



THE CALIFORNIA STATE UNIVERSITY

Single Audit Reports

Year ended June 30, 2004



THE CALIFORNIA STATE UNIVERSITY

Single Audit Reports

Year ended June 30, 2004

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KPMG LLP
Suite 700
600 Anton Boulevard
Costa Mesa, CA 92626-7651

**Report on Internal Control Over Financial Reporting and on Compliance and
Other Matters Based on an Audit of Financial Statements
Performed in Accordance with *Government Auditing Standards***

The Board of Trustees
The California State University:

We have audited the financial statements of the California State University as of and for the year ended June 30, 2004 and have issued our report thereon, dated December 16, 2004. Our report refers to other auditors who audited 73 of the 86 discretely presented auxiliary organizations. The reports of the other auditors have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 73 discretely presented auxiliary organizations, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

In planning and performing our audit, we considered the California State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting, that, in our judgment, could adversely affect the California State University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 04-01, and has been reported to management of the California State University in a separate letter dated December 16, 2004.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that the reportable condition described above is not a material weakness.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the California State University's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the board of trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 16, 2004



KPMG LLP
Suite 700
600 Anton Boulevard
Costa Mesa, CA 92626-7651

**Report on Compliance with Requirements Applicable to Each
Major Program and on Internal Control over Compliance
in Accordance with OMB Circular A-133**

The Board of Trustees
The California State University:

Compliance

We have audited the compliance of the California State University with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that are applicable to its major federal program for the year ended June 30, 2004, except those requirements discussed in the third following paragraph. The California State University's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to its major federal program is the responsibility of the California State University's management. Our responsibility is to express an opinion on the California State University's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the California State University's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the California State University's compliance with those requirements.

In our opinion, the California State University complied, in all material respects, with the requirements referred to above that are applicable to its major federal program for the year ended June 30, 2004, other than those requirements discussed in the following paragraph. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 04-02 through 04-03.

We did not audit the California State University's compliance with requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments of the Federal Perkins Loan Program. Those requirements govern functions that are performed by Educational Loan Servicing, LLC (d/b/a Campus Partners). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

Campus Partner's compliance with the requirements governing the functions that it performs for the California State University was examined by other accountants whose report has been furnished to us. The report of the other accountants indicates that compliance with those requirements was examined in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers (2000 Revision)*. Based on our review of the service organization accountants' report, we have determined that all of the compliance requirements included in the *Compliance Supplement* that are applicable to the major program in which the California State University participates is addressed in either our report or the report of the service organization accountants. Further, based on our review of the service organization accountants' report, we have determined that it does not contain any findings of noncompliance that would have a direct and material effect on the California State University's major program.

Internal Control over Compliance

The management of the California State University is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the California State University's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on the internal control over compliance in accordance with OMB Circular A-133.

Requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments of the Federal Perkins Loan Program are performed by Campus Partner's. Internal control over compliance relating to such functions was reported on by other accountants in accordance with the U.S. Department of Education's Audit Guide, *Audits of Federal Student Financial Assistance Programs at Participating Institutions and Institution Servicers (2000 Revision)*. A copy of the service organization accountants' report has been furnished to us. However, the scope of our work did not extend to internal control maintained at Campus Partners.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts, and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the California State University as of and for the year ended June 30, 2004 and have issued our report thereon, dated December 16, 2004. Our report refers to other auditors who audited 73 of the 86 discretely presented auxiliary organizations. The reports of the other auditors have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 73 discretely presented auxiliary organizations, is based solely on the reports of the other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

This report is intended solely for the information and use of the board of trustees, management, federal awarding agencies, and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

