

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**FINANCIAL REPORT
(Audited)**

JUNE 30, 2012

CONTENTS

INDEPENDENT AUDITOR'S REPORT ON THE FINANCIAL STATEMENTS	1-2
MANAGEMENT'S DISCUSSION AND ANALYSIS	3-5

FINANCIAL STATEMENTS	
Statements of net assets	6
Statements of revenues, expenses and changes in net assets	7
Statements of cash flows	8
Notes to financial statements	9-11

SUPPLEMENTARY INFORMATION	
Schedule of net assets – for inclusion in the California State University	12
Schedule of revenues, expenses and changes in net assets – for inclusion in the California State University	13
Other information – for inclusion in the California State University	14-21
Schedules of expenses by natural classification	22
Schedule of expenditures of federal awards	23-24

OTHER INDEPENDENT AUDITOR'S REPORTS	
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	25-26
Independent Auditor's Report on Compliance with Requirements that could have a Direct and Material Effect on each Major Program and on Internal Control Over Compliance in Accordance with OMB Circular A-133	27-28

FINDINGS AND RECOMMENDATIONS SECTION	
Schedule of findings and questioned costs	29-36
Summary schedule of prior audit findings	37



Certified Public Accountants
Business & Personal Consultants

Member of the McGladrey Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors
California State University, Bakersfield,
Auxiliary for Sponsored Programs Administration
Bakersfield, California

We have audited the accompanying financial statements of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** as of and for the years ended June 30, 2012 and 2011, as listed in the table of contents. These financial statements are the responsibility of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** management. Our responsibility is to express an opinion on these financial statements based on our audits.

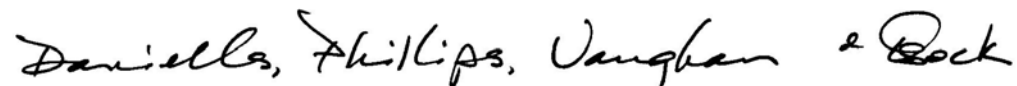
We conducted our audits in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** as of June 30, 2012 and 2011, and the changes in its net assets and its cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated September 26, 2012 on our consideration of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 3 through 5 be presented to supplement the financial statements. Such information, although not a part of the financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the financial statements, and other knowledge we obtained during our audit of the financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audits were conducted for the purpose of forming an opinion on **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** financial statements. The accompanying schedule of expenditures of federal awards, as required by the Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations (Circular A-133)*, is presented for purposes of additional analysis, and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the accompanying schedule of expenditures of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Bakersfield, California
September 26, 2012

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

Management's Discussion and Analysis

This section of the California State University, Bakersfield, Auxiliary for Sponsored Programs Administration ("the Auxiliary") annual financial report includes management's discussion and analysis of the financial performance of the Auxiliary for the period July 1, 2011 through June 30, 2012. This discussion should be read in conjunction with the financial statements and notes.

Introduction to the Financial Statements

The Auxiliary financial statements include the statement of net assets, the statement of revenues, expenses and changes in net assets, and the statement of cash flows. These statements are supported by notes to the financial statements and Management's Discussion and Analysis. All sections must be considered together to obtain a complete understanding of the financial picture of the Auxiliary.

Statement of Net Assets: The statement of net assets includes all assets and liabilities. Assets and liabilities are reported on an accrual basis as of the statement date. It also identifies major categories of restrictions of net assets of the Auxiliary.

Statement of Revenues, Expenses and Changes in Net Assets: The statement of revenues, expenses and changes in net assets present the revenues earned and expenses incurred during the year on an accrual basis.

Statement of Cash Flows: The statement of cash flows present the inflows and outflows of cash for the year and are summarized by operating, noncapital financing, capital and related financial and investing activities. This statement is prepared using the direct method of cash flows and therefore presents gross rather than net amounts for the year's activities.

Financial Overview

The following discussion highlights management's understanding of the key financial aspects of the Auxiliary's financial activities as of the period July 1, 2011 through June 30, 2012. Included is an analysis of the current year activities and balances.

During the year, the Auxiliary was awarded several new grant program contracts. These new grants include Talent Search and CREST- Center for Research Excellence in Science and Technology. The Auxiliary continued the management and operation of two Title V grants, the Teacher Quality Partnerships, CAMP - College Assistance Migrant Program, HEP - High School Equivalency Program and Small Business Development Center.

The total estimated annual revenue for the grants under Auxiliary management in future years along with the new grants awarded during this year is approximately \$7 million.

In its second full year of operation, the Auxiliary generated approximately \$5.6 million in revenue which included approximately \$279,000 in Facilities and Administrative (F&A) indirect cost recovery. The major source of unrestricted revenue is F&A cost recovery from grants and contracts activity. Projected F&A cost recovery represents 100% of total unrestricted net assets. Although the federal negotiated F&A rate is 46 percent of modified total direct costs, many awards receive a lower rate and certain categories of expense may not be used when

calculating the actual cost recovery. The actual cost recovery rate for the year is 5 percent versus a planned rate of 4.6 percent. Projected F&A for fiscal year 2012-13 is 7.4 percent. This increase is anticipated as a result of new awards, particularly with a higher F& A recovery rate.

The Talent Search grant provides academic, career, and financial counseling assistance to individuals from disadvantaged backgrounds who have potential to succeed in higher education. The program identifies participants and encourages them to graduate from high school and continue on to and complete their postsecondary education. In addition, the Talent Search program also encourages persons who have not completed education programs at the secondary or postsecondary level to enter or reenter and complete postsecondary education. The program publicizes the availability of financial aid and assist participant with the postsecondary application process. The goal of Talent Search is to increase the number of youth from disadvantaged backgrounds who complete high school and enroll in and complete their postsecondary education.

The CREST grant at CSUB has two primary aims: 1) conduct research leading to the mitigation of the effects of anticipated climate change on the people, industry, and environment of the San Joaquin Valley, CA and 2) conduct this research with students from the area as part of their education and developing aspirations to continue into Ph.D. programs. There are four subprojects within this grant each consist of research that will directly inform forecasts of water resources over the next several decades in addition to informing the selection and monitoring of declining petroleum reservoirs and other sites for geological carbon sequestration. These results will greatly affect the quality of life in the San Joaquin Valley, including employment opportunities and the health of the environment.

