

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

**FINANCIAL REPORT  
(Audited)**

**JUNE 30, 2013**

**FINANCIAL REPORT  
(Audited)**

**JUNE 30, 2013**

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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

### Report on the Financial Statements

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, 2013 and 2012, and the related notes to the financial statements, which collectively comprise the Auxiliary's basic financial statements as listed in the table of contents.

### *Management's Responsibility for the Financial Statements*

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

### *Auditor's Responsibility*

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 audits to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor

considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### ***Opinion***

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, 2013 and 2012, and the respective changes in financial position and cash flows thereof for the years then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Other Matters***

#### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis pages 4 – 7 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic 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 basic financial statements, and other knowledge we obtained during our audit of the basic 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.

#### *Other Information*

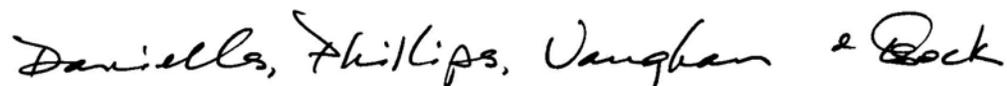
Our audits were conducted for the purpose of forming opinions on the financial statements that collectively comprise the **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** basic financial statements. The schedules for inclusion in the California State University and schedules of expenses by natural classification are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules for inclusion in the California State University and schedules of expenses by natural classification are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to

prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules for inclusion in the California State University and schedules of expenses by natural classification are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated September 19, 2013 on our consideration of **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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration**'s internal control over financial reporting and compliance.

Handwritten signature in cursive script: Daniels, Phillips, Vaughan & Rock

Bakersfield, California  
September 19, 2013

**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, 2012 through June 30, 2013. 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.

**Statements 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 ending June 30, 2013 and are summarized by operating, noncapital financing, capital and related financial and investing activities. These statements are prepared using the direct method of cash flows and therefore present 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, 2012 through June 30, 2013. Included is an analysis of the current year activities and balances.

The Auxiliary continued the management and operation of several grants including Talent Search and CREST- Center for Research Excellence in Science and Technology, Title V grants, the Teacher Quality Partnerships, CAMP - College Assistance Migrant Program, HEP - High School Equivalency Program and Small Business Development Center.

The total annual revenue for grants under Auxiliary management during the year was approximately \$7 million. Several new grants were awarded to the Auxiliary including Building Healthy Communities, College Access Support Program, and Bakersfield City School District. In its third full year of operation, the Auxiliary generated approximately \$441 thousand 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 46.5 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 6.8 percent versus a planned rate of 7.4 percent. Projected F&A for fiscal year 2013-14 is 7.3 percent.

### Grant Highlights

Grants administered by the Auxiliary help fund activities that benefit students, teachers and small businesses in the service area of California State University Bakersfield (CSUB). The Title V (A) grant funds new programs that enrich the educational experience of first year students at CSUB. The Center for Research Excellence in Science and Technology grant (CREST) enables students interested in research to perform important work related to climate change while pursuing degrees in science and technology. Area teachers have benefit from programs offered through the Teacher Quality Partnership grant (TQP) which helps fund professional development activities for teachers in K-12 schools needing reform. Finally, grants funding the Small Business Development Center (SBDC) help provide consulting services to small businesses which has resulted in area small business attracting much needed capital. Together, these grants along with others, administered through the Auxiliary enhance educational attainment and economic opportunity in central California area.

### Statements of Net Position

	2013	2012
<b>Assets:</b>		
Current assets	\$ 1,773,579	\$ 1,012,097
Capital assets	80,681	-
Total assets	<u>1,854,260</u>	<u>1,012,097</u>
<b>Liabilities:</b>		
Current liabilities	<u>1,525,902</u>	<u>831,766</u>
Net Assets - Unrestricted	<u>\$ 328,358</u>	<u>\$ 180,331</u>

### Assets

Assets increased by \$ 842 thousand to \$1.9 million due largely to an increase in accounts receivable. Accounts receivable in both years consisted primarily of amounts due from federal agencies.

### Liabilities

Total liabilities increased by \$694 thousand to \$1.5 million due largely to an increase 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 \$180,331 to \$328,358 as a result of more grants being under management for the whole year versus a partial year. Also last year nearly all the costs 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.