KPMG LLP

December 16, 2004

THE CALIFORNIA STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of Federal domestic assistance number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Student Financial Assistance Cluster:			
Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grant Program	84.007		\$ 11,680,122
Federal Work-Study Program	84.033		17,666,655
Federal Perkins Loan Program	84.038		18,366,563
Federal Pell Grant Program	84.063		321,524,321
Federal Family Education Loan Program	84.032		336,372,140
William Ford Direct Loan Program	84.268		425,789,444
			<hr/> 1,131,399,245
Department of Health and Human Services:			
Direct programs:			
Nursing Student Loan Program	93.364		379,978
Scholarships for Disadvantaged Students	93.925		288,821
			<hr/> 668,799
Total Student Financial Assistance Cluster			<hr/> 1,132,068,044
Department of Education:			
TRIO Cluster:			
Direct programs:			
TRIO – Student Support Services	84.042		945,552
TRIO – Talent Search Program	84.044		394,006
TRIO – Upward Bound Program	84.047		725,104
Total TRIO Cluster			<hr/> 2,064,662
Fulbright-Hays Group Projects Abroad	84.021		39,185
Title V	84.031		279,480
Perkins Loan Cancellations	84.037		25,301
Passed through California Student Aid Commission – Leveraging Educational Assistance Partnership	84.069	N/A	99,563
Passed through CSU Channel Islands – WEEA Tech Equity CI	84.083	U083A030096	336
Fund for the Improvement of Postsecondary Education	84.116		421,527
Rehabilitation Services – Service Projects	84.128		66,751
Rehabilitation of Long-Term Training	84.129		130,174
National Institute of Disability and Rehabilitation Research	84.133		161,712
College Assistance Migrant Program	84.149		403,695
Business and International Education	84.153		6,160
Javits Fellowship	84.170		32,795
Career Ladder	84.195		703,362
Graduate Assistance in Areas of National Needs	84.200		170,522
Passed through Napa Valley Unified School District – Teaching American History Grants	84.215	U215X030285	26,217
Passed through California Department of Education:			
Roseland 21st Century After School	84.287	49-2002-CCLC-002	219,617
Community Technology Centers	83.314		609
Special Education – Research & Innovation Services & Results for Children with Disabilities	84.324		183,446
Increase Number of Special Education Teachers	84.325		313,096
Special Education – Technical Assistance and Dissemination to Improve Service and Results for Children with Disabilities	84.326		561,005
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		215,183
Childcare Access Means Parents in School	84.335		227,762
Passed through California Department of Education – Childcare Access Means Parents in School	84.335	P335A990106-01	50,234
			<hr/> 277,996

THE CALIFORNIA STATE UNIVERSITY

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<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of Federal domestic assistance number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Passed through the Regents of the University of California – A School-Community-University Partnership to Improve Language Arts Performance	84.341	SA4326-24281PG	\$ 10,637
Preparing Tomorrow’s Teachers to Use Technology Gear-up	84.342 84.344		756,444 54,247
The Graduate Project	84.349		1,038,750
Passed through University of California, Berkeley – National Writing Project	84.928	92-CA-10	34,317
New American High Schools – Expanding the Initiative through School Reform Networks and Organizations	84.000		596
Passed through Physicians Against Land Mines	84.000	PALM 05.5	48,909
Passed through Southwest Texas State University – National Center for School Improvement	84.000	B094.2	10,844
Passed through Tanscen Inc. – Maryland Transition Service Integration	84.000	H324M000070	59,089
Passed through L.A. Auxiliary Services, Inc. – Pride Personnel in Visual Impairment	84.000	SFSU220937	35,887
Passed through San Francisco Unified School District – Gear-up/Outreach	84.000	28-27K52 & 39-9K24	129,499
Passed through San Francisco Unified School District – Gear-up/Mission Science	84.000	28-27K52 & 39-9K24	107,862
Passed through San Francisco Unified School District – Gear-up/Evaluation	84.000	28-27K52 & 39-9K24	118,393
Total Department of Education			<u>8,807,868</u>
Federal Emergency Management Agency:			
Passed through the California State Office of Emergency Services – Disaster Recovery Assistance	83.516	000-92066	<u>9,601,381</u>
Department of Health and Human Services:			
Direct programs:			
Minority International Research Training Grant Biomedical and Behavioral	93.106		18,679
Mental Health Research Grants	93.242		55,828
Advanced Education Nursing	93.247		255,160
Identification of Sites of MDA – Acetaldehyde Adducts	93.273		41,752
Advanced Education Nursing Traineeships	93.358		141,931
Passed through Diane College – Making a Difference – The Role of Family Support in Navajo Diabetics Self Care	93.375	04-2004	13,486
Self-evaluations and the Framing of Unfair Treatment	93.390		18,813
Passed through National Youth Sports Program Fund – Provide for a Project for the 2004 National Youth Sports Program	93.570	04-1143	8,878
Passed through California Department of Education – Child Development Programs	93.575	12-3060-00-2	2,273
Passed through California Department of Education – Child Development Programs	93.575	12-3060-00-3	1,004
			<u>3,277</u>
Passed through State of California:			
CDC Block Grant	93.596	50-3067-00-3	139,943
Head Start Program	93.600		17,691,058
Passed through Office of Criminal Justice Planning – Child Abuse Training and Technical Assistance Center	93.643	PT02011695	250,183
Child Welfare Services Training Grants	93.648		247,647
Medicaid Infrastructure Grant	93.768		312,564
Health Careers Opportunity Program	93.882		397,624