Net Assets

	June 30,	
	2012	2011
Accounts receivable	\$ 1,007,380	\$ 968,828
Other current assets	<u>4,717</u>	<u>142,445</u>
Total assets	1,012,097	1,111,273
Current liabilities	<u>831,766</u>	<u>1,093,633</u>
Total net assets	<u>\$ 180,331</u>	<u>\$ 17,640</u>

Assets

Assets decreased by \$100 thousand to \$1.0 million, due largely to a decrease in other current assets which consisted primarily of cash. Total assets in both years consisted primarily of accounts receivable due from federal agencies.

Liabilities

Total liabilities decreased by \$262 thousand to \$832 thousand, due largely due to a reduction in amounts due to related parties. Total liabilities in both years consisted primarily of current accrued expenses related to subcontractors working on the Teacher Quality Partnership grant.

Net Assets

Total net assets increased from \$17,640 to \$180,331 as a result of more grants being under management for the whole year versus a partial year. Also last year nearly all the cost recovery generated was used to reimburse costs the University incurred in post-award and fiscal administration services. This year the Auxiliary generated more in F&A cost recovery revenue and less money was required to reimburse the University for fiscal administration services.

	Change in Net Assets	
	June 30,	
	2012	2011
Operating revenues	\$ 5,612,678	\$ 4,295,159
Operating expenses	5,449,987	4,362,559
Change in net assets	<u>\$ 162,691</u>	<u>\$ (67,400)</u>

Operating Revenues

During the year the Auxiliary was awarded several grant program contracts; one from Department of Education, Talent Search and the other from the National Science Foundation, CREST. The operating revenues included represent a full year.

Operating Expenses

Operating expenses represent costs related to administering the grants awarded. These expenses can be classified into payroll and non-payroll related expenses. Payroll related expenses total \$2.2 million whereas \$3.2 million relates to non-payroll grant expenses, of which \$2.4 million are subcontractor expenses.

Factors Bearing on the Auxiliary's Future

The two grants referred to in the "Financial Overview" section on pages 3 and 4 along with the grants awarded previously are in place for each of the next three years. Additional grants have been awarded to the University during the past fiscal year and subsequent to year end. Management intends to manage these grants through the Auxiliary within the next fiscal year.

Contacting the Auxiliary's Financial Management

The Auxiliary's financial report is designed to provide the Auxiliary's Board of Directors, management, legislative and oversight agencies, citizens and customers with an overview of the California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's finances and to demonstrate its accountability for funds received. For additional information about this report, please contact Douglas Wade, Assistant Vice President of Fiscal Services, at 9001 Stockdale Highway, Bakersfield, California 93311.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**STATEMENTS OF NET ASSETS
June 30, 2012 and 2011**

	2012	2011
ASSETS		
Current Assets		
Cash	\$ 2,742	\$ 139,925
Accounts receivable	1,007,380	968,828
Due from related parties (Note 2)	-	1,970
Prepaid expenses	1,975	550
Total current assets	1,012,097	1,111,273
LIABILITIES AND NET ASSETS		
Current Liabilities		
Outstanding checks in excess of bank balance	45,984	-
Accounts payable	435,446	569,828
Due to related parties (Note 2)	262,507	451,421
Accrued expenses	38,086	60,461
Deferred revenue	49,743	11,923
Total current liabilities	831,766	1,093,633
 Net Assets - Unrestricted	 \$ 180,331	 \$ 17,640

See Notes to Financial Statements.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**STATEMENTS OF REVENUES, EXPENSES AND
CHANGES IN NET ASSETS**

Years Ended June 30, 2012 and 2011

	2012	2011
Operating revenues:		
Federal grants	\$ 5,240,986	\$ 4,012,884
Local grants	344,958	275,811
Other	26,734	6,464
Total operating revenue	5,612,678	4,295,159
Operating expenses:		
Program services	5,332,829	4,171,067
General and administrative	117,158	191,492
Total operating expense	5,449,987	4,362,559
Change in net assets	162,691	(67,400)
Net assets, beginning of year	17,640	85,040
Net assets, end of year	\$ 180,331	\$ 17,640

See Notes to Financial Statements.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**STATEMENTS OF CASH FLOWS
Years Ended June 30, 2012 and 2011**

	2012	2011
Cash Flows From Operating Activities		
Grant revenue receipts	\$ 4,578,564	\$ 3,317,897
Payments to suppliers	(2,665,450)	(2,344,748)
Payments to employees	(2,096,281)	(855,693)
Net cash provided by (used in) operating activities	(183,167)	117,456
Cash Flows From Financing Activities		
Increase in outstanding checks in excess of bank balance -		
Net cash provided by financing activities	45,984	-
Net increase (decrease) in cash	(137,183)	117,456
Cash:		
Beginning	139,925	22,469
Ending	\$ 2,742	\$ 139,925
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 162,691	\$ (67,400)
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
(Increase) decrease in:		
Accounts receivable	(38,552)	(576,148)
Due from related party	1,970	48,030
Prepaid expenses	(1,425)	(550)
Increase (decrease) in:		
Accounts payable	(134,382)	303,465
Due to related parties	(188,914)	344,704
Accrued expenses	(22,375)	53,432
Deferred revenue	37,820	11,923
Net cash provided by (used in) operating activities	\$ (183,167)	\$ 117,456

See Notes to Financial Statements.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

NOTES TO FINANCIAL STATEMENTS

Note 1. Nature of Activities and Significant Accounting Policies

Organization and nature of activities: The California State University, Bakersfield, Auxiliary for Sponsored Programs Administration (“the Auxiliary”), was formed August 28, 2009 and is organized and operated solely for the benefit of California State University, Bakersfield (“the University”). The Auxiliary is responsible for the accomplishment of certain University objectives that require financial support not provided by the State. These activities occur in all aspects of University life, including the development and administration of sponsored grants and contracts for faculty and staff research and educational projects. The Auxiliary reports as a special-purpose entity.

A summary of the Auxiliary’s significant accounting policies follows:

Basis of accounting: The Auxiliary accounts for its financial transactions in accordance with the policies and procedures of the California State University Auxiliary Organization’s Accounting and Reporting System. The accounting policies of the Auxiliary conform to accounting policies generally accepted in the United States of America.

