



Memorandum

DATE: Wednesday, October 31, 2018
TO: William A. Covino, President
FROM: Marcus Rodriguez, ASI Director of Government Affairs and Leadership Programs
COPIES: Tanya Ho, University Internal Auditor
Nancy Wada-McKee, Vice President for Student Life
Lisa Chavez, Vice President for Administration and Chief Financial Officer
Nia Johnson, ASI President
Dena Florez, ASI Office Manager for Administration and Services
ASI Board of Directors
SUBJECT: ASI Management Responses to Internal Audit and Progress Report on the Recommended Implementation Plan

Associated Students, Inc. (ASI) appreciates the time and effort dedicated by the University Internal Auditor to the comprehensive review of ASI procurement, disbursement, and credit cards procedures. The auditor's recommendations will assist us in improving ASI's internal policies and procedures. ASI further appreciates this opportunity to respond to the audit and provide an outline of steps we have taken to ensure implementation of the recommendations. We have reviewed the audit and find that the facts are correctly and fairly reported in the audit.

ASI has updated policies and provided supplemental procedures and supplemental documents addressing the issues which have been raised. We were able to act immediately on some of the recommendations and, on the others, secured policy amendments approved by the Board of Directors as of October 18, 2018.

Attached we have provided responses to each of the recommendations and have organized those responses in the same order that they were presented in the audit.

ASI takes seriously its obligation to effectively manage all aspects of our procurement, disbursements, and credit card program. We recognize the importance of following sound business practices and the timely review/approval of requests for payments, and credit card reconciliations. We are committed to improving the manner in which we comply with ASI and CSU policy.

Recommendation #1 - The Executive Director of ASI will establish procedures for the credit card administration, including but not limited to, card issuance, card approval, spending limit, usage control, prohibited purchases, reconciliation, final card settlement, roles and responsibilities, and training.

ASI Management Responses and Implementation Actions:

We have updated Policy 216 - Contract & Procurement Policy to address all of the items above as well as implement the following:

- We have implemented the US Bank corporate card reconciliation procedure for RPPs (effective: 05/2018). The Executive Director and Office Manager created this procedure with the assistance of the BFS and the Division of Student Life Fiscal Resource and Operations Manager. This procedure ensures



that weekly US Bank reports are reconciled and processed in a timely manner. ASI will ensure that employees and student officers are trained to submit receipts to support expenditures in a timely manner.

- Credit Card - Effective May 20, 2018, ASI created a formal method of issuing Purchasing cards. The Executive Director will approve, in writing, for a card to be issued. Once the card arrives, the new recipient will be trained by the Office Manager/Program Administrator and go over the Corporate Card Use Agreement, Policy 210 - Request for Payment, and Policy 214 - Travel Policy. Upon completion, the new cardholder will sign all three documents, which acknowledges that they understand the policies and proper use of the card.

ASI will modify its current credit card program and institute a credit limit of \$5,000.00 per user, per month. The exception will be the Graphics and Marketing Coordinator and the Senior Coordinator of Student Engagement and Outreach, which will be set at \$10,000.00. Should there be a need for an increase, a temporary increase must be requested in writing. The request for an increase will include all the required documents to make a single purchase over \$5,000.00. Once the purchase is made, the limit will return to the original credit limit set. Please see Policy 216 – Contract & Procurement for more detail.

- ASI maintains a check and balance system for the US Bank account. No one has single authority to issue, reconcile, and request payment for the US Bank charges. The Office Manager requests cards on behalf of new members, and the Executive Director approves the cards to be issued. When the card arrives, the Office Manager issues the card to the new member following procedures set forth in the credit card program.

Currently, the weekly charges are reviewed and signed by both the Executive Director and the Office Manager. Per recommendation, for the segregation of duties, ASI will remove the Office Manager, who is the Program Coordinator, from the signing process and assign this responsibility to the ASI Vice President for Finance. An Administrative Assistant will prepare the Request for Payment Processing (RPP) and the Executive Director and two Executive Members will sign it. In cases where the total weekly charges exceed \$5,000.00, the Dean of Students also signs.