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of Federal domestic assistance number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Passed through University of Illinois – Latino MSM Community Involvement	93.000	R01MH62937-01	\$ 251,604
Passed through City & County of San Francisco – Child Welfare Training Program	93.000	189C-94/95	2,869
Passed through The Regents of University of California – Basic Nurse Education & Practice Program	93.000	3034SC	42,445
Passed through The Regents of University of California – Yoga Health & Meditation	93.000	3568SC	2,641
			<u>19,896,382</u>
Department of Agriculture			
Passed through California Department of Education – Child Care Food Program	10.558	12-1221-0-A	21,226
Passed through California Department of Education – Headstart Child Care Food Program	10.558	N/A	506,828
			<u>528,054</u>
Direct programs:			
Forestry Research	10.652		66,552
2003 Ground Survey for Phytophthora Ramorum Detection in the California Coast Ranges	10.664		41,074
			<u>635,680</u>
Department of Commerce:			
Direct program:			
Costal Zone Management Estuarine Research Reserves	11.420		52,956
Department of Defense:			
Direct programs:			
Basic Scientific Research	12.431		3,884
Mathematical Sciences Grants Program	12.901		8,787
Passed through the Naval Postgraduate School – Farallones Nutrients	12.000	N/A	1,039
			<u>13,710</u>
Department of Housing and Urban Development			
Passed through the National Research Council of the National Academies – Market in the Meadows	14.518	04-02-2004	53,276
Department of the Interior:			
Direct programs:			
Historic Preservation Fund	15.904		66,975
Passed through City of Point Arena – Archaeological Evaluation of CA-MEN 2006 Port Road Point Arena	15.904	06-01-2003	9,706
Passed through California Department of Parks and Recreation – Northwest Information Center Office of Historic Preservation	15.904	C8939530	4,697
			<u>81,378</u>
Analyze Remains and Artifacts Under NAGPRA Definitions	15.000		2,868
Horseshoe Pond Archaeological Study	15.000		2,979
Big Lagoon Geoarchaeological Study	15.000		3,296
Fort Baker Archaeological Testing – Vicinity of the Mobile Searchlight Storage Building	15.000		5,226
California Tiger Salamander Metapopulation Study	15.000		6,354
Pacific West Mission 66 Survey	15.000		11,491
Pacific Coast Science and Learning Center Educational DVD: Science, Inventory, and Monitoring	15.000		18,267
			<u>131,859</u>

THE CALIFORNIA STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of Federal domestic assistance number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Department of Justice:			
Passed through State of California – State Homeland Security Grant Program	16.007	000-92087	\$ 39,051
Passed through State of California – State Homeland Security Grant Program	16.007	000-92280	<u>52,818</u>
			91,869
Direct programs:			
Law Enforcement Assistance – FBI Advance Police Training	16.300		2,924
Community Oriented Policing Services (COPS) Grant	16.710		86,570
Passed through City and County of San Francisco – SFPD Laptop Computers/Trak Evaluation	16.000	RMA9900-02	<u>15,905</u>
			<u>197,268</u>
Department of State:			
Direct programs:			
College and University Partnerships Program	19.405		58,485
Culture Exchange	19.413		114,911
Passed through NAFSA: Association of International Educators – Creating Cultural Bridges	19.420	06-03-2003	<u>1,780</u>
			<u>175,176</u>
National Aeronautics and Space Administration:			
Direct program:			
Aerospace Education Services Program	43.001		531,878
Passed through Stanford University – Gamma-Ray Large Area Space Telescope Flight Investigator	43.001	PY-0443	<u>573,915</u>
			1,105,793
Dark Universe Observatory	43.000		4,897
Passed through Universities Space Research Association – Educator Ambassador Program GALEX	43.000	PO 1256697	280
Passed through California Institute of Technology – The Nuclear Spectroscopic Telescope Array Education/Public Outreach	43.000	44A-1065655	4,429
Passed through Universities Space Research Association – Educator Ambassador Program HEASARC	43.000	05140-03	7,046
Passed through Smithsonian Institution – SEU Educator Ambassador Support	43.000	03-STO-400-0000013424	12,395
Passed through University of California, Berkeley – Select/Sun Earth Connection Education	43.000	SA3063-23841	<u>782</u>
			<u>1,135,622</u>
National Endowment for the Arts:			
Direct program:			
Promotion of the Arts – Grants to Organizations & Individuals	45.024		<u>7,500</u>
National Science Foundation:			
Direct programs:			
Geosciences	47.050		29,435
MRI/RUI: Acquisition of Genetic Analyzer and Sequence Detection System for the Sonoma State University Core DNA Analysis Facility	47.070		176,034
Mammalian Herbivores as Consumers and Fertilizers	47.074		361,340
Passed through Ithaca College – Implementation of Interactive Math Program Materials	47.074	5-29604	936
Passed through California Academy of Science – Systematic, Phylogenic & Biogeography of Amblyoponini	47.074	DEB-9981667	<u>4,095</u>
			<u>366,371</u>