Use of estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition: Revenue from grants is recognized when earned. Grant revenue is on a reimbursement basis; therefore as expenditures occur the corresponding revenue is recorded.

Accounts receivable: Accounts receivable represent amounts due from the granting agencies for grant expenditures incurred prior to that date.

Deferred revenue: Deferred revenue represents amounts received from granting agencies prior to incurring costs related to the grants.

Net assets: The financial statements utilize a net assets presentation. Net assets are categorized as unrestricted. This category represents net assets of the Auxiliary, not restricted for any project or other purpose.

Income taxes: The Auxiliary is exempt from federal and state income taxes under Section 501(c)(3) of the Internal Revenue Code and related state code sections, except for taxes on unrelated business income. There have been no taxes on unrelated business income to date.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

NOTES TO FINANCIAL STATEMENTS

The Auxiliary has adopted the accounting standard on accounting for uncertainty in income taxes, which addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. Under this guidance, the Auxiliary may recognize the tax benefit from an uncertain tax position only if it is more-likely-than-not that the tax position will be sustained on examination by taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position are measured based on the largest benefit that has a greater than 50% likelihood of being realized upon ultimate settlement. The guidance on accounting for uncertainty in income taxes also addresses de-recognition, classification, interest and penalties on income taxes, and accounting in interim periods.

Management evaluated the Auxiliary's tax positions and concluded that they had taken no uncertain tax positions that require adjustment to the financial statements to comply with the provisions of this guidance. The Auxiliary is not subject to income tax examinations by the U.S. federal, state or local tax authorities for years before 2009, its year of inception.

Compensated absences: Employees of the Auxiliary are entitled to paid vacation, paid sick days, and personal days off, depending on job classification, length of service, and other factors. Accrued vacation of \$26,844 and \$20,426 as of June 30, 2012 and 2011, respectively, has been recorded in accrued expenses. Paid sick days and personal days off have not been accrued, as employees are not entitled to sick days or personal days off pay upon termination of employment.

Advertising: The Auxiliary expenses advertising costs as they are incurred. Advertising expenses totaled \$2,912 and \$19,149 for the years ended June 30, 2012 and 2011, respectively.

Functional allocation of expenses: The costs of providing the various programs and other activities have been summarized on a functional basis. Management allocates cost between programs benefited. This allocation is based upon management's estimate of hours spent on the programs and activities.

Subsequent events: The Auxiliary has evaluated subsequent events through September 26, 2012, the date on which the financial statements were available to be issued. There are no subsequent events considered material by management that would require disclosure in the financial statements.

Note 2. Transactions with Related Parties

California State University, Bakersfield ("the University") provides accounting and payroll services to the Auxiliary. Additionally, the University collects funds on behalf of the Auxiliary related to draw downs on their various grants.

California State University, Bakersfield, Foundation ("the Foundation") collected funds on behalf of the Auxiliary for a matching contribution related to a grant awarded to the Auxiliary. Additionally, the Foundation provides various immaterial services to the Auxiliary.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

NOTES TO FINANCIAL STATEMENTS

California State University, Bakersfield, Student Union, Inc. ("the Student Union") provides various immaterial services to the Auxiliary.

Transactions as of and for the years ended June 30, 2012 and 2011 are as follows:

	2012	2011
Due from University	\$ -	\$ 1,970
Due to University	259,479	450,988
Due to Student Union	1,592	305
Due to Foundation	1,436	128
Expenses:		
Program services:		
Services from other agencies	1,656,951	1,276,006

Note 3. Concentration of Revenue

For the years ended June 30, 2012 and 2011, approximately 56% and 67%, respectively, of the Auxiliary's revenue was received from three grant sources. Management believes the grants will be renewed on an ongoing basis.

SUPPLEMENTARY INFORMATION

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

Schedule of Net Assets

June 30, 2012

(for inclusion in the California State University)

Assets:

Current assets:

Cash and cash equivalents	\$	2,742
Short-term investments		-
Accounts receivable, net		1,007,380
Leases receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		-
Prepaid expenses and other assets		1,975
Total current assets		<u>1,012,097</u>

Noncurrent assets:

Restricted cash and cash equivalents		-
Accounts receivable, net		-
Leases receivable, net of current portion		-
Notes receivable, net of current portion		-
Student loans receivable, net		-
Pledges receivable, net		-
Endowment investments		-
Other long-term investments		-
Capital assets, net		-
Other assets		-
Total noncurrent assets		<u>-</u>
Total assets		<u>1,012,097</u>

Liabilities:

Current liabilities:

Accounts payable		697,953
Accrued salaries and benefits payable		5,903
Accrued compensated absences - current portion		26,844
Deferred revenue		49,743
Capitalized lease obligations – current portion		-
Long-term debt obligations – current portion		-
Self-insurance claims liability – current portion		-
Depository accounts		-
Other liabilities		51,323
Total current liabilities		<u>831,766</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion		-
Deferred revenue		-
Grants refundable		-
Capitalized lease obligations, net of current portion		-
Long-term debt obligations, net of current portion		-
Self-insurance claims liability, net of current portion		-
Depository accounts		-
Other postemployment benefits obligation		-
Other liabilities		-
Total noncurrent liabilities		<u>-</u>
Total liabilities		<u>831,766</u>

Net assets:

Invested in capital assets, net of related debt		-
Restricted for:		
Nonexpendable - endowments		-
Expendable:		
Scholarships and fellowships		-
Research		-
Loans		-
Capital projects		-
Debt service		-
Other		-
Unrestricted		180,331
Total net assets	\$	<u>180,331</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**
Schedule of Revenues, Expenses and Changes in Net Assets
Year Ended June 30, 2012
(for inclusion in the California State University)

