



**THE CALIFORNIA STATE UNIVERSITY**

Single Audit Reports

Year ended June 30, 2003



**THE CALIFORNIA STATE UNIVERSITY**

Single Audit Reports

Year ended June 30, 2003

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600 Anton Boulevard  
Suite 700  
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**Report on Compliance and on Internal Control over  
Financial Reporting Based on an Audit of Financial Statements  
Performed in Accordance with *Government Auditing Standards***

The Board of Trustees  
The California State University:

We have audited the basic financial statements of the California State University as of and for the year ended June 30, 2003 and have issued our report thereon, dated November 19, 2003. Our report refers to other auditors who audited 71 of the 85 discretely presented auxiliary organizations. The reports of the other auditors have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 71 discretely presented auxiliary organizations, is based solely on the reports of the other auditors. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States.

**Compliance**

As part of obtaining reasonable assurance about whether the California State University's basic financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grants, 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 that are required to be reported under *Government Auditing Standards*.

**Internal Control over Financial Reporting**

In planning and performing our audit, we considered the California State University's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide assurance on the internal control over financial reporting. However, we noted certain matters involving internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of internal control over financial reporting, that in our judgment, could adversely affect the University's ability to record, process, summarize, and report financial data consistent with the assertions of management in the basic financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as items 03-01 and 03-02, and have been reported to management of the California State University in a separate letter dated November 19, 2003.



A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of internal control over financial reporting would not necessarily disclose all matters in internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe that none of the reportable conditions described above is a material weakness.

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

KPMG LLP

November 19, 2003



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

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

The Board of Trustees  
The California State University:

**Compliance**

We have audited the compliance of the California State University with the types of compliance requirements described in the *Office of Management and Budget (OMB) Circular A-133 Compliance Supplement (Compliance Supplement)* that are applicable to each of its major federal programs for the year ended June 30, 2003, except those requirements discussed in the third following paragraph. The California State University's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of the California State University's management. Our responsibility is to express an opinion on the California State University's compliance based on our audit.

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

In our opinion, the California State University complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2003, other than those requirements discussed in the following paragraph. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 03-03 through 03-05.

We did not audit the California State University's compliance with requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments of the Federal Perkins Loan Program. Those requirements govern functions that are performed by AMS Servicing

Group (AMS). Since we did not apply auditing procedures to satisfy ourselves as to compliance with those requirements, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on compliance with those requirements.

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

### **Internal Control over Compliance**

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

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

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

### **Schedule of Expenditures of Federal Awards**

We have audited the basic financial statements of the California State University as of and for the year ended June 30, 2003 and have issued our report thereon, dated November 19, 2003. Our report refers to other auditors who audited 71 of the 85 discretely presented auxiliary organizations. The reports of the other auditors have been furnished to us, and our opinion, insofar as it relates to the amounts included for the 71 discretely presented auxiliary organizations, is based solely on the reports of the other auditors. Our audit was performed for the purpose of forming an opinion on the basic financial statements taken as a whole. The accompanying schedule of expenditures of federal awards is presented for purposes of

additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

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

KPMG LLP

November 19, 2003

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<b>Federal grantor/pass-through agency/program title</b>	<b>Catalog of Federal domestic assistance number</b>	<b>Pass-Through entity identifying number</b>	<b>Federal disbursements/ expenditures</b>
Student Financial Assistance Cluster:			
Department of Education:			
Direct programs:			
Federal Supplemental Educational Opportunity Grant Program	84.007		\$ 12,008,117
Federal Work-Study Program	84.033		19,146,614
Federal Perkins Loan Program	84.038		18,946,372
Federal Pell Grant Program	84.063		316,639,209
Federal Family Education Loan Program	84.032		337,805,217
William Ford Direct Loan Program	84.268		374,914,431
			<hr/> 1,079,459,960
Department of Health and Human Services:			
Direct programs:			
Nursing Student Loan Program	93.364		211,916
Scholarships for Disadvantaged Students	93.925		157,509
			<hr/> 369,425
Total Student Financial Assistance Cluster			<hr/> 1,079,829,385
Department of Education:			
TRIO Cluster:			
Direct programs:			
TRIO – Student Support Services	84.042		904,063
TRIO – Talent Search Program	84.044		516,029
TRIO – Upward Bound Program	84.047		847,766
			<hr/> 2,267,858
Total TRIO Cluster			2,267,858
Internationalizing Across Disciplines	84.016		18,429
Fund for the Improvement of Postsecondary Education	84.116		582,873
Minority Science Improvement	84.120		1,500
Recreation Projects	84.128		144,617
Rehabilitation Long-Term Training	84.129		213,796
National Institute on Disability & Rehab Research	84.133		96,879
College Assistance Migrant Program	84.149		260,630
Business and International Education	84.153		84,382
Javits Fellowship	84.170		4,743
Byrd Honors Scholarship	84.185		23,250
Bilingual Education – Professional Development	84.195		1,014,808
Community Technology Centers:	84.314		173,988
Special Education – Research and Innovation to			
Improve Services and Results for Children with Disabilities	84.324		173,501
Minority Institution	84.325		163,976
Special Education – Technical Assistance and Dissemination to			
Improve Services and Results for Children with Disabilities	84.326		632,124
Child Care	84.335		116,326
Preparing Tomorrow’s Teachers to Use Technology	84.342		1,130,447
Passed through National Video Clearinghouse – Preparing			
Tomorrows Teachers to Use Technology	84.342	P342B000005	29,752
			<hr/> 1,160,199
Gear-Up	84.344		416,800
The Graduate Project	84.349		536,439
New American High Schools – Expanding the Initiative			
Through School Reform Networks and Organizations	84.000		22,312
Passed through California State University, Hayward – Teacher			
of Low Incidence Disability	84.000	H325A990050	47,343
Passed through California State University, Northridge –			
Interactive Web Sites for Menus and P3 Program	84.000	P333A990037	16,152
Passed through Physicians Against Land Mines	84.000	PALM04.5	52,116
Passed through San Diego State University Foundation –			
California Transition Service Integration	84.000	52048BP2XX	49,857

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<b>Federal grantor/pass-through agency/program title</b>	<b>Catalog of Federal domestic assistance number</b>	<b>Pass-Through entity identifying number</b>	<b>Federal disbursements/ expenditures</b>
Passed through San Diego State University Foundation – Transition Expansion Project	84.000	52048AP2XX	\$ 18,142
Passed through San Francisco Unified School District – Gear-Up	84.000	28-27K52	96,590
Passed through San Francisco Unified School District – Gear-Up/Evaluation	84.000	28-27K52	163,529
Passed through San Francisco Unified School District – Gear-Up/ Mission Science	84.000	K-Resolution	68,237
Passed through San Francisco Unified School District – Gear-Up/ Outreach	84.000	P334A99061600	20,949
Passed through Southwest Texas State University – National Center For School Improvement	84.000	B094.2	98,431
Passed through Transeen Inc. – Maryland Transition Service Integration	84.000	H324M000070	57,746
Passed through Western New York Independent Living Project – SF Online Training for Middle Managers	84.000	RRTCILM-5	30,507
			<u>8,829,029</u>
Federal Emergency Management Agency:			
Passed through the California State Office of Emergency Services – Disaster Recovery Assistance	83.534		<u>13,598,060</u>
Department of Health and Human Services:			
Direct programs:			
Child Welfare Training Program	93.023		144,298
Advanced Education Nursing	93.247		201,728
Professional Nurses Traineeship	93.358		154,931
Self-evaluations and the Framing of Unfair Treatment	93.390		33,923
CDC Block Grant	93.575		188,626
Head Start	93.600		14,905,034
Health Careers Opportunity Program	93.822		566,027
Passed through University of Illinois – Latino MSM Community Involvement	93.000	MH62927-01	110,034
Passed through City and County of San Francisco – Child Welfare Training Program	93.000	189C-94195	67,763
Passed through the Regents of the University of California – Child Welfare Training Program	93.000	3034SC	30,746
			<u>16,403,110</u>
Department of Agriculture			
Passed through California Department of Education – Headstart Child Care Food Program	10.558	38-2927-II	<u>464,603</u>
Department of Defense			
Direct program:			
Basic Scientific Research	12.431		<u>115,000</u>
Department of the Interior:			
Direct Programs:			
U.S. Geological Survey	15.808		10,562
Historic Preservation Fund Grants-in-Aid	15.904		1,311
Passed through City of Point Arena – Archaeological Evaluation of California	15.904	N/A	4,458
			<u>5,769</u>
Big Lagoon Geoarchaeological Study	15.000		9,175
Horseshoe Pond Archaeological Study	15.000		1,250
Passed through California Department of Parks and Recreation – Northwest Information Center Office of Historic Preservation Subaward Fiscal 01-02	15.000	C8937519	7,645
			<u>34,401</u>