THE CALIFORNIA STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Federal grantor/pass-through agency/program title	Catalog of Federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Education and Human Resources	47.076		\$ 1,865,753
Passed through Bay Area Discovery Museum – My Place By the Bay	47.076	N/A	23,977
Passed through San Francisco State University – AMP Grant	47.076	331,537	12,412
Passed through CSU Sacramento Foundation – Louis Stokes Alliance for Minority Participation, Phase III	47.076	HRD-0331537-508121	312
Passed through San Francisco State University – Alliance for Minority Participation	47.076	B201271	22,205
Passed through San Francisco State University – Secondary and Informal Education: IMP for the 21st Century	47.076	ESI-0137805	62,092
Passed through the Research Corporation of the University of Hawaii – Phase I – Professional Development and Scaling Up	47.076	Z650958	105,686
Passed through Ithaca College – Elementary, Secondary, and Informal Education: Advancing the Work of COMPASS	47.076	ESI-0137772	<u>127,326</u>
			2,219,763
Passed through CSU Sacramento – LS-AMP Phase III	47.000	HRD-0331537	107,755
Passed through San Jose State University Foundation – Mastep: Follow-On Activities	47.000	21-1501-2828	19,584
Passed through San Francisco Unified School District – Educating Teachers in Math	47.000	28-13K35 & 38-12K6	105,353
Passed through University of Massachusetts, Boston – Community Science Workshops	47.000	ESI-104743	41,582
Passed through The Regents of the University of California – MEP-NSF Scholarship Grants	47.000	MEP-NSF-9	<u>13,140</u>
			<u>3,079,017</u>
Department of Veterans Affairs:			
Passed through SF VA Medical Center – Critical Care Training	64.000	V26IP1607	<u>6,632</u>
Office of Environmental Education:			
Direct program:			
Environmental Education – Prepare and Deliver Environmental Lesson Plans to High Schools	66.951		<u>65</u>
Department of Energy:			
Direct program:			
Office of Environmental Cleanup and Acceleration	81.104		<u>150,675</u>
National Archives and Records Administration:			
Direct program:			
National Historical Publications and Records Grants	89.003		<u>44,685</u>
United States Institute of Peace:			
Passed through Miriam and Peter Hass Fund – Jumpstart Program	91.000	N/A	24,934
Passed through E & W Hass, Jr. Fund – Jumpstart Program	91.000	N/A	17,726
Passed through David L. Klein Jr. Foundation – Jumpstart Program	91.000	N/A	<u>24,796</u>
			<u>67,456</u>
Cooperation for National and Community Service:			
Direct program:			
Americorps	94.005		388,190
Passed through California State University – Phase II: Implementation of Campus Action Plan	94.006	MOU G001794	9,836
Passed through California Commission on Improving Life Through Services – Sonoma State University Service Collaborative	94.006	00ASCCA005Y8-C29	37,303
Passed through OPF – Go Serve – Americorps 2003/04	94.006	03ACHCA001Y10-C29	754,069
Passed through Jumpstart of Young Children – Jumpstart	94.006	N/A	<u>64,409</u>
			865,617