## Schedules of Revenues, Expenses and Changes in Net Position

	2013	2012
Operating revenues:		
Sponsored programs support	\$ 7,031,477	\$ 5,612,678
Other operating revenues	4,798	-
Total operating revenues	<u>7,036,275</u>	<u>5,612,678</u>
Operating expenses:		
Sponsored programs	6,586,625	5,332,829
General and administrative	301,623	117,158
Total expenses	<u>6,888,248</u>	<u>5,449,987</u>
Change in net assets	148,027	162,691
Net assets at beginning of year	180,331	17,640
Net assets at end of year	<u>\$ 328,358</u>	<u>\$ 180,331</u>

## Operating Revenues

During the year the Auxiliary was awarded several grant program contracts including: Building Healthy Communities, College Access Support Program, and Bakersfield City School District. Additionally, the CREST Grant experienced an increase of \$800 thousand in revenues as this year was the first full year of that grant's operation.

## 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 \$3.1 million whereas \$3.8 million relates to non-payroll grant expenses, of which \$2.2 million are subcontractor expenses.

## Factors Bearing on the Auxiliary's Future

The two grants referred to in the "Financial Overview" section on page 4 and 5 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 POSITION  
June 30, 2013 and 2012**

	2013	2012
<b>ASSETS</b>		
Cash	\$ -	\$ 2,742
Accounts receivable	1,738,573	1,007,380
Prepaid expenses	35,006	1,975
Property and Equipment		
Equipment	91,253	-
Less accumulated depreciation	(10,572)	-
<b>Total assets</b>	<b>1,854,260</b>	<b>1,012,097</b>
<b>LIABILITIES AND NET ASSETS</b>		
Current Liabilities		
Outstanding checks in excess of bank balance	41,149	45,984
Accounts payable	406,718	435,446
Due to related parties (Note 2)	743,076	262,507
Accrued expenses	44,712	38,086
Deferred revenue	290,247	49,743
<b>Total current liabilities</b>	<b>1,525,902</b>	<b>831,766</b>
Net Assets - Unrestricted	<b>\$ 328,358</b>	<b>\$ 180,331</b>

See Notes to Financial Statements.

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

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

**Years Ended June 30, 2013 and 2012**

	<b>2013</b>	2012
Operating revenues:		
Grants:		
Federal	<b>\$ 6,706,518</b>	\$ 5,240,986
State	<b>15,900</b>	-
Local	<b>168,823</b>	344,958
Nongovernmental	<b>140,236</b>	26,734
Other	<b>4,798</b>	-
<b>Total operating revenue</b>	<b><u>7,036,275</u></b>	<u>5,612,678</u>
Operating expenses:		
Program services	<b>6,586,625</b>	5,332,829
General and administrative	<b>301,623</b>	117,158
<b>Total operating expense</b>	<b><u>6,888,248</u></b>	<u>5,449,987</u>
Change in net assets	<b>148,027</b>	162,691
Net assets, beginning of year	<b>180,331</b>	17,640
Net assets, end of year	<b><u>\$ 328,358</u></b>	<u>\$ 180,331</u>

See Notes to Financial Statements.

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

**STATEMENTS OF CASH FLOWS**  
**Years Ended June 30, 2013 and 2012**

	2013	2012
Cash Flows From Operating Activities		
Grant revenue receipts	\$ 6,545,586	\$ 4,578,564
Payments to suppliers	(3,297,254)	(2,665,450)
Payments to employees	(3,154,986)	(2,096,281)
<b>Net cash provided by (used in) operating activities</b>	<b>93,346</b>	<b>(183,167)</b>
Cash Flows From Investing Activities		
Purchase of capital assets -		
<b>Net cash (used in) investing activities</b>	<b>(91,253)</b>	<b>-</b>
Cash Flows From Financing Activities		
Increase (decrease) in outstanding checks in excess of bank balance -		
<b>Net cash provided by (used in) financing activities</b>	<b>(4,835)</b>	<b>45,984</b>
<b>Net (decrease) in cash</b>	<b>(2,742)</b>	<b>(137,183)</b>
Cash:		
Beginning	2,742	139,925
Ending	\$ -	\$ 2,742
Reconciliation of change in net assets to net cash provided by (used in) operating activities		
Change in net assets	\$ 148,027	\$ 162,691
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities		
Depreciation	10,572	-
(Increase) decrease in:		
Accounts receivable	(731,193)	(38,552)
Due from related party	-	1,970
Prepaid expenses	(33,031)	(1,425)
Increase (decrease) in:		
Accounts payable	(28,728)	(134,382)
Due to related parties	480,569	(188,914)
Accrued expenses	6,626	(22,375)
Deferred revenue	240,504	37,820
<b>Net cash provided by (used in) operating activities</b>	<b>\$ 93,346</b>	<b>\$ (183,167)</b>

See Notes to Financial Statements.

