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August 28, 2019

Dr. Tomás D. Morales, President
California State University, San Bernardino
5500 University Parkway
San Bernardino, CA 92407

Dear Dr. Morales:

**Subject: Advisory Report 19-104, Cost Allocation Plan Methodology,
California State University, San Bernardino**

Per your request, we have completed our advisory review of Cost Allocation Plan Methodology at California State University, San Bernardino and the report is attached for your review. Our review was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* as they pertain to consulting and advisory services.

The campus is not required to formally respond to observations for advisory reviews; however, we recommend that campus management review all observations and take any necessary corrective actions to remediate and/or mitigate the risk(s) associated with the noted observations. Any observations requiring immediate attention were communicated to management during the course of the review.

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

Sincerely,



Larry Mandel
Vice Chancellor and Chief Audit Officer

COST ALLOCATION PLAN METHODOLOGY

Advisory Services Review

California State University, San Bernardino

Advisory Services Report 19-104

August 26, 2019

EXECUTIVE SUMMARY

PURPOSE AND OBJECTIVES

On December 11, 2018, the president of California State University, San Bernardino (CSUSB) requested that Audit and Advisory Services (A&AS) perform a review of the campus' cost allocation plan methodology to determine whether the methodologies used were fair and reasonable.

Based on discussions with management, the objectives of this review were to assess the campus' overall cost allocation, including its inputs, methodologies, calculations, and resulting charges, to determine whether they are accurate, fair, and reasonable.

CONCLUSION

We found the cost allocation plan and the methodologies documented within it were in compliance with applicable California State University (CSU) criteria. The documented cost allocation amounts, in general, were accurately calculated and agreed to supporting documentation.

However, we identified several areas in which the campus could make improvements. Two areas that require particular attention are the currency, accuracy, and documentation of specific cost allocation data inputted to the plan and subsequent departmental reallocation of campus cost allocation charges. In addition, the campus could improve the plan and methodologies by ensuring that certain required elements are included in the plan and improving existing cost allocation documentation practices for certain areas.

Specifically, we noted opportunities to improve the accuracy and documentation of cost allocation inputs in finance and administrative services, auxiliary human resources, facilities management, and risk management. We also noted opportunities to improve the methods that a campus auxiliary was using for second-level reallocation of costs, as well as the language used within the cost allocation plan to address required elements relating to the plan timeline and the campus alumni association.

A summary of observations noted during the review can be found under Cost Allocation Plan Analysis. Additional observations that were considered low-risk or unrelated to the scope can be found in Appendix A.

BACKGROUND

Applicable Criteria

- Executive Order (EO) 1000, *Delegation of Fiscal Authority and Responsibility*, dated July 1, 2007, states that each campus must develop a cost allocation plan to ensure that costs incurred by the CSU Operating Fund for services, products, and facilities provided to other CSU funds and to auxiliary organizations are properly and consistently recovered with cash and/or a documented exchange of value. The campus chief financial officer (CFO) or designee shall annually approve and implement this plan.
- Integrated California State University Administrative Manual (ICSUAM) §3552.01, *Cost Allocation/Reimbursement Plans for the CSU Operating Fund*, revised June 5, 2015, states that it is the policy of the CSU that campus presidents ensure that costs incurred by the CSU Operating Fund for services, products, and facilities provided to CSU enterprise programs/activities/funds, auxiliary organizations and entities external to the university are properly and consistently recovered with cash and/or a documented exchange of value. ICSUAM §3552.01 also provides additional details on the required elements of the cost allocation plan and the recovery of the allocated costs.

CSUSB Cost Allocation Plan

CSUSB's cost allocation plan is prepared annually by the university budget office, based on cost allocation information provided by the campus' various "chargers" and "chargees." The university budget office's principal cost and policy analyst is chiefly responsible for gathering, analyzing, formatting, and compiling all cost allocation data from all campus chargers and chargees. She is also tasked with creating the annual cost allocation plan package.

Chargers and Chargees

Chargers are those campus departments that incur expenditures out of the campus general operating fund to provide goods or services to other campus departments or to the campus' various auxiliary organizations and self-supporting enterprises. The campus cost allocation plan lists the following chargers:

- Academic Affairs – Palm Desert Campus (PDC)
- Academic Affairs – Sponsored Programs Administration (SPA)
- Auxiliary Human Resources (AHR)
- Administration & Finance – Facilities Management (FM)
- Administration & Finance – Finance & Administrative Services (FAS)
- Administration & Finance – Human Resources (HR)
- Administration & Finance – Payroll (PR)
- Administration & Finance – University Police Department (UPD)
- Administration & Finance – Risk Management (RM)
- Information Technology Services (ITS)
- Student Affairs (SA)

Chargees are the campus departments, auxiliary organizations, or enterprises that receive goods or services funded by money from the general operating fund. The campus cost allocation plan lists the following chargees:

- Associated Students, Inc. (ASI)

- College of Extended Learning (CEL)
- Student Health Center (SHC)
- Housing
- Parking Services (PS)
- Philanthropic Foundation (PF)
- Santos Manuel Student Union (SMSU)
- Student Recreation and Wellness Center (SRWC)
- University Enterprises Corporation (UEC)

Cost Allocation Plan Timeline

The timeline to create the cost allocation plan varies from year to year. The current year's plan (2018/19) was built following this timeline:

- December 2017 to January 2018: The university budget office reached out to the various departments and organizations and requested their cost allocation data. They were given one month to submit the required information.
- March 2018: The cost allocation plan draft was completed and meetings were held with chargers and chargees to discuss and review the draft.
- May 2018: The cost allocation plan draft was reviewed and approved by the cabinet and the vice president of administration and finance/CFO.
- July 2018: The finalized cost allocation plan was published and distributed campuswide.

Final Cost Allocation Package

The final cost allocation package is published on the university budget office's website and includes the following:

- The detailed cost allocation plan, broken into sections by chargee. Each chargee section lists identified chargers, cost allocation amounts owed by the chargees, and the methodologies used to calculate amounts owed.
- A catalog of services outlining the goods and services provided by chargers to each chargee.
- A cost recovery memo explaining the cost allocation process. The memo includes a summary of the detailed cost allocation plan and shows the signature approval of the campus' vice president of administration and finance/CFO.

Cost Allocation Plan Leader

CSUSB's cost allocation plan is recognized as an exemplary cost allocation model within the CSU system. The campus team that builds and puts the plan together are periodically asked to give presentations and training on how to identify and gather cost allocation data and how to compile the data into a cost allocation plan.

2018/19 COST ALLOCATION PLAN ANALYSIS

Outlined below is a summary of our review of the campus' 2018/19 cost allocation plan. Additional details regarding our analysis of each area can be provided separately upon request.

For chargers that use employee percentage of effort as a cost allocation methodology, charges are calculated using the following formula:

$$\text{Employee Percentage of Effort} \times \text{Employee Salaries and Benefits}$$

Employee percentage of effort data are manually collected and compiled by the chargers. Employee salary and benefits data are generated directly from PeopleSoft. We performed a separate sample-based test of employee percentage of effort inputs to the campus' cost allocation plan. We also performed a separate automated control testing of the salary and benefits data generated from PeopleSoft.

COMPLIANCE WITH APPLICABLE CRITERIA

OBSERVATION

We evaluated the campus' cost allocation plan compliance with applicable CSU criteria, particularly EO 1000 and ICSUAM §3552.01. We broke down the campus cost allocation plan to its basic structure and elements, compared the plan to applicable requirements, and verified that all requirements were addressed by at least one cost allocation plan structure and/or element.

In general, the campus cost allocation plan addressed applicable requirements of EO 1000 and ICSUAM §3552.01, with one exception: It did not include language within the plan to address the campus' alumni association.

RECOMMENDATION

We recommend that campus include language in the cost allocation plan explaining why the campus alumni association is not identified as an auxiliary or self-support enterprise that is subject to cost allocation and recovery.

ADMINISTRATION & FINANCE – FINANCE & ADMINISTRATIVE SERVICES

OBSERVATION

We reviewed FAS's percentage-of-effort cost allocation methodology against applicable CSU criteria and found that they were appropriate and in line with criteria.

We used the FAS employee percentage-of-effort data to perform a separate, sample-based test to determine the accuracy of percentage-of-effort data inputted to the cost allocation model. We noted that:

- There were variances in the percentage-of-effort data for 19 of 20 selected FAS employees.
- Percentage-of-effort data was not gathered from FAS employees on a consistent basis.
- Percentage-of-effort estimates were usually based on employee recollections.
- Subsequent adjustments were made to employee percentage-of-effort data.

We also sent inquiries to campus chargees regarding the services they are receiving from FAS. Some chargees responded that:

- They did not receive the services they were charged for.
- They were receiving the service, but the service quality was sub-par.
- They were charged for services that they were already performing for themselves.
- FAS was using too many employees to perform certain services.

The independent survey we performed on percentage of effort from selected FAS employees suggests that the percentage-of-effort data inputted into the 2018/19 cost allocation plan was understated, meaning that FAS employee services to chargees may have been more than what was documented in the cost allocation plan. We calculated the potential undercharge to be approximately 9 percent, or \$124,559. This potential undercharge may be the combined result of inaccurate employee percentage-of-effort data and adjustments and modifications at the supervisor or manager levels.

In light of the survey responses we received from the chargees regarding the services they received from FAS, if adjustments and modifications to the data were made to address known or suspected inefficiencies and/or duplication of effort, the variance of 9 percent does not seem unreasonable. However, if the variance is mainly caused by outdated and inaccurate data, then every effort should be made to ensure that employee percentage-of-effort data are collected and documented accurately.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
ASI	Percentage of Effort	YES	NO
CEL			
SHC			
Housing			
PS			
PF			
SMSU			
SRWC			
UEC			

Please refer to the Supplementary Notes for additional details of our analysis.