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$_____)	\$ -
Grants and contracts, noncapital:	
Federal	5,240,986
State	-
Local	344,958
Nongovernmental	26,734
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$____)	-
Other operating revenues	-
Total operating revenues	<u>5,612,678</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	301,016
Public service	550,135
Academic support	1,930,268
Student services	2,551,410
Institutional support	117,158
Operation and maintenance of plant	-
Student grants and scholarships	-
Auxiliary enterprise expenses	-
Depreciation and amortization	-
Total operating expenses	<u>5,449,987</u>
Operating income (loss)	<u>162,691</u>
Nonoperating revenues (expenses):	
State appropriations, noncapital	-
Federal financial aid grants, noncapital	-
State financial aid grants, noncapital	-
Local financial aid grants, noncapital	-
Nongovernmental and other financial aid grants, noncapital	-
Other federal nonoperating grants, noncapital	-
Gifts, noncapital	-
Investment income (loss), net	-
Endowment income (loss), net	-
Interest expenses	-
Other nonoperating revenues (expenses)	-
Net nonoperating revenues (expenses)	<u>-</u>
Income (loss) before other additions	<u>162,691</u>
State appropriations, capital	-
Grant and gifts, capital	-
Additions (reductions) to permanent endowments	<u>-</u>
Increase (decrease) in net assets	162,691
Net assets:	
Net assets at beginning of year, as previously reported	17,640
Restatement	-
Net assets at beginning of year, as restated	17,640
Net assets at end of year	<u>\$ 180,331</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
OTHER INFORMATION
JUNE 30, 2012
(for inclusion in the California State University)**

1 Restricted cash and cash equivalents at June 30, 2012

Portion of restricted cash and cash equivalents related to endowments	\$ -
All other restricted cash and cash equivalents	-
Total restricted cash and cash equivalents	\$ -

2.1 Composition of investments at June 30, 2012:

	Current Unrestricted	Current Restricted	Total Current	Noncurrent Unrestricted	Noncurrent Restricted	Total Noncurrent	Total
State of California Surplus Money Investment Fund (SMIF)	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State of California Local Agency Investment Fund (LAIF)	-	-	-	-	-	-	-
Wachovia Short Term Fund	-	-	-	-	-	-	-
Wachovia Medium Term Fund	-	-	-	-	-	-	-
Wachovia Equity Fund	-	-	-	-	-	-	-
US Bank SWIFT pool	-	-	-	-	-	-	-
Common Fund - Short Term Fund	-	-	-	-	-	-	-
Common Fund - Others	-	-	-	-	-	-	-
Debt securities	-	-	-	-	-	-	-
Equity securities	-	-	-	-	-	-	-
Fixed income securities (Treasury notes, GNMA's)	-	-	-	-	-	-	-
Land and other real estate	-	-	-	-	-	-	-
Certificates of deposit	-	-	-	-	-	-	-
Notes receivable	-	-	-	-	-	-	-
Mutual funds	-	-	-	-	-	-	-
Money Market funds	-	-	-	-	-	-	-
Collateralized mortgage obligations:							
Inverse floaters	-	-	-	-	-	-	-
Interest-only strips	-	-	-	-	-	-	-
Agency pass-through	-	-	-	-	-	-	-
Private pass-through	-	-	-	-	-	-	-
Other major investments	-	-	-	-	-	-	-
Total investments	-	-	-	-	-	-	-
Less endowment investments (enter as negative number)	-	-	-	-	-	-	-
Total investments	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
 AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
 OTHER INFORMATION (Continued)
 JUNE 30, 2012
 (for inclusion in the California State University)**

2.2 Investments held by the University under contractual agreements at June 30, 2012:

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2012: \$ - \$ - \$ - \$ - \$ - \$ - \$ -

**2.3 Restricted current investments at June 30, 2012 related to:
 Total restricted current investments at June 30, 2012**

<u>Amount</u>
\$ -
<u><u> </u></u>

**2.4 Restricted noncurrent investments at June 30, 2012 related to:
 Endowment investment
 Total restricted noncurrent investments at June 30, 2012**

<u>Amount</u>
\$ -
<u> </u>
<u><u> </u></u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
OTHER INFORMATION (Continued)
JUNE 30, 2012
(for inclusion in the California State University)**

3.1 Composition of Capital Assets at June 30, 2012:

	Balance June 30, 2011	Prior period Adjustments	Reclassifications	Balance June 30, 2011 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2012
Nondepreciable/nonamortizable capital assets:								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total nondepreciable/nonamortizable capital assets	-	-	-	-	-	-	-	-
Depreciable/amortizable capital assets:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total depreciable/amortizable capital assets	-	-	-	-	-	-	-	-
Total capital assets, net	-	-	-	-	-	-	-	-
Less accumulated depreciation/amortization:								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	-	-	-	-
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-
Total accumulated depreciation/amortization	-	-	-	-	-	-	-	-
Net capital assets, net	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

3.2 Details of depreciation expense for the year ended June 30, 2012:

Depreciation and amortization expense related to capital assets	\$ -
Amortization expense related to other assets	-
Total depreciation and amortization	<u>\$ -</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
OTHER INFORMATION (Continued)
JUNE 30, 2012
(for inclusion in the California State University)**

4 Long-term liabilities activity schedule

	Balance June 30, 2011	Prior period Adjustments	Reclassifications	Balance June 30, 2011 (restated)	Additions	Reductions	Balance June 30, 2012	Current Portion	Long-Term Portion
Accrued compensated absences	\$ 20,426	\$ -	\$ -	\$ 20,426	\$ 38,932	\$ (32,514)	\$ 26,844	\$ 26,844	\$ -
Capitalized lease obligations:									
Gross balance	-	-	-	-	-	-	-	-	-
Unamortized premium / (discount) on capitalized lease obligations	-	-	-	-	-	-	-	-	-
Total capitalized lease obligations	-	-	-	-	-	-	-	-	-
Long-term debt obligations:									
Revenue bonds	-	-	-	-	-	-	-	-	-
Other bonds (Non-revenue bonds)	-	-	-	-	-	-	-	-	-
Commercial paper	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total long-term debt obligation	-	-	-	-	-	-	-	-	-
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Unamortized loss on refunding	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 20,426	\$ -	\$ -	\$ 20,426	\$ 38,932	\$ (32,514)	\$ 26,844	\$ 26,844	\$ -

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
OTHER INFORMATION (Continued)
JUNE 30, 2012
(for inclusion in the California State University)**