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Federal grantor/pass-through agency/program title	Catalog of Federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Passed through Western Washington University – Higher Education Learning Partner	94.000	54539-03-CA	\$ 4,752
Passed through Western Washington University – Western Region Campus Compact Consortium	94.000	54540-A	10,123
Passed through Temple University – Shrine Project	94.000	30-1894-1114396	13,589
Passed through Temple University – Shrine Project	94.000	30-1894-301353	6,311
Passed through CSU Chancellor’s Office – Service Learning for Family Health	94.000	G010192 & 0737G	5,287
			<hr/> 1,293,869
Miscellaneous Commissions:			
Passed through Peace Corps Recruiting Office	99.000	185-98-3136	7,296
Research and Development Cluster:			
Department of Agriculture:			
Direct programs:			
Grants for Agricultural Research – Competitive Research Grants	10.206		29,290
Forestry Research	10.652		23,000
			<hr/> 52,290
Department of Commerce:			
Direct programs:			
Marine Sanctuary Program	11.429		5,147
Passed through San Jose State University Foundation – Center for Integrative Coastal Ocean Research	11.473	N/A	231,236
Center for Sponsored Coastal Ocean Research – Coastal Ocean Program	11.478		194,647
Passed through Harvard College, the President & Fellows – Larval Spread & Population Mixing	11.000	133018-01	8,405
Passed through the University of Southern California – Impact of Anthropogen Ammonium	11.000	N/A	9,499
			<hr/> 448,934
Department of Defense:			
Direct programs:			
Aquatic Plant Control	12.100		17,916
Basic and Applied Scientific Research	12.300		249,464
Air Force Defense Research Sciences Program	12.800		47,795
			<hr/> 315,175
Department of the Interior:			
Direct programs:			
Fish & Wildlife Management Assistance	15.608		76,900
Earthquake, Hazards Reduction Programs	15.807		118,335
U.S. Geological Survey – Research Data Acquisition	15.808		9,273
National Cooperative Geologic Mapping Program	15.810		67
Native American graves Protection and Repatriation Act	15.922		2,749
Passed through National Fish & Wildlife Service – Determining the Biological, Physical, and Chemical of Ballast Water	15.000	11332IJ002	127,501
Passed through National Fish & Wildlife Service – Species of Zooplankton	15.000	99-N09	143,730
Passed through University of Washington – Tidal Marsh Restoration Project	15.000	246445	107,276
Passed through Northeast Midwest Institute – Ballast vs. Native Plankton Dynamic	15.000	40244SFSU	66,619
Passed through Wetland & Water Resources – Integrated Regional Wetland Monitoring	15.000	4600002970	750,809
Passed through Point Reyes National Seashore – Coho Salmon/Trout Restoration	15.000	H8530020060	3,485

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of Federal domestic assistance number</u>	<u>Pass-through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Passed through University of California, San Diego – Effects of Climate Variability	15.000	ERP-02-P38	\$ 43,519
Passed through the University of California, Davis – Biological Assessment of Green Sturgeon	15.000	K005658	14,461
Passed through the University of California, Berkeley – Physical Modeling Experiments	15.000	ERP-02D-P55	32,965
Passed through Wetland & Water Resources – IRWM Program	15.000	4600002883	105,843
Passed through the University of California, San Diego – Sea Grant/Calfed	15.000	4600001680	20,550
Passed through Association of Bay Area Government – Environment Controls on Growth	15.000	4600001642	2,393
			<u>1,626,475</u>
Department of Justice:			
Direct program:			
Juvenile Mentoring Program	16.726		14,855
Department of the Treasury:			
Direct program:			
Yurok Tribe Pesticide Analysis	21.000		3,819
National Aeronautics and Space Administration:			
Direct program:			
Office of Science Financial Assistance Program	43.002		62,112
Passed through Space Telescope Science Institute – Aura, Inc. – Optical Counterparts	43.000	G0-0944201-A	14,233
Passed through University of Maryland – Varied Waterns & Dusty Skies	43.000	Z675302	14,245
Passed through Smithsonian Astrophysical Observation – X-ray Constraints of the Binary Star	43.000	GO-01040A	116
Passed through Space Telescope Science Institute – Stroemgren Photometry	43.000	GO-0858705-A	6,360
Passed through Space Telescope Science Institute – Snapshot Survey of Close Galaxy Pairs	43.000	GO-0823004-A	6,463
Passed through Space Telescope Science Institute – Science Target and Preference Observations	43.000	1252551	226,347
			<u>329,876</u>
National Science Foundation:			
Direct programs:			
Engineering Grants	47.041		66,505
Mathematical and Physical Sciences	47.049		504,505
Geosciences	47.050		855,028
Biological Sciences	47.074		456,051
Social, Behavioral, and Economic Sciences	47.075		141,836
Education and Human Resources	47.076		844,191
Passed through Kansas State University – System and Geography of Phlox	47.000	DEB0089656	28,441
Passed through Woods Hole Oceanographic Institute – U.S. Globec: Phase IV	47.000	A-100310	22,132
Passed through Rocky Mountain Biological Lab – BDI Webs on the Web	47.000	1008-1A	44,748
Passed through University of Massachusetts – Community Science Workshop	47.000	ESI-0104743	65,433
Passed through American Association for the Advancement of Science – Women International Science Collaboration	47.000	N/A	4,829
Passed through the University of Washington – Ecohab Pacific Northwest Coastal Ocean	47.000	642184	118,779
Passed through the University of California, Berkeley – Shellmounds of SF Bay Area	47.000	N/A	2,266

