

**SPECIAL INVESTIGATION –
ASSOCIATED STUDENTS, INC.**

**CALIFORNIA STATE UNIVERSITY,
SAN MARCOS**

**Investigative Report 09-93
March 5, 2010**

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March 5, 2010

Report #09-93

Dr. Charles B. Reed
Chancellor
The California State University
401 Golden Shore
Long Beach, CA 90802

Dear Dr. Reed:

Pursuant to a request from your office on November 9, 2009, the Office of the University Auditor has conducted an investigation in response to the following two allegations made by California State University, San Marcos (CSUSM) campus administration: the executive director of the Associated Students, Inc. (ASI) did not ensure that leave time was appropriately charged, and repeatedly used ASI credit cards to make personal purchases.

To investigate the allegations, we interviewed ASI staff and several members of its board of directors as well as campus personnel. We also reviewed leave records, personnel files, e-mail and electronic calendar information, accounting records, and applicable criteria. For leave information, we examined information from January 2008 through November 2009, whereas the time periods for other issues varied; specific dates are noted in the body of the report.

Included within the report are the results of the investigation of the initial allegations plus ancillary findings, along with specific recommendations which, we believe, would benefit the ASI's fiscal and operational management.

Sincerely,



Larry Mandel
University Auditor

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ABBREVIATIONS

ASI Associated Students, Inc.
BOD ASI Board of Directors
CSU California State University
CSUSM California State University, San Marcos
Executive director Executive Director of ASI
P/R Payroll Company
PTO Personal Time Off

EXECUTIVE SUMMARY

INITIAL ALLEGATIONS

It was alleged that the executive director of the Associated Students, Inc (ASI):

- ▶ Took leave time and either reported it incorrectly or did not report it at all.
- ▶ Improperly used ASI credit cards to make personal purchases.

INVESTIGATION RESULTS – INITIAL ALLEGATIONS

Leave Time

- ▶ The executive director of the ASI did not ensure that leave time was appropriately charged.

ASI Credit Cards Used to Make Personal Purchases

- ▶ The executive director of the ASI repeatedly used ASI credit cards to make personal purchases.

INVESTIGATION RESULTS – ANCILLARY FINDINGS

Failure to Adequately Track and Report Leave Time

- ▶ All seven exempt employees of the ASI were allowed to improperly accrue and use compensating time off.
- ▶ Certain types of leave were neither reported nor tracked by the ASI or its payroll processor.
- ▶ ASI employees were improperly allowed to take paid time off without charging leave time during days the campus was closed.
- ▶ ASI employees charged absences to sick leave when they were actually on vacation.
- ▶ A non-exempt employee failed to report 44 hours of leave time between January 2008 and November 2009.
- ▶ Errors occurred in time reporting for at least three employees.
- ▶ There was no documented approval to reduce the time base for four center director positions from 12 to 11 months with no commensurate reduction in pay.

INTRODUCTION

INITIAL ALLEGATIONS

The executive director of the Associated Students, Inc (ASI) took leave time and either reported it incorrectly or did not report it at all. In addition, the executive director improperly used ASI credit cards to make personal purchases.

BACKGROUND

ASI

ASI is a non-profit, student-run auxiliary of California State University, San Marcos (CSUSM). The ASI's mission is to serve, engage, and empower students. The ASI's Board of Directors (BOD) is comprised of 16 elected members who serve as executive officers and college representatives. ASI is the official voice to express student opinions, foster awareness of student issues, protect the rights and interests of the students, and create programs and encourage a campus climate that meets the educational, social, and cultural well-being of students. The BOD is elected each spring and serves a one-year term beginning in May. The BOD are active participants in the shared governance of CSUSM and direct all aspects of ASI. The BOD's president and vice presidents comprise the executive committee.

