary, for reserved on-campus apartment housing was not signed by an appropriate party with delegated authority.

Proper execution and maintenance of contracts and agreements protects the university from adverse financial and legal obligations.

RECOMMENDATION

We recommend that the campus:

- a. Renew or execute a new agreement for laundry services.
- b. Review the MOU between UHS and the SJSU Research Foundation and obtain approval for the agreement from an appropriate party with delegated authority.

MANAGEMENT RESPONSE

We concur. The campus will:

- a. Renew or execute a new agreement for laundry services. This will be completed by housing services by December 1, 2018.
- b. Review the MOU between UHS and the SJSU Research Foundation and obtain approval for the agreement from an appropriate party with delegated authority. This will be completed by housing services based on guidance from SJSU contracts and purchasing by January 15, 2019.

GENERAL INFORMATION

BACKGROUND

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

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

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

Each year, the CO prepares schedules of housing program centrally paid costs by campus, which include state-prorated charges consisting of administrative expenditures related to various state agencies such as the Department of Finance, the State Controller's Office, the Legislature, and others; and other expenses such as audit, bond service, and CO service fees. The schedules also include debt service transfers to cover principal and interest. The SJSU University Housing Services (UHS) 2017-18 budget reflected a debt service portion for Campus Village I and Campus Village Phase I of \$22.7 million.

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

At San José State University (SJSU), UHS offers more than 4,000 beds in six distinct residence areas: Washburn Hall, Joe West Hall, Campus Village A (CVA), Campus Village B (CVB), Campus Village C Suites (CVC), and Campus Village 2 (CV2). Washburn, Joe West, CVC, and CV2 are set up in the classic dormitory style, with double- or triple-occupancy in rooms off a main hallway. These are generally assigned to first-year and freshman students. The remainder of the CVC buildings are suite or apartment floorplans and are assigned to upperclassmen, graduate students, and faculty/staff. UHS is under the student affairs division, and the staff consists of a director, two associate directors, one senior associate director, 38 specialty and professional staff, 21 custodial and maintenance staff, and approximately 200 student workers.

SCOPE

We visited the SJSU campus from June 11, 2018, through July 20, 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. The audit focused on procedures in effect from July 1, 2016, through July 20, 2018.

Specifically, we reviewed and tested:

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

- Adequate administration of UHS facilities services work orders
- The emergency evacuation plan and safety procedures.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

Our testing and methodology was designed to provide a review of key financial and operational controls, which included detailed testing on a limited number of resident and other financial transactions. Our review was limited to gaining reasonable assurance that essential elements of the housing and residential services function were in place and did not examine all aspects of the function.

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:

- California Code of Regulations, Title 5 §42000-42103
- Education Code §66014.2
- Executive Order (EO) 803, *Immunization Requirements*
- Government Code §13402 and §13403
- EO 1041, *California State University Student Travel Policy*
- EO 1051, *Use of Approved Waiver of Liability*
- EO 1056, *California State University Emergency Management Program*
- EO 1095 Revised, *Systemwide Sex Discrimination, Sexual Harassment, Sexual Misconduct, Dating and Domestic Violence, and Stalking Policy*
- EO 1097 Revised, *Systemwide Policy Prohibiting Discrimination, Harassment and Retaliation, Sexual Misconduct, Dating and Domestic Violence, and Stalking against Students and Systemwide Procedure for Addressing Such Complaints by Students*
- EO 1102, *California State University Student Fee Policy*
- ICSUAM §2001.00, *Campus Reserves*
- ICSUAM §8000, *Information Security*
- SJSU *Authority to Contract Policy*
- SJSU *Campus Reserve Policy*
- SJSU *Release of Liability Handbook*
- UHS *Annual Housing License Agreement – Terms and Conditions and Policies and Regulations*
- UHS *Desk Manual*
- UHS *Emergency Response Handbook*

- UHS *Emergency Protocols & Procedures for SJSU Resident Advisors*
- UHS *Emergency Protocols & Procedures for SJSU Housing Services*
- UHS *Guest/Visitation Policy*

AUDIT TEAM

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