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Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<b>Federal grantor/pass-through agency/program title</b>	<b>Catalog of Federal domestic assistance number</b>	<b>Pass-Through entity identifying number</b>	<b>Federal disbursements/ expenditures</b>
Department of Justice:			
Direct programs:			
COPS Universal Hiring Award	16.300		\$ 112,932
Evaluation of Innovation Technology	16.560		6,654
Community Oriented Policing Services (COPS) Grant	16.710		91,787
Juvenile Mentoring Program	16.726		18,443
Passed through City and County of San Francisco – SFPD Laptop Computers/Trak Evaluation	16.000	RMA9900-02	20,503
			<u>250,319</u>
Department of Transportation:			
Passed through California Department of Transportation – CALTRANS District 4 Amendment 1 Continuation	20.000	C04A0833A01	215
Department of State:			
Direct Program:			
College and University Partnerships Program	19.405		<u>65,000</u>
National Aeronautics and Space Administration:			
Direct program:			
Aerospace Education Services Program	43.001		450,978
Passed through Stanford University – Gamma-Ray Large Area Space Telescope Flight Investigator	43.001	PY-0443	432,379
Passed through Smithsonian Institute – Seeing and Exploring the Universe for Calendar Year 2002	43.001	S02-69605	64,304
			<u>947,661</u>
Passed through University of California, Berkeley – Select/Sur Earth Connection Education	43.000	SA3063-23841	24,522
			<u>972,183</u>
National Science Foundation:			
Direct programs:			
Geosciences	47.050		191,888
AMP Projects	47.068		762,497
Mammalian Herbivores as Consumers and Fertilizers	47.074		393,595
Passed through California Academy of Science – Systematic, Phylogenetic and Biogeography of Amblyoponini	47.074	DEB-9981667	18,269
			<u>411,864</u>
Education and Human Resources	47.076		1,070,848
Passed through Ithaca College – Elementary, Secondary and Informal Education: Advancing the Work of COMPASS	47.076	ESI-0137772	104,407
Passed through San Francisco State University – Elementary, Secondary and Informal Education: IMP	47.076	ESI-0137805	43,721
Passed through San Francisco State University – Alliance for Minority Participation	47.076	B201271	12,619
			<u>1,231,595</u>
Passed through Ithaca College – Implementation of Interactive Math Program Materials	47.000	529,126.000	2,877
Passed through San Jose State University Foundation – San Francisco Bay Area Collaborative	47.000	21-1501-0072	225
Passed through San Jose State University Foundation – Mastep: Follow-On Activities	47.000	04-088	17,618
Passed through San Francisco Unified School District – Educating Teachers in Math	47.000	28-13K35	97,449
Passed through University of Massachusetts, Boston Community Science Workshops	47.000	104,743.000	246,421

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Schedule of Expenditures of Federal Awards