In addition to the BOD, ASI has a core staff of nine employees, including an executive director. The employees handle the day-to-day operations of ASI and provide advice and support to the BOD. The executive director reports to the ASI president and has a secondary reporting relationship to the CSUSM vice president of student affairs. The executive director directly supervises seven ASI staff (another ASI employee reports to the ASI's business manager), including four center directors.¹

Exempt Employees

Exempt employees are those who are exempt from certain wage and hour laws, such as overtime pay. Exempt employees are expected to work those hours necessary to accomplish the goals and deliverables of their position. Thus, exempt employees have more flexibility in their schedules than non-exempt or hourly employees to come and go as necessary to accomplish work. The ASI's Employee Handbook states that exempt employees are not entitled to receive overtime pay or to compensating time off. Of the nine ASI employees, seven are classified as exempt.

Leave Accrual and Reporting Process

When eligible ASI employees work any portion of a month, they accrue vacation and sick leave. The amount of vacation accrued is based on the employee's years of service; the sick leave accrual changed from six hours per month to eight hours per month in July 2008. Employees are also eligible for other types of leave including holidays, pregnancy/parental leave, bereavement, and jury duty.

¹ The four centers are: Campus Recreation, LGBTQ Pride Center, Women's Center, and Student Activities.

When an ASI employee wants to take time off, he/she typically submits a leave slip (also referred to as an attendance report) to his/her supervisor for approval. It is then forwarded to the ASI staff person who acts as the liaison with the outside payroll company ASI uses to process employee payroll. The staff person tracks certain types of leave on spreadsheets that she maintains, but only reports some of those leave types to the payroll company. Payroll is processed twice each month. The staff person receives a time off accrual report from the payroll company that she reconciles to the spreadsheets she maintains to help ensure accuracy.²

CSUSM Actions and Notifications

On November 2, 2009, allegations were brought to the attention of CSUSM officials regarding mismanagement and lack of leadership of the ASI by the executive director as well as fiscal improprieties within ASI. On or about November 9, 2009, the CSUSM president invoked California State University Executive Order 698, assuming oversight of ASI from the BOD. The president also contacted the chancellor of the CSU on November 9, 2009. The Office of the University Auditor was asked to review the allegations. The president appointed an interim executive director and placed the executive director on paid leave during the investigation.

SCOPE AND METHOD OF INVESTIGATION

To investigate the allegations, we interviewed ASI staff and several members of the BOD, as well as campus personnel. We also reviewed leave records, personnel files, e-mail and electronic calendar information, accounting records, and applicable criteria. For leave information, we examined information from January 2008 through November 2009, whereas the time periods for other issues varied; specific dates are noted in the body of the report. As we investigated the initial allegations outlined above, additional issues came to our attention and are also outlined above as “ancillary findings.”

² The staff person and executive director both said that the executive director periodically reviewed the reports, but that there were no written reconciliations.

RESULTS OF INVESTIGATION

INVESTIGATION RESULTS – INITIAL ALLEGATIONS

Leave Time

The executive director of the ASI did not ensure that leave time was appropriately charged.

From a review of the executive director's calendar and e-mail, we found that she had not charged leave time for sixty-six days during the period reviewed even though those records indicated that she had been absent from campus. After interviewing the executive director, those sixty-six days are made up of the following:

- Three days of unreported leave time during a five-day vacation for the week of June 23-27, 2008;
- One day of unreported leave time for a sick day on July 31, 2009;
- Three days of unreported leave time for December 24 and 31, 2008, and January 2, 2009;
- Three days of bereavement leave not charged;
- One day of unreported leave time for extended bereavement on September 23, 2008;
- Two days, August 6, 2008, and October 3, 2008, where the executive director could not remember her whereabouts;
- Twenty-seven days of unreported leave time where the executive director indicated she was "telecommuting," even though there is no telecommuting policy and no supervisor had approved such use of time;
- Twenty-six days where the executive director indicated campus-related activities that could not be corroborated.

The twenty-seven days of unreported leave time for telecommuting are problematic as are the twenty-six days of campus-related activities. Not only does the ASI not have a policy that addresses telecommuting, the executive director's job does not lend itself to such a practice. Furthermore, on many of the days she said she worked from home, the executive director did not send any e-mails or have any other documentation demonstrating she performed any work. We question how effectively the executive director can do her job from home when her responsibilities include supervising staff and overseeing the day-to-day operations of the ASI and she is not sending or responding to e-mails. Nevertheless, the executive director claimed she was working. Although we are unable to conclude with certainty whether or not (or how much/often) the executive director worked from home or whether there were other days that she should have charged leave time, the lack of documents demonstrating she performed work at home seriously undermines her claim. Likewise, the non-corroborated time consisted of vague/questionable/inconsistent recollections of her activities.