RECOMMENDATION

We recommend that the campus:

- a. Provide training or explanatory materials to FAS employees regarding the cost allocation and recovery process, with emphasis on their roles within this process: to identify, monitor, and track their effort and work for the campus' various departments, auxiliaries, and self-support enterprises.
- b. Revise and improve the process to monitor, document, and gather the percentage of effort of FAS employees for cost allocation and recovery purposes. The campus may choose to increase the frequency of this exercise (i.e. weekly, monthly, or quarterly) to ensure that percentage-of-effort data is gathered on a consistent basis. This will also ensure that gathered data is up to date. The campus may choose to apply available technologies to help in the documenting and gathering of percentage-of-effort data. For example, the campus can create and issue standardized percentage-of-effort templates or forms for FAS employees to use in periodically documenting and reporting their percentage-of-effort data. These standardized templates or forms can be saved in departmental drives or SharePoint sites that FAS employees, managers, and administrators can access. This would also provide the university budget office with access to the data at any time for cost allocation planning purposes.

The campus could also consider using alternative methodologies to calculate cost allocation and recovery amounts for FAS. Such methodologies may include cost allocations based on:

- Employee headcount of the chargees.
- Number of chargee transactions as a percentage of total number of transactions.
- Chargee revenues as a percentage of total revenues.
- Chargee expenses as a total of total expenses.
- Any other agreed-upon basis, as negotiated between the campus and the chargees.

Please refer to Appendices C and D for a listing of potential cost allocation methodologies being used at other CSU campuses.

- c. We also recommend that the campus perform a more extensive review on the level and quality of services provided to chargees to identify:
 - If services are not provided but being charged for.
 - What service areas can be improved and made more efficient.
 - What service areas are duplicating functions already performed by chargees.

REALLOCATIONS OF CAMPUS COST ALLOCATION CHARGES RECEIVED BY UEC**OBSERVATION**

All campus cost allocation charges received by UEC go through a second-level reallocation, with cost allocation charges being split between SPA and UEC administration. We performed

interviews regarding this second-level reallocation and reviewed available supporting documentation.

We noted that this second-level reallocation was not supported by a structured methodology that was practicable and fact-based, relative to the activity and related costs. As such, the resulting reallocations to SPA, which are paid out of sponsored programs indirect cost dollars, may not accurately represent campus services provided to SPA.

We performed our own recalculation of this reallocation and found that SPA has potentially been overcharged by approximately \$182,432. Please refer to the Supplementary Notes for additional details of our analysis.

RECOMMENDATION

We recommend that the campus:

- a. Perform a more comprehensive review of the reallocation of cost allocation charges between UEC and SPA to determine whether the goal of the reallocation is to recover campus services provided to SPA or some other operational purposes. If it is the former, a determination should be made as to whether the reallocation accurately captures actual services provided by the campus to SPA. If it is the latter, a determination should be made as to whether the operational purpose of the reallocation complies with applicable criteria.
- b. Ensure that the reallocation calculation is developed by a department or group that is independent and separate from the UEC.

ADMINISTRATION & FINANCE – FACILITIES MANAGEMENT

OBSERVATION

We reviewed FM's cost allocation methodologies against applicable CSU criteria and found that they were appropriate and in line with criteria.

We reviewed and tested the FM 2018/19 cost allocation work sheets, and we were unable to:

- Obtain documents supporting the selected gross square footage (GSF) rental rates.
- Tie the selected GSF assignments to supporting documentation provided.

We performed an analysis of what the potential cost allocation charges would have been for applicable chargees if updated GSF rental rates and assigned GSFs had been used. We calculated the potential cost allocation undercharge to be between \$35,270 and \$38,289. Please refer to the Supplementary Notes for additional details of our analysis.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
CEL	<ul style="list-style-type: none"> • Chargeback • Time and materials • Percentage of effort • Average cost per square foot 	YES	NO
SHC			
Housing			
PS			
SMSU			
SRWC			
UEC			

RECOMMENDATION

We recommend that the campus and FM reassess and review:

- The GSF assigned to chargees to accurately identify the amount of space each chargee is using.
- The GSF rental rates used to calculate the direct cost allocation charges to the chargees to determine whether the rates being used currently are still accurate and applicable.

ADMINISTRATION & FINANCE – RISK MANAGEMENT

OBSERVATION

We reviewed RM's percentage-of-effort cost allocation methodology against applicable CSU criteria and found that it was appropriate and in line with criteria.

We reviewed and sample-tested RM's cost allocation worksheet and noted several variances when we attempted to tie our selected transactions to supporting documents provided by RM. We noted that revisions were made to RM's 2018/19 cost allocation plan expenses worksheet subsequent to the finalization of the 2018/19 campus cost allocation plan. These revisions were the cause of the variances we noted.

The aggregate decrease of our nine samples was \$707, or 2 percent. Projecting that to the total RM 2018/19 cost allocation charges of \$144,067 results in a potential decrease of \$2,881. Please refer to the Supplementary Notes for additional details of our analysis.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
CEL	Direct cost and/or average cost per square foot basis.	YES	NO
SHC			
Housing			
PS			
SMSU			
SRWC			
UEC			

RECOMMENDATION

We recommend that the campus and RM create and implement a schedule or timeline to ensure that RM gathers and compiles their current cost allocation charges in time for them to be included in the campuswide cost allocation plan.

AUXILIARY HUMAN RESOURCES**OBSERVATION**

We reviewed AHR's cost allocation methodology against applicable CSU criteria and found that it was appropriate and in line with criteria.

We found that AHR's cost allocation charges were split between UEC and PF by 98 percent and 2 percent, respectively. AHR was unable to provide auditable documents to support this split.

We calculated what the cost allocation charges to PF would have been at 6 percent, instead of the adjusted 2 percent. We found that the potential undercharge of AHR cost allocation charges to PF was approximately \$10,290. Please refer to the Supplementary Notes for additional details of our analysis.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
UEC	Percentage of Effort	YES	NO
PF	Full Cost Recovery	YES	NO

RECOMMENDATION

We recommend that AHR document its methodology for determining the percentage-of-effort split between UEC and PF employees.

ADMINISTRATION & FINANCE – UNIVERSITY POLICE DEPARTMENT**OBSERVATION**

We reviewed UPD's cost allocation methodology against applicable CSU criteria and reviewed UPD's 2018/19 cost allocation worksheets.

We found UPD's use of chargee incident ratios to be a reasonable methodology for capturing the amount of UPD effort and time allocable to each chargee. However, our research found that alternative cost allocation methods, which include the blending of multiple factors, may result in a more equitable allocation of UPD costs among chargees.

We surveyed other CSU UPDs and compiled a listing of their cost allocation methodologies at the request of the campus. Please refer to Appendix B for this listing.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
ASI	Chargee incident ratio = calculated as the number of incidents attributable to a chargee, as a ratio to the average number of incidents campus-wide for the last three years.	YES	YES
CEL			
SHC			
Housing			
PS			
SMSU			
SRWC			
UEC			

RECOMMENDATION

As noted above, although UPD's current cost allocation method is reasonable, we recommend that the campus evaluate alternative methodologies used at other CSU campuses to determine whether a different approach can be used to allocate UPD costs among chargees in a more equitable manner.

ACADEMIC AFFAIRS – PALM DESERT CAMPUS

OBSERVATION

We reviewed PDC's cost allocation methodology against applicable CSU criteria and reviewed PDC's 2018/19 cost allocation worksheet.

We found that PDC's 2018/19 cost allocation methodology and charges appeared reasonable.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
ASI	Square footage of Indian Wells Center	YES	YES
PS	Percentage of Effort	YES	YES

RECOMMENDATION

No recommendations noted.

ACADEMIC AFFAIRS – SPONSORED PROGRAMS ADMINISTRATION**OBSERVATION**

We reviewed SPA's cost allocation methodology against applicable CSU criteria and reviewed SPA's 18/19 cost allocation charges to UEC.

We found that SPA's 2018/19 cost allocation methodology and charges appeared reasonable.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
UEC	Full Cost Recovery	YES	YES

RECOMMENDATION

No recommendations noted.

ADMINISTRATION & FINANCE – HUMAN RESOURCES AND PAYROLL**OBSERVATION**

We reviewed HR's and PR's cost allocation methodologies against applicable CSU criteria and found that they were appropriate and in line with criteria.

We also reviewed HR's and PR's cost allocation worksheets and found that their 2018/19 cost allocation charges appeared reasonable.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
CEL	•Chargeback basis (HR only)	YES	YES
SHC	•Average cost per headcount, with the		
Housing	HR/PR operating budget as the cost		
PS	basis		

RECOMMENDATION

No recommendations noted.

INFORMATION TECHNOLOGY SERVICES**OBSERVATION**

We reviewed ITS' percentage-of-effort cost allocation methodology against applicable CSU criteria and found that it was appropriate and in line with criteria.

To test ITS' cost allocation charges, we reviewed two ITS employees, and we were able to tie their salaries and benefits information to supporting documents without exception.

We found that ITS' 2018/19 cost allocation methodology and charges appeared reasonable.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
ASI	Percentage of Effort	YES	YES
CEL			
SHC			
Housing			
PS			
PF			
SMSU			
SRWC			
UEC			

RECOMMENDATION

No recommendations noted.

STUDENT AFFAIRS**OBSERVATION**

We reviewed SA's percentage-of-effort cost allocation methodology against applicable CSU criteria and found it to be appropriate and in line with criteria.

To test SA's cost allocation charges, we reviewed one SA employee, and we were able to tie the salaries and benefits information to supporting documents without exception.

We found that SA's 2018/19 cost allocation methodology and charges appeared reasonable.

The table below summarizes the results of our observations.

CHARGE	COST ALLOCATION METHOD	COST ALLOCATION METHODOLOGY APPROPRIATE?	COST ALLOCATION CHARGES APPROPRIATE?
ASI	Percentage of Effort	YES	YES
CEL			
SHC			
Housing			
SMSU			
SRWC			

RECOMMENDATION

No recommendations noted.