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<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of Federal domestic assistance number</u>	<u>Pass-Through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
Passed through National Science Foundation My place By the Bay	47.000	ESI-0125740	\$ 17,311
Passed through The Regents of the University of California – Mep-NSF Scholarships	47.000	MEP-NSF-9	956
			<u>2,980,701</u>
National Foundation on the Arts and the Humanities: Direct programs:			
Promotion of the Arts – Grant to Organizations	45.024		25,000
Promotion of the Humanities	45.162		7,675
			<u>32,675</u>
Department of Veterans Affairs Passed through the Department of Veterans Affairs – SF VA Medical Center – Critical Care Training	64.000	V261P1607	15,541
Environmental Protection Agency: Direct program:			
Federal Facility Cleaning	66.651		775
Environmental Education – Prepare & Deliver Environmenta Education Lesson Plans	66.951		3,601
Passed through City and County of San Francisco – Childhood Asthma Initiative Project	66.000	00-91926	86,422
			<u>90,798</u>
Department of Energy: Direct programs:			
University – Laboratory Cooperative Program	81.004		249,813
Office of Science Financial Assistance Program	81.049		463,702
			<u>713,515</u>
United States Information Agency: Community Connections	82.002		113,617
National Archives and Records Administration: Direct Program:			
National Historical Publications and Records Grants	89.003		17,754
Cooperation for National and Community Service: Direct program:			
Americorps	94.005		253,611
Passed through California State University – Phase II: Implementati of Campus Action Plan	94.006	MOUGOO1794	6,622
Passed through California Commission on Improving Life Throug Sciences – Service Learning for Family Health Americorp:	94.006	MOU0743-G	39,195
Passed through California Commission on Improving Life Throug Sciences – Sonoma State University Service Collaborative	94.006	ASCCA005YB-C29	827,108
			<u>872,925</u>
Passed through California Commission on Improving Life throug Jumpstart Program 2	94.000	ASSCCA005	31,496
Passed through California Commission on Improving Life throug San Francisco Citywide Tutorial	94.000	98ARCCA001	8,116
Passed through CSU Chancellor’s Office – Assess and Action Plan Development	94.000	G001625	15,760
Passed through CSU Chancellor’s Office – Learning for Family Health	94.000	G010192	33,672
Passed through Jumpstart For Young Children	94.000	N/A	50,393
Passed through Temple University – Shrine Project	94.000	30-1894-111396	46,085

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<b>Federal grantor/pass-through agency/program title</b>	<b>Catalog of Federal domestic assistance number</b>	<b>Pass-Through entity identifying number</b>	<b>Federal disbursements/ expenditures</b>
Passed through the Western Washington University – Higher Education Learning Partner	94.000	54539-03-CA	\$ 30,668
Passed through the Western Washington University – Western Region Campus Consortium	94.000	54540-A	89,421
			<u>1,432,147</u>
Miscellaneous Foundations and Commissions:			
Passed through University of California, Berkeley/John A Hartford Foundation – Hartford Bay Area Practicum	91.000	SA3851-58747	36,250
Passed through University of California, San Francisco California Asthmas Among School Aged	91.000	2514SC	37,002
Passed through Jumpstart For Young Children – Jumpstart Program/David L. Klein Jr. Foundation	91.000	21,103.000	2,440
			<u>75,692</u>
Passed through Peace Corps Recruiting Office	99.000	185-99-3079	<u>7,882</u>
Research and Development Cluster:			
Department of Health and Human Services:			
Direct programs:			
Minority International Research Grant in Biomedical and Behavioral Sciences	93.106		2,896,220
Bridges for the Future	93.137		313,363
SFSU/CCSF Bridges to Baccalaureate	93.171		164,287
Minority Research Infrastructure Support Program	93.242		432,226
Drug Use and Latino Gay Men	93.279		553,516
Career Opportunity Research	93.282		178,479
Minority Biomedical Research Support	93.375		1,523,831
Research Centers in Minority Institutions	93.389		576,645
Asian American/Pacific Island Women	93.396		41,202
Cancer Center Support Grants	93.397		654,855
Assistance Payment Research	93.562		631,077
CREB Transcription Factor in LPG	93.855		71,528
Transportation Regulation in HIV Latent	93.856		39,418
Molecular Genetic Dissection of AVRRXV	93.862		615
Sociocultural Model of HIV in Latino Gay Men	93.864		8,529
Role of FRZB in Chick Melanogenesis	93.865		72,163
Passed through the Regents of the University of California – Post Doctoral Career Development	93.000	K990533-01	77,800
Passed through University of Minnesota – Ethnicity Citizenship Family: Identity 2	93.000	H902196-02	3,858
Passed through the Regents of the University of California – East Bay IDU/AIDS Outreach Project	93.000	2874SC	33,808
Passed through University of California, Berkeley – Experimental Studies on Locomotive	93.000	SA3252	44,000
			<u>8,317,420</u>
Department of the Interior:			
Direct programs:			
Earthquake Hazards Reduction Program	15.807		62,661
National Cooperative Geologic Mapping Program	15.810		13,431
Passed through National Fish and Wildlife Service – Effect on Introduced Clam on Food Supply	15.000	113320J008	25,811
Passed through National Fish and Wildlife Service – Determining the Biological, Physical, and Chemical	15.000	113321J002	177,065
Passed through National Fish and Wildlife Service – Species of Zooplankton	15.000	99-N09	255,700
Passed through the University of Washington – Tidal Marsh Restoration Project	15.000	246445	25,502