Taking paid time off without appropriately charging leave balances is a gift of public funds. The California Constitution, Article XVI, Section 6, prohibits the giving of any gift of public money or thing of value to any individual for a private purpose.

ASI Credit Cards Used to Make Personal Purchases

The executive director of the ASI repeatedly used ASI credit cards to make personal purchases.

Credit card statements for 2009 showed that the executive director used her ASI credit card to make personal purchases totaling \$1,078. Although she ultimately paid for the personal purchases, sometimes months later, the payments did not include the accrued finance charges. This continued a pattern begun years before when the executive director used the card(s) for personal expenses in 2005 and 2006. The executive director paid a total of \$968 for personal charges she made between December 2005 and September 2006. Once again, the ASI paid the associated finance charges.

In addition, on July 20, 2008, the executive director used the ASI's Home Depot credit card to make a personal purchase totaling \$598. On October 24, 2008, the executive director paid the total bill of \$638, which included two months of accrued late fees of \$20 each.

The ASI Policy Manual states that no personal purchases may be made with the credit card(s) at any time. However, if the employee violates the policy, card holders must sign a "Compensation Reduction Agreement" authorizing the ASI's Business Office to withhold from compensation the amount of any debts incurred by the use of corporate card(s) that are determined not to be legitimate travel-related business expenses prior to such purchases.

INVESTIGATION RESULTS – ANCILLARY FINDINGS

Failure to Adequately Track and Report Leave Time

Compensating Time Off

All seven exempt employees of the ASI were allowed to improperly accrue and use compensating time off.

For several years, ASI exempt employees, including the executive director, have been allowed to accrue and use compensating time off. Up until March 2008, any compensating time was tracked informally, and employees who earned compensating time were expected to “flex” the time. Flexing the time meant trying to take off, within a week or so, an amount of time corresponding to the amount of overtime worked. After March 2008, the executive director instructed staff to complete an attendance report to reflect the compensating time earned. However, even after that change, staff were not required to submit an attendance report if they would be able to flex the time right away.

Because not all the compensating time earned was reported, we could not determine the total number of compensating hours staff worked or took in corresponding time off. However, we were able to determine that all seven exempt employees reported at least some compensating time earned since March 2008. Table 1 summarizes the compensating time earned reported by the exempt employees.

Table 1
Compensating Time Earned by ASI Exempt Employees

Employee	Compensating Time Earned	Applicable Dates	Number of Months
Employee A	46	August – November 2009	4
Employee B	145	April 2008 – November 2009	20
Employee C	37	March 2008 – February 2009	12
Employee D	96	March 2008 – October 2009	20
Employee E	243	September 2008 – October 2009	14
Employee F	88	March 2008 – November 2009	21
Employee G	40	March 2008 – May 2009	15
Total	695		

The ASI’s Employee Handbook states that exempt employees are not entitled to receive overtime pay or compensating time off. The executive director acknowledged that she knew the Employee Handbook prohibited exempt employees from earning compensating time off.

Exempt employees are expected, by most organizations, to work whatever hours are necessary to accomplish the goals and deliverables of their position. This violation of ASI policy allowed the exempt employees to accrue at least 695 hours of compensating time off that they were not entitled to receive.

Allowing employees to take paid time off that they are not entitled to receive is a gift of public funds. The California Constitution, Article XVI, Section 6, prohibits the giving of any gift of public money or thing of value to any individual for a private purpose.

In December 2009, the interim executive director told the ASI staff that, until further notice, exempt employees would no longer be allowed to earn compensating time off.

Leave Reporting/Tracking

Certain types of leave were neither reported nor tracked by the ASI or its payroll processor.

The following table shows the main types of leave and indicates whether or not they are tracked internally (on the staff person's spreadsheets) or reported to the outside payroll company.