- Upon separation from ASI, an employee will return their purchasing card to the Office Manager who will document that return, close the account and destroy the purchasing card.
- The ASI Director of Government Affairs and Leadership Programs' oversight and managerial responsibilities for this function is limited to the areas they directly supervise.
- Supporting Documents:
 - US Bank Purchase Card Reconciliation Process
 - ASI Procurement Card Application
 - Corporate Card Use Agreement & Training

Recommendation #2 - The Executive Director of ASI and the ASI Director of Government Affairs and Leadership Programs establish procedures for the game tickets and ensure that the game tickets are properly accounted for.



ASI Management Responses and Implementation Actions:

Please see updates to Policy 222 - ASI Ticket Program regarding ticket management.

- ASI sells both prepaid and consignment tickets. ASI purchases tickets for professional teams (Lakers, Clippers, Dodgers, Galaxy). The tickets purchased are sold through the Cashier's Office. A log sheet is prepared for the tickets submitted to Cashier's Office. The Assistant Director or Staff in the Cashier's Office sign the log sheet. At the end of the month, the ASI Administrative Assistant performs a physical ticket count. In addition, the staff at the Cashier's Office print a monthly report (Prepaid Items Report). The ticket count is matched to the report. Expired tickets are retrieved from Cashier's Office. Again, a log sheet is prepared to indicate the number of tickets returned from the Cashier's Office. In the case of expired professional teams' tickets, the expired original tickets are kept at the ASI office along with the completed log sheet, per Policy 021 - Retention. Amusement park prepaid tickets are returned to the vendor and ASI is refunded for the total cost of the tickets. Consignment tickets are returned to the vendor and ASI is only responsible for the cost of the tickets sold. Prepaid tickets will be reconciled against the log, ensuring all unsold tickets are accounted for.
- The ASI Director of Government Affairs and Leadership Programs has no oversight or managerial responsibilities for this area.
- Supporting Documents:
 - Policy 222 - ASI Ticket Program

Recommendation #3 - The Executive Director of ASI and the ASI Director of Government Affairs and Leadership Programs ensure written agreements are executed for vendors and food service vendors and include applicable three (3) written bids.

ASI Management Responses and implementation actions:

- **Procurement** - ASI has updated Policy 216 – Contract & Procurement. Per policy, three bids must be secured on purchases over \$5,000.00 and all bids will be kept on file and available for review upon request from the Executive Director. ASI has created a form providing all the information of the bids. The completed form will be attached to the RPP. The complete file for all contracted services will be available upon request.
- **Agreements** - ASI has copies of agreements or invoices for each of the vendors charged on the US Bank card. Moving forward, ASI will include those copies with the request for payment.
- The ASI Director of Government Affairs and Leadership Programs' oversight and managerial responsibilities for this function is limited to the areas they directly supervise. However, the full management team will be trained and knowledgeable in all policies regarding purchasing, contracts, written agreements and hospitality.
- Supporting Documents:
 - Policy 216 - Contract & Procurement
 - Policy 210 - Request for Payment Policy
 - Policy 225 - Signature Authorization Policy



Recommendation #4 - The Executive Director of ASI and the ASI Director of Government Affairs and Leadership Programs obtain insurance from vendors for applicable contracting and procurement transactions.

ASI Management Responses and Implementation Actions:

- ASI will require and secure proof of insurance and indemnification language in all contracts and agreements with vendors.
- The ASI Director of Government Affairs and Leadership Programs' oversight and managerial responsibilities for this function is limited to the areas they directly supervise.
- Supporting Documents:
 - Policy 216- Contract & Procurement

Recommendation #5 - The Executive Director of ASI ensure that:

- RPPs are approved and processed timely with adequate supporting documentation and adequate business purpose explanation.
- Credit card reconciliations are completed in a timely manner.
- Original detailed receipts are included.
- Applicable travel advance forms and travel expense claim forms are included.
- AP 209 preauthorized hospitality event form and applicable approval from UAS, Inc. are attached for outside catering services.
- Written justification for hospitality expenditures document how the expense relates to ASI and includes a list of names related to the expenses.

ASI Management Responses and implementation actions:

- Hospitality - ASI will provide copies of Food Permits, signed by UAS Golden Eagle Hospitality and Risk Management, for the various events. These copies will be on file in the ASI office and used as backup during the payment process. ASI also has an open Hospitality form on file for review and will attach Food Permits and supporting documents to all requests for payment. If required, proof of insurance, contracts, and participant list will also be provided.