GENERAL INFORMATION

SCOPE

The scope of this engagement included a review of the campus' cost allocation plan and methodologies to determine whether they were fair, reasonable, and compliant with applicable criteria. The review focused on procedures in effect at the time of our review, with samples taken from the fiscal year 2018/19 cost allocation plan.

We gained an understanding of practices and procedures relating to the cost allocation plan and its underlying methodologies through discussions with management and reviews of available documentation. Based on this understanding, we developed a review program that included a combination of analytical and detailed testing procedures.

We visited the CSUSB campus from February 4, 2019, through April 19, 2019, and performed a review focused primarily on the internal administrative, compliance, and operational controls over the cost allocation plan process. Specifically, we reviewed and tested:

- The administration, organizational structure, staffing, and policies and procedures for the cost allocation process.
- The cost allocation plan package published and made available to the campus.
- The FY 2018/19 cost allocation plan model for compliance with criteria and mathematical accuracy.
- The methodologies employed by the chargers to determine their cost allocation charges, including sample testing supporting cost allocation schedules.
- Disbursements from the campus general fund to identify potential exceptions to the cost recovery process.
- The cost allocation plans of other CSU campuses to specifically identify cost allocation methodologies they employed for UPD and FAS. A summary is included under Appendices B and C below.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an advisory review may not always detect these limitations.

CRITERIA

This advisory review was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* as they pertain to consulting and advisory services.

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

- EO 1000, *Delegation of Fiscal Authority and Responsibility*
- EO 847, *Policy Statement on Facility Maintenance*
- ICSUAM §3552.01, *Cost Allocation/Reimbursement Plan for the CSU Operating Fund*

ADVISORY TEAM

Assistant Vice Chancellor: Mike Caldera

Advisory Manager: Dane MacDonald

Senior Advisory Services Consultant: Jon Constantine Saclolo

COST ALLOCATION PLAN METHODOLOGY

Advisory Services Review

California State University, San Bernardino

Advisory Services Report 19-104

August 14, 2019

APPENDIX A – ADDITIONAL OBSERVATIONS

The additional observations summarized below were considered low risk in nature or were unrelated to the scope of the engagement. Nevertheless, these items are included for further review and follow-up as determined necessary by campus management.

OBSERVATION	RECOMMENDED ACTIONS
<p>A.1 Cost Allocation Plan Timeline</p> <p>The annual cost allocation did not stipulate the time frame for the approval and implementation of the plan, as required by ICSUAM §3552.01.</p> <p>ICSUAM §3552.01 states that “The university’s CFO is responsible for ensuring proper, consistent, and timely recovery of costs incurred by the CSU Operating Fund by annually preparing a documented cost allocation/reimbursement plan for the university. The annual approval and implementation of the plan should occur at a consistent time from year to year, and the time frame should be stipulated in the plan.”</p> <p>Per our interviews and inquiries with the university budget office, the process and timeline to gather the required data and put together the cost allocation plan varies from year to year. In general, the university budget office begins reaching out to various departments in December and January, with the following goals:</p> <ul style="list-style-type: none"> • Create a draft cost allocation plan for review and discussion from February to April. • Finalize the cost allocation plan for review from May to June. • Submit the final cost allocation plan to the vice president of administration and finance/CFO for review and approval by the end of the fiscal year. <p>We obtained and reviewed copies of the fiscal year 2017/18 and 2018/19 cost allocation plans and noted that they did not explicitly document or outline the timeline or process flow used to annually create the cost allocation plan.</p> <p>We also did not find any language within these cost allocation plans addressing the ICSUAM requirement that the “annual approval and implementation of the plan should occur at a consistent time from year to year and the time frame should be stipulated in the plan.”</p>	<p>We recommend that the campus include a general timeline within the cost allocation plan to outline the creation, approval, and implementation of the annual plan.</p>

OBSERVATION	RECOMMENDED ACTIONS
A.2 Cost Allocation Plan – Catalog of Services	
<p>The catalog of services created and provided to supplement the annual cost allocation plan created confusion among chargees as to what services they are, or are not, receiving from the campus.</p> <p>During the course of our interviews, we found that chargees understood that the catalog outlined services actually provided by campus. However, we encountered comments from chargees that some services marked as “X” in the catalog of services were not actually provided or were done by the chargees themselves.</p> <p>Based on our interviews with chargers, we found that the services marked in the catalog with an “X” represented a combination of services that were provided in prior years and services that are readily available should they be needed by the chargees.</p>	<p>During our review, we noted that the catalog of services included in the fiscal year 2018/19 cost allocation plan included a disclaimer under Appendix A stating:</p> <p>“Comprehensive list of services provided by campus units to auxiliary/enterprise/self-support entities. Catalog includes all identified services; not all services will have an associated CAP estimated cost.”</p> <p>As the catalog already includes this clarifying disclaimer, we recommend that the campus:</p> <ol style="list-style-type: none">Add language in the catalog of services explaining that actual cost allocation charges for the year are outlined in the main cost allocation plan.Take time during the review and discussion stage of the cost allocation plan to explain to chargees that the catalog of services represents a combination of services that were provided in prior years and services that are readily available should they be needed by the chargees.

APPENDIX B: BENCHMARKING SUMMARY – UNIVERSITY POLICE COST ALLOCATION METHODOLOGY

We reviewed the cost allocation plans of other CSU campuses to identify the cost allocation methodologies used by their UPDs. A summary is included below.

CAMPUS	UPD COST ALLOCATION METHODOLOGY
San Jose	<p>Based on headcount and MOUs:</p> <ol style="list-style-type: none"> 1. Security cost per faculty/staff/student FTE UPD CSU Operating Fund Budget ÷ Total Projected Campus FTE (2,775 faculty/staff; 28,255 students) 2. Security cost per staff/faculty/student resident [UPD CSU Operating Fund Budget per Officer/Dispatcher x UPD Officer/Student Ratio (1.5 / 1,000)] – [Discount for Weekday Security Covered by CSU Operating Fund (1/3 of weekdays)] 3. Comprehensive/principal agreement/contract between the non-CSU Operating Fund Entity and the university.
Dominguez Hills	<p>Based on chargee FTE as a percentage of total FTE:</p> <p>The cost allocation methodology is a pro-rata distribution of operating trust costs for applicable services as a percentage of total number of employees, on a full-time equivalent basis.</p>
San Luis Obispo	<p>Based on usage chargeback model:</p> <ol style="list-style-type: none"> 1. Usage is in terms of events held, not incidents or calls to UPD. 2. Chargeback is on a direct cost basis (i.e. only charge for the cost of UPD officers who work events).
Los Angeles	<p>Based on UPD officer's assigned location:</p> <ol style="list-style-type: none"> 1. Officers are assigned to specific campus locations. 2. Cost allocation charge is calculated based on officer location assignment + the number of calls received by UPD.

Fresno	<p>Based on square footage:</p> <p>Operating cost is allocated to chargees based on their assigned square footage.</p> <p>Chargers can choose to use these allocation methods:</p> <ol style="list-style-type: none">1. Total campus building square footage2. % of total budget3. % of total expenditures
Sacramento	<p>Based on two components:</p> <p>UPD Cost Allocation Charge = Response (24%) + Prevention (76%)</p> <ol style="list-style-type: none">1. Response component = (Chargee # of calls/Total # of calls) X (UPD allocable budget X 24%)2. Prevention component = (Chargee square feet/Total square feet) X (UPD allocable budget X 76%)
Channel Islands	<p>Based on percentage of effort for UPD personnel and subsidized percentage for other than personnel services (OTPS).</p> <p>UPD Cost Allocation Charge = UPD Personnel Charges + UPD OTPS Charges</p> <ol style="list-style-type: none">1. UPD Personnel Charges = UPD management, supervisory, support staff salaries X percentage of effort2. UPD OTPS Charges = UPD supplies and services X subsidized percentage

APPENDIX C: BENCHMARKING SUMMARY – FINANCE AND ADMINISTRATIVE SERVICES

We reviewed the cost allocation plans of other CSU campuses to identify the cost allocation methodologies used by their FAS. A summary is included below.

CAMPUS	FAS COST ALLOCATION METHODOLOGY
San Jose	<p>Business and Financial Services, their equivalent of FAS, uses the following methods:</p> <ol style="list-style-type: none"> 1. Fixed charges 2. MOU-based 3. Allocation based on revenues collected 4. Cost distributions between two foundations – MOU-based 5. Facilities space usage – fee-based depending on assignable square feet 6. Equipment/vehicle usage 7. Full/direct cost 8. Percentage of general salary increases 9. Percentage of chargee expenses compared to total expenses for the campus
Cal Poly Pomona	<p>Cost of services provided by the university's departments of procurement, accounting, cashiering, budget services, payroll, human resources, information technology, admissions, and records are recovered from the following auxiliary enterprise funds:</p> <ol style="list-style-type: none"> 1. Continuing Education 2. Housing 3. Parking <p>Depending on the type of service provided, costs are allocated on the basis of revenues generated or expenses incurred. For example, cashiering costs are allocated on revenue processed; accounts payable costs are allocated on expenses processed; and procurement costs are allocated on units of procurement transactions.</p>