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

**NOTES TO FINANCIAL STATEMENTS**

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**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.

*Property and equipment:* Property and equipment is stated at cost. Depreciation of property and equipment is computed on the straight-line method over estimated useful lives of five to ten years. All acquisitions of property and equipment in excess of \$5,000 and all expenses for repairs, maintenance, renewals, and betterments that materially prolong the useful lives of assets are capitalized.

*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**

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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 \$35,620 and \$26,844 as of June 30, 2013 and 2012, 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 \$1,060 and \$2,912 for the years ended June 30, 2013 and 2012, 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 19, 2013, 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.

*Reclassifications:* Certain items in the 2012 financial statements have been reclassified to conform to the 2013 presentation, with no effect on change in net assets.

**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**

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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, 2013 and 2012 are as follows:

	2013	2012
Due to:		
University	\$ 736,540	\$ 259,479
Student Union	1,555	1,592
Foundation	4,981	1,436
Expenses:		
Program services:		
Services from other agencies	2,413,169	1,656,951

**Note 3. Concentration of Revenue**

For the year ended June 30, 2013 approximately 47% of the Auxiliary's revenue was received from two grant sources. For the year ended June 30, 2012 approximately 46% 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 Position**

**June 30, 2013**

**(for inclusion in the California State University)**

**Assets:**

Current assets:

Cash and cash equivalents	\$	-
Short-term investments		-
Accounts receivable, net		1,738,573
Leases receivable, current portion		-
Notes receivable, current portion		-
Pledges receivable, net		-
Prepaid expenses and other assets		35,006
<b>Total current assets</b>		<u>1,773,579</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		80,681
Other assets		-
Total noncurrent assets		<u>80,681</u>
Total assets		<u>1,854,260</u>

Deferred outflows of resources:

Unamortized loss on refunding(s)		-
Total deferred outflows of resources		<u>1,854,260</u>

**Liabilities:**

Current liabilities:

Accounts payable		1,149,794
Accrued salaries and benefits payable		-
Accrued compensated absences - current portion		35,620
Unearned revenue		290,247
Capitalized lease obligations – current portion		-
Long-term debt obligations – current portion		-
Self-insurance claims liability – current portion		-
Depository accounts		-
Other liabilities		50,241
<b>Total current liabilities</b>		<u>1,525,902</u>

Noncurrent liabilities:

Accrued compensated absences, net of current portion		-
Unearned 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>1,525,902</u>

Deferred inflows of resources:

Deferred service concession arrangement receipts		-
Total deferred inflows of resources		<u>-</u>

**Net position:**

Net investment in capital assets		80,681
Restricted for:		
Nonexpendable - endowments		-
Expendable:		
Scholarships and fellowships		-
Research		-
Loans		-
Capital projects		-
Debt service		-
Other		-
Unrestricted		247,677
<b>Total net position</b>		<u>\$ 328,358</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**  
**Schedule of Revenues, Expenses and Changes in Net Position**  
**Year Ended June 30, 2013**  
**(for inclusion in the California State University)**

Revenues:	
Operating revenues:	
Student tuition and fees (net of scholarship allowances of \$0)	\$ -
Grants and contracts, noncapital:	
Federal	6,706,518
State	15,900
Local	168,823
Nongovernmental	140,236
Sales and services of educational activities	-
Sales and services of auxiliary enterprises (net of scholarship allowances of \$0)	-
Other operating revenues	4,798
Total operating revenues	<u>7,036,275</u>
Expenses:	
Operating expenses:	
Instruction	-
Research	1,079,774
Public service	604,351
Academic support	2,116,337
Student services	2,668,526
Institutional support	301,623
Operation and maintenance of plant	-
Student grants and scholarships	107,065
Auxiliary enterprise expenses	-
Depreciation and amortization	10,572
Total operating expenses	<u>6,888,248</u>
Operating income (loss)	<u>148,027</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>148,027</u>
State appropriations, capital	-
Grant and gifts, capital	-
Additions (reductions) to permanent endowments	<u>-</u>
Increase (decrease) in net position	148,027
Net position:	
Net position at beginning of year, as previously reported	180,331
Restatement	-
Net position at beginning of year, as restated	<u>180,331</u>
Net position at end of year	<u>\$ 328,358</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION  
JUNE 30, 2013  
(for inclusion in the California State University)**

