

CAL POLY POMONA FOUNDATION, INC.
CALIFORNIA STATE POLYTECHNIC UNIVERSITY, POMONA
AUDIT COMMITTEE

Tuesday, February 01, 2022
2:00 pm – 3:30 pm

Join Zoom Meeting
<https://cpp.zoom.us/j/81474921841>

Meeting ID: 814 7492 1841

AGENDA

Committee Chair: Dr. David Speak

Directors: Daniel Foncello, April Jimenez, John McGuthry, Cynthia Nelson, Lowell Overton, Stephanie Pastor, Joseph Simoneschi, Ruby Suchecki, Joice Xiong

Staff: Claudia Burciaga-Ramos, Jared Ceja, Joanne Mathew, David Laxamana

- I. **ACKNOWLEDGEMENT OF MEMBERS OF THE PUBLIC** Who may or may not be commenting on a specific item or making a general comment.
- II. **CONSENSUS ACTION ITEMS**
Items in this section are considered to be routine and acted on by the committee in one motion. Each item of the Consent agenda approved by the committee shall be deemed to have been considered in full and adopted as recommended. Any committee member may request that a consent item be removed from the consent agenda to be considered as a separate action item. If no additional information is requested, the approval vote will be taken without discussion. An "A" distinguishes items requiring approval.
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|----|--|------------------------|----------------------|
| 1. | Approval of Audit Committee Minutes – November 2, 2021
ACTION: Approval | Dr. David Speak, Chair | Page
2 – 3 |
|----|--|------------------------|----------------------|
- III. **GENERAL UPDATES**
- | | | | |
|----|-----------------------------|------------------------------------|-------|
| 2. | Executive Director's Report | Jared Ceja, Executive Director/CEO | 4 – 5 |
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- IV. **ACTION ITEMS**
- | | | | |
|----|---|-----------------------------|-------|
| 3. | Selection of CPA Firm – Financial, Single, and Child Dev Grant Audits | Joanne Mathew, Director/CFO | 6 – 8 |
|----|---|-----------------------------|-------|
- V. **INFORMATION & DISCUSSION ITEMS**
- | | | | |
|----|---------------------------------------|--|---------|
| 4. | Updated Response to Single Audit | Joanne Mathew | 9 |
| 5. | Village Housing Audit Recommendations | Jared Ceja
David Laxamana, Director – Housing | 10 – 15 |
- I. **OPEN FORUM**
- VII. **ADJOURNMENT** Dr. David Speak

CAL POLY POMONA FOUNDATION, INC.
Audit Committee Meeting Minutes
November 2, 2021 at 10:00 a.m.

Zoom

Notice is hereby given that a regular meeting of the Audit Committee was held by video conference/teleconference on Tuesday November 2, 2021 at 10:00 a.m. to discuss matters on the posted agenda. The meeting notice in its entirety was posted on the internet at <https://foundation.cpp.edu/meetingpackets.aspx>.

Present: Daniel Foncello, John McGuthry, Cynthia Nelson, Stephanie Pastor, Joseph Simoneschi, Dr. David Speak, Ruby Suchecki and Joice Xiong

Absent: Lowell Overton

Staff: Shari Benson, Claudia Burciaga-Ramos, Jared Ceja, Joanne Mathew and David Laxamana

CALL TO ORDER

The meeting was called to order at 10:02 a.m.

CONSENSUS ACTION ITEMS

1. Approval of September 16, 2021 Minutes

A motion was made to approve the minutes as corrected; no opposition, the minutes were approved.

GENERAL UPDATES

2. Executive Director's Report

Jared Ceja gave a brief financial update; the vast majority of the Foundation units are at a net positive income position for the first quarter: real estate, bookstore, Village, and CEU. Dining services is very close to breaking even. Events: The grand opening of the Poly Trolley 2 is on Friday the 5th; the annual Thanksgiving Dinner meal program/fundraiser has an order deadline of 11/17; the Winter Wonderland Holiday Mixer returns on November 19th for alumni, parents, faculty and staff and includes door prizes, discount offers, refreshments, music, and a photo booth. Jared reminded committee members to participate in the SurveyMonkey poll intended to assess the direction of future Board meetings, whether we continue in the current zoom format, hybrid, or go back to in-person.

