

CSU Fullerton Auxiliary Services Corporation

Single Audit Report

Year Ended June 30, 2019



CSU FULLERTON AUXILIARY SERVICES CORPORATION

Single Audit Report
Year Ended June 30, 2019

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INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
CSU Fullerton Auxiliary Services Corporation

Report on the Schedule of Expenditures of Federal Awards

We have audited the accompanying schedule of expenditures of federal awards of CSU Fullerton Auxiliary Services Corporation (a nonprofit organization), for the year ended June 30, 2019 and the related notes (the financial statement).

Management's Responsibility

Management is responsible for the preparation and fair presentation of this financial statement in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of a financial statement that is free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on this financial statement based on our audit. 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; and the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether the financial statement is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statement. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statement, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statement in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statement.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

INDEPENDENT AUDITORS' REPORT, CONTINUED

Opinion

In our opinion, the financial statement referred to above presents fairly, in all material respects, the expenditures of federal awards of CSU Fullerton Auxiliary Services Corporation for the year ended June 30, 2019, in accordance with accounting principles generally accepted in the United States of America.

Aldrich CPAs + Advisors LLP

San Diego, California
September 19, 2019

**INDEPENDENT AUDITORS' 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***

To the Board of Directors
CSU Fullerton Auxiliary Services Corporation

We have audited, in accordance with the 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, the financial statements of CSU Fullerton Auxiliary Service Corporation (a nonprofit organization) (ASC), which comprise the statement of financial position as of June 30, 2019, and the related statements of activities, functional expenses, and cash flows for the year then ended, and the related notes to the financial statements, and have issued our report thereon dated [DATE].

Internal Control over Financial Reporting

In planning and performing our audit of the financial statements, we considered ASC's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of ASC's internal control. Accordingly, we do not express an opinion on the effectiveness of the ASC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

**INDEPENDENT AUDITORS' 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, CONTINUED***

Compliance and Other Matters

As part of obtaining reasonable assurance about whether ASC's financial statements are free from 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*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the organization's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the organization's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
September 19, 2019

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

To the Board of Directors
CSU Fullerton Auxiliary Services Corporation

Report on Compliance for Each Major Federal Program

We have audited CSU Fullerton Auxiliary Services Corporation's compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on each of CSU Fullerton Auxiliary Services Corporation's major federal programs for the year ended June 30, 2019. CSU Fullerton Auxiliary Services Corporation's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with federal statutes, regulations, and the terms and conditions of its federal awards applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of CSU Fullerton Auxiliary Services Corporation's major federal programs based on our audit of the types of compliance requirements referred to above. 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 CSU Fullerton Auxiliary Services Corporation'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 on compliance for each major federal program. However, our audit does not provide a legal determination of CSU Fullerton Auxiliary Service Corporation's compliance.

Opinion on Each Major Federal Program

In our opinion, CSU Fullerton Auxiliary Service Corporation complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE
FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL
OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE, CONTINUED**

Report on Internal Control over Compliance

Management of CSU Fullerton Auxiliary Services Corporation is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered CSU, Fullerton Auxiliary Services Corporation's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of CSU Fullerton Auxiliary Services Corporation's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Grant Guidance. Accordingly, this report is not suitable for any other purpose.

Aldrich CPAs + Advisors LLP

San Diego, California
September 19, 2019

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass- through Grantor Number</i>	<i>Passed-through to Subrecipients</i>	<i>Expenditures</i>
<i>Research and Development Cluster</i>				
Pass-through from Washington Tree Fruit Research Commission:				
Enhancing Reference Genomes for Cross Cultivar Functional Genomics	99.999	C-6552	\$ -	\$ 19,237
			-	19,237
<i>United States Department of Agriculture</i>				
Hispanic Serving Institutions Education Grants	10.223		45,701	283,314
Pass-through from Hart Community Homes:				
Community Food Projects	10.225	2016-33800-25587	-	12,895
Pass-through from Arizona State University:				
Agriculture and Food Research Initiative	10.310	17-186	-	17,851
<i>Total United States Department of Agriculture</i>			45,701	314,060
<i>Department of Defense</i>				
Pass-through from U.S. Army Medical Res. & Material Command:				
Military Medical Research and Development	12.420	W81XWH-11-1-0765	-	42,464
<i>Total Department of Defense</i>			-	42,464
<i>Department of the Interior</i>				
Pass-through from University of California Santa Cruz:				
Bureau of Ocean Energy Management Environmental Studies Program	15.423	A15-0068-S002-S0184295	-	41,779
Pass-through from Metropolitan Water District of Southern California:				
Water Conservation Field Services	15.530	167506	-	7,599
Pass-through from California Department of Fish and Wildlife:				
State Wildlife Grants	15.634	P1540019	-	2,723
Pass-through from U.S. Geological Survey:				
Earthquake Hazards Program Assistance	15.807	G16AP00189	-	15,015
National Cooperative Geologic Mapping	15.810	G18AC00129	-	16,507
Pass-through from University of Southern California:				
Earthquake Hazards Program Assistance	15.807	91270661	-	1,403
<i>Total Department of the Interior</i>			-	85,026
<i>United States Department of Justice</i>				
National Institute of Justice Research, Evaluation, and Development Project Grants	16.560		1,337	1,322
<i>Total United States Department of Justice</i>			1,337	1,322