**1 Restricted cash and cash equivalents at June 30, 2013**

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, 2013:**

	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	-	-	-	-	-	-	-
CSU Consolidated Investment Pool (includes SWIFT and 0948 SMIF)	-	-	-	-	-	-	-
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	-	-	-	-	-	-	-
Partnership interests (includes private pass-through)	-	-	-	-	-	-	-
Alternative investments	-	-	-	-	-	-	-
Hedge funds	-	-	-	-	-	-	-
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, 2013  
 (for inclusion in the California State University)**

**2.2 Investments held by the University under contractual agreements at June 30, 2013:**

Portion of investments in note 2.1 held by the University under contractual agreements at June 30, 2013:

\$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ - \$ -

**2.3 Restricted current investments at June 30, 2013 related to:**

**Total restricted current investments at June 30, 2013**

Amount  
\$ -

**2.4 Restricted noncurrent investments at June 30, 2013 related to:**

Endowment investment

**Total restricted noncurrent investments at June 30, 2013**

Amount  
\$ -  
\$ -

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2013  
(for inclusion in the California State University)**

**3.1 Composition of Capital Assets at June 30, 2013:**

	Balance June 30, 2012	Prior period Adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Transfers of Completed CWIP	Balance June 30, 2013
<b>Nondepreciable/nonamortizable capital assets:</b>								
Land and land improvements	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Works of art and historical treasures	-	-	-	-	-	-	-	-
Construction work in progress (CWIP)	-	-	-	-	-	-	-	-
Intangible assets:	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyrights and trademarks	-	-	-	-	-	-	-	-
Internally generated intangible assets in progress	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
Total tangible assets	-	-	-	-	-	-	-	-
<b>Total nondepreciable/nonamortizable capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Depreciable/amortizable capital assets:</b>								
Buildings and building improvements	-	-	-	-	-	-	-	-
Improvements, other than buildings	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-
Leasehold improvements	-	-	-	-	-	-	-	-
Personal property:								
Equipment	-	-	-	-	91,253	-	-	91,253
Library books and materials	-	-	-	-	-	-	-	-
Intangible assets:								
Software and websites	-	-	-	-	-	-	-	-
Rights and easements	-	-	-	-	-	-	-	-
Patents, copyright and trademarks	-	-	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Other intangible assets:	-	-	-	-	-	-	-	-
<b>Total depreciable/amortizable capital assets</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,253</b>	<b>-</b>	<b>-</b>	<b>91,253</b>
<b>Total capital assets, net</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>91,253</b>	<b>-</b>	<b>-</b>	<b>91,253</b>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2013  
(for inclusion in the California State University)**

**3.1 Composition of Capital Assets at June 30, 2013 (con't):**

<b>Less accumulated depreciation/amortization:</b>										
Buildings and building improvements	-	-	-	-	-	-	-	-	-	
Improvements, other than buildings	-	-	-	-	-	-	-	-	-	
Infrastructure	-	-	-	-	-	-	-	-	-	
Leasehold improvements	-	-	-	-	-	-	-	-	-	
Personal property:										
Equipment	-	-	-	-	(10,572)	-	-	-	(10,572)	
Library books and materials	-	-	-	-	-	-	-	-	-	
Intangible assets:										
Software and websites	-	-	-	-	-	-	-	-	-	
Rights and easements	-	-	-	-	-	-	-	-	-	
Patents, copyright and trademarks	-	-	-	-	-	-	-	-	-	
Licenses and permits	-	-	-	-	-	-	-	-	-	
Other intangible assets:	-	-	-	-	-	-	-	-	-	
<b>Total accumulated depreciation/amortization</b>	-	-	-	-	(10,572)	-	-	-	(10,572)	
<b>Net capital assets, net</b>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>80,681</u>	<u>\$</u>	<u>-</u>	<u>\$</u>	<u>80,681</u>