THE CALIFORNIA STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Federal grantor/pass-through agency/program title	Catalog of Federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Passed through U.S. Civilian Research & Development – Study of Social Ecology of Gerbils	47.000	RBI-2329-MO-02	\$ 11,873
			<u>3,166,617</u>
Environmental Protection Agency:			
Direct program:			
Environmental Protection – Consolidated Research	66.500		124,745
Passed through Wetland Research Association, Inc. – Yosemite Channel Wetland Restoration	66.000	N/A	<u>66,278</u>
			<u>191,023</u>
Department of Energy:			
Direct program:			
Office of Science Financial Assistance Program	81.049		555,757
Passed through University of Nevada – Faults and Stress Redistribution as Tools	81.000	UNR-04-33	385
Passed through Stanford University – Photosynthetic Characteristics	81.000	PY-2319	<u>78,587</u>
			<u>634,729</u>
Department of Education:			
Direct programs:			
Office of Environmental Cleanup & Acceleration Transport of Transuranic Wastes to the Waste Isolation Fund for the Improvement of Postsecondary Education	84.104		213,108
Rehabilitation Long-Term Training	84.116		11,036
National Institute on Disability & Rehabilitation Research	84.129		72,803
National Institute on Disability & Rehabilitation Research	84.133		53,579
Passed through the Regents of University of California – Ed Roberts Fellows in Disabled Studies	84.133	N/A	<u>8,945</u>
			62,524
Graduate Assistance in Areas of National Needs	84.200		131,268
Special Education – Research & Innovation to Improve Services & Results for Children with Disabilities	84.324		8,963
Passed through San Diego State University Foundation – California Transition Service Integration	84.324	N/A	<u>63,273</u>
			72,236
Passed through National Academy of Education – Education Reform Research	84.000	2003-07-022	<u>10,234</u>
			<u>573,209</u>
Department of Health and Human Services:			
Direct programs:			
Minority International Research Grant in Biomedical & Behavioral Sciences	93.106		3,389,956
Adolescent Family Life Research Grants	93.111		212,392
Community Programs to Improve Minority Health Grant Program	93.137		83,032
Minority Health Research Grants	93.242		627,773
Community Access Program	93.252		277,366
Drug Use Research Programs	93.279		94,344
Mental Health National Research Services Awards for Research Training	93.282		187,351
National Center for Research Resources	93.389		1,534,083
Academic Research Enhancement Award	93.390		1,300,853
Cancer Biology Research	93.396		53,474
Cancer Center Support Grants	93.397		753,559
Medical Assistance Program	93.778		714,136

THE CALIFORNIA STATE UNIVERSITY

Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

Federal grantor/pass-through agency/program title	Catalog of Federal domestic assistance number	Pass-through entity identifying number	Federal disbursements/ expenditures
Allergy, Immunology, and Transplantation Research	93.855		\$ 21,748
Microbiology and Infectious Diseases Research	93.856		40,488
National Institute of Child Health & Human Development Extramural Research	93.865		59,876
Passed through the Regents of the University of California – Post Doctoral Career Development	93.000	K990533	368,636
Passed through the Trustees of Indiana University – Children’s School Success	93.000	R01HD046091	50,688
Passed through the Regents of the University of California – Cervical Cancer & Young Asian Women	93.000	SFSU-00RA7102-01	9,431
Passed through the University of California, Berkeley – Experimental Studies on Locomotive	93.000	SA3252	64,808
Passed through the University of San Francisco – HIV Prevalence & Latino Laborers	93.000	R01DA10164	18,553
Passed through Northern California Cancer Center – Colorectal Screening in Vietnam	93.000	100856-01-2	6,953
Passed through Mayo Clinic Rochester – AI/AN Initiative on Cancer	93.000	101CA86098-02	6,565
Passed through the University of California, San Francisco – Reaching Vietnamese Women	93.000	9000006333	1,992
			<u>9,878,057</u>
Miscellaneous Commissions:			
Passed through Public Health Institute – Alcohol Problems & Service Dynamic	99.000	1005649	31,767
Passed through Public Health Institute – Alcohol Consumption Measurement	99.000	1007970	32,409
Passed through Public Health Institute – Alcohol Problems Under Welfare Reform	99.000	1005650	18,790
			<u>82,966</u>
Total Research and Development Cluster			<u>17,318,025</u>
Total expenditures of federal awards			\$ <u><u>1,194,744,442</u></u>