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<b>Federal grantor/pass-through agency/program title</b>	<b>Catalog of Federal domestic assistance number</b>	<b>Pass-Through entity identifying number</b>	<b>Federal disbursements/ expenditures</b>
Passed through U.S. Geological Survey – Ballas Vs. Native Plankton Dynamics	15.000	40244	\$ 22,074
Passed through National Park Service Point Reyes National Seashore – Intertidal Fish and Invertebrate Survey	15.000	H8530020060	19,619
			<u>601,863</u>
Department of Agriculture:			
Direct programs:			
Agricultural Research – Basic and Applied Research	10.001		22,770
Cooperative State Research Education and Extension Service	10.206		157,945
			<u>180,715</u>
Department of Commerce:			
Direct programs:			
San Francisco Bay National Estuarine Research	11.429		304
Ecohab Regulations	11.478		162,619
Passed through San Jose State University Foundation – Center for Intergrative Coastal Ocean Research	11.000	N/A	265,108
Passed through San Francisco Bay Association – Native Oyster Pilot Project	11.000	RAE/NOAA	5,146
			<u>433,177</u>
Department of Defense:			
Direct programs:			
Basic and Applied Scientific Research	12.300		375,965
Air Force Defense Research Sciences Program	12.800		16,023
Passed through University of Arkansas – Photorefractive Polymer	12.000	N/A	10,000
			<u>401,988</u>
Department of Justice:			
Direct program:			
Juvenile Mentoring Program	16.726		7,554
National Aeronautics and Space Administration:			
Direct programs:			
Technology Transfers	43.002		105,908
Passed through Space Telescope Science Institute, Aura Inc. – Optical Counterparts	43.000	GO-0944201-A	24,749
Passed through University of Maryland – Varied Waters and Dusty Skies	43.000	Z675302	18,300
Passed through Smithsonian Astrophysical Observation – X-ray Constraints of the Binary Star	43.000	GO-01040A	9,219
			<u>158,176</u>
Department of Energy:			
Direct programs:			
Basic Energy Sciences	81.049		48,718
Office of Science and Tech. For Environmental Management	81.104		17,962
Transport of Transuranic Wastes to the Waste Isolation Pilot Plant	81.106		15,793
Passed through University of Nevada – Neotectonic Frame-Work	81.000	UNR-99-23	9,339
Passed through Stanford University – Photosynthetic Characteristics	81.000	PY-2319	9,750
			<u>101,562</u>
Environmental Protection Agency:			
Direct programs:			
USEPA Star Grants	66.500		258,335