**3.2 Details of depreciation expense for the year ended June 30, 2013:**

Depreciation and amortization expense related to capital assets	\$	10,572
Amortization expense related to other assets		-
<b>Total depreciation and amortization</b>	<u>\$</u>	<u>10,572</u>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2013  
(for inclusion in the California State University)**

**4 Long-term liabilities activity schedule:**

	Balance June 30, 2012	Prior period Adjustments	Reclassifications	Balance June 30, 2012 (restated)	Additions	Reductions	Balance June 30, 2013	Current Portion	Long-Term Portion
Accrued compensated absences	\$ 26,844	\$ -	\$ -	\$ 26,844	\$ 35,514	\$ (26,738)	\$ 35,620	\$ 35,620	\$ -
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	-	-	-	-	-	-	-	-	-
Note Payable related to SRB	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-
Total long-term debt obligation	-	-	-	-	-	-	-	-	-
Unamortized bond premium / (discount)	-	-	-	-	-	-	-	-	-
Unamortized loss on refunding	-	-	-	-	-	-	-	-	-
Total long-term debt obligations, net	-	-	-	-	-	-	-	-	-
Total long-term liabilities	\$ 26,844	\$ -	\$ -	\$ 26,844	\$ 35,514	\$ (26,738)	\$ 35,620	\$ 35,620	\$ -

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2013  
(for inclusion in the California State University)**

**5 Future minimum lease payments - capital lease obligations:**

Year ending June 30:	Principal	Interest	Principal and Interest
	_____	_____	_____
2014	\$ -	\$ -	\$ -
2015	-	-	-
2016	-	-	-
2017	-	-	-
2018	-	-	-
2019 - 2023	-	-	-
2024 - 2028	-	-	-
2029 - 2033	-	-	-
2034 - 2038	-	-	-
2039 - 2043	-	-	-
2044 - 2048	-	-	-
2049 - 2053	-	-	-
2054 - 2058	-	-	-
2059 - 2063	-	-	-
	_____	_____	_____
Total minimum lease payments			-
Less amounts representing interest			_____
Present value of future minimum lease payments			-
Less: current portion			_____
<b>Capitalized lease obligations, net of current portion</b>			<b>\$ -</b>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2013  
(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
2014	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
2015	-	-	-	-	-	-	-	-	-
2016	-	-	-	-	-	-	-	-	-
2017	-	-	-	-	-	-	-	-	-
2018	-	-	-	-	-	-	-	-	-
2019 - 2023	-	-	-	-	-	-	-	-	-
2024 - 2028	-	-	-	-	-	-	-	-	-
2029 - 2033	-	-	-	-	-	-	-	-	-
2034 - 2038	-	-	-	-	-	-	-	-	-
2039 - 2043	-	-	-	-	-	-	-	-	-
2044 - 2048	-	-	-	-	-	-	-	-	-
2049 - 2053	-	-	-	-	-	-	-	-	-
2054 - 2058	-	-	-	-	-	-	-	-	-
2059 - 2063	-	-	-	-	-	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD,  
AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION  
OTHER INFORMATION (Continued)  
JUNE 30, 2013  
(for inclusion in the California State University)**

**7 Calculation of net position**

	<b>Auxiliary Organizations</b>		<b>Total Auxiliaries</b>
	<b>GASB</b>	<b>FASB</b>	
<b>7.1 Calculation of net position - Net investment in capital assets</b>			
Capital assets, net of accumulated depreciation	\$ 80,681	\$ -	\$ 80,681
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 position - net investment in capital asset	<u>\$ 80,681</u>	<u>\$ -</u>	<u>\$ 80,681</u>

**7.2 Calculation of net position - Restricted for nonexpendable - endowments**

Portion of restricted cash and cash equivalents related to endowments	\$ -	\$ -	\$ -
Endowment investments	-	-	-
Other adjustments: (please list)	-	-	-
<b>Net position - Restricted for nonexpendable - endowments per SNP</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