See independent auditors' report and notes to schedule of expenditures of federal awards.

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass- through Grantor Number</i>	<i>Passed-through to Subrecipients</i>	<i>Expenditures</i>
<u>National Aeronautical and Space Administration</u>				
Pass-through from California Institute of Technology:				
Science	43.001	65H-1098309	-	15,235
Pass-through from Smithsonian Astrophysical Observatory				
Science	43.001	SV8-88017	-	15,458
<i>Total National Aeronautical and Space Administration</i>			<u>-</u>	<u>30,693</u>
<u>National Endowment for the Humanities</u>				
Promotion of the Arts_Grants to Organizations and Individuals	45.024		-	15,685
Pass-through from CSU Dominguez Hills Foundation:				
Promotion of the Humanities_Division of Preservation and Access	45.149	500027	-	(220)
<i>Total National Endowment for the Humanities</i>			<u>-</u>	<u>15,465</u>
<u>National Science Foundation</u>				
Engineering Grants	47.041		-	197,551
Mathematical and Physical Sciences	47.049		37,162	848,025
Geosciences	47.050		-	155,572
Computer and Information Science and Engineering	47.070		-	3,488
Biological Sciences	47.074		54,846	444,775
Education and Human Resources	47.076		112,345	1,082,008
Office of International Science and Engineering	47.079		-	91,731
			<u>204,353</u>	<u>2,823,150</u>
Pass-through from Graduate School University of Wisconsin-Milwaukee:				
Mathematical and Physical Sciences	47.049	183405341/ 144AAC6327	-	148,532
Pass-through from Virginia Polytechnic Institution and State University:				
Geosciences	47.050	479371-19978	-	261
Pass-through from Northwestern University:				
Computer and Information Science and Engineering	47.070	SP0034128-PROJ0009130	-	28,107
Pass-through from Rensselaer Polytechnic Institute:				
Education and Human Resources	47.076	B10364	-	2,279
Pass-through from Purdue University:				
Education and Human Resources	47.076	4101-83298	-	15,681
<i>Total National Science Foundation</i>			<u>204,353</u>	<u>3,018,010</u>

See independent auditors' report and notes to schedule of expenditures of federal awards.

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass- through Grantor Number</i>	<i>Passed-through to Subrecipients</i>	<i>Expenditures</i>
<u>Department of Education</u>				
Personnel Preparation in Special Education Early Intervention, and Related	84.325K		-	47,327
<i>Total Department of Education</i>			-	47,327
<u>Department of Health and Human Services</u>				
Pass-through from University of California, Irvine:				
Maternal and Child Health Federal Consolidated Programs	93.110	2016-3333	-	70,834
Pass-through from University of Southern California:				
Drug Abuse and Addiction Research Programs	93.279	SR01DA03608-02	-	17,675
Pass-through from National Institutes of Health:				
Minority Health and Health Disparities Research	93.307	5T37MD001368-21	-	152,058
Trans-NIH Research Support	93.310	Various	5,700	246,481
Extramural Research Programs in the Neurosciences and Neurological Disorders	93.853	1R15NS101594-01	-	91,982
Allergy and Infectious Diseases Research	93.855	1R15AI122153-01A1	-	309,895
Biomedical Research and Research Training	93.859	Various	-	925,514
Child Health and Human Development Extramural Research	93.865	Various	-	123,707
Aging Research	93.866	1R03AG047955-01A1	-	1,221
Pass-through from Texas A & M Engineering Experiment Station:				
Child Health and Human Development Extramural Research	93.865	NA	-	7,050
Pass-through from Loma Linda University:				
Child Health and Human Development Extramural Research	93.865	NA	-	59,277
<i>Total Department of Health and Human Services</i>			5,700	2,005,694
<i>Total Research and Development Cluster</i>			257,091	5,579,298
<i>TRIO Cluster</i>				
<u>Department of Education</u>				
TRIO_Student Support Services	84.042		-	335,427
TRIO_Talent Search	84.044		-	508,660
TRIO_Upward Bound	84.047		-	509,472
TRIO_McNair Post-Baccalaureate Achievement	84.217		-	316,871
<i>Total Department of Education</i>			-	1,670,430
<i>Total TRIO Cluster</i>			-	1,670,430

See independent auditors' report and notes to schedule of expenditures of federal awards.