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

<u>Federal grantor/pass-through agency/program title</u>	<u>Catalog of Federal domestic assistance number</u>	<u>Pass-Through entity identifying number</u>	<u>Federal disbursements/ expenditures</u>
National Science Foundation:			
Direct programs:			
Mathematical and Physical Sciences	47.049		\$ 314,851
Geosciences	47.050		792,108
Biological Sciences	47.074		547,289
Minority Post Doctoral Fellowship	47.075		63,713
Education and Human Resources	47.076		91,347
Passed through Harvard University – Measuring the Faint X-ray Binary	47.000	131022-02	13,864
Passed through University of Washington – Echolab – Pacific North Coastal Ocean	47.000	N/A	61,253
Passed through Kansas State University – System and Geography of Phlox	47.000	DEB0089656	23,724
			<u>1,908,149</u>
Department of Education:			
Direct programs:			
Improvement of Postsecondary Education	84.116		56,596
National Institute on Disability and Rehab Research	84.133		179,242
Javits Fellowship	84.170		59,268
Graduate Assistance in Areas of National Need	84.200		289,498
Passed through Physicians Against Land Mines – Cervical Cancer and Young Asian Women	84.000	00RA7102	36,156
Passed through the Regents of the University of California – Ed Roberts Fellows in Disabled Studies	84.000	N/A	9,774
			<u>630,534</u>
Other Federal:			
Passed through University of California, San Francisco Meaning of Social Support and General Wellbeing	99.000	9000003375	9,652
Passed through Public Health Institute – Alcohol Problems Under Welfare Reform	99.000	1005649/50	49,639
Passed through Kaiser Foundation Research Institute – Genetics and Breast Cancer Survey	99.000	115-9338-01	84,322
Passed through University of California, Davis-Post Doctorial Career Development	99.000	K990533-03	248,335
			<u>391,948</u>
Total Research and Development Cluster			<u>13,391,421</u>
Total expenditures of federal awards			\$ <u><u>1,139,433,048</u></u>

See accompanying notes to schedule of expenditures of federal awards.

**THE CALIFORNIA STATE UNIVERSITY**

Notes to Schedule of Expenditures of Federal Awards

Year ended June 30, 2003

**(1) General**

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

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

**(2) Basis of Accounting**

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

**(3) Relationship to Federal Financial Reports**

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

**(4) Federal Perkins Loan Program**

Total loans outstanding under the Federal Perkins Loan Program was \$96,488,105 at June 30, 2003. The amounts included in the accompanying Schedule consist of loans advanced to students and the administrative cost allowance for the year ended June 30, 2003.

**(5) Administrative Cost Allowances**

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

Federal Perkins Loan Program	\$	1,597,721
Federal Supplemental Educational Opportunity Grant Program		254,745
Federal Work-Study Program		713,626
	\$	<u>2,566,092</u>

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

***Financial Statements***

- (a) Type of auditor's report issued on financial statements: **Unqualified.**
- (b) Reportable conditions in internal control were disclosed by the audit of the financial statements: **Yes**, items 03-01 and 03-02.  
Material weaknesses: **No.**
- (c) Noncompliance which is material to the financial statements: **None.**

***Federal Awards***

- (d) Reportable conditions in internal control over major programs: **None reported.**  
Material weaknesses: **None.**
- (e) Type of auditor's report issued on compliance for major programs: We have issued an **unqualified opinion** on compliance related to major programs, other than the compliance requirements governing maintaining contact with and billing borrowers and processing deferment and cancellation requests and payments of the Federal Perkins Loan Program, which are processed by AMS Servicing Group, upon which we issue no opinion.
- (f) Any audit findings which are required to be reported under Section .510(a) of OMB Circular A-133: **Yes**, items 03-03 through 03-05.
- (g) Dollar threshold used to distinguish between Type A and Type B Programs was \$3,000,000.
- (h) Major programs:
  - U.S. Department of Education Student Financial Assistance Cluster (CFDA#84.007, 84.033, 84.038, 84.063, 84.032, 84.268, 93.364 and 93.925)
  - Department of Health and Human Services, Head Start (CFDA#93.600)
  - Federal Emergency Management Agency, Disaster Recovery Assistance (CFDA#83.534)
- (i) Auditee qualified as a low-risk auditee under Section .530 of OMB Circular A-133: **No.**

