

**Audit and Advisory Services**  
401 Golden Shore  
Long Beach, CA 90802-4210

June 3, 2024

Dr. Adela de la Torre  
San Diego State University  
5500 Campanile Drive  
San Diego, CA 92182

Dear Dr. de la Torre:

**Subject: Audit Report 23-07, San Diego State University Research Foundation,  
San Diego State University**

We have completed an audit of the *San Diego State University Research Foundation* as part of our 2023-2024 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu  
Vice Chancellor and Chief Audit Officer

c: Mildred García, Chancellor  
Lillian Kimbell, Chair, Committee on Audit  
Anna Ortiz-Morfit, Vice Chair, Committee on Audit

**CSU Campuses**

Bakersfield • Channel Islands • Chico • Dominguez Hills • East Bay • Fresno • Fullerton • Humboldt • Long Beach • Los Angeles • Maritime Academy • Monterey Bay  
Northridge • Pomona • Sacramento • San Bernardino • San Diego • San Francisco • San José • San Luis Obispo • San Marcos • Sonoma • Stanislaus

# **SAN DIEGO STATE UNIVERSITY RESEARCH FOUNDATION**

**SAN DIEGO STATE UNIVERSITY**

---

**AUDIT REPORT 23-07  
JUNE 3, 2024**

## EXECUTIVE SUMMARY

### AUDIT OBJECTIVES AND BACKGROUND

In accordance with the fiscal year (FY) 2023/24 Audit Plan, as approved by the Board of Trustees, Audit and Advisory Services performed an audit of the San Diego State University Research Foundation (SDSURF).

The objectives of the audit were to confirm compliance with regulatory requirements for the establishment and governance of auxiliary organizations; ascertain the effectiveness of operational, administrative, and financial controls related to SDSURF at San Diego State University (SDSU), and ensure compliance with relevant federal and state regulations, Trustee policy, Office of the Chancellor (CO) directives, and campus and auxiliary procedures.

SDSU has five separate auxiliary organizations, each of which provides a function that contributes to the educational mission of the university. SDSURF is a non-profit auxiliary organization primarily responsible for administration of sponsored research, including both the pre-award application process and post-award administration upon receipt of grant funds. Research funding at SDSURF reached \$192.2 million in FY 2022/23, an increase of 17 percent compared to the previous year. SDSURF also administers self-support campus and community program accounts that support the mission of the university and provides administrative and financial services to other auxiliary and campus organizations, including The Campanile Foundation, Global Campus, and KPBS, which operates the local PBS television station and NPR radio station licensed to the CSU Board of Trustees and the campus, respectively. SDSURF is governed by a board of directors composed of representatives from the university and auxiliary administration, faculty, community, and the student body.

### OVERALL CONCLUSION

Based upon the results of the work performed within the scope of the audit, the operational, administrative, and financial controls for SDSURF as of March 13, 2024, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

### AUDIT SCOPE AND RESULTS

In general, we found that SDSURF operations were effective and services were provided in compliance with CSU policies and procedures. In our review, we did not note any issues related to the core function of sponsored research administration. SDSURF retains an experienced and knowledgeable management team, and the organization had a robust governance and compliance framework in place. This included the MyRF system, developed by SDSURF, which provided an efficient way to consolidate information from the financial accounting system and was used by both principal investigators and project administration staff to submit and track compliance and financial transaction documentation and support, track project progress, and produce project reports. We also found that SDSURF had effective processes and controls for financial transactions, as well as comprehensive policies and procedures for areas reviewed.

However, our review did note an area for improvement related to employment separations. A summary of the observations noted in the report is presented in the table below. Further details are specified in the remainder of the report.

Area	Processes Reviewed	Audit Assessment
<b>Governance and Compliance</b>	Auxiliary governing documents, board of directors composition and meetings, cost allocation, budget and reserve policies, and conflicts of interest	<i>Effective – no reportable observations noted</i>
<b>Financial/Internal Controls</b>	Cash receipts, accounts receivable, procurement, property and equipment, disbursements, personnel and payroll, investments, KPBS, and campus program accounts	<i>Observation noted in documentation for employee separations</i>
<b>Sponsored Programs</b>	Administration, allowable costs, effort reporting, conflict-of-interest reporting and training, and subrecipient monitoring	<i>Effective – no reportable observations noted</i>

The audit focused on procedures in effect from January 1, 2022, to March 13, 2024. Our audit and evaluation included the audit tests we considered necessary in determining whether operational, administrative, and financial controls are in place and operative. Our review was limited to gaining reasonable assurance that essential elements of SDSURF were in place and did not examine all aspects of the program.

# OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

## 1. EMPLOYEE SEPARATIONS

### OBSERVATION

SDSURF did not always obtain proper documentation for employee separations.