5 Future minimum lease payments - capital lease obligations:

Year ending June 30:	Principal	Interest	Principal and Interest
	_____	_____	_____
2013	\$ -	\$ -	\$ -
2014	-	-	-
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018-2022	-	-	-
2023-2027	-	-	-
2028-2032	-	-	-
2033-2037	-	-	-
2038-2042	-	-	-
2043-2047	-	-	-
2048-2052	-	-	-
2053-2057	-	-	-
2058-2062	-	-	-
	_____	_____	_____
Total minimum lease payments			-
Less amounts representing interest			_____
Present value of future minimum lease payments			-
Less: current portion			_____
Capitalized lease obligations, net of current portion			\$ -

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
OTHER INFORMATION (Continued)
JUNE 30, 2012
(for inclusion in the California State University)**

6 Long-term debt obligations schedule

Year Ending June 30:	Revenue Bonds			All Other Long-Term Debt Obligations			Total		
	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest	Principal	Interest	Principal and Interest
2013	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2014	-	-	-	-	-	-	-	-	-
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018-2022	-	-	-	-	-	-	-	-	-
2023-2027	-	-	-	-	-	-	-	-	-
2028-2032	-	-	-	-	-	-	-	-	-
2033-2037	-	-	-	-	-	-	-	-	-
2038-2042	-	-	-	-	-	-	-	-	-
2043-2047	-	-	-	-	-	-	-	-	-
2048-2052	-	-	-	-	-	-	-	-	-
2053-2057	-	-	-	-	-	-	-	-	-
2058-2062	-	-	-	-	-	-	-	-	-
Total	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
OTHER INFORMATION (Continued)
JUNE 30, 2012
(for inclusion in the California State University)**

7 Calculation of net assets

	Auxiliary Organizations		Total Auxiliaries
	GASB	FASB	
7.1 Calculation of net assets - Invested in capital assets, net of related debt			
Capital assets, net of accumulated depreciation	\$ -	\$ -	\$ -
Capitalized lease obligations - current portion	-	-	-
Capitalized lease obligations, net of current portion	-	-	-
Long-term debt obligations - current portion	-	-	-
Long-term debt obligations, net of current portion	-	-	-
Portion of outstanding debt that is unspent at year-end	-	-	-
Other adjustments: (please list)	-	-	-
Net assets - invested in capital assets, net of related debt	\$ -	\$ -	\$ -

7.2 Calculation of net assets - Restricted for nonexpendable - endowments

Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ -	\$ -
Endowment investments	-	-	-
Other adjustments: (please list)	-	-	-
Net assets - Restricted for nonexpendable - endowments per SNA	\$ -	\$ -	\$ -

8 Transactions with Related Entities

	Amount
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,172,076
Payments to University for other than salaries of University personnel	484,875
Payments received from University for services, space, and programs	-
Gifts-in-kind to the University from Auxiliary Organizations	-
Gifts (cash or assets) to the University from recognized Auxiliary Organizations	-
Accounts (payable to) University (enter as negative number)	(156,311)
Other amounts (payable to) University (enter as negative number)	(103,168)
Accounts receivable from University	-
Other amounts receivable from University	-

CALIFORNIA STATE UNIVERSITY, BAKERSFIELD
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION
OTHER INFORMATION (Continued)
JUNE 30, 2012
(for inclusion in the California State University)

9 Other Postemployment Benefits Obligation (OPEB)

Annual required contribution (ARC)	\$	-
Contributions during the year		-
Increase (decrease) in net OPEB obligation (NOO)		-
NOO - beginning of year		-
NOO - end of year	\$	-

10 Pollution remediation liabilities under GASB Statement No. 49:

Description	Amount
	\$ -
Total pollution remediation liabilities	-
Less: current portion	-
Pollution remediation liabilities, net of current portion	\$ -

11 The nature and amount of the prior period adjustment(s) recorded to beginning net assets

	Net Asset Class	Amount Dr. (Cr.)
Net assets as of June 30, 2011 as previously reported		\$ (17,640)
Prior period adjustments:		-
Net assets as of June 30, 2011, as restated		\$ (17,640)

Provide a detailed breakdown of the journal entries (at the financial statement line item level) booked to record each prior period adjustment:

	Debit	Credit
N/A - No restatements -		

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

SCHEDULES OF EXPENSES BY NATURAL CLASSIFICATION

Years Ended June 30, 2012 and 2011

	2012		
	Program	General and Administrative	Total
Services from other agencies	\$ 2,386,946	\$ 52,461	\$ 2,439,407
Salaries	1,825,406	16,319	1,841,725
Payroll taxes and benefits	371,299	1,382	372,681
Supplies	247,224	-	247,224
Travel	110,133	-	110,133
Stipends	98,287	-	98,287
Conferences and meetings	80,305	-	80,305
Small equipment	59,613	-	59,613
Professional fees	-	40,010	40,010
Printing	38,040	-	38,040
Miscellaneous	30,130	2,370	32,500
Scholarships	30,661	-	30,661
Rent	22,779	-	22,779
Telephone	12,967	-	12,967
Events	9,277	-	9,277
Dues and subscriptions	6,110	1,100	7,210
Insurance	-	3,516	3,516
Advertising	2,912	-	2,912
Postage	740	-	740
	<u>\$ 5,332,829</u>	<u>\$ 117,158</u>	<u>\$ 5,449,987</u>

2011

Program	General and Administrative	Total
\$ 2,439,615	\$ 162,893	\$ 2,602,508
930,376	6,966	937,342
191,620	-	191,620
155,966	-	155,966
79,370	-	79,370
42,784	-	42,784
55,627	-	55,627
138,159	-	138,159
-	14,555	14,555
16,669	-	16,669
20,862	2,488	23,350
37,897	-	37,897
7,516	-	7,516
6,766	-	6,766
27,314	-	27,314
356	406	762
-	4,184	4,184
19,149	-	19,149
1,021	-	1,021
<u>\$ 4,171,067</u>	<u>\$ 191,492</u>	<u>\$ 4,362,559</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Page 1 of 2