Table 2
Type of Leave and Where/Whether They Are Tracked

Type of Leave Time	Tracked Internally?	Reported to/Tracked by Outside P/R Company?
Vacation	Yes	Yes
Sick Leave	Yes	Yes
Personal Time Off*	Yes	Yes
Personal Holiday	Yes	Yes
Compensating Time	Yes	No
Summer Month Off	Yes	No
Holidays	No	No
Pregnancy/Parental Leave	No	No
Bereavement	No	No
Jury Duty	No	No

* Personal time off was a type of leave accrued by ASI employees under a previous leave accrual system that is no longer in place, though one employee still had a balance of PTO hours.

An ASI staff person tracks certain types of leave on spreadsheets that she maintains internally and also reports certain types of leave to the outside company that handles the ASI's payroll. As part of the payroll reporting process, ASI reported leave accrual and usage information for vacation, sick leave, personal time off, and personal holiday.³ The leave spreadsheets do not track holidays, pregnancy/parental leave, bereavement, or jury duty.

In addition, there is an inadequate segregation of duties over leave tracking because the staff person who maintains the internal leave spreadsheets and the attendance reports/leave slips submitted by the staff and reports the leave information to the outside company also reconciles the information from the outside company to the leave spreadsheets she maintains. The employees' payroll stubs indicate the current leave accrual and usage, but only for the types of leave reported to the outside company; employees do not get a regular accounting of all of their leave balances.

³ At the beginning of each calendar year, eligible employees accrue eight hours as a personal (floating) holiday credit.

Failure to maintain adequate control over employee leave time accounting increases the risk of errors, irregularities, and lost data, which may result in the under or over compensation of employees. It may also expose ASI to increased liability, not only related to the compensation itself, but to risk management concerns if, for example, an employee is injured when out of the office and there is a question as to whether or not the employee was on work time or personal time.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations* (compilation of policies) 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 controls system that ensures payroll preparation is segregated from the general ledger function and other payroll functions such as hiring authorization, timekeeping, and distribution of checks. Further, auxiliaries should establish a written system that ensures accurate and timely collection of payroll information such as attendance reports.

Campus Closed Days

ASI employees were improperly allowed to take paid time off without charging leave time during days the campus was closed.

The campus president establishes the academic work days and holidays for the campus, and ASI observes the same 13 holidays. However, over the winter break, the campus usually has one or two days during which the campus is closed, but that are not counted as holidays; therefore, campus employees must charge some type of leave for those days. During 2008 and 2009, the following days were “campus closed” days: December 31, 2008; January 2, 2009; and December 31, 2009. In November 2009, the interim executive director informed ASI staff that they would need to charge some type of leave for December 31, 2009. ASI staff said that prior to December 2009, they never had to charge leave in the past for the winter break. When asked how long this had been the practice, the executive director said she did not think they had ever done it differently. The executive director further said it was her understanding that reassigned holidays throughout the year cover the time the campus is closed during the winter break. The executive director’s understanding is incorrect since all 13 holidays are already applied to other dates.

Allowing employees to take paid time off that they are not entitled to receive is a gift of public funds. The California Constitution, Article XVI, Section 6, prohibits the giving of any gift of public money or thing of value to any individual for a private purpose.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations*, Section 8.9.6, *Payroll*, states that auxiliaries should establish a written system that ensures accurate and timely collection of payroll information such as attendance reports.

Misuse of Sick Leave

ASI employees charged absences to sick leave when they were actually on vacation.

ASI employees indicated that they could use whatever type of leave they had available when taking time off. For example, the employees said they were allowed to charge their sick leave balances for days that

were actually vacation time. As for the source of their understanding of this issue, ASI staff cited past practice, the executive director, and the staff person who maintains the leave spreadsheets. The executive director agreed that employees were probably taking whatever form of leave they had available because she had not given them any specific instruction about it and she did not scrutinize the type of leave they used.