Los Angeles	<p>Cost allocation is MOU-based.</p> <ol style="list-style-type: none"> 1. Multiyear MOUs were established with all self-support/auxiliary organizations. They specify campus services that will be provided and at what cost to the chargees. 2. Campus work with various areas to gather information for cost allocation: Procurement for MOUs; auxiliaries/self-support enterprises for cost allocation data; accounting for billing. 3. Cost allocation plan is the consolidation of all existing MOUs. Campus mainly recovers costs for services in administration and finance, but the plan will include other areas if specified in MOU.
Fresno	<ol style="list-style-type: none"> 1. Cost Allocation based on existing MOUs: Certain auxiliary enterprises have valid leases, operating agreements, and/or MOUs with the trustees/university. These documents describe the various general fund facilities, goods, and services provided to them and the method (direct or indirect) of calculation for the reimbursement to the general fund. The existence of an MOU would preclude inclusion in the indirect cost allocation plan. 2. Allocation of indirect costs should be based on a process that is reasonable relative to the activity and the related costs. Methodologies for allocating indirect costs should be developed utilizing the guiding principles listed below: <ul style="list-style-type: none"> • Costs that are applicable to the overall operation of the activity must be reasonable, properly allocable, auditable, objective, and consistently applied. • A single rate or multiple rates may be used based on the cost factors involved. If multiple rates are used for the same service, the costs of the service should be allocated only once. (For example, an auxiliary enterprise with a high dollar volume of expenditures and only a few transactions may have a different rate for allocating central office accounts payable costs than an auxiliary with low dollar volume and many transactions.) • Allocation rates must be reviewed and evaluated at least annually. • The development of allocation methodologies must include consideration of the impact on other indirect cost recoveries to help ensure continued compliance with federal costing regulations. <p>Significant indirect costs that benefit auxiliary enterprises should be reviewed and analyzed in developing the cost allocation plan. Generally, all indirect costs should be allocated if the accounting benefit of allocating the indirect cost outweighs the related accounting effort and cost. Allocations of budgeted operations costs may be offset with unrecovered costs incurred by an auxiliary enterprise on behalf of budgeted operations. If a cost allocation plan incorporates such exchanges of value, they should be documented.</p> <p>Indirect cost recovery rates are limited to no more than the full costs of the activity, inclusive of direct and indirect costs.</p>

Sacramento	<p>Administration & Business Affairs (ABA) is the campus' equivalent of FAS. ABA cost allocation is based on the chargee operating budget as a percentage of the annual university operating fund budget</p> <p>$ABA \text{ Cost Allocation Charge} = UOFB \times (\text{chargee operating budget} / UOFB)$</p> <p>ABA provides the following services:</p> <ol style="list-style-type: none">1. Financial services2. Accounting3. Budget4. Accounts payable5. Auditing services6. Bursar7. Resource and organizational management8. Procurement9. Receiving10. Risk management11. Space management
Channel Islands	<p>Business and Financial Affairs (BFA) is the campus' equivalent of FAS.</p> <p>$BFA \text{ Cost Allocation Charge} = \text{Revenue of the Auxiliary or Enterprise} \times \text{Percentage Distribution}$</p> <p>Percentage distribution is determined by the campus as the percentage that represents the actual costs of operating fund support in the areas of financial services, human resources, student business services, and procurement as a percent of the entire operating fund revenue budget.</p>

APPENDIX D: BENCHMARKING SUMMARY – ALTERNATIVE COST ALLOCATION METHODS

We reviewed the cost allocation plans of other CSU campuses to identify alternative cost allocation methodologies. A summary is included below.

Cost Pool	Potential Allocation Method (Aside from Direct Costing)
Depreciation	Square Footage
Buildings and Building Equipment	% of Total Budget Square Footage Usage
Utilities	% of Total Square Footage % of Total Budget Metered Use Facilities Use Studies
Executive Administration (President/VPs)	% of Total Budget % of Total Compensation % of Total Expenditures Credit Hours/FYE/Student Headcount Total Employee "Pays" (head count)
Human Resources/Payroll	Number of Employees Served by Fund Code Total Employee "Pays" (head count) % of Total Compensation % of Total Budget % of Total Expenditures Time Studies
Other Administrative	% of Total Budget # of Documents Processed Time Studies
Physical Plant/Grounds	Total Campus Building Square Footage % of Total Budget % of Total Expenditures

Security/Public Safety	Total Campus Building Square Footage % of Total Budget % of Total Expenditures Total Head Count Number of Events Number of Calls
Student Services	Full Year Equivalent Total Head Count Total Credit Hours + CEUs % of Total Expenditures
Marketing	Total Campus Building Square Footage % of Total Budget Credit Hours/FYE/Student Headcount % of Total Expenditures
Academic Support	Full Year Equivalent Total Student Head Count Total Credit Hours + CEUs % of Total Expenditures

SUPPLEMENTARY NOTES

The summary of the campus' 2018/19 CAP below is for reference.

2018-19 Cost Allocation Plan/Cost Recovery Summary										
State-side Departments	Associated Students, Inc.	College of Extended Learning*	Health Center**	Housing	Parking Services	Philanthropic Foundation	Santos Manuel Student Union	Student Recreation & Wellness Center	University Enterprises Corporation	Total
AA-Palm Desert Campus	1,129	0	0	0	21,014	0	0	0	0	22,143
AA-Sponsored Programs	0	0	0	0	0	0	0	0	596,352	596,352
Auxiliary Human Resources	0	0	0	0	0	5,145	0	0	252,120	257,265
AF-Facilities Management	0	32,419	(14,016)	137,347	135,781	0	43,815	16,748	74,545	426,639
Building Maintenance	0	14,423	17,805	2,247	11,574	0	14,136	8,370	21,153	89,709
Custodial	0	7,685	9,837	0	2,885	0	669	0	21,377	42,454
Grounds	0	7,032	6,753	133,642	108,139	0	9,145	5,338	16,032	286,081
Heating & Air	0	7,147	5,017	6	1,267	0	14,905	2,827	6,080	37,249
Preventive Maintenance	0	787	8,327	1,452	10,072	0	1,355	213	5,397	27,603
Utilities	0	6,151	3,596	0	1,844	0	3,605	0	4,506	19,702
AF-Finance & Administrative Svcs.	64,764	50,092	39,078	59,777	57,670	173,106	77,964	44,019	692,969	1,259,439
Financial Services (Accounting)	3,104	30,322	16,909	24,518	35,351	7,900	6,120	3,072	35,813	163,110
Auxiliary Financial Services	54,353	0	0	0	0	157,429	63,508	33,357	643,288	951,934
Budget Office	5,788	4,605	6,140	6,140	6,140	5,097	6,140	6,493	6,140	52,683
Procurement & Contracts	0	11,675	10,738	23,828	11,405	0	0	0	0	57,646
Support Services	1,519	3,490	5,291	5,291	4,774	2,680	2,196	1,097	7,728	34,066
AF-Human Resources	0	25,897	34,529	31,482	20,311	0	0	0	0	112,219
AF-Payroll	0	4,538	6,188	17,189	4,950	0	0	0	0	32,865
AF-University Police	229	11,428	29,671	662,778	184,038	0	129,107	49,317	44,506	1,111,074
AF-Risk Management (Fire Safety)	0	3,747	3,706	81,356	30,920	0	11,139	4,327	8,872	144,067
ITS	2,469	82,304	116,572	266,478	43,562	4,024	18,795	11,519	138,936	684,659
Student Affairs	70,063	11,919	159,457	154,203	0	0	104,480	38,806	0	538,929
Total Cost Recovery from Entities	138,654	222,344	375,186	1,410,611	498,245	182,275	385,301	164,736	1,808,300	5,185,652

*CEL reflects 25% reduction for Summer

**Health Center includes established baseline adjustments for Facilities & Student Affairs

FY 17/18 Cost Recovery	172,606	236,913	581,879	1,394,633	607,396	172,337	361,940	195,428	1,762,090	5,485,222
Difference	(33,952)	(14,569)	(206,693)	15,978	(109,150)	9,938	23,360	(30,691)	46,210	(299,570)
	-19.67%	-6.15%	-35.52%	1.15%	-17.97%	5.77%	6.45%	-15.70%	2.62%	-5.46%

COMPLIANCE WITH APPLICABLE CRITERIA – COST ALLOCATION PLAN ELEMENTS – CAMPUS ALUMNI ASSOCIATION

The cost allocation plan did not explicitly address the campus alumni association.

ICSUAM §3552.01, Sections 300 and 301, states:

“A university’s cost allocation/reimbursement plan must articulate the practices and methodologies utilized in determining the basis for allocating costs. Due consideration must be given to the relative benefits received, the materiality of costs, and the amount of time and effort necessary to make such an allocation/reimbursement. The plan will also specifically identify direct and indirect costs requiring reimbursement. And, while there are different methodologies available for allocating costs that a university might use, the methodology used should result in a justifiable distribution of costs as determined by the campus CFO. Detailed documentation that demonstrates the factors that were taken into consideration in determining cost recovery are to be included as part of the plan. Both direct and indirect costs should be considered in developing the cost allocation plan. At a minimum, a plan would include a separate section addressing each of the following: Identification of the alumni association, auxiliary organization, enterprise programs/activities/fund sources or entity external to the university.”

During our review of the campus cost allocation plan, we noted that it did not explicitly address the campus’ alumni association. Per the campus, the alumni association is not included in the cost allocation plan because it is not identified as a campus auxiliary or self-support enterprise. Instead, the alumni association is considered a part of the campus’ advancement department.

However, per our discussion with Scott Pak, associate director of financial services in the CSU Management and Accounting Practices Office, ICSUAM §3552.01 specifically mentions alumni associations along with the other groups (i.e., auxiliary organizations, enterprise programs, etc.) so that the campus will have a plan for the areas if cost recovery is needed.

ADMINISTRATION & FINANCE – FINANCE & ADMINISTRATIVE SERVICE

We used FAS’ employee percentage-of-effort data to perform a separate sample-based test to determine the accuracy of percentage-of-effort data inputted to the cost allocation model.

For chargers that used employee percentage of effort as a cost allocation methodology, charges were calculated using the following formula:

- Employee Percentage of Effort X Employee Salaries and Benefits

Employee percentage-of-effort data are manually collected and compiled by the chargers. Employee salary and benefits data are generated directly from PeopleSoft.

This testing of employee percentage-of-effort data for selected FAS employees also provides coverage for other instances when a charger uses employee percentage-of-effort information in their cost allocation calculations.

The FAS cost allocation charges are built using a percentage of effort schedule compiled by FAS managers and administrators. This schedule captures the percentage of FAS employees' time spent performing work for an auxiliary or a self-support enterprise. Per our inquiries and interviews, FAS employees provide their percentage-of-effort data to their managers and administrators. These are then reviewed, finalized, and inputted into the cost allocation model.