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

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

**03-01**

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

Observation

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

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

Numerous corrections had to be made to GAAP conversion templates during the audit, primarily to the capital projects fund. For example, the campus was not able to roll forward certain net asset balances from the prior year, and as a result initially recorded the difference of approximately \$11.5 million to other non-operating income (expense).

Recommendation:

We recommend the University examine its process and the adequacy of accounting resources for preparing GAAP financial statements. Improvement of the University's financial reporting process will help to ensure both accurate and timely reporting.

**03-02**

**CALIFORNIA STATE UNIVERSITY, FRESNO  
FINANCIAL STATEMENT PREPARATION PROCESS**

Observation

The University maintains its internal financial statements on the legal basis of accounting and converts these records to the accrual basis of accounting in accordance with GAAP for year-end external reporting purposes.

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

We noted various issues, which lead to difficulties in completing the audit during the scheduled timeframe and preparing the University's basic financial statements in conformity with GAAP. The following are examples of the issues noted:

There appeared to be a lack of review and analysis of schedules and financial information which resulted in multiple adjustments and revisions to the aforementioned schedules. Conversion entries related to beginning net assets, fund balance clearing, refundable advances, capital assets, and investments were not booked correctly. Footnote information relating to receivables, investments, and long-term debt as well as information relating to the University's auxiliary organizations was not collected properly and incorporated into the reporting package resulting in several adjustments. Finally, the most current reporting package template was not used and thus there was information missing from the reporting package when initially prepared and submitted to the Chancellor's Office.

Recommendation:

We recommend that the University examine its process and the adequacy of accounting resources for preparing GAAP financial statements. In addition, we recommend that an individual other than the preparer familiarize themselves with the GAAP conversion process and review the required audit schedules as well as the reporting package prior to its submission to the audit team. Improvement of the University's financial reporting process will help to ensure both accurate and timely reporting.

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

**(3) Findings and Questioned Costs Relating to Federal Awards**

**03-03**

**SAN FRANCISCO STATE UNIVERSITY  
MISAPPROPRIATION OF ASSETS**

Observation

During the prior year it was discovered that an employee in the University's Office of Research and Sponsored Programs had allegedly embezzled \$455,500 from grant funds provided by the following three federal agencies:

- National Science Foundation, CFDA# 47.068, Alliance for Minority Participation (AMP), \$398,500
- National Science Foundation, CFDA# 47.073, Community Science Workshops in California, \$17,000
- US Department of Labor, CFDA# 17.246, Job Link, \$20,000
- US Department of Education, CFDA# 84.078, Career Development and Mentoring, \$20,000

Subsequent to the identification of this issue, the employee resigned and has been arrested, and the University reported the case to the three agencies and has reimbursed the National Science Foundation

Recommendation

We recommend the University develop specific controls to reduce the risk of further misappropriation of assets in the future.

**03-04**

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

Observation

Federal regulation 34CFR690.83 requires the University to report student payment data to the Department of Education within 30 days after making payment to the students. We selected a sample of 15 students to test compliance with this requirement and determined that the required reports were submitted more than 30 days after making payments to the students for the entire sample population.

Recommendation

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

**THE CALIFORNIA STATE UNIVERSITY**

Schedule of Findings and Questioned Costs

Year ended June 30, 2003

**03-05**

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

Observation

Federal requirement 34CFR685.102(b) and 685.301 requires the University to reconcile the Direct Loan School Account Statement (DLSAS) on a monthly basis. Based on our compliance testwork we noted monthly reconciliations were not being performed in a timely manner.

Recommendation

We recommend the University implement procedures to ensure the required monthly reconciliation of DLSAS information is conducted in a timely manner.