The distinction as to which type of leave is charged is important because all accrued, but unused, vacation benefits are paid to the employee at the time of separation from employment; employees receive no such benefit from accumulated sick leave. Given that distinction, it would clearly be in the employee's best interest and to the ASI's detriment for the employee to use sick leave instead of vacation whenever possible in order to maintain a higher vacation balance.

According to the ASI Employee Handbook, employees may use their accrued but unused sick leave for absences from work due to illnesses, medical appointments, and for bereavement. Employees may also use sick pay for absences to care for the employee's spouse, domestic partner, parent, or children.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations*, Section 8.9.6, *Payroll*, states that auxiliaries should establish a written system that ensures accurate and timely collection of payroll information such as attendance reports.

Failure to Report Leave Time

A non-exempt employee failed to report 44 hours of leave time between January 2008 and November 2009.

Non-exempt employees must use vacation and sick leave in increments of one hour. After reviewing e-mail information that indicated the employee was out of the office at various times, we asked her to review a list of dates and times where it appeared she should have charged leave time and did not. The employee provided explanations for why she believed she did not need to report leave for some of the dates and times we questioned. However, we found that the employee failed to report 44 hours of leave time, including four eight-hour days and five partial days. The staff person who tracks leave time told us that she usually tries to follow up with staff she knows have been out, but who have not completed a corresponding leave slip, though she usually only does this in the case of a full-day absence. Nevertheless, neither the staff person who tracks leave time nor the executive director (the employee's supervisor) followed up on the four full days the employee took off but for which she did not complete a leave slip.

Failure to maintain adequate control over employee leave time accounting increases the risk of errors, irregularities, and lost data, which may result in the under or over compensation of employees. It may also expose ASI to increased liability, not only related to the compensation itself, but to risk management concerns. This would be the case if, an employee is injured when out of the office and there is a question as to whether or not the employee was on work time or personal time.

Allowing employees to take paid time off that they are not entitled to receive is a gift of public funds. The California Constitution, Article XVI, Section 6, prohibits the giving of any gift of public money or thing of value to any individual for a private purpose.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations*, Section 8.9.6, *Payroll*, states that auxiliaries should establish a written system that ensures accurate and timely collection of payroll information such as attendance reports.

The ASI Employee Handbook states that non-exempt employees must record their actual time worked for payroll and benefit purposes; they must also record any departure from work for any non-work-related purpose.

Time Reporting Errors

Errors occurred in time reporting for at least three employees.

We found that one employee reported compensating time earned totaling 32 hours for four days during March 2009 when he was actually out; resulting in a net error of 64 hours (32 hours of leave not charged and 32 hours of compensating time earned that was not). The employee told us he made a mistake and meant to charge compensating time off. Further, two employees each properly reported eight hours of leave time (one in November 2008 and the other in March 2009) that was not recorded either internally by the staff person who tracks leave balances, or reported to the outside payroll company. Although the staff person as well as the executive director said that they reconcile/review leave balances, they did not identify these errors even though leave slips had been completed in each instance.

Because there is inadequate segregation of duties pertaining to tracking and reporting of leave time, there is not an appropriate level of checks and balances in place to prevent and detect these types of errors. Further, failure to maintain adequate control over employee leave accounting increases the risk of errors, irregularities, and lost data, which may result in the under or over compensation of employees. It may also expose ASI to increased liability, not only related to the compensation itself, but to risk management concerns if, for example, an employee is injured when out of the office and there is a question as to whether or not the employee was on work time or personal time.

The *Compilation of Policies and Procedures for California State University Auxiliary Organizations*, Section 8.9.6, *Payroll*, states that auxiliaries should establish a written system that ensures accurate and timely collection of payroll information such as attendance reports.

Undocumented Approval of Time Base

There was no documented approval to reduce the time base for four center director positions from 12 to 11 months with no commensurate reduction in pay.