We performed the following procedures:

- We obtained a copy of the FAS 2018/19 cost allocation worksheet, including the supporting FAS percentage-of-effort schedules for the various FAS departments.
- We verified that the provided cost allocation worksheet was mathematically sound, that embedded formulas functioned correctly, that cost allocation charges were calculated correctly, and that they tied to the provided FAS percentage-of-effort schedules.
- We selected 20 FAS employees from the provided FAS percentage-of-effort schedule and sent them surveys asking them about their percentage-of-effort data for 2018/19.
- We compared their responses to the FAS percentage-of-effort data that was inputted into the 2018/19 cost allocation.

We noted variances in the percentage-of-effort data for 19 of the 20 employees. The main explanations provided by FAS management as the potential causes for the variances noted were:

- Employee percentage-of-effort data are collected every three years.
- Adjustments are made at the employee manager/supervisor level during their review of this data.
- Adjustments are made to account for other factors.

We performed follow-up interviews with the selected employees and noted the following:

- When asked whether FAS management has ever requested their percentage-of-effort information for cost allocation purposes, six responded that they have never been asked to provide such information, 11 responded that they were asked to provide this information but not on an annual basis, and two responded that this information was requested on an annual basis.
- Eighteen of the 19 employees stated that their percentage-of-effort estimates were based on their recollection of time spent doing work for an auxiliary or enterprise, or based on the number of projects done for that auxiliary or enterprise.

Based on the procedures we performed, the percentage-of-effort data used by FAS to calculate their cost allocation charges may be undercharged for the following reasons:

- The percentage-of-effort data was not gathered from FAS employees on a consistent basis. Variances noted may be the result of using old percentage-of-effort data.
- Not all FAS employees were asked for their percentage-of-effort data, putting into question the completeness and accuracy of current percentage-of-effort data used in the FAS cost allocation calculation.
- Adjustments were made at the manager or supervisor level after the data was collected.
- Employee estimates were generally based on recollection, which may not be accurate, instead of on methodically gathered and compiled system data.

As a second verification test of FAS employee percentage of effort, we sent inquiries to campus chargees regarding the services they were receiving from FAS, for which they are getting cost allocation charges. Some chargees responded that they:

- Did not receive the services they were charged for.
- Were receiving the service, but the service quality was sub-par.
- Were charged for services that they were already performing for themselves.

IMPACT ANALYSIS

We used the results of our FAS employee percentage-of-effort surveys to estimate the potential undercharge of FAS cost allocation charges. We estimated this undercharge to be approximately 9 percent, or \$124,559. Please refer to Attachment A below for the summary of our survey results.

This potential undercharge may be the combined result of outdated or inaccurate employee percentage-of-effort data that has been adjusted and modified at the supervisor or manager levels.

In light of the survey responses we received from the chargees regarding the services they receive from FAS, if adjustments and modifications to the data were made to address known or suspected inefficiencies and/or duplication of effort, the variance of 9 percent does not seem unreasonable. However, if the variance is mainly caused by outdated and inaccurate data, every effort should be made to ensure that employee percentage-of-effort data are collected and documented as accurately as possible.

REALLOCATIONS OF CAMPUS COST ALLOCATION CHARGES RECEIVED BY UEC

During our inquiries and interviews with SPA, we learned that the UEC executive director performed a second-level reallocation of cost allocation charges received by UEC from the campus, between SPA and UEC administration. We obtained the supporting documents for this second-level reallocation and made the following observations:

1. UEC reallocated the FY 2018/19 auxiliary financial services (AFS) cost allocation charge of \$643,288 between UEC administration and SPA by 25 percent and 75 percent, respectively. Per the UEC's executive director, this reallocation was based on an AFS desk audit performed by the campus' new associate controller.

We obtained a copy of this AFS desk audit and noted the following:

- It was created in fiscal year 2015/16 by the former AFS director. The desk audit was essentially a percentage-of-effort schedule, similar to that used by FAS, and it listed the percentage of effort for six AFS employees, with their effort split between the campus/general fund and campus auxiliaries and enterprises.
- Using four of the six listed AFS employees, the associate controller estimated what their 2019 percentage of effort would be for work attributable to UEC. Per the associate controller, his 2019 estimates are based on his personal observations, in which he noted that SPA required more attention from his staff.

- The associate controller then created an additional estimate for these four employees, to further split their UEC work between UEC administration and SPA.

We found that this AFS desktop audit did not reasonably support the reallocations made by the UEC's executive director to split the AFS cost allocation charge between UEC administration and SPA, for the following reasons:

- It was based on fiscal year 2015/16 data and may not accurately show current employee percentage of effort.
 - The associate controller had been with CSUSB for approximately two months as of April 2019. His 2019 estimates were therefore based on observations he made during his two months on campus.
 - It included the fiscal year 2015/16 percentage of effort for only six AFS employees. The fiscal year 2018/19 AFS charge to UEC of \$643,288 was based on the percentage of effort for 11 AFS employees.
 - Using the associate controller's estimates for the 2019 AFS percentage of effort attributable to SPA, we calculated the average percentage of effort to be 53.75 percent. This is less than the actual reallocation percentage of 75 percent used by the UEC's executive director. Please refer to Attachment B below.
2. UEC reallocated the cost allocation charges for facilities, FAS, ITS, UPD, and RM, a total cost allocation charge of \$201,604, between UEC administration and SPA by 60 percent and 40 percent, respectively. This reallocation is based on the judgment of the UEC executive director. Based on our review and inquiries, the lack of a methodical and documented approach to reallocate these costs led to a failure to demonstrate that these charges costs were allocated "based on a process that is...practicable and fact-based relative to the activity and the related costs," as required by ICSUAM §3552.01, Section 304. As such, this reallocation may not represent actual work done by the campus for SPA.

IMPACT ANALYSIS

1. We recalculated the SPA-UEC administration split of the AFS cost allocation charges. The results are below:

AFS Cost Allocation Charges to UEC \$ 643,288.00

UEC Re-allocation		Advisory Recalculation		Difference
To SPA at 75%	\$ 482,466.00	To SPA at 54%	\$ 347,375.52	\$ (135,090.48)
To UEC Administration at 25%	\$ 160,822.00	To UEC Administration at 46%	\$ 295,912.48	\$ 135,090.48

Based on our recalculation, SPA is potentially being overcharged by approximately \$135,090.

2. We obtained SPA director Diane Trujillo's reallocation of FAS, ITS, UPD, and RM cost allocation charges. Her reallocation is based on her manual review of transactions to identify those that specifically impact SPA, and her result is a SPA reallocation of \$33,300 (or approximately 17 percent):

FAS, ITS, UPD, RM Cost Allocation Charges to UEC \$ 201,604.00

UEC Re-allocation		Advisory Recalculation		Difference
To SPA at 40%	\$ 80,641.60	To SPA at 17%	\$ 33,300.00	\$ (47,341.60)
To UEC Administration at 60%	\$ 120,962.40	To UEC Administration at 83%	\$ 168,304.00	\$ 47,341.60

We reviewed her reallocation worksheet, and we were able to tie out the SPA specific transactions she identified to supporting cost allocation worksheets. Based on this recalculation, SPA is potentially being overcharged by approximately \$47,341.

The total amount by which SPA is potentially being overcharged as a result of this second-level reallocation of cost allocation charges by UEC is \$182,432.

ADMINISTRATION & FINANCE – FACILITIES MANAGEMENT

We obtained the supporting worksheets for FM's 2018/19 cost allocation charges to all its chargees. We then performed the following procedures:

- We recalculated the cost allocation charges, per chargee, documented in the summary tab of the FM cost allocation worksheet, to verify that the amounts were calculated correctly and that they tied to the supporting tabs. No exceptions were noted.
- We selected and tested 24 samples from the supporting tabs. Each sample represents a work order performed by FM for a chargee. These supporting tabs were generated by FM from TMA, the maintenance management software used by FM. No exceptions were noted.
- We selected and tested six contract service agreements included in the FM cost allocation worksheet. No exceptions were noted.
- We obtained the 2018/19 FM cost allocation worksheet, which shows how the various 2018/19 cost allocation charges were built, including all chargee direct costs, which are based on actual building cost per GSF. This worksheet shows the GSF assigned to campus chargees and their corresponding GSF rental rates. There were 25 GSF rental rates listed in the worksheet. We selected five of the 25 GSF rental rates documented

in the FM cost allocation worksheet and requested supporting documentation showing how these rates were determined and calculated. We were unable to obtain such supporting documentation.

- The 2018/19 FM cost allocation worksheet also included the GSF assigned to each cost allocation chargee. We selected all chargees listed in the worksheet and requested documentation to support each chargee's assigned GSF. We noted variances for each chargee when we compared their assigned GSF per the 2018/19 FM cost allocation worksheet to those listed in the supporting documentation (SFDB Report) provided.

IMPACT ANALYSIS

Unsupported GSF Rental Rates: As there are no available information regarding what the applicable and reasonable GSF rental rate should be for each chargee, we worked with the assumption that the campus should follow the \$11.07* rate per square foot for rented room, per the Office of the Chancellor's (CO) annually published cost for maintenance of new facilities. Please refer to our analysis below:

* <https://www2.calstate.edu/csu-system/about-the-csu/budget/2017-18-support-budget/supplemental-documentation/Pages/maintenance-of-new-facilities.aspx>

	Sierra Hall (CEL) 3339 GSF	University Hall (Parking) 1400 GSF	Mary Stuart Rogers @ PDC (SMSU) 880 GSF	Health Sciences @ PDC (HC) 1211 GSF	Bookstore @ PDC (UEC) 1100 GSF
BMS	\$ 3.94	\$ 0.80	\$ 1.07	\$ 1.08	\$ 1.07
Custodial	\$ 2.29	\$ 1.98	\$ 0.66	\$ 0.43	\$ 0.66
HVAC	\$ 0.23	\$ 0.18	\$ 0.27	\$ 0.38	\$ 0.27
PM	\$ 0.05	\$ 0.10	\$ 0.11	\$ 0.29	\$ 0.11
Utility	\$ 1.84	\$ 1.32	\$ 4.10	\$ 2.97	\$ 4.10
Total Cost per GSF	\$ 8.35	\$ 4.38	\$ 6.20	\$ 5.15	\$ 6.20
Total Cost Allocation Charges	\$ 27,874.71	\$ 6,128.74	\$ 5,453.40	\$ 6,240.76	\$ 6,816.75
CO Rate					
\$ 11.07	\$ 36,962.73	\$ 15,498.00	\$ 9,741.60	\$ 13,405.77	\$ 12,177.00
DIFFERENCE	\$ 9,088.02	\$ 9,369.26	\$ 4,288.20	\$ 7,165.01	\$ 5,360.25

The "difference" row shows the difference between what chargees are being charged now and what they would be charged if the campus used \$11.07 as a standard GSF rental rate for all chargees. We calculate the aggregate amount to be \$35,270.