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Amount	Total
FEDERAL:				
U. S. Department of Education				
<i>Direct Programs</i>				
Higher Education - Institutional Aid	84.031S	P031S090154-11	\$ 703,414	
Higher Education - Institutional Aid	84.031M	P031M090060-11	483,542	
			<u>1,186,956</u>	\$ 1,186,956
Teachers Quality Enhancement Grants for State and Partnerships	84.336S	U336S090162-11	1,849,383	
			<u>1,849,383</u>	1,849,383
Migrant Education - High School Equivalency Program	84.141A	S141A100008-11	573,471	
			<u>573,471</u>	573,471
Migrant Education - College Assistance Migrant Program	84.149A	S149A10035-11	439,538	
			<u>439,538</u>	439,538
TRIO - Talent Search	84.044A	P044A110408	311,332	
			<u>311,332</u>	311,332
<i>Pass through The Regents of the University of California</i>				
No Child Left Behind 7 Technical Assistance and Support Program	84.367	CN110113	78,566	
			<u>78,566</u>	78,566
National Aeronautics and Space Administration				
<i>Pass through AERO Institute</i>				
NASA's Summer of Innovation	43.008	N/A	27,630	
			<u>27,630</u>	27,630
U.S. Small Business Administration				
<i>Pass through The Regents of the University of California</i>				
Small Business Development Center	59.037	0-603001-Z-0061	218,914	
			<u>218,914</u>	218,914
U.S. Department of Health and Human Services				
National Institute of Health				
<i>Pass through The Regents of the University of California</i>				
National Children's Study - Kern County Location	93.xxx	HHSN275200800019C	150,380	
			<u>150,380</u>	150,380
U.S. Department of Labor				
<i>Pass through County of Kern</i>				
Workforce Investment Act Youth Activities	17.259	685-2011	148,000	
			<u>148,000</u>	148,000

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

Year Ended June 30, 2012

Page 2 of 2

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Amount	Total
FEDERAL:				
National Science Foundation				
<i>Direct Program</i>				
CSUB Center for Climate Change and Carbon Sequestration	47.076	HRD-113774	256,816	256,816
				\$ 5,240,986

Note 1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards includes the federal grant activity of the Auxiliary and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations."



Certified Public Accountants
Business & Personal Consultants

Member of the McGladrey Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

Board of Directors
California State University, Bakersfield,
Auxiliary for Sponsored Programs Administration
Bakersfield, California

We have audited the financial statements of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** as of and for the year ended June 30, 2012, and have issued our report thereon dated September 26, 2012. 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.

Internal Control over Financial Reporting

Management of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over financial reporting.

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

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined previously.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FA-12-01 through FA-12-05.

We noted certain matters that we reported to management of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** in a separate letter dated September 26, 2012.

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, Board of Directors, 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.

Daniells, Phillips, Vaughan & Beck

Bakersfield, California
September 26, 2012



Certified Public Accountants
Business & Personal Consultants

Member of the McGladrey Alliance

Member of AICPA Division for Firms
Private Companies Practice Section

NANCY C. BELTON

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR
PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

Board of Directors
California State University, Bakersfield,
Auxiliary for Sponsored Programs Administration
Bakersfield, California

Compliance

We have audited **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** compliance with the types of compliance requirements described in the OMB Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** major federal programs for the year ended June 30, 2012. **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** major federal programs are identified in the summary of auditor's 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 **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** management. Our responsibility is to express an opinion on **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration'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 Non-Profit 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 **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration'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 **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** compliance with those requirements.

In our opinion, **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that 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 FA-12-01 through FA-12-05.

Internal Control over Compliance

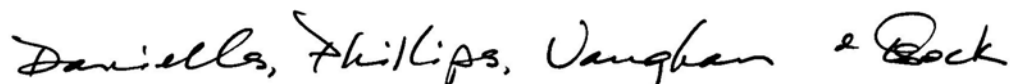
Management of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration'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, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items FA-12-01 through FA-12-05. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's responses to the findings identified in our audit are described in the accompanying *Schedule of Findings and Questioned Costs*. We did not audit **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** responses and, accordingly, we express no opinion on the responses.

This report is intended solely for the information and use of management, Board of Directors, 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.



Bakersfield, California
September 26, 2012

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SECTION I. SUMMARY OF AUDITOR'S RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

Material weaknesses identified? _____ Yes X No

Significant deficiencies identified that are not considered to be material weaknesses? _____ Yes X None reported

Type of auditor's report issued on compliance for major programs: Unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133? X Yes _____ No

Identification of major programs

<u>CDFA Number</u>	<u>Name of Federal Program or Cluster</u>
84.031M/S	Higher Education – Institutional Aid
84.044A	TRIO – Talent Search
84.141A	Migrant Education – High School Equivalency Program
84.336S	Teachers Quality Enhancement Grants for State and Partnerships
59.037	Small Business Development Center

Dollar threshold used to distinguish between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ Yes X No

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

SECTION II. FINANCIAL STATEMENT FINDINGS

None

SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

FA-12-01 *Higher Education – Institutional Aid* U.S. Department of Education CFDA #84.031M.
Federal award # P031M090060-11

The underlying documentation used to compile the data in one of seven tables tested under Section 2 of the Title V-B Annual Performance Report did not agree to the report filed. Section 2: Degrees and Certificates Awarded including Low Income Students reported the total number of post baccalaureate certificates awarded by race and ethnicity including low income students as 487 students. The report should have shown 484 students, resulting in a total overstatement of 3 students. The guidance per the grant agreement states that the Grantee must provide adequate source documentation for federal and non-federal funds used under grant projects. The above finding stems from a lack of review at the program level to ensure the amount reported in the Annual Performance Report agrees with the underlying documentation. Program management should develop and implement procedures whereby all source documentation used to compile the Annual Performance Report is reviewed and maintained by the Program Director to ensure that the documentation used to compile the report is complete and accurate.