CSU FULLERTON AUXILIARY SERVICES CORPORATION
Schedule of Expenditures of Federal Awards
Year Ended June 30, 2019

<i>Federal Grantor/Program or Cluster Title</i>	<i>Federal CFDA Number</i>	<i>Pass- through Grantor Number</i>	<i>Passed-through to Subrecipients</i>	<i>Expenditures</i>
<u>Other Programs</u>				
<u>Department of Commerce</u>				
Pass-through from California Sea Grant:				
Sea Grant Support	11.417	NA14OAR4170075	-	1,667
<i>Total Department of Commerce</i>			-	1,667
<u>National Endowment for the Humanities</u>				
Pass-through from Cal Humanities				
Promotion of the Humanities-Federal/ State Partnership	45.129	HFAQ17-75	-	5,011
<i>Total National Endowment for the Humanities</i>			-	5,011
<u>National Science Foundation</u>				
Pass-through from University Enterprises, INC CSUS				
Education and Human Resources	47.076	533091	-	15,000
<i>Total National Science Foundation</i>			-	15,000
<u>Small Business Administration</u>				
Small Business Development Centers	59.037		1,639,597	2,441,393
<i>Total Small Business Administration</i>			1,639,597	2,441,393
<u>Department of Education</u>				
Higher Education_Institutional Aid	84.031		229,969	1,767,579
Migrant Education_High School Equivalency Program	84.141		7,188	442,877
Language Resource Centers	84.229		-	175,351
Gaining Early Awareness and Readiness for Undergraduate Programs	84.334		-	1,299,291
Pass-through from Los Angeles Community College				
Higher Education_Institutional Aid	84.031	4500266554	-	17
Pass-through from State Department of Rehabilitation:				
Rehabilitation Services_Vocational Rehabilitation Grants to States	84.126	30019	-	123,088
Pass-through from The Corporation at CSU Monterey Bay:				
Special Education - Personnel Development to Improve Services and Results for Children with Disabilities	84.325	160809-5044501A-C-A	-	7,676
Pass-through from UC Office of the President				
Supporting Effective Instruction State Grants	84.367	NCLB14-CMP-FULLERTON	-	20,313

See independent auditors' report and notes to schedule of expenditures of federal awards.

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

<u>Federal Grantor/Program or Cluster Title</u>	<u>Federal CFDA Number</u>	<u>Pass- through Grantor Number</u>	<u>Passed-through to Subrecipients</u>	<u>Expenditures</u>
Pass-through from Regents of the University of CA office of the President				
Supporting Effective Instruction State Grants	84.367	ESSA18-CGEP- FULLERTON	-	42,997
Supporting Effective Instruction State Grants	84.367	ESSA18-CMP-FULLERTON	-	7,488
<i>Total Department of Education</i>			<u>237,157</u>	<u>3,886,677</u>
<u>National Archives and Records Administration</u>				
Pass-through from CSU Dominguez Hills Foundation				
National Historical Publications and Records Grants	89.003	RM-100282-18	-	6,827
<i>Total National Archives and Records Administration</i>			<u>-</u>	<u>6,827</u>
<u>Department of Health and Human Services</u>				
Substance Abuse and Mental Health Services Projects of Regional and National	93.243		-	163,605
Health Careers Opportunity Program	93.822		108,388	733,439
Family and Community Violence Prevention Program	93.910		3,595	12,953
Pass-through from Health Resources and Services Administration:				
Nurse Anesthetist Traineeships	93.124	A22HP30991-01-00	-	39,056
Nursing Workforce Diversity	93.178	1D19HP30843-01-00	4,188	53,488
Nursing Workforce Diversity	93.178	1D19HP30843-02-00	12,812	438,780
Advanced Nursing Education Workforce Grant Program	93.247	1T94HP30890-01-00	-	28,344
Advanced Nursing Education Workforce Grant Program	93.247	1T94HP30890-02-00	-	598,649
Pass-through from UC Berkeley:				
Foster Care_Title IV-E	93.658	00009239	-	26,377
Foster Care_Title IV-E	93.658	00009902	-	1,271,772
<i>Total Department of Health and Human Services</i>			<u>128,983</u>	<u>3,366,463</u>
<u>Corporation for National and Community Service</u>				
Pass-through from Jumpstart for Young Children:				
AmeriCorps	94.006	510200	-	85,143
AmeriCorps	94.006	CFDA-94.006-JS-SITE #51	-	(8)
<i>Total Corporation for National and Community Service</i>			<u>-</u>	<u>85,135</u>
Total Other Programs			<u>2,005,737</u>	<u>9,808,173</u>
Total Expenditures of Federal Awards			<u>\$ 2,262,828</u>	<u>\$ 17,057,901</u>