Unsupported Assigned GSF: We calculated the following variances when we compared the chargee assigned GSF per the FM cost allocation worksheet to the SFDB Report we obtained. This report lists all assigned GSFs for all campus auxiliaries, departments, and enterprises:

	Sierra Hall (CEL) 3339 GSF	University Hall (Parking) 1400 GSF	Mary Stuart Rogers @ PDC (SMSU) 880 GSF	Health Sciences @ PDC (HC) 1211 GSF	Bookstore @ PDC (UEC) 1100 GSF
Assigned GSF	3,339	1,400	880	1,211	1,100
GSF per SFDB Report Provided	4,323	1,426	1,055	1,132	1,055
DIFFERENCE	984	26	175	(79)	(45)

The “difference” row shows that CEL, PS, and SMSU are using more space and SHC and the bookstore are using less space than what is documented in the cost allocation plan.

Finally, we reperformed our recalculation using chargee GSF per the SFDB Report, with the CO-recommended GSF rental rate of \$11.07 per GSF.

	Sierra Hall (CEL) 3339 GSF	University Hall (Parking) 1400 GSF	Mary Stuart Rogers @ PDC (SMSU) 880 GSF	Health Sciences @ PDC (HC) 1211 GSF	Bookstore @ PDC (UEC) 1100 GSF
GSF per SFDB Report Provided	4,323	1,426	1,055	1,132	1,055
Total Cost per GSF	\$ 8.35	\$ 4.38	\$ 6.20	\$ 5.15	\$ 6.20
	\$ 36,089.36	\$ 6,242.56	\$ 6,537.88	\$ 5,833.65	\$ 6,537.88
CO Rate					
\$ 11.07	\$ 47,855.61	\$ 15,785.82	\$ 11,678.85	\$ 12,531.24	\$ 11,678.85
DIFFERENCE	\$ 11,766.25	\$ 9,543.26	\$ 5,140.97	\$ 6,697.59	\$ 5,140.97

The “difference” row shows the difference between what chargees are being charged now and what they would be charged if the campus used \$11.07 as a standard GSF rental rate for all chargees, with the updated assigned GSFs. We calculated the aggregate amount to be \$38,289.

ADMINISTRATION & FINANCE – RISK MANAGEMENT

We obtained a copy of the 2018/19 RM cost allocation plan expenses worksheet, which outlines how the RM cost allocation expenses were calculated for 2018/19 for each chargee. From this document, we selected four campus locations for testing, which resulted in a total of 29 individual RM

transactions grouped into nine cost allocation charges. We noted variances when we attempted to tie our sample selections to the supporting documents provided.

Further inquiries revealed that revisions were made to RM's 2018/19 cost allocation plan expenses worksheet subsequent to the finalization of the 2018/19 campus cost allocation plan. These revisions were finalized by RM in December 2018, six months after the 2018/19 campus cost allocation plan was finalized and implemented. We found that these subsequent revisions were the cause of the variances we noted.

IMPACT ANALYSIS

	CAP	REVISED	CHANGE	% CHANGE
1	\$ 30,682.00	\$ 24,986.00	\$ (5,696.00)	-19%
2	\$ 657.00	\$ 657.00	\$ -	0%
3	\$ 1,618.24	\$ 2,105.36	\$ 487.12	30%
4	\$ 9,274.00	\$ 13,993.50	\$ 4,719.50	51%
5	\$ 1,001.25	\$ 871.25	\$ (130.00)	-13%
6	\$ 809.12	\$ 1,052.68	\$ 243.56	30%
7	\$ 1,216.00	\$ 1,101.50	\$ (114.50)	-9%
8	\$ 160.00	\$ 160.00	\$ -	0%
9	\$ 1,309.00	\$ 1,092.00	\$ (217.00)	-17%
TOTALS	\$46,726.61	\$ 46,019.29	\$ (707.32)	-2%

The aggregate decrease for our samples was \$707, or 2 percent. Projecting that to the total RM 2018/19 cost allocation charges results in a potential decrease of \$2,881.

AUXILIARY HUMAN RESOURCES

We obtained the supporting worksheets for AHR's 2018/19 cost allocation charges to UEC and PF. Percentage-of-effort cost allocation charges were calculated using the following formula:

- Employee Percentage of Effort X Employee Salaries and Benefits

We performed a separate sample-based test of employee percentage-of-effort inputs to the campus' cost allocation plan. For the testing of AHR's cost allocation charges, we limited our procedures to selecting two AHR employees who performed work for UEC and PF, and we tied their salaries and benefits information to supporting documents without exception.

AHR's cost allocation charges of \$257,265 were split between UEC and PF, based on the estimated amount of work that AHR employees performed for these entities. The 2018/19 split was 98 percent to UEC (\$252,120) and 2 percent to PF (\$5,145). During our review of the AHR cost allocation worksheet, the only explanation we found describing the allocation methodology between UEC and PF was a note stating "6 percent of EE's are PHL, only 2 percent of time is used on PHL EE's."

We performed additional inquiries regarding this allocation, and we learned that:

- AHR ran a list of active employees by fund type.
- AHR then determined that 5 to 6 percent of their effort was for employees who were paid out of a PF fund, based on a report AHR generated from PeopleSoft.
- AHR knows from prior experience that PF employees required much less HR time (mainly for employee on- and off-boarding) than the rest of UEC employees (who are typically grant-funded) did. Therefore, AHR reduced the allocation percentage from 5 percent to 2 percent to more accurately reflect their estimated work for PF employees.

However, we were not able to obtain and review more concrete documents to support how AHR determined the 2 percent cost allocation charge percentage for work done for PF.

IMPACT ANALYSIS

We calculated what the cost allocation charges to PF would have been at 6 percent, instead of the adjusted 2 percent. The potential undercharge of AHR cost allocation charges to PF is approximately \$10,290.

AHR Total Cost Allocation Charges	\$ 257,265.00
PF Employees at 6%	\$ 15,435.90
PF Employees at 2%	\$ 5,145.30
Potential Understatement	\$ 10,290.60

ADMINISTRATION & FINANCE – UNIVERSITY POLICE DEPARTMENT

UPD operating costs are allocated to the campus' chargees based on their incident ratio, which is calculated using the following formula:

$$\text{"Chargee Incident Ratio"} = \frac{\text{Chargee \# of incidents for the year}}{\text{Average of the total \# of campus incidents for the last 3 years}}$$

We recalculated the three-year average of the total number of incidents (17,520) without exception. We performed an analysis of the percentage of total incidents per chargee, compared to the average total number of incidents for the campus, as seen below:

	ASI	CEL	SHC	Housing	PS	PF	SMSU	SRWC	UEC	"Campus"
Number of incidents per FY 18/19 CAP	1	66	129	2,896	804	-	564	216	193	12,651
Average Total Incidents										
17,520										
% of Average Total Incidents	0.01%	0.38%	0.74%	16.53%	4.59%	0.00%	3.22%	1.23%	1.10%	72.21%

We noted the following:

- The chargees account for 27.79 percent of incidents, and as such they are charged for 27.79 percent of total UPD operating costs.
- Housing, PS, and SMSU have the highest percentage of average total incidents of all the chargees, which is reasonable considering that students gather and congregate in these locations.
- The campus is absorbing 72.21 percent of UPD costs, based on the number of incidents that are not attributable to the chargees.

We also sample-tested the incident reports for all chargees. We selected 15 chargee incidents and verified the accuracy of the incident information by matching them to police dispatch reports provided by UPD.

ACADEMIC AFFAIRS – PALM DESERT CAMPUS

Allocable PDC costs were charged to ASI and PS based on usage by square footage and employee percentage of effort, respectively. We reviewed PDC's cost allocation methodology against the requirements of applicable criteria. We also obtained the supporting worksheets for PDC's 2018/19 cost allocation charges to ASI and PS.

- For ASI charges, we tied the square footage and the rental rate per square foot used in calculating PDC's 2018/19 cost allocation charge to ASI. We also recalculated the cost allocation charge amount without exception.
- Percentage-of-effort cost allocation charges are calculated using the following formula: *Employee Percentage of Effort X Employee Salaries and Benefits*. We performed a separate sample-based test of employee percentage-of-effort inputs to the campus' cost allocation plan. For the testing of PDC cost allocation charges to PS, we limited our procedures to selecting two PDC employees who performed work for PS, and we tied their salaries and benefits information to supporting documents without exception.

ACADEMIC AFFAIRS – SPONSORED PROGRAMS ADMINISTRATION

We obtained the supporting worksheets for SPA's 2018/19 cost allocation charges to UEC. We found that SPA's cost allocation charges were based on the salaries and benefits for six SPA employees. We also found that the salaries and benefits for these six employees were downloaded directly from PeopleSoft and inputted into the cost allocation calculation.

As the information came directly from PeopleSoft, we performed an automated control testing of salary and benefits data generated from PeopleSoft. This test involved the following steps:

- Selected a sample of one from the SPA employee salary and benefits listing included in the SPA cost allocation worksheet.
- Personally observed campus personnel generating a duplicate PeopleSoft report.
- Tied the salary and benefits of our sample of one to the duplicate PeopleSoft report.