ACTION ITEMS

None

INFORMATION ITEMS & DISCUSSION ITEMS

3. Auditor Request for Proposal

Joanne Mathew mentioned the Committee agreed to move forward with a Child Care Request for Proposal as the agreement with GYL has expired. The Foundation will be issuing a Request for Proposal (RFP) to perform the annual childcare audits for the six fiscal years 2021-2022 (CDE program audit only) through 2026-2027 to Certified Public Accounting firms qualified to conduct audits for Government Accounting Standards Board (GASB) organizations. A selection committee consisting of board members and management will evaluate each firm's proposal based on demonstrated experience in auditing California public agencies and 501(c) (3) not-for-profit organizations with enterprise activities for five years from 2022-2023 to 2026-2027. This is because Aldrich CPAs will continue their contracted engagement for this fiscal year ending June 2022. The committee will assess each firm's ability to meet the specific timelines and meetings, total fees charged for each of the six years of the engagement, experience with like organizations, and quality of reference checks. Each evaluation item is weighted based on the importance of the criteria. A list of firms was compiled within the greater Los Angeles area who have knowledge of this type of audit.

The committee discussed the option for staff to come up with a preliminary reviewed list for the committee to move forward and see what firms will be in the running. Ruby Suchecki volunteered to be part of the RFP Auditor selection committee.

4. Village Audit Update

Jared Ceja mentioned the audit is not a financial audit, but rather a CSU auxiliary-owned operations audit by the Chancellor's office that follows the CSU audit of University Housing Services completed last year. David Laxamana gave an overview of the audit and detailed the areas identified. It was also stated that we are working collaboratively with Joice Xiong, internal auditor at the University, to address those areas that need improvement. More details on the actions to be taken will be provided at a future meeting.

Dr. David Speak thanked staff for helping the committee understand the differences between Foundation housing and University housing.

5. Internal Control Updates to Operations.

Joanne Mathew shared the updates made to the Foundation's internal controls since Spring 2020. Enhancements were made based on information received from external and internal sources.

External sources are prioritized in response to information from reviews and audits conducted. Internal sources are based on observations by management, staff and ongoing process reviews. Additional detail was provided on each during the meeting.

Committee member and Chair Dr. David Speak complimented staff for being diligent in a very difficult time and in response to the difficult circumstances as they were. Additionally, it was suggested for the committee to have a broader risk assessment and internal control conversation to be put on the calendar on a regular basis.

The meeting adjourned at 11:30 a.m.

Dr. David Speak, Chair
Audit Committee



Executive Director's Report

February 1, 2022

Audit Committee

Discussion Topics

- ▶ Impact of spring in-person delay
- ▶ Village Housing Capacity
- ▶ IBW in the news
- ▶ New technology at Poly Fresh
- ▶ CA Supplemental Paid Sick Leave



Memorandum

Date: February 1, 2022

To: Audit Committee

From: Joanne Mathew
Director of Financial Services/Chief Financial Officer

Subject: **EXTERNAL FINANCIAL, SINGLE AND CDE AUDIT FIRM SELECTION – FY2022-FY2027**

Management issued a Request for Proposals (RFP) to perform the Child Development Grant, Financial, and Single audits for fiscal years 2021-2022 (child development grant audit only) and 2022-2023 (Financial and Single audits) through 2026-2027 to nine certified public accounting firms. Responses were received from five firms, two of which were Aldrich CPAs & Advisors and GYL CPAs & Advisors, who are currently engaged in the single and financial audits, and the child development grant audit respectively.

A Selection Committee consisting of Chair David Speak, Ruby Suchecki, Jared Ceja, Lilia Maciel and Joanne Mathew interviewed and evaluated each firm based on the firms' demonstrated experience with public agencies and not-for-profit organizations under GASB, as well as compliance standards 2 CFR 200 relating to federal programs and single audit requirements, and the California Department of Education audit guide.