See independent auditors' report and notes to schedule of expenditures of federal awards.

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Notes to Schedule of Expenditures of Federal Awards

Year Ended June 30, 2019

(1) Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of CSU Fullerton Auxiliary Services Corporation and is presented on the modified cash basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance).

(2) Summary of Significant Accounting Policies

CSU Fullerton Auxiliary Services Corporation did not elect to use the 10% de minimus cost rate as covered in the Uniform Guidance 2.CFR.200.414 Indirect costs.

Negative amounts reflected in the schedule represent adjustments or credits resulting from the normal course of business to amounts reported as expenditures in prior years.

See independent auditors' report.

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unmodified
Internal control over financial reporting:
 Significant deficiency(ies) identified? Yes
 Material weakness(es) identified? No

Noncompliance material to the financial statements noted? No

Federal Awards

Internal control over major program:
 Significant deficiency(ies) identified? None reported
 Material weakness(es) identified? No

Type of auditors' report issued on compliance for major programs Unmodified

Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance, 2 CFR section 200.516(a)? No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
59.037	Small Business Development Centers
84.031	Higher Education Institutional Aid
93.658	Foster Care Title IV-E

Dollar threshold used to distinguish between Type A and Type B programs: \$750,000

Auditee qualified as a low-risk auditee under the Uniform Guidance, 2 CFR section 200.520? Yes

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Schedule of Findings and Questioned Costs

Year Ended June 30, 2019

Section II – Financial Statement Findings

2019-001

Criteria: Management should have controls in place to ensure that the cost of inventory is accurately reported.

Condition: At the end of fiscal year 2018, the Bookstore’s inventory management system was changed. In fiscal year 2019, it was determined that the balances of certain inventory items were not being accurately stated at their average cost. The inventory system was accounting for rental return transactions for certain textbooks as inventory purchases at a \$0 cost. The average cost of these items of inventory was reduced because of these rental returns. This resulted in a lower average cost on the inventory listing for these items than what the average cost should have actually been. As a result, inventory is understated.

Questioned Costs: None

Context: The controls were deficient during the transition to the new system to ensure that all transactions were being accounted for correctly and that the cost of individual items of inventory were correct and accurate.

Effect: This is considered to be significant deficiency over financial reporting.

Recommendation: We recommend that management determine how to correct this issue in their inventory system, determine the extent of items affected, and then adjust the average costs for those affected inventory item. In addition, the inventory system should modified accordingly to ensure that rental return transactions are processed correctly going forward.

Response: Once the issue was discovered, bookstore staff contacted the system provider (Netsuite) to determine if the system was behaving as intended, or if there was an issue. It was confirmed that there was a flaw in how the system was operating, and the system provider is working on implementing a correction, so that in the case of a \$0 value, the system will move to the next option of determining the average cost. In addition, management has requested NetSuite’s guidance in identifying and correcting these records. This issue is referenced in NetSuite case #3531499.

Section III – Federal Award Findings and Questioned Costs

None reported.

CSU FULLERTON AUXILIARY SERVICES CORPORATION

Schedule of Prior Year Findings

Year Ended June 30, 2019

Section IV – Schedule of Prior Year Findings

2018-001 Management should have controls in place to ensure that the inventory system and associated balances are reported accurately.

Condition: During fiscal year 2018 the Bookstore’s inventory management system was changed and there were errors in the inventory reports that were generated. The adjustments from the year end observation were not posted until after the year end reports were generated and reconciled to the general ledger. There were also issues with proper cut off the inventory balance and shipments that had been received prior to year end not included in the final inventory totals. When the inventory system was changed they also changed the accounting principle used to value inventory but did not calculate the adjustment that should have been posted to correctly record the beginning balance.

Current Status: This finding was resolved in fiscal year 2019.