Management Response:

In the Annual Performance Report (APR) table in Section 2: Post baccalaureate Certificates Awarded by Race and Ethnicity, two types of data are entered: the number of certificates awarded, and the number of students who earned certificates. Because it is possible for a student to earn more than one certificate in a given year, the number of students is lower than the number of certificates. While the number of students who earned certificates was reported correctly, the total number of certificates earned by those students was overstated by three. We will improve our reporting processes by: (1) Staff in Institutional Research, Planning and Assessment (IRPA) will conduct a final cross-check of the numbers by comparing the data reported in the tables with finalized data files used for IPEDS reporting, and (2) IRPA staff and the Program Director will review the data for any anomalies and confirm the numbers in the APR before submitting the final report.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

FA-12-02 *Migrant Education – High School Equivalency Program* U.S. Department of Education CFDA #84.141A. Federal award # S141A100008-11

One of eleven tables tested in the Annual Performance Report (APR) was not supported by the underlying documentation. Table B1. Instruction and services received by HEP GET enrolled students during the budget period, part C. Total number of students receiving the following types of services: item 5 job placement services was inadvertently reported as 19, however should have been reported as 51 and item 6 counseling or guidance services was inadvertently reported as 51, however should have been reported as 39. Per the guidance in the Catalog of Federal and Domestic Awards, the grantee is required to file the Annual Performance Report showing satisfactory performance is required to receive a continuation award each year. The finding stems from a lack of review at the program level to ensure the amounts reported in the APR agree with the underlying documentation. Program management should develop and implement procedures whereby the underlying documentation is compared with the final APR report to ensure the underlying documentation agrees with the final report filed with the Funding Agency.

Management Response:

CSUB-HEP will implement a multi-level quality management procedure to ensure that all data reported in the Annual Performance Report (APR) agree with the underlying documentation. The Project Director and Project Coordinator will review each question contained in the report and initiate a report process to be followed. The HEP staff will assist in collecting the data required, and the Project Coordinator will evaluate each report item and analyze the information collected and compare it to each student file before entering the data into the report. As the final step, the Project Director will perform a second evaluation, analysis, and comparison of data and student files, and confirm the information entered into the report is correct; i.e., a hard copy of the report will be compared to the underlying documentation.

FA-12-03 *Teachers Quality Enhancement Grants for State and Partnerships* U.S. Department of Education CFDA #84.336S. Federal award # U336S090162-11

The underlying documentation for seven of fifteen tables tested under Section A - Performance Objectives Information and Related Performance Measures Data of the Annual Performance Report for the reporting period of October 1, 2011 to May 31, 2012 did not agree to the reports filed:

- 1.a Performance Measure - The number of new pre-bac/5th year participants in year 3 (October 1, 2011 - May 31, 2012) reported the actual performance data as 492, however, it should have actually been reported as 512.
- 1.f Performance Measure - Average scaled score for initial State certification or licensure for participants had the following errors:
 - CSUB contained the following errors in four of the five categories reported:

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

- Multiple subject was reported at 54/59 however should have been reported as 71/66.
- Single subject was reported at 39/42 however should have been reported as 64/54.
- Single subject math was reported at 8/10 however should have been reported as 16/14. Single subject science was reported at 6/6 however should have been reported as 8/8.
- CalPoly contained the following errors in three of the five categories reported: Single subject was reported at 11/12 however should have been reported as 12/12. Single subject math was reported as 0/0 and should have been reported as 2/2. Single Subject Science was reported as 0/0 and should have been reported as 4/4.
- Tulare contained the following error for one of the five categories reported: Single Subject was reported as 23/23 however the underlying documentation was 4/4.
- 2.3 Performance Measure - The number of new pre-bac/5th year participants receiving certification in year 3 (October 1, 2011 - May 31, 2012) reported actual performance data as 285 however the amount was understated by 20 and should have been reported as 305.
- 2.1 Performance Measure - Year 3 pass rates for Edvention initial state certification participants is a by- product of table 1.f. As table 1.f had errors (see above) this table incorrectly calculated the performance data ratio.
- 2.6 Performance Measure - Highlights of Year 3 Edvention Professional Development offerings: CalPoly for the title "Cal-Pass regional meetings to analyze and manage data to improve teaching in their content areas" was not supported by underlying documentation.
- 5.d Performance Measure (2.2b) - Beginning in year 3, align two-year induction with clinical experiences of project preservice teachers by selecting and preparing master/mentor teachers over the length of the grant. Master/Mentor teachers will participate in a minimum of 14 hours per year of coaching support model as aligned to the Foundations in Mentoring Induction Model reported actual performance data of 17, however, this was not supported by any underlying documentation.
- 6.a Performance Measure - Increased numbers of undergraduates and outstanding community college (CC) candidates, paraprofessionals, and others from diverse cultural and language backgrounds who enter teacher preparation programs using California Teacher Recruitment Model. Recruit TQP cohort that meets target of 60 candidates by August 1, 2011 reported actual performance data of 490, however, the supporting documentation supported 512.

The Grantee is required to provide adequate source documentation for federal and non-federal funds used under grant projects. The finding stems from a lack of review at the program level to ensure that the amounts reported in the Annual Performance Report agree with the underlying documentation. Management should develop and implement a policy whereby all numbers within the report are agreed to the supporting documentation prior to the report being filed.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Management Response:

The Teacher Quality Partnership (TQP) data reported in the Annual Performance Report (APR) in section 1.f (CalPoly and Tulare) are different from the underlying documentation because the institutional credential completion date of June is reflected in the documents and this is after the reporting end date of May 31. All other reporting and documentation errors noted in the finding were primarily the result of two conditions: (1) last minute changes being sent by email from the Partners that were not incorporated into the report, and (2) the learning curve caused by the change of TQP Grant Administrator during the time the Annual Performance Report (APR) was due (for example, the acceptance of verbal communications without requesting backup documentation). The corrected data discovered during the audit will be updated in the November 2012 interim report to the Department of Education.

It is now established that credentials that are completed from June through September will be reported in the November interim report and not in the APR that covers the time period October through May. Procedures for data collection and reporting will be implemented and consist of the following: A pre-APR meeting will be held at the end of May to ensure that all partners have a common understanding of the prompts and the recording form. At the end of June, all partners will convene under the direction of the Grant Administrator to add their data to the main APR. Once all data have been recorded from each partner, the data and narratives will be combined into the official APR reporting document and double-checked by all Partners for accuracy and consistency between the Report Data Form, the Report Narrative Form, and supporting evidence. During this meeting, all reported data will be cross-checked to confirm that underlying documents have been gathered and confirmed. All supporting documents will be collected in a single binder available for audit in the TQP office at CSUB.