Jared Ceja and Joanne Mathew performed reference checks of the Selection Committee's top choice - CohnReznick LLP. Responses were outstanding and consistent with the impression left on the Selection Committee.

PROPOSED ACTION

WHEREAS, the Selection Committee is requesting the Audit Committee's approval to retain the services of CohnReznick LLP to perform the child development grant, financial, and single audits for the fiscal years as detailed above, and to present their recommendation for consideration by the Board of Directors.

NOW, THEREFORE, BE IT RESOLVED that the Audit Committee approves retaining the services of CohnReznick LLP to perform the financial and single audits for fiscal years 2022-2023 through 2026-2027 and the Child Development Program Grant Audit for fiscal years 2021-2022 through 2026-2027 and shall forward said recommendation for review and approval by the Board of Directors at its next regularly scheduled meeting.

Passed and adopted this 1st day of February 2022.

By: _____
David Speak, Chair
Audit Committee



**Cal Poly Pomona
Foundation**

CAL POLY POMONA FOUNDATION, INC.

Memorandum

Date: February 1, 2022
To: Audit Committee
From: Joanne Mathew
 Director of Financial Services/Chief Financial Officer

Subject: EXTERNAL FINANCIAL, SINGLE AND CDE AUDIT FIRM INFORMATION AND REFERENCE CHECK SUMMARY

Included for the Audit Committee's review is the information on the proposals received.

Firm	Fees				
	Financial audit	Single Audit	CDE audit	990 preparation	Total (first year)
FIRM 1	63,100	20,900	15,400	6,050	105,450
FIRM 2	80,000	included	18,000	19,000	117,000
FIRM 3	50,000	10,000	20,000	5,000	85,000
FIRM 4			16,500		16,500

Firm	Additional costs (if any)	Fee Increase Percentage				Total expected hours	Manager commitment
		Yr 2	Yr 3	Yr 4	Yr 5		
FIRM 1	None	4%	10%	10%	10%	598	31%
FIRM 2	None	CPI	CPI	CPI	CPI	662	22%
FIRM 3	Technology administrative charge 5%	3-5%	3-5%	3-5%	3-5%	566	30%
FIRM 4	None	3%	4%	3%	3%	80	63%

Continued on next page

Firm	References		
	Reference 1	Reference 2	Reference 3
FIRM 1	CSU, Fullerton - Auxiliary Services Corporation	Cal Poly Pomona Associated Students	CSU, Fullerton - Associated Students
FIRM 2	San Francisco State University	Cal State University Foundation	CSU, Long Beach Research Foundation
FIRM 3	CSU, Northridge - The University Corporation	CSU, Northridge Foundation	CSULA - University Auxilliary Services
FIRM 4	California Children's Academy	Drew Child Development Corporation	Crystal Stairs, Inc.

Reference Check Summary

- Audit firm engagement: Ranging from 5 to 8 years
- Firm rating: Above average, very fair
- Handling of audit differences: Fair, reasonable discussions and conversations with positive outcomes, no unreconciled differences during their years of service.
- Firm staff and management: Very knowledgeable, responsive and respectful.
- Adherence to timeline: Always met the deadlines, timely every year.
- Reasonableness of fees: Fair in comparison to others, satisfied.
- Overall firm satisfaction: Very satisfied, above average, happy with their quality and professionalism.

Notable comments:

“Over my 22 years with the organization, we’ve had I think 5 different firms. CohnReznick is my favorite. In the past I found some other firms seemed to provide odd analyses, lateness, lack of coordination, and disruptive. I have not had that experience with CR.”

“In September, 2021, our campus auxiliaries were contemplating on a joint RFP to possibly select a new auditor, although they were all happy with CohnReznick. After consulting with our audit committee, we concluded we would pass, and stay with CRZ. When there is a partner change at CRZ, that might be the time to consider a change, but not now as they know everything that is happening at the University.”