When an SDSURF employee separates, the employee must complete the Employment Separation Clearance form and ensure that it is signed by certain campus groups such as facilities, public safety, and asset management, as applicable, to ensure the employee’s access to SDSURF systems and buildings is removed and campus property or any other items, such as a parking permit, keys, ID card, computer, or procurement card, are returned and any other required administrative steps are taken. After the completed separation form is initialed by each department, it is submitted to the SDSURF human resources (HR) office for processing.

We reviewed 10 separated employees and found that none had completed the separation form and submitted it to the SDSURF HR office. Specifically, evidence showing that the employee’s physical and systems access was removed and campus property or any other items were returned via a completed Employment Separation Clearance form checklist was not provided. During fieldwork, SDSURF HR was able to confirm that access to systems and buildings was removed and campus property and other items were returned for all 10 employees.

Timely and properly documented completion of employee separation forms decreases the risk of payroll and personnel record inaccuracies and provides greater assurance that employee access is removed and property is returned.

### RECOMMENDATION

We recommend that the campus, in conjunction with SDSURF:

- a. Review policies and procedures for employee separations and update them as necessary to ensure compliance with SDSURF requirements, including responsibility for completion and timely submission of the Employment Separation Clearance form.
- b. Communicate the separation process to relevant personnel.

<b>MANAGEMENT RESPONSE</b>
<p>We concur. The campus, in conjunction with SDSURF will:</p> <ul style="list-style-type: none"><li>a. Review the employee separation process and update procedures as necessary to ensure they better reflect SDSURF requirements and incorporate automated separation procedures.</li><li>b. The updated separation process will be communicated to relevant personnel.</li></ul> <p>Estimated completion date: October 31, 2024</p>



## GENERAL INFORMATION

### ADDITIONAL BACKGROUND

Auxiliary organizations are separate business and legal entities that perform activities essential to the educational program of a campus that cannot be legally or effectively administered using state funding. California Code of Regulations (CCR) Title 5, §42401, states that auxiliary organizations provide the fiscal means and the management procedures that allow the campus to carry on activities providing those instructional and service aids not normally furnished by the state budget.

Education Code §89900 states, in part, that the operation of auxiliary organizations shall be conducted in conformity with regulations established by the Trustees, and CCR Title 5, §42402, confirms the campus president's authority and responsibility for auxiliary organization operations. Campus management is responsible for establishing and maintaining an adequate system of internal compliance/internal control and assuring that each of its auxiliary organizations similarly establishes such a system.

Education Code §89904 states, in part, that the Trustees of the California State University (CSU) and the governing boards of the various auxiliary organizations shall:

- Institute a standard systemwide accounting and reporting system for businesslike management of the operation of auxiliary organizations.
- Implement financial standards that will assure the fiscal viability of auxiliary organizations. Such standards shall include proper provision for professional management, adequate working capital, adequate reserve funds for current operations and capital replacements, and adequate provisions for new business requirements.
- Institute procedures to assure that transactions of auxiliary organizations are within the educational mission of the state colleges.
- Develop policies for the appropriation of funds derived from indirect cost payments.

*Utilization of Campus Auxiliary Organizations*, dated June 6, 2011, represents Trustee policy addressing appropriate use of CSU auxiliary organizations. This policy requires CSU auxiliary organizations to operate within the regulations and oversight of the campus. The policy reiterates that the campus president is responsible for ensuring the fiscal viability of auxiliary organizations and their compliance with applicable CSU policies, and it further designates the campus chief financial officer as the individual responsible for administrative compliance and fiscal oversight of auxiliary organizations.

### CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance, Trustee policy, Office of the Chancellor directives, and campus procedures, as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- CCR Title 5 §42401, *Declaration of Policy*
- CCR Title 5 §42402, *Authority of Campus President*
- CCR Title 5 §42500, *Functions of Auxiliary Organizations*
- Education Code (EC) §89720
- EC §89756
- EC §89900
- EC §89904
- *CSU Utilization of Campus Auxiliary Organizations*
- *CSU Hospitality Policy*
- *CSU Placement and Control of Receipts for Campus Activities and Programs*
- *CSU Auxiliary Organizations Compliance Guide*
- *CSU Auxiliary Organizations Sound Business Practices Guidelines*
- *SDSURF Cash Receipt Procedures*
- *SDSURF Cash Management*
- *SDSURF Petty Cash Policy*
- *SDSURF Procurement Card Program Policy and Procedure Manual*
- *SDSURF Project Administration Guide*
- *SDSURF Accounts Receivable/Billing and Allowance for Doubtful Accounts*
- *SDSURF Property, Plant and Equipment*
- *SDSURF Hosting Policy, Hospitality, Payment and Reimbursement of Expenses*
- *SDSURF Vendor Master File Policies and Procedures*
- *SDSURF Trust (Campus Program) Accounts*
- *SDSURF Note Payable and Long-Term Debt*
- *SDSURF Record/Information Retention and Disposition*

## **AUDIT TEAM**

Audit Manager: Kyle Ishii  
Senior Auditor: Cinthia Santamaria  
Audit Consultant: Ann Hough