**8 Transactions with Related Entities**

	<u>Amount</u>
Payments to University for salaries of University personnel working on contracts, grants, and other programs	\$ 1,716,925
Payments to University for other than salaries of University personnel	696,244
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)	(624,648)
Other amounts (payable to) University (enter as negative number)	(111,892)
Accounts receivable from University	-
Other amounts receivable from University	-

**CALIFORNIA STATE UNIVERSITY, BAKERSFIELD**  
**AUXILIARY FOR SPONSORED PROGRAMS ADMINISTRATION**  
**OTHER INFORMATION (Continued)**  
**JUNE 30, 2013**  
**(for inclusion in the California State University)**

**9 Other Postemployment Benefits Obligation (OPEB)**

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

**10 Pollution remediation liabilities under GASB Statement No. 49:**

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

**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, 2012 as previously reported		\$ 180,331
Prior period adjustments:		<u>-</u>
Net assets as of June 30, 2012, as restated		<u><u>\$ 180,331</u></u>

**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, 2013 and 2012**

	2013		
	Program	General and Administrative	Total
Salaries	\$ 2,427,222	\$ 116,090	\$ 2,543,312
Services from other agencies	2,330,700	146,290	2,476,990
Payroll taxes and benefits	628,633	541	629,174
Stipends	453,186	-	453,186
Supplies	221,399	60	221,459
Travel	167,086	-	167,086
Conferences and meetings	108,549	-	108,549
Small equipment	95,692	-	95,692
Scholarships	43,548	-	43,548
Professional fees	-	32,900	32,900
Miscellaneous	26,688	1,317	28,005
Rent	25,710	-	25,710
Printing	20,163	-	20,163
Telephone	15,567	-	15,567
Depreciation	10,572	-	10,572
Events	5,435	-	5,435
Dues and subscriptions	1,788	1,750	3,538
Postage	3,027	-	3,027
Insurance	-	2,675	2,675
Advertising	1,060	-	1,060
Bad debt	600	-	600
	<u>\$ 6,586,625</u>	<u>\$ 301,623</u>	<u>\$ 6,888,248</u>

2012

Program	General and Administrative	Total
\$ 1,825,406	\$ 16,319	\$ 1,841,725
2,386,946	52,461	2,439,407
371,299	1,382	372,681
98,287	-	98,287
247,224	-	247,224
110,133	-	110,133
80,305	-	80,305
59,613	-	59,613
30,661	-	30,661
-	40,010	40,010
30,130	2,370	32,500
22,779	-	22,779
38,040	-	38,040
12,967	-	12,967
-	-	-
9,277	-	9,277
6,110	1,100	7,210
740	-	740
-	3,516	3,516
2,912	-	2,912
-	-	-
<b>\$ 5,332,829</b>	<b>\$ 117,158</b>	<b>\$ 5,449,987</b>

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2013**

**Page 1 of 2**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Amount	Total
<b>FEDERAL:</b>				
<b>U. S. Department of Education</b>				
<i>Direct Programs</i>				
Higher Education - Institutional Aid	84.031S	P031S090154-12	\$ 569,673	
Higher Education - Institutional Aid	84.031M	P031M090060-12	571,818	
				\$ 1,141,491
Teachers Quality Enhancement Grants for State and Partnerships	84.336S	U336S090162-12	2,052,275	
				2,052,275
Migrant Education - High School Equivalency Program	84.141A	S141A100008-12	618,405	
				618,405
Migrant Education - College Assistance Migrant Program	84.149A	S149A10035-12A	588,615	
				588,615
TRIO - Talent Search	84.044A	P044A110408-12	417,639	
				417,639
<i>Pass through The Regents of the University of California</i>				
No Child Left Behind Technical Assistance and Support Program	84.367	CN110113	8,923	
				8,923
<b>National Aeronautics and Space Administration</b>				
<i>Pass through AERO Institute</i>				
NASA's Summer of Innovation	43.008	N/A	32,926	
				32,926
<i>Pass through NASA/Dryden Flight Research Center</i>				
Edwards Air Force Base	43.xxx	N/A	2,786	
				2,786
<b>U.S. Small Business Administration</b>				
<i>Pass through University of California Merced</i>				
Small Business Development Center	59.037	F300GNA08800	44,155	
Small Business Development Center	59.037	F300GPA151	100,624	
Small Business Development Center	59.037	F300GQA049	38,252	
				183,031