The executive director said that, in approximately spring 2008, she went to the BOD's executive committee⁴ to request that they approve making the center director positions an 11-month position, thereby allowing them to take the month of June off with pay each summer. She explained that she did this for two reasons: first, ASI staff had put in countless hours of work because ASI had been

⁴ The executive committee is made up of the ASI president and the vice presidents. According to the executive director, because the timing of her request was late in the semester, the BOD was done for the semester, but the executive committee members were still available.

experiencing so much growth and they deserved more than they were being paid; and second, they had started a search to fill a center director position, but the salary was not competitive and they were not getting good applicants, so she wanted to make the position more attractive. She thought that making the position an 11-month position would make it more appealing and attract better candidates. In order to be equitable, she said she asked the executive committee to approve the same perquisite for the two existing center directors.

The ASI's bylaws state that the corporate powers, business, and affairs of ASI shall be exercised, controlled, and conducted by the BOD and ASI executive committee. Although the executive director said that she obtained the executive committee's approval, neither she nor any of the other ASI staff that we spoke with about the matter could find documentation or other evidence of the approval. Moreover, the CSUSM vice president for student affairs, to whom the executive director has a secondary reporting relationship, told us she did not have any information about the center directors getting additional time off. She said she was aware that some staff were "on leave" during the summer, but did not know that they received pay.

Without documentation, there is no clear evidence that the executive committee approved making the center directors 11-month employees. In addition, neither of the appointment letters for the two center directors hired since spring 2008 contained any reference to an 11-month position.

The California Constitution, Article XVI, Section 6, prohibits the giving of any gift of public money or thing of value to any individual for a private purpose.

California Code of Regulations, 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 practices include obtaining and documenting appropriate approval for changes to established policies.

RECOMMENDATIONS

Our investigation was administrative in nature. The conclusions we drew were made within that context. We have general recommendations that could help improve the overall functioning of the ASI. In addition, recommendations that would mitigate the recurrence of similar findings are presented below.

1. General Recommendations

We recommend that:

- a. ASI personnel and payroll functions be administered by the campus or another auxiliary.
- b. The ASI executive director report directly to campus management.

Campus Response

We concur. The campus will explore having ASI's personnel and payroll functions administered by another auxiliary organization associated with CSUSM. The campus will also take the necessary steps to have the ASI executive director report directly to campus management.

Expected completion date: August 15, 2010

2. Leave Time

We recommend that the campus ensure that ASI:

- a. Establishes clear written policies and procedures regarding how time and attendance (including *all* types of leave) are to be requested, approved, reported, tracked, and reconciled.
- b. Policies and procedures regarding time and attendance address appropriate segregation of duties.
- c. Establishes a policy that addresses whether or not telecommuting is allowed and, if so, under what conditions.

Campus Response

We concur. The campus will ensure that ASI establishes clear written policies and procedures for time and attendance requests, approvals, reports, tracking, and reconciliations. The campus will work with ASI to address appropriate segregation of duties regarding time and attendance in the policies and procedures. In collaboration with the campus' Human Resources personnel, ASI will also establish a telecommuting policy.

Expected completion date: August 15, 2010

3. ASI Credit Cards Used to Make Personal Purchases

We recommend that the campus ensure that ASI:

- a. Makes ASI staff aware of the ASI policy that no personal purchases may be made with the credit card(s) at any time.
- b. Clarifies and enforces the ASI policy to withhold from the employee's compensation the amount of any debts incurred by the use of corporate card(s) that are determined not to be legitimate.

Campus Response

We concur. The campus shall make ASI staff aware of the ASI policy regarding personal purchases made with the credit card(s). The campus will also clarify and enforce the ASI policy to withhold from the employee's compensation the amount of any debts incurred by improper use of the corporate card(s).

Expected completion date: August 15, 2010

4. Failure to Adequately Track and Report Leave Time

We recommend that the campus ensure that ASI:

- a. No longer allows exempt employees to accrue compensating time off.
- b. Establishes and enforces a holiday leave time policy.
- c. Clarifies to staff the proper use of sick leave.
- d. Takes the appropriate steps to report all leave time taken.
- e. Receives documented approval from the campus/ASI board for changes in time base/pay rates.

Campus Response

We concur. The campus shall establish and/or enforce policies and procedures to ensure that ASI no longer allows exempt employees to accrue compensating time off, establish and enforce a holiday leave time policy, clarify the proper use of sick leave and take appropriate steps to report all leave time taken, and will work with the campus/ASI board to gain documented approval for changes in time base/pay rates.