See accompanying notes to schedule of expenditures of federal awards and report on compliance with requirements applicable to each major program and on internal control over compliance in accordance with OMB Circular A-133.

THE CALIFORNIA STATE UNIVERSITY

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2004

(1) General

The accompanying schedule of expenditures of federal awards (the Schedule) presents the activity of all federal award programs of the California State University (CSU). CSU generally does not consider itself a subrecipient of federal funds when those funds are received from individual campus foundations. Rather, CSU considers amounts received from foundations as payments for services rendered, even though such amounts may have originated from federal agencies. Accordingly, these amounts are not reflected in the accompanying schedule of expenditures of federal awards.

For the purposes of the Schedule, federal awards include all grants and contracts entered into directly between the CSU and agencies and departments of the federal government and pass-through agencies. The awards are classified into major program categories in accordance with the provisions of the Office of Management and Budget (OMB) Circular A-133, *Audits of States, Local Governments, and Non-profit Organizations*.

(2) Basis of Accounting

The accompanying schedule is prepared on the accrual basis of accounting.

(3) Relationship to Federal Financial Reports

Amounts reported in the accompanying schedule agree in all material respects with the amounts reported in the related federal financial reports.

(4) Federal Perkins Loan Program

Total loans outstanding under the Federal Perkins Loan Program was approximately \$130,761,000 at June 30, 2004. The amounts included in the accompanying schedule consist of loans advanced to students and the administrative cost allowance for the year ended June 30, 2004.

(5) Administrative Cost Allowances

Administrative cost allowances included in the accompanying schedule of expenditures of federal awards are summarized as follows:

Federal Perkins Loan Program	\$ 1,507,166
Federal Supplemental Educational Opportunity Grant Program	470,121
Federal Work-Study Program	540,795
	<hr/>
	\$ 2,518,082
	<hr/> <hr/>

THE CALIFORNIA STATE UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(1) **Summary of Auditors' Results:**

Financial Statements

- (a) Type of auditor's report issued on financial statements: **Unqualified**.
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **Yes, item 04-01**.

Material weaknesses: **No**.

- (c) Noncompliance which is material to the financial statements: **None**.

Federal Awards

- (d) Reportable conditions in internal control over major programs: **None reported**.

Material weaknesses: **None**.

- (e) Type of auditor's report issued on compliance for major programs: We have issued an **unqualified opinion** on compliance related to major programs, other than the compliance requirements governing maintaining contact with and billing borrowers and processing deferment and cancelation requests and payments of the Federal Perkins Loan Program, which are processed by Campus Partners, upon which we issue no opinion.

- (f) Any audit findings which are required to be reported under Section 0.510(a) of OMB Circular A-133: **Yes, items 04-02 through 04-03**.

- (g) Dollar threshold used to distinguish between Type A and Type B Programs was \$3,000,000.

- (h) Major program:

- U.S. Department of Education Student Financial Assistance Cluster
(CFDA#84.007, 84.033, 84.038, 84.063, 84.032, 84.268, 93.364, and 93.925)

- (i) Auditee qualified as a low-risk auditee under Section 0.530 of OMB Circular A-133: **No**.

THE CALIFORNIA STATE UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

(2) **Findings Relating to the Financial Statements Reported in Accordance with *Government Auditing Standards***

04-01

**SAN FRANCISCO STATE UNIVERSITY
FINANCIAL STATEMENT PREPARATION PROCESS
REPORTABLE CONDITION**

Observation

The University maintains its internal financial statements on the legal basis of accounting and converts these records to the accrual basis of accounting in accordance with accounting principles generally accepted in the United States of America (GAAP) for year-end external reporting purposes.