No exceptions were noted during the testing of our sample of one.

This testing of PeopleSoft salaries and benefits data for selected SPA employees also provided coverage for other instances when a charger used PeopleSoft salaries and benefits information in cost allocation calculations.

ADMINISTRATION & FINANCE – HUMAN RESOURCES AND PAYROLL

HR's cost allocation charges were calculated using the following methods:

- Chargeback basis: Cost estimates were based on fully loaded cost per actual transaction and reimbursed by chargeback as needed.
- Average cost per head count (staff/MPP employees only) = Cost estimates are based on CEL staff/MPP employee headcount as a portion of campus staff/MPP employee headcount (excluding faculty, students, casual workers, and special consultants). The resulting percentage is applied to the HR operating fund base budget, adjusted to exclude the AVP-executive leadership position, to arrive at the estimated cost for percentage of effort related to CEL.

PR's cost allocation charges are calculated using the following methods:

- Average cost per head count (faculty, staff/MPP, and student employees) = Cost estimates of these services are based on CEL employee headcount as a portion of campus employee headcount. The resulting percentage is applied to the PR operating fund base budget, to arrive at the estimated cost for percentage of effort related to CEL.

We performed the following procedures without exception:

- Matched salaries and benefits information to PeopleSoft reports.
- Matched operating budget information to supporting documents.
- Recalculated cost allocation formulas derived from staff/employee headcounts.

INFORMATION TECHNOLOGY SERVICES AND STUDENT AFFAIRS

ITS and SA calculate their cost allocation charges based on employee percentage of effort, using the following formula:

- Employee Percentage of Effort X Employee Salaries and Benefits

We performed a separate sample-based test of employee percentage of effort inputs to the campus' cost allocation plan. For the testing of ITS's and SA's cost allocation charges, we limited our procedures to employees who performed work for chargees, and we tied their salaries and benefits information to supporting documents without exception.

ATTACHMENT A: FAS EMPLOYEE PERCENTAGE OF EFFORT SURVEY RESULTS SUMMARY

AUDIT & ADVISORY SERVICES
 CSUSB Cost Allocation Plan Review
 CAP Testing : FAS

OF SAMPLES 22
 RESPONSES RECEIVED 20
 RESPONSE RATE % 91%

"CLEAN SAMPLES" 4
 "CLEAN SAMPLES" % 20%

We define "CLEAN SAMPLES" as samples with individual variances of less than 3%

"-" CAP OVER
 "+" CAP UNDER

#	DEPARTMENT	NAME	VARIANCES			
			PER CAP % OF EFFORT SCHEDULE		PER EMPLOYEE SURVEY RESPONSE	
			CHARGE	%	CHARGE	%
1	Student Financial Services	Kathy Haskins	ASI	0%	ASI	0%
			CEL	0.04%	CEL	0%
			HC	0%	HC	0%
			HOUSING	0%	HOUSING	0%
			PARKING	5%	PARKING	0%
			PF	0%	PF	0%
			SMSU	0%	SMSU	0%
			SRWC	0%	SRWC	0%
			UEC	5%	UEC	4%
				10%		4%
2	Student Financial Services	Pam Profeta	ASI	0.05%	ASI	0.00%
			CEL	0.05%	CEL	2.00%
			HC	0.00%	HC	0.00%
			HOUSING	0.00%	HOUSING	0.00%
			PARKING	1.25%	PARKING	0.00%
			PF	0.38%	PF	3.00%
			SMSU	0.00%	SMSU	0.00%
			SRWC	0.00%	SRWC	0.00%
			UEC	7.50%	UEC	25.00%
				9%		30%
3	Student Financial Services	Liliana Torres	ASI	0.68%	ASI	2.00%
			CEL	0.00%	CEL	0.00%
			HC	3.66%	HC	6.00%
			HOUSING	0.76%	HOUSING	1.00%
			PARKING	2.38%	PARKING	3.00%
			PF	0.00%	PF	0.00%
			SMSU	0.62%	SMSU	3.00%
			SRWC	0.25%	SRWC	6.00%
			UEC	5.00%	UEC	0.00%
				13%		21%
4	Accounts Payable	Adrienne Davis				
5	Accounts Payable	Marsha Teague	ASI	0.00%	ASI	10.00%
			CEL	2.71%	CEL	10.00%
			HC	3.22%	HC	10.00%
			HOUSING	2.43%	HOUSING	10.00%
			PARKING	1.25%	PARKING	10.00%
			PF	0.50%	PF	10.00%
			SMSU	0.00%	SMSU	10.00%
			SRWC	0.00%	SRWC	10.00%
			UEC	3.00%	UEC	10.00%
				13%		90%
6	Accounts Payable	Amber Schneck	ASI	0.00%	ASI	10.00%
			CEL	4.00%	CEL	10.00%

			HC	1.00%	HC	10.00%	9.00%
			HOUSING	2.00%	HOUSING	10.00%	8.00%
			PARKING	1.28%	PARKING	10.00%	8.72%
			PF	0.50%	PF	10.00%	9.50%
			SMSU	0.00%	SMSU	10.00%	10.00%
			SRWC	0.00%	SRWC	10.00%	10.00%
			UEC	1.00%	UEC	10.00%	9.00%
				10%		90%	80.22%
7	General Accounting	Melania Herndon	ASI	0.00%	ASI	3.00%	3.00%
			CEL	0.70%	CEL	0.00%	-0.70%
			HC	0.50%	HC	2.00%	1.50%
			HOUSING	0.20%	HOUSING	2.00%	1.80%
			PARKING	2.10%	PARKING	2.00%	-0.10%
			PF	0.00%	PF	3.00%	3.00%
			SMSU	0.00%	SMSU	3.00%	3.00%
			SRWC	0.00%	SRWC	3.00%	3.00%
			UEC	0.70%	UEC	3.00%	2.30%
				4%		21%	16.80%
8	Reporting and Tax	Maggie Mutadzakupa	ASI	0.50%	ASI	0.50%	0.00%
			CEL	1.00%	CEL	1.00%	0.00%
			HC	0.40%	HC	0.40%	0.00%
			HOUSING	0.40%	HOUSING	0.40%	0.00%
			PARKING	0.40%	PARKING	0.40%	0.00%
			PF	4.30%	PF	4.00%	-0.30%
			SMSU	0.70%	SMSU	0.70%	0.00%
			SRWC	0.00%	SRWC	0.00%	0.00%
			UEC	8.30%	UEC	8.30%	0.00%
				16%		16%	-0.30%
9	Aux F5	Melinda Jensen	ASI	1.00%	ASI	3.00%	2.00%
			CEL	0.00%	CEL	0.00%	0.00%
			HC	0.00%	HC	0.00%	0.00%
			HOUSING	0.00%	HOUSING	0.00%	0.00%
			PARKING	0.00%	PARKING	0.00%	0.00%
			PF	5.00%	PF	15.00%	10.00%
			SMSU	0.65%	SMSU	3.00%	2.35%
			SRWC	0.35%	SRWC	2.00%	1.65%
			UEC	93.00%	UEC	77.00%	-16.00%
				100%		100%	0.00%
10	Aux F5	Mallory Ruiz-Lester	ASI	5.00%	ASI	0.00%	-5.00%
			CEL	0.00%	CEL	0.00%	0.00%
			HC	0.00%	HC	0.00%	0.00%
			HOUSING	0.00%	HOUSING	0.00%	0.00%
			PARKING	0.00%	PARKING	0.00%	0.00%
			PF	5.00%	PF	15.00%	10.00%
			SMSU	3.25%	SMSU	0.00%	-3.25%
			SRWC	1.75%	SRWC	0.00%	-1.75%
			UEC	85.00%	UEC	80.00%	-5.00%
				100%		95%	-5.00%
11	Aux F5	Kimberlian Porter	ASI	1.00%	ASI	5.00%	4.00%
			CEL	0.00%	CEL	0.00%	0.00%
			HC	0.00%	HC	0.00%	0.00%
			HOUSING	0.00%	HOUSING	0.00%	0.00%
			PARKING	0.00%	PARKING	0.00%	0.00%
			PF	12.00%	PF	30.00%	18.00%
			SMSU	0.65%	SMSU	5.00%	4.35%
			SRWC	0.35%	SRWC	0.00%	-0.35%
			UEC	86.00%	UEC	60.00%	-26.00%
				100%		100%	0.00%