ASI will secure Food Permits for vendors and attach copies to the requests for payment. In the event of catering, ASI will also secure the vendor's Tax Registration Certificate, Public Health Operating Permit, Seller's Permit, and Certificate of Insurance with the Cal State LA/ASI indemnification clause.

- Travel - ASI has implemented the process of adding the claimant's Travel Request Form or Travel Claim (front signed page only) as backup for all charges related to Travel.
- US Bank - RPPs for 2017-18 have been finalized and accounts reconciled.



- Supporting Document:
 - Policy 210 - Request for Payment Process

Recommendation #6 - The Executive Director of ASI update agreement 9900-0179 with an addendum for the sale of ASI tickets.

ASI Management Responses and implementation actions:

- The Executive Director signed an updated agreement on July 24, 2018 and received an executed copy from the University on September 17, 2018.
- Supporting Documents:
 - Partnership Programs Master Agreement 9900-0179 - 2017-2020

Recommendation #7 - The Executive Director of ASI and the ASI Director of Government Affairs and Leadership Programs ensure that:

- Procedures are established for administering the ASI Alternate Break Service program, including selection of participants, group leaders, chaperones, incentives, roles and responsibility of the group leaders/chaperones, etc. The conflict of interest issue should be analyzed and reviewed by the ASI Board and Senior Management.
- An agreement is formalized with EF Tours.
- A MOU is established with PaGE.
- Chaperone agreements are executed for ASI or University employees that participate in the Alternative Break Service program.
- Accrued points are applied to reduce costs for student travel.

Given that ASI management potentially participates in the ASI Alternate Break Service program as group leaders or chaperones, the agreements, procedures, and budgets should be reviewed and approved by the ASI Board and Senior Management.

ASI Management Responses and implementation actions:

- ASI will continue utilizing an application submission and review process that evaluates each participant's readiness and ability to meet program expectations. Please refer to the ASI Alternative Break Service Learning Project Application.
- Group Leaders will be identified by ASI senior management and complete the EF Group Leader Training Program before implementing the HHSX101 ASI Alternative Break Service Learning Project curriculum and signing the EF Group Leader Release.



- ASI will utilize and follow the ASI Alternative Break Service Learning Project Chaperone Selection Guidelines which outline the selection process and participant responsibilities for both Chaperones and the Group Leader.
- Chaperone agreements will be executed for ASI and/or University employees that participate in the Alternative Break Service program. Please review the ASI Alternative Break Service Learning Project Chaperone and Group Leader Agreement for additional details.
- In order to avoid any perceived conflict of interest, ASI has renegotiated the terms of our agreement with EF Tours. Rather than ASI receiving one free Group Leader/Chaperone space for every six registered student participants, EF will charge the full participant price for the Group Leader and Chaperones and pass those EF cost savings on directly to participant accounts, lowering the overall cost of the trip for students. Please see the Updated Alternative Break Budget breakdown for more details.

Additionally, ASI has accrued 1184 points through the EF Global Rewards program. These points have a value of \$1,420.00 and are attached to the ASI Director of Government Affairs and Leadership Programs' EF Group Leader account and will be distributed equitably to all registered student accounts in the form of an EF scholarship. Moving forward, as points are earned annually, EF has agreed to administer all accrued points from one year to the next without allowing them to accumulate.

- EF Tours has agreed to enter into a formal contract with ASI and has offered the EF College Study Educational Travel Agreement for consideration.
- An MOU with the College of Professional and Global Education has been drafted and is under review by the College Dean. Please review the MOU document for additional details.
- ASI management will seek program review and advisement from the Director of Risk Management/EHS before moving forward with planning the next ASI Alternative Break Service Learning Project. The program will remain on-hold until that process is completed.
- Supporting Documents:
 - ASI Alternative Break Application
 - EF Group Leader Release
 - ASI Alternative Break Service Learning Project Chaperone Selection Guidelines
 - ASI Alternative Break Service Learning Project Chaperone and Group Leader Agreement
 - Updated Alternative Break Budget 2018
 - EF College Study Education Travel Agreement 2018-19
 - MOU - ASI and PaGE - HHSX101 ASI Alternative Break Service Learning Project
 - ASI Alternative Break Service Learning Project Chaperone and Group Leader Agreement



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