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

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS**

**Year Ended June 30, 2013**

**Page 2 of 2**

Federal Grantor/Pass-Through Grantor Program Title	Federal CFDA Number	Grantor's Number	Amount	Total
<b>FEDERAL:</b>				
<b>U.S. Department of Health and Human Services</b>				
<b>National Institute of Health</b>				
<i>Pass through The Regents of the University of California</i>				
National Children's Study - Kern County Location	93.xxx	HHSN275200800019C-A5	<u>36,364</u>	36,364
<b>U.S. Department of Labor</b>				
<i>Pass through County of Kern</i>				
Workforce Investment Act Youth Activities	17.259	554-2012	<u>180,293</u>	180,293
<b>National Science Foundation</b>				
<i>Direct Program</i>				
CSUB Center for Climate Change and Carbon Sequestration	47.076	HRD-1137774	<u>1,265,154</u>	1,265,154
<b>U.S. Department of Agriculture</b>				
<b>National Institute of Food and Agriculture</b>				
<i>Direct Program</i>				
Broadening Access to Modern Steam Education in the High Needs Southern San Joaquin Valley	10.223	2012-38422-19825	<u>109,334</u>	109,334
<b>National Endowment for the Humanities</b>				
<i>Direct Program</i>				
The Irish Sea Cultural Province: Crossroads of Medieval Literature and Languages	45.163	FV-50353-12	<u>69,282</u>	69,282
				<u>\$ 6,706,518</u>

**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."



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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, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration**, as of and for the year ended June 30, 2013, and the related notes to the financial statements, and have issued our report thereon dated September 19, 2013.

**Internal Control over Financial Reporting**

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

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

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

## Compliance and Other Matters

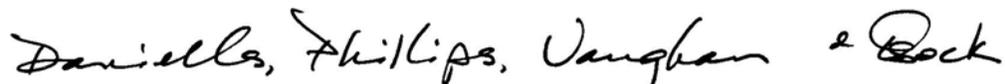
As part of obtaining reasonable assurance about whether **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed 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-13-01 and FA13-02.

### **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration Response to Findings**

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

### **Purpose of this Report**

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



Bakersfield, California  
September 19, 2013



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Private Companies Practice Section

NANCY C. BELTON

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM; REPORT ON INTERNAL CONTROL OVER COMPLIANCE; AND REPORT ON THE SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS REQUIRED BY OMB CIRCULAR A-133**

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

**Report on Compliance for Each Major Federal Program**

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, 2013. **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.

***Management's Responsibility***

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

***Auditor's Responsibility***

Our responsibility is to express an opinion on compliance for each of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and 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 on compliance for each major federal program. However, our audit does not provide a legal determination of **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** compliance.

### ***Opinion on Each Major Federal Program***

In our opinion, **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration** complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2013.

### ***Other Matters***

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular No. A-133 and which are described in the accompanying schedule of findings and questioned costs as items FA-13-01 and FA-13-02. Our opinion on each major federal program is not modified with respect to these matters.

**California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** responses to the noncompliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

### ***Report on 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 types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

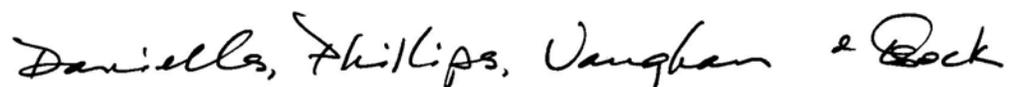
Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as items FA-13-01 and FA-13-02, that we consider to be significant deficiencies.

**California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** responses to the internal control over compliance findings identified in our audit are described in the accompanying schedule of findings and questioned costs. **California State University, Bakersfield, Auxiliary for Sponsored Programs Administration's** responses were not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the responses.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

***Report on Schedule of Expenditures of Federal Awards Required by OMB Circular A-133***

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, 2013, and have issued our report thereon dated September 19, 2013, which contained an unmodified opinion on those financial statements. Our audit was conducted for the purpose of forming an opinion on the financial statements 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 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 schedule of expenditure of federal awards is fairly stated in all material respects in relation to the financial statements as a whole.