We noted the following issues, which lead to difficulties in preparing the University's financial statements in conformity with GAAP:

- Certain account balances that were not adequately supported by itemized listings and/or subsidiary ledgers (source documents) of the components comprising the financial statement account balance totals
- Certain net asset balances that did not roll forward from the prior year and, as a result, the difference was initially recorded to other nonoperating income (expense)
- Analysis and supporting calculations for certain net asset balances were not performed
- A more thorough analytical review of the financial statement account balances should be performed by management. One of the strongest procedures for verifying the accuracy of any set of financial statements is the analysis of account balances to ascertain that:
 - Account balances are supported by itemized listings and/or subsidiary ledgers of the components comprising the financial statement totals
 - Detailed listings and subsidiary ledgers are free of obvious errors
 - Reconciling items to the financial statement totals are properly identified and adjusted accordingly
 - Account balances make sense relative to operational data.

As a result of the above issues, there were numerous and significant corrections made to the GAAP financial statements during the course of the audit.

Recommendation

We recommend the University evaluate the current process in place for the preparation of GAAP financial statements as well as the necessary skillset of the individuals required in performing this function. Improvements of the University's GAAP reporting process will help ensure accurate and timely reporting.

THE CALIFORNIA STATE UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

Views of Responsible Officials

The campus concurs with the recommendation and will take all necessary steps to correct the problem. The campus will soon develop a more specific action plan.

(3) Findings and Questioned Costs Relating to Federal Awards

04-02

**CALIFORNIA STATE UNIVERSITY, POMONA
STUDENT FINANCIAL ASSISTANCE CLUSTER:
FEDERAL PELL GRANT PROGRAM – CFDA# 84.063
FINANCIAL REPORTING – PELL PAYMENT DATA**

Observation

Federal regulation 34 CFR 690.83 requires the University to report student payment data to the U.S Department of Education within 30 days after making payment to the students. We selected a sample of 15 students to test compliance with this requirement and determined that the required reports were submitted more than 30 days after making payments to the students for 12 of the selections.

Recommendation

We recommend that the University implement procedures that will ensure the reporting requirements will be adhered to within the prescribed timeframe.

Views of Responsible Officials

The University concurs with the recommendation. While the disbursement records for the initial fall 2003 disbursements of Federal Pell Grant payments were not submitted within the 30-day required reporting period, all subsequent disbursement records for the 2003-04 award year were submitted within the required 30-day period.

In response to the finding and recommendation, effective November 1, 2004, the campus has established procedures and a schedule to ensure that payment information is transmitted at least once every two weeks in order to adhere to the 30-day reporting requirement. The campus has assigned a technical staff member to be responsible for monitoring the payment transmission process to ensure adherence to the reporting schedule and compliance with the regulation.

THE CALIFORNIA STATE UNIVERSITY

Schedule of Findings and Questioned Costs

Year ended June 30, 2004

04-03

**CALIFORNIA STATE UNIVERSITY SAN MARCOS
STUDENT FINANCIAL ASSISTANCE CLUSTER:
WILLIAM FORD DIRECT LOAN PROGRAM – CFDA# 84.268
DIRECT LOAN PROGRAM RECONCILIATIONS**

Observation

Federal regulation 34 CFR 685.102(b) and 685.301 requires the University to reconcile the Direct Loan School Account Statement (DLSAS) on a monthly basis. Based on our compliance test work, we noted monthly reconciliations were not performed in a timely manner for ten months of the fiscal year. The University performed the required reconciliations in a timely manner for the final two months of the fiscal year.

Recommendation

We recommend the University continue to monitor their established procedures to ensure the required monthly reconciliations of DLSAS information are conducted in a timely manner.

Views of Responsible Officials

The campus concurs with the recommendation and has, effective with May 2004, been completing the required reconciliations on a timely basis.

In response to the same audit finding for the year ended June 30, 2003, the Financial Aid and Scholarship Office established procedures to ensure the required monthly reconciliations of DLSAS information. For the reasons outlined below, the implementation of the required corrective action was delayed.

The Director and Associate Director of the Financial Aid and Scholarship Office both resigned during the fall of 2003, the time period during which corrective action would ideally have taken place. The University hired a consultant to write and institute the policies and procedures for compliance with the regulations and also hired an Interim Director for one year. This occurred in January 2004.

The consultant wrote procedures as she worked toward bringing the monthly reconciliations up to date. It took from January 2004 until May 2004 to bring the reconciliations current. Subsequently, the consultant trained a permanent staff member in the office and worked with her to complete the June 2004 reconciliation. The consultant's employment contract ended in June 2004 and the required reconciliations have been completed by the permanent staff member since that time.