Memorandum

Date: February 1, 2022

To: Audit Committee

From: Joanne Mathew
Director of Financial Services/Chief Financial Officer

Subject: **UPDATED RESPONSE TO SINGLE AUDIT**

Financial Statement Findings

2021-001 Significant Deficiency over Preparation of the SEFA and Grants and Contracts Reporting

Criteria and Condition: Federal program and Federal award identification must include, as applicable, the Assistance Listings title and number, Federal award identification number and year, name of the Federal agency, and name of the pass-through entity, if any. There were six awards for which expenditure amounts were not included in the SEFA provided by the client for the audit.

Recommendation: Auditors recommended that additional training be provided to the Grants staff on year-end procedures as well as general compliance with federal awards.

Response: Grants staff completed a Post-Award Intensive training course over a period of three weeks, from November 2-16 conducted by the Society of Research Administrators International, and a four-day virtual seminar on program funding and grants administration conducted by the National Institute of Health. Other virtual seminars and trainings will also be taken on an ongoing basis.

Federal Award Finding and Questioned Costs

2021-002 Significant Deficiency in Internal Control over Compliance – Allowable Costs

Criteria and Condition: Charges to federal awards for salaries and wages must be based on records that accurately reflect the work performed. A key control over allowable costs and activities is the approval of the program administrator. Of the audit sample, 34% did not have the approval of the program administrator.

Recommendation: Auditors recommended that the program administrators be assigned as the approver of the timesheets for any individual working on their program. If they do not have the capacity or ability to perform this function then auditors recommend they assign the authority, in writing, to another individual who is knowledgeable of the terms and conditions for their specified grant award.

Response: The payroll system in use has the ability to allow program administrators to approve timesheet or assign authority for approvals to other individuals as needed. The system has been modified to accommodate this and a new form has been developed titled 'Agreement and Authorization to Delegate Approver'. This form documents the delegation with signature from the program administrator.

2021-003 significant Deficiency in Internal Control over Compliance – Equipment and Real Property Management

Criteria and Condition: A physical inventory of the property must be taken and the results reconciled with the property records at least once every two years. A physical inventory was not taken since 2018.

Recommendation: Auditors recommended that a full inventory of all property and equipment be completed as soon as possible.

Response: Full physical inventory of all property and equipment purchased using Federal funds was conducted in September 2021. The physical inventory was reconciled to the general ledger and dates of the physical count and approval have been duly documented.



Village Housing Audit Recommendations

Overview

- Operational audit administered by the Chancellor's Office
- Different from the annual Financial, Single, and CDE audits
- Focused on University Village Housing operations
 - Includes other divisions that provide support – FS, HR, IT, etc.
- University Internal Auditor provides support and acts as a liaison to the CO
- Yields recommendations and allows for six months to complete enhancement efforts



Recommendations

- Licensing Agreement Compliance
 - Signed licensing agreements/addendums
 - Update all provisions including terms for canceling/vacating
 - Priority resident placement process
 - Enforce room inventory completion
 - Assess communication of COVID protocols and requirements
 - More closely monitor resident vaccination requirements



Recommendations

- Resident Fee Monitoring
 - Investigate aging reports from StarRez
 - Better enforcement of license agreement terms
 - Stronger process to capture, monitor, and resolve delinquencies
 - Documented reconciliation of housing-related fees between StarRez and OneSolution
- Cancellation & Refunds
 - Implement cancellation/refund fees that reflect the terms of the license agreement
 - Investigate StarRez providing management reports on cancellation and early release



Recommendations

- Physical Access
 - Standardized reconciliation of keys on hand to the StarRez records
 - Policy and procedures for maintenance of management and staff keys
 - Documented records of when safe combination and keys are changes or redistributed
- Staff Hiring & Training
 - Ensure background checks are completed and JDs/Offer Letters are signed
 - Stronger documentation of required staff training
 - Maintain records for all training and hiring activities



Recommendations

- System Access Administration
 - Retain documentation for all user access to StarRez and completed confidentiality agreements
 - Timely deactivation of StarRez users upon separation
 - Establish documented policy and procedures for authorizing, revising, and terminating user access to StarRez
- Disbursement
 - Evaluate the current process to clarify the approvals of UV expenditures