For identification purposes with the APR, please note the following corrections:

- 2.3 Performance Measure is actually Performance Measure 2.c
- 2.1 Performance Measure is actually Table 2.1 and ties back to Performance Measure 1.f
- 2.6 Performance Measure is actually Table 2.6 and ties back to Performance Measure 2.I

FA-12-04 *Small Business Development Center* U.S. Small Business Administration, Pass through The Regents of the University of California CFDA #59.037. Federal award # 0-603001-Z-0061

Of the forty client files selected for testing, thirty files had missing and/or incomplete documentation to support that the applicants were eligible to receive services under the Small Business Development Center Program.

- Nine of the forty clients selected did not have a client file. Therefore, it could not be determined if these clients qualified to receive services under the program.
- Twenty-one of the forty clients selected had incomplete or missing documentation in their client files:

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

- Five files had errors with the Client Rights and Responsibilities form whereby three of the forms were not signed by the client and the other two forms were missing the consultant's signature.
- Fifteen files had errors with the Request for Consulting Services Form whereby three of the forms were not signed by the client, one form was not signed by the consultant and the remaining eleven forms did not document the number of employees the business maintains.
- Fourteen of the files had errors with the Scope of Work Form whereby seven of the forms were not signed by the client, one of the forms was not signed by the consultant, and six of the forms were not signed by the SBDC Director.

Per the guidance set forth by the U.S. Small Business Administration "assistance from a Small Business Development Center is available to anyone interested in beginning a small business, which is defined as 500 employees or less, for the first time or improving or expanding an existing small business, who cannot afford the services of a private consultant." Additionally, the program has established that each client have a client file containing the following documents: (1) Client Rights and Responsibilities Form; (2) Request for Consulting Services Form; and (3) Scope of Work Form. The finding stems from a lack of review at the program level regarding the maintenance of complete and accurate client files. Management should develop and implement a policy whereby a complete client file is maintained for each client served under the SBDC program.

Management Response:

Client files were incomplete due to lack of compliance to written policy and procedures and inadequate training of consultants by the previous CSUB Small Business Development Center (SBDC) Director. Individual and monthly Consultant training sessions have been implemented by the new Director to ensure that the Consultants understand the importance of SBDC policies and procedures. Monthly Consultant meetings have also been established to ensure Consultants are submitting the correct forms and supporting documents to the SBDC office and that each client file is correctly maintained. The Director will review all files for any discrepancies and sign each file after it has been approved. A checklist will be designed which will be included at the beginning of each client file so no requirements and approvals will be missed. All client files are confidential and are maintained at the SBDC location.

FA-12-05 *Small Business Development Center* U.S. Small Business Administration, Pass through The Regents of the University of California CFDA #59.037. Federal award # 0-603001-Z-0061

Both of the quarterly Expenditure Summary and Payment Request reports selected for testing contained errors between the underlying documentation used to compile the reports and the amounts reported on the quarterly reports.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

- The Expenditure Summary and Payment Request for the reporting period October 1, 2011 to December 31, 2011 contained the following errors:
 - Fund Source Cash Match - the approved Contract Budget Column did not foot down to the amount reported.
 - Fund Source In-Kind Match - the Year to Date Expenditures Column does not agree to the prior quarter's column "expenses incurred this report" as the indirect amount reported in the prior quarter was \$12,890.95 whereas the indirect amount reported in this quarter for the prior quarter is \$29,857.20, representing a difference of \$16,966.25.

- The Expenditure Summary and Payment Request report for the reporting period April 1, 2012 to June 30, 2012 contained the following errors:
 - Fund Source SBA Funds - reported Benefits to Total Personnel as (\$540.82) whereas the invoices supported an amount of (\$464.04), representing a total understatement of \$76.78.
 - Fund Source Cash Match CSUB & Wells Fargo - reported Benefits of Total Personnel as \$1,338.95 whereas the invoices supported an amount of \$1,548.13, representing a total understatement of \$209.18.

Per the sub award agreement with UC Merced payments shall be made quarterly upon receipt from the Collaborating Institution of an invoice of the prior quarter's expenditures. All costs incurred under the agreement must be based on actual costs and are subject to audit. Substantiating documents (e.g., invoices, travel receipts, etc.) shall be retained and the Collaborating Institution is expected to keep an accurate accounting of all costs incurred in the performance of the Agreement. The above finding stems from a lack of review at the program level. Management should develop and implement a policy whereby the Expenditure Summary and Payment Request is reviewed and compared to the underlying documentation by someone independent of the person preparing the report, to help ensure the accuracy of the report.

Management Response:

Expenditure Summary and Payment Request for October 1, 2011 to December 31, 2011.

The columns in the Expenditure Summary for Fund Source Cash Match Contract Budget and Fund Source In-Kind Match Year-to-Date Expenditures are locked and can only be changed by the Regional Office at University of California, Merced. CSUB will implement procedures to review the information in these columns for discrepancies and will ask the Regional Office at UC Merced to make necessary changes.

Expenditure Summary and Payment Request for April 1, 2012 to June 30, 2012.

Fund Source SBA Funds Benefits records are difficult to interpret in the PeopleSoft reporting system. The Budget Coordinator will prepare a detailed worksheet to record how benefit amounts were calculated that cross-checks to the PeopleSoft reporting system and will keep record of all supporting documentation.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2012**

Fund Source Cash Match CSUB & Wells Fargo Benefits were miscalculated due to a variety of splitting benefits for individuals among multiple funds. The Budget Coordinator will prepare a detailed worksheet to record how benefit amounts were calculated and create checklists to ensure that all the Cash Match funds will be captured.

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS
YEAR ENDED JUNE 30, 2012**

- FS-11-01 Lack of adequate system in place to ensure that the information reported in the Annual Performance Report for Title V-A agreed with the underlying documentation used to compile the report. *No items noted in the current year for this program.*
- FS-11-02 Lack of adequate system in place to ensure that the information reported in the Annual Performance Report for Title V-B agreed with the underlying documentation used to compile the report. *Similar item noted in the current year. See FA-12-01.*
- FS-11-03 Lack of adequate system in place to ensure that the information reported in the Annual Performance Report for Teachers Quality Enhancement Grants for State and Partnerships agreed with the underlying documentation used to compile the report. *Similar item noted in the current year. See FA-12-04.*