Bakersfield, California  
September 19, 2013

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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**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  No

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

Noncompliance material to financial statements noted?  Yes  No

*Federal Awards*

Internal control over major programs:

Material weaknesses identified?  Yes  No

Significant deficiencies identified that are not considered to be material weaknesses?  Yes  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?  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
84.141A	Migrant Education – High School Equivalency Program
84.336S	Teachers Quality Enhancement Grants for State and Partnerships
59.037	Small Business Development Center
47.076	CSUB Center for Climate Change and Carbon Sequestration

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

Auditee qualified as low-risk auditee?  Yes  No

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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**SECTION II. FINANCIAL STATEMENT FINDINGS**

None

**SECTION III. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS**

FA-13-01 *Teachers Quality Enhancement Grants for State and Partnerships* U.S. Department of Education CFDA #84.336S. Federal award # U336S090162-12

The underlying documentation provided by the Auxiliary to support the matching amounts reported for one of the six contractual partners did not agree to the amounts reported per the Annual Performance Report for the period of October 1, 2012 through April 30, 2013. The amount reported for "Actual Amount of Yr. 3 funds spend in Yr. 3 7.1.12 - 9.30.12" was overstated by \$1,702. Additionally, the amount reported for "Actual Amount of Yr. 3 funds spend in Yr. 4 10.1.12 - 4.30.13" was overstated by \$9,980. The above errors resulted in an overstatement of total match for year three dollars by \$11,682. Per a review of the grant agreement as well as the program information per the Catalog of Federal and Domestic Awards (CFDA) "eligible partnerships are required to match 100% of the grant." The finding stems from a lack of review at the program level to ensure that all amounts reported per the Annual Performance Report are supported by underlying documentation. Management should develop and implement a policy whereby all amounts reported on the Annual Performance Report are agreed to the supporting documentation retained by the Auxiliary prior to the submission of the report with the funding agency.

Management Response: This finding stems from a reliance on verbal versus written confirmation. The following procedure is being implemented to address the finding:

A verbal confirmation regarding match will not be accepted until the Auxiliary and/or University has confirmation in writing, either via e-mail or letter, etc. This will ensure the Auxiliary has documented evidence for the amount reported. This procedure document will be placed in the Annual Performance Report Procedure binder and housed in the Grant Coordinator's office.

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

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
YEAR ENDED JUNE 30, 2013**

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FA-13-02 *Small Business Development Center* U.S. Small Business Administration, Pass through The Regents of the University of California CFDA #59.037. Federal award # 1-603001-Z-0061

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

- Eight files had no client signature on the Clients Rights and Responsibilities form.
- Seven files had errors with the Request for Consulting Services form whereby one form was not signed by the client, two forms were missing the number of employees the clients business maintains, and four clients files were missing the form.
- Eighteen files had errors with the Scope of Work form whereby one form was not signed by the client and seventeen client files were missing the form.

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 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 Small Business Development Center program.

Management Response: The Auxiliary and/or University will process map file maintenance procedures to determine factors resulting in file incompleteness and improve the process based on findings. This will incorporate:

- (1) Reviewing specific files where there were findings to understand the situations leading up to file incompleteness.
- (2) Improving file maintenance procedures in accordance with the finding.
- (3) Reviewing procedures for file maintenance with consultants when consulting is performed out of our office and in remote regions.
- (4) Reviewing file maintenance procedures with administrative support coordinator and develop and process to ensure files are reviewed (and complete) for which consultants are billing.
- (5) Linking payment to consultants to completeness of client files for which they are being compensated for consulting services.

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

**SCHEDULE OF PRIOR YEAR AUDIT FINDINGS  
YEAR ENDED JUNE 30, 2013**

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- FA-12-01 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. *No items noted in the current year for this program.*
- FA-12-02 Lack of adequate system in place to ensure that the information reported in the Annual Performance Report for Migrant Education – High School Equivalency Program agreed with the underlying documentation used to compile the report. *No items noted in the current year for this program.*
- FA-12-03 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-13-01.*
- FA-12-04 Lack of adequate system in place to ensure that the Auxiliary maintained complete and accurate client files for all clients served under the Small Business Development Center. *Similar item noted in the current year. See FA-13-02.*
- FA-12-05 Lack of adequate system in place to ensure that the information reported in the quarterly Expenditure Summary and Payment Request reports for the Small Business Development Center agreed with the underlying documentation used to compile the report. *No items noted in the current year for this program.*