12	Aux F5	Maria Iporac	ASI	5.00%	ASI	0.0%	-5.00%
			CEL	0.00%	CEL	0.0%	0.00%
			HC	0.00%	HC	0.0%	0.00%
			HOUSING	0.00%	HOUSING	0.0%	0.00%
			PARKING	0.00%	PARKING	0.0%	0.00%
			PF	60.00%	PF	50.0%	-10.00%
			SMSU	3.25%	SMSU	5.0%	1.75%
			SRWC	1.75%	SRWC	0.0%	-1.75%
			UEC	30.00%	UEC	45.0%	15.00%
			100%		100%	0.00%	
13	Aux F5	Lawrence Figuerres	ASI	1.00%	ASI	10.00%	9.00%
			CEL	0.00%	CEL	0.00%	0.00%
			HC	0.00%	HC	0.00%	0.00%
			HOUSING	0.00%	HOUSING	0.00%	0.00%
			PARKING	0.00%	PARKING	0.00%	0.00%
			PF	30.00%	PF	15.00%	-15.00%
			SMSU	0.65%	SMSU	15.00%	14.35%
			SRWC	0.35%	SRWC	10.00%	9.65%
			UEC	68.00%	UEC	50.00%	-18.00%
			100%		100%	0.00%	
14	Aux F5	Shelley Washington					
15	Aux F5	Perla Garcia	ASI	5.00%	ASI	30.00%	25.00%
			CEL	0.00%	CEL	0.00%	0.00%
			HC	0.00%	HC	0.00%	0.00%
			HOUSING	0.00%	HOUSING	0.00%	0.00%
			PARKING	0.00%	PARKING	0.00%	0.00%
			PF	1.00%	PF	0.00%	-1.00%
			SMSU	6.50%	SMSU	40.00%	33.50%
			SRWC	3.50%	SRWC	0.00%	-3.50%
			UEC	84.00%	UEC	30.00%	-54.00%
			100%		100%	0.00%	
16	Aux F5	Siska Purnawan	ASI	5.00%	ASI	10.00%	5%
			CEL	0.00%	CEL	0.00%	0%
			HC	0.00%	HC	0.00%	0%
			HOUSING	0.00%	HOUSING	0.00%	0%
			PARKING	0.00%	PARKING	5.00%	5%
			PF	4.00%	PF	10.00%	6%
			SMSU	6.50%	SMSU	15.00%	9%
			SRWC	3.50%	SRWC	15.00%	12%
			UEC	81.00%	UEC	40.00%	-41%
			100%		95%	-5%	
17	University Budget Office	Davina Lindsey	ASI	4.27%	ASI	4.00%	-0.27%
			CEL	3.40%	CEL	6.00%	2.60%
			HC	4.53%	HC	5.00%	0.47%
			HOUSING	4.53%	HOUSING	5.00%	0.47%
			PARKING	4.53%	PARKING	5.00%	0.47%
			PF	3.76%	PF	4.00%	0.24%
			SMSU	4.53%	SMSU	5.00%	0.47%
			SRWC	4.79%	SRWC	5.00%	0.21%
			UEC	4.53%	UEC	6.00%	1.47%
			39%		45%	6.13%	
18	Procurement	Amy Beran	ASI	0.00%	ASI	0.00%	0.00%
			CEL	3.20%	CEL	3.00%	-0.20%
			HC	1.30%	HC	1.00%	-0.30%
			HOUSING	2.65%	HOUSING	10.00%	7.35%
			PARKING	1.70%	PARKING	2.00%	0.30%

			PF	0.00%	PF	1.00%	1.00%
			SMSU	0.00%	SMSU	0.00%	0.00%
			SRWC	0.00%	SRWC	1.00%	1.00%
			UEC	0.00%	UEC	0.00%	0.00%
				9%		18%	9.15%
19	Procurement	Tiffany Talley	ASI	0.00%	ASI	0.00%	0.00%
			CEL	1.90%	CEL	1.00%	-0.90%
			HC	4.17%	HC	1.00%	-3.17%
			HOUSING	2.04%	HOUSING	1.00%	-1.04%
			PARKING	3.75%	PARKING	1.00%	-2.75%
			PF	0.00%	PF	0.00%	0.00%
			SMSU	0.00%	SMSU	1.00%	1.00%
			SRWC	0.00%	SRWC	0.00%	0.00%
			UEC	0.00%	UEC	0.00%	0.00%
				12%		5%	-6.86%
20	Support Services	Raul Bautista (Receiving)	ASI	0.75%	ASI	0.75%	0.00%
			CEL	2.75%	CEL	1.08%	-1.67%
			HC	3.50%	HC	2.31%	-1.19%
			HOUSING	3.50%	HOUSING	1.71%	-1.79%
			PARKING	2.75%	PARKING	0.56%	-2.19%
			PF	0.75%	PF	0.00%	-0.75%
			SMSU	1.20%	SMSU	0.62%	-0.58%
			SRWC	0.70%	SRWC	1.87%	1.17%
			UEC	3.50%	UEC	1.00%	-2.50%
				19%		10%	-9.50%
21	Support Services	Alycia Salgado (Property)	ASI	0.40%	ASI	0.00%	-0.40%
			CEL	0.95%	CEL	0.00%	-0.95%
			HC	1.25%	HC	0.00%	-1.25%
			HOUSING	1.25%	HOUSING	0.00%	-1.25%
			PARKING	1.25%	PARKING	0.00%	-1.25%
			PF	1.25%	PF	0.00%	-1.25%
			SMSU	0.50%	SMSU	0.00%	-0.50%
			SRWC	0.25%	SRWC	0.00%	-0.25%
			UEC	5.50%	UEC	8.00%	2.50%
				13%		8%	-4.60%
22	Aux FS	Vanessa Rolland	ASI	25.00%	ASI	0.00%	-25.00%
			CEL	0.00%	CEL	0.00%	0.00%
			HC	0.00%	HC	0.00%	0.00%
			HOUSING	0.00%	HOUSING	0.00%	0.00%
			PARKING	0.00%	PARKING	0.00%	0.00%
			PF	0.00%	PF	0.00%	0.00%
			SMSU	48.75%	SMSU	0.00%	-48.75%
			SRWC	26.25%	SRWC	0.00%	-26.25%
			UEC	0.00%	UEC	100.00%	100.00%
				100%		100%	0.00%

AVERAGE DIFFERENCE 9%

Based on the responses from our 20 selected FAS employees, FAS employee percentage of effort may be understated by 9%, or by \$124,559

18/19 Total FAS CAP Charges \$ 1,259,439.00

18/19 Total FAS CAP Charges / 91% \$ 1,383,998.90

9% Understatement \$ 124,559.90

ATTACHMENT B: UEC-SPA REALLOCATION

University Enterprises Corporation
Campus Cost Recovery Worksheet - FY 18/19

1. CAP charge \$ hitting UEC
2. Allocation of the CAP charge \$ between UEC Admin. and SPA. The number on the left is the % allocation for UEC Admin. The number on the right is the % allocation for SPA.

3/28/2019

Breakdown of campus cost recovery charges -

Acct. #617034 - Cost Recovery for Campus Services:

- Sponsored Programs
- Auxiliary Financial Services
- Human Resources
- Total

¹ Total Campus Expense	² Allocation Percentages	UEC Admin	SPA	Allocation basis
A. Represents salaries and benefits of SPA employees. These are 100% allocated to SPA.				
\$ 596,352 ^A	(0/100)	\$ -	\$ 596,352	
^B 643,288	(25/75)	160,822	482,466	(allocation based on AFS desk audit) ^B
252,120 ^C	(15/85)	37,818	214,302	(allocation based on headcount) ^C
1,491,760		198,640	1,293,120	

Acct. # 660888 - Cost Recovery for State General Services:

- ^D- Facilities
- Finance & Administration
- ITS
- Police
- Risk Management
- Total

B. 25% is allocated to UEC Admin, 75% is allocated to SPA. UEC allocation was based on the desk audit performed by campus Associate Controller. Please refer to pages 2 and 3. C. 15% is allocated to UEC Admin, 85% is allocated to SPA. UEC allocation was based on headcount, and that only 5 of the 200+ UEC employees are non-SPA employees.				
74,545				
49,681				
24,000				
44,506				
8,872				
^D 201,604	^D (60/40)	120,962	80,642	(allocation by UEC Exec. Dir) ^D
114,936	^E (100/0)	114,936	-	

Total Campus Cost Recovery Charges

\$ 1,808,300	\$ 434,538	\$ 1,373,762
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D. This amount of \$201,604 represents the CAP charges to UEC for Facilities, FAS, ITS, UPD and Risk Mgt. 60% is allocated to UEC Admin, 40% is allocated to SPA. Allocation is based on UEC Executive Director's judgment.
E. This represents the salaries and benefits for a particular ITS employee that UEC agreed to pay for. 100% of this amount is allocated to UEC Admin.

the CO deadline in mid-September?

Desk Audit Statistics

- The most recent document from Lisa (from FY2015-2016) listed the following percentages of the formerly AFS staff allocated to UEC among the other Auxiliaries. I have updated the number (in **RED**) for my estimate of what it would be currently:

- o Lisa/Sam: 43%/**50%**
- o Melinda: 93%/**80%**
- o Mallory: 85%/**90%**
- o Elena: 15%/**15%**

Per Sam Singery, the % in black on the left is the employee's 2015-2016 % of effort attributable to UEC.

The % in red represents Sam's estimate of the employee's 2019 % of effort attributable to UEC.

- The document did not have specific allocations between SPA and UEC Admin, but I would estimate the percentages allocated to SPA to be the following:

We calculated the average of these % to be 53.75%

- o Lisa/Sam: 70%
- o Melinda: 50%
- o Mallory: 90%
- o Elena: 5%

Per Sam Singery, the % in black on the left represents how much of the employee's 2015-2016 UEC % of effort is attributable to SPA specifically.

*Using Melinda as an example: 93% of her 2015-2016 time was spent on UEC. 50% of this UEC time was for SPA.

- As part of the CO advisory review process, I know that an updated survey was taken to gather updated information on the allocation percentages. I have not seen anything published yet, but will let you know once I do.

Distribution of Effort to Auxiliary & Enterprise Funds FY 15/16

Area: Auxiliary Financial Services

Employee Name	BU	15/16 Projected Expenses (1)	OTPS (3%)	Total	GF	ASI	SMSU (2)	Rec Sports (2)	Housing	Parking	CEL (3)	Health	UEC	Phil	Total Non-GF
Lisa Iannolo	M80	138,559	4,157	142,715		10.00%	6.50%	3.50%					43.00%	37.00%	100.00%
Melinda Jensen	R09	85,925	2,578	88,503		1.00%	0.65%	0.35%					93.00%	5.00%	100.00%
Mallory Ruiz-Lester	R07	56,106	1,683	57,789		5.00%	3.25%	1.75%					85.00%	5.00%	100.00%
Maria Iporac	R07	65,882	1,976	67,858			3.25%	1.75%					15.00%	80.00%	100.00%
Kimberlian Porter	R07	66,424	1,993	68,416		1.00%	0.65%	0.35%					86.00%	12.00%	100.00%
Shelley Washington	R07	59,217	1,777	60,994		1.00%	0.65%	0.35%					86.00%	12.00%	100.00%

(1,799 X 10.45 ea)

(1) Based on March 2015 salary plus 2% GSIs and 15/16 benefit rate table

(2) Adjust Rec Sports to 35% of SMSU

(3) For CEL - charged reduced by 25% for Summer 2015 (run by CEL)