Expected completion date: August 15, 2010

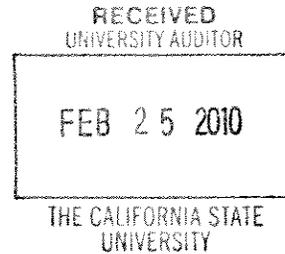


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SAN MARCOS

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February 25, 2010



Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, CA 90802

Subject: Campus Response to Special Investigation 09-93, Associated Students, Inc.
California State University San Marcos

Dear Mr. Mandel:

Enclosed is our campus response to Recommendations 1 – 4 in the Special Investigation Report of Associated Students, Inc.

Please let us know if you have any questions or need additional information.

Sincerely,

Linda Hawk
Vice President
Finance and Administrative Services

Enclosures

c: President Karen S. Haynes
Vice President Patricia Worden, Student Affairs

**SPECIAL INVESTIGATION –
ASSOCIATED STUDENTS, INC.**

**CALIFORNIA STATE UNIVERSITY,
SAN MARCOS**

Investigative Report 09-93

1. General Recommendations

We recommend that:

- a. ASI personnel and payroll functions be administered by the campus or another auxiliary.
- b. The ASI executive director report directly to campus management.

Campus Response

We concur. The campus will explore having ASI's personnel and payroll functions administered by another auxiliary organization associated with CSUSM. The campus will also take the necessary steps to have the ASI executive director report directly to campus management.

Expected completion date: August 15, 2010

2. Leave Time

We recommend that the campus ensure that ASI:

- a. Establishes clear written policies and procedures regarding how time and attendance (including *all* types of leave) are to be requested, approved, reported, tracked, and reconciled.
- b. Policies and procedures regarding time and attendance address appropriate segregation of duties.
- c. Establishes a policy that addresses whether or not telecommuting is allowed and, if so, under what conditions.

Campus Response

We concur. The campus will ensure that ASI establishes clear written policies and procedures for time and attendance requests, approvals, reports, tracking, and reconciliations. The campus will work with ASI to address appropriate segregation of duties regarding time and attendance in the policies and procedures. In collaboration with the campus's Human Resources personnel, ASI will also establish a telecommuting policy.

Expected completion date: August 15, 2010

3. ASI Credit Cards Used to Make Personal Purchases

We recommend that the campus ensure that ASI:

- a. Makes ASI staff aware of the ASI policy that no personal purchases may be made with the credit card(s) at any time.
- b. Clarifies and enforces the ASI policy to withhold from the employee's compensation the amount of any debts incurred by the use of corporate card(s) that are determined not to be legitimate.

Campus Response

We concur. The campus shall make ASI staff aware of the ASI policy regarding personal purchases made with the credit card(s). The campus will also clarify and enforce the ASI policy to withhold from the employee's compensation the amount of any debts incurred by improper use of the corporate card(s).

Expected completion date: August 15, 2010

4. Failure to Adequately Track and Report Leave Time

We recommend that the campus ensure that ASI:

- a. No longer allows exempt employees to accrue compensating time off.
- b. Establishes and enforces a holiday leave time policy.
- c. Clarifies to staff the proper use of sick leave.
- d. Takes the appropriate steps to report all leave time taken.
- e. Receives documented approval from the campus/ASI board for changes in time base/pay rates.

Campus Response

We concur. The campus shall establish and/or enforce policies and procedures to ensure that ASI no longer allows exempt employees to accrue compensating time off, establish and enforce a holiday leave time policy, clarify the proper use of sick leave and take appropriate steps to report all leave time taken, and will work with the campus/ASI board to gain documented approval for changes in time base/pay rates.

Expected completion date: August 15, 2010

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



BAKERSFIELD

March 5, 2010

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Investigative Report 09-93, *Special Investigation – Associated Students, Inc.*, California State University, San Marcos

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of March 5, 2010, I accept the response as submitted with the draft final report on *Special Investigation – Associated Students, Inc. at California State University, San Marcos.*

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

Enclosure

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS