

**ASSOCIATED STUDENTS OF THE  
UNIVERSITY OF CALIFORNIA, SANTA BARBARA**

**SERVICE ORGANIZATION CONTROL 1 REPORT (SOC 1)**

**INDEPENDENT SERVICE AUDITORS' REPORT ON A  
DESCRIPTION OF A SERVICE ORGANIZATION'S SYSTEM AND THE  
SUITABILITY OF CONTROLS**

**AS OF JUNE 30, 2017**

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March 1, 2019

### Independent Service Auditors' Report

Senate  
Associated Students of the  
University of California, Santa Barbara

### Scope

We have examined Associated Students of the University of California, Santa Barbara (the "Organization") description of its *procurement system for acquiring goods and services from outside vendors* ("procurement system") for user entities as of June 30, 2017, and the suitability of design of controls to achieve the related control objectives stated in the description.

### Service Organization's Responsibilities

In section II of this report, the service organization has provided an assertion about the fairness of the presentation of the description and the suitability of the design of the controls to achieve the related control objectives stated in the description. The service organization is responsible for preparing the description and for its assertion, including the completeness, accuracy, and method of presentation of the description and the assertion, providing the services covered by the description, specifying the control objectives and stating them in the description, identifying the risks that threaten the achievement of the control objectives, selecting the criteria, and designing, implementing, and documenting controls to achieve the related control objectives stated in the description.

### Service Auditor's Responsibilities

Our responsibility is to express an opinion on the fairness of presentation of the description and on the suitability of the design of the controls to achieve the related control objectives stated in the description, based on our examination. We conducted our examination in accordance with attestation standards established by the American Institute of Certified Public Accountants. Those standards require that we plan and perform our examination to obtain reasonable assurance, in all material respects, about whether the description is fairly presented and the controls were suitably designed to achieve the related control objectives stated in the description as of June 30, 2017.

An examination of a description of a service organization's system and the suitability of the design of the service organization's controls to achieve the related control objectives stated in the description involves performing procedures to obtain evidence about the fairness of the presentation of the description of the system and the suitability of the design of the controls to achieve the related control objectives stated in the description. Our procedures included assessing the risks that the description is not fairly presented and that the controls were not suitably designed to achieve the related control objectives stated in the description. An examination engagement of this type also includes evaluating the overall presentation of the description and the suitability of the control objectives stated therein, and the suitability of the criteria specified by the service organization and described in management's assertion in section II of this report.

We did not perform any procedures regarding the operating effectiveness of the controls stated in the description and, accordingly, do not express an opinion thereon.

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

### **Inherent Limitations**

Because of their nature, controls at a service organization may not prevent, or detect and correct, all errors or omissions in processing or reporting transactions. The projection to the future of any evaluation of the fairness of the presentation of the description, or any conclusions about the suitability of design of the controls to achieve the related control objectives, is subject to the risk that controls at a service organization may become inadequate or fail.

### **Opinion**

In our opinion, in all material respects, based on the criteria described in the Organization's assertion in section II of this report:

- 1) The description fairly presents the procurement system that was designed and implemented as of June 30, 2017.
- 2) The controls related to the control objectives stated in the description were suitably designed to provide reasonable assurance that the control objectives would be achieved if the controls operated effectively as of June 30, 2017.

**Restricted use**

This report is intended solely for the information and use of the Organization, user entities of the Organization's procurement system as of June 30, 2017, and the independent auditors of such user entities, who have a sufficient understanding to consider it, along with other information including information about the controls implemented by user entities themselves, when obtaining an understanding of user entities information and communication systems relevant to financial reporting. This report is not intended to be and should not be used by anyone other than those specified parties.

A handwritten signature in blue ink that reads "Nasif, Hicks, Harris & Co., LLP". The signature is written in a cursive, flowing style.

Nasif, Hicks, Harris & Co., LLP



**Assertion of Management of  
Associated Students of the University of California, Santa Barbara**

March 1, 2019

Nasif, Hicks, Harris & Co., LLP  
104 West Anapamu Street, Suite B  
Santa Barbara, CA 93101

We have prepared the description of Associated Students of the University of California, Santa Barbara's procurement system entitled "Associated Students of the University of California, Santa Barbara's Description of Its Procurement System," for purchasing goods and services from outside vendors as of June 30, 2017 (the "description") for user entities of the system as of June 30, 2017, and their auditors who audit and report on such user entities' financial statements or internal control over financial reporting and have sufficient understanding to consider it, along with other information, when obtaining an understanding of user entities' information and communication systems relevant to financial reporting.

We confirm, to the best of our knowledge and belief, that:


- 1) The description fairly presents the procurement system made available to user entities of the system as of June 30, 2017 for purchasing goods and services from outside vendors as it relates to controls that are likely to be relevant to user entities' internal control over financial reporting. The criteria we used in making this assertion were that the description:
  - a) Presents how the system made available to user entities of the system was designed and implemented to purchase goods and services from outside vendors, including, if applicable:
    - i) The types of services provided, including, as appropriate, the classes of transactions processed.
    - ii) The procedures, within both automated and manual systems, by which those services are provided, including, as appropriate, procedures by which transactions are initiated, authorized, recorded, processed, corrected as necessary, and transferred to the reports and other information prepared for user entities of the system.
    - iii) The information used in the performance of the procedures including, if applicable, related accounting records, whether electronic or manual, supporting information involved in initiating, authorizing, recording, processing, and reporting transactions; this includes the correction of incorrect information and how information is transferred to the reports prepared for user entities.


- iv) How the system captures and addresses significant events and conditions other than transactions.
  - v) The process used to prepare reports and other information for user entities.
  - vi) The specified control objectives and controls designed to achieve those objectives.
  - vii) Other aspects of our control environment, risk assessment process, information and communication systems (including the related business processes), control activities, and monitoring controls that are relevant to processing and reporting transactions of user entities of the system.
- b) Does not omit or distort information relevant to the system, while acknowledging that the description is prepared to meet the common needs of a broad range of user entities of the system and their user auditors, and may not, therefore, include every aspect of the procurement system that each individual user entity of the system and its auditor may consider important in its own particular environment.
- 2) The controls related to the control objectives stated in the description were suitably designed as of June 30, 2017 to achieve those control objectives as of June 30, 2017. The criteria we used in making this assertion were that:
- a) The risks that threaten the achievement of the control objectives stated in the description have been identified by management of Associated Students of the University of California, Santa Barbara.
  - b) The controls identified in the description would, if operating as described, provide reasonable assurance that those risks would not prevent the control objectives stated in the description from being achieved.

Sincerely,

Associated Students of the  
University of California, Santa Barbara

by,

  
\_\_\_\_\_  
Marisela Márquez, Ph.D.  
Executive Director

  
\_\_\_\_\_  
Cindy Lopez  
Assistant Director for Finance and Budgets

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### III. DESCRIPTION OF SERVICE ORGANIZATION CONTROLS

#### a) Overview of Operations

Associated Students of the University of California, Santa Barbara (the "Organization" or "service organization") is the official undergraduate student government at the University of California, Santa Barbara (the "University"). The purpose of the Organization is to provide for the promotion, regulation, and maintenance of the general and educational welfare of the undergraduate student body. In addition to being an advocate for the students on a University, local, state, and national level, the Organization funds a wide variety of programs, events, and other services, through its many boards, committees, commissions, commercial enterprises, student groups, and other bodies (collectively "Organizational Entities" and individually "Organizational Entity"). The Organization is supported primarily through undergraduate student registration fees and commercial enterprise activities.

The Organization's policies and procedures provide a robust procurement system for acquiring goods and services from outside vendors. This system of controls is designed to eliminate the loss of resources, ensure compliance with applicable laws and regulations, and to adhere to the University's policies and procedures—except when to do so would interfere with the Organization's ability to function and there exists an understanding between the University and the Organization regarding the exception.

The Organization's policies and procedures provide budgetary guidelines, in which the authority to determine spending priorities are spread across the Organization, with no one individual or group authorized to determine such priorities alone. These guidelines, along with other formally documented policies and procedures, provide for a system of checks and balances in which power is shared throughout the Organization, and the function of purchasing goods and services for all of the various programs and events

#### b) Organization and Management

The Organization's Constitution divides the Organization's government into the following three separate branches, each with its own duties and powers: the legislative branch, the executive branch, and the judicial branch.

The Organization's control environment is the responsibility of the Organization's legislative and executive branches of government, and its management, as they oversee all of the various Organizational Entities that make up the Organization. They ensure that the Organization's control activities, policies, standards, and procedures reflect positively on the Organizational missions and the services provided to the Organization's members—the University's undergraduate student body.

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**c) Management Philosophy and Operating Style**

The mission of management of the Organization is to empower, mentor, guide, and support students to deepen and enhance civic engagement and social responsibility by:

- Facilitating learning through student initiated projects and programs.
- Ensuring student inclusion in shared governance of the University.
- Initiating and facilitating collaboration within the University community and beyond.
- Respecting students' agency to create their own path.
- Safeguarding the continuity, financial stability, and institutional memory of the Organization for current and future students.

In safeguarding the continuity and financial stability of the Organization, management is committed to, and places a high priority on, the establishment of organizational controls. An operational emphasis is placed on timely and accurate financial reporting such that management and other decision making bodies may be well informed. Meetings are held regularly where management encourages employees and other attendees to raise issues so that they may be addressed accordingly.

Management continuously emphasizes the value of teamwork, professionalism, flexibility, and accountability.

**d) Assignment of Authority and Responsibility**

The legislative branch of the Organization's government (the "Senate") is made up of 25 elected members. The Senate is the supreme policy making body of the Organization. The Senate is responsible for promoting the welfare and interest of the members of the Organization and to supervise and maintain the policies, properties, and conduct of the Organization. The Senate has authority over the responsibility for all the Organization's revenues and expenses.

The executive branch of the Organization's government is made up the following five elected officers: the President, the Internal Vice President, the External Vice President of Local Affairs, the External Vice President of Statewide Affairs, the Student Advocate General. Together with boards, commissions, committees, and other agencies authorized by the Senate, the elected officers are responsible for executing the policies and programs of the Organization. The President is responsible for formulating an annual budget to be submitted to the Senate for approval.

The judicial branch of the Organization's government is made up of five members, individually appointed by the executive branch and ratified by a two-thirds majority vote in the Senate. It is the responsibility of the judicial branch to adjudicate completely and diligently questions pertaining to the Organization's policies and procedures and other organizing documents.

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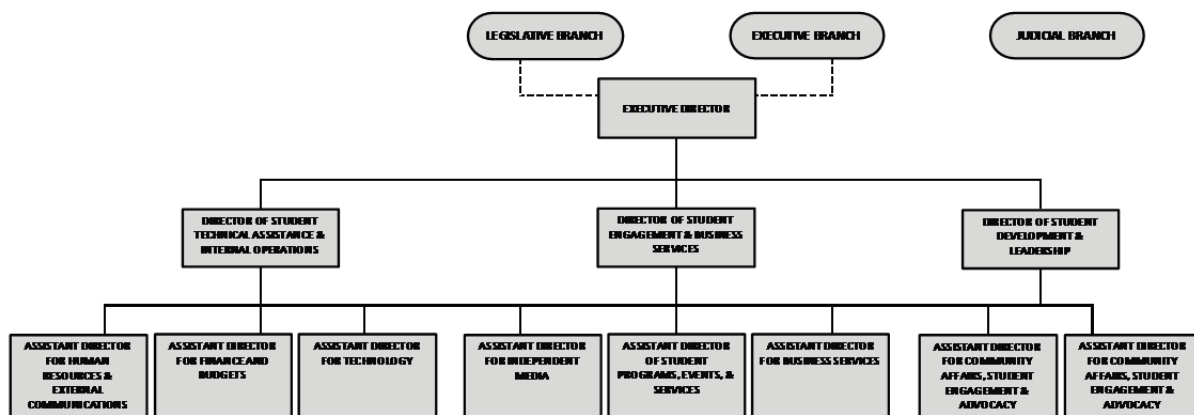
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The Organization is managed by an Executive Director and multiple Directors and Assistant Directors. These professional staff members are selected to manage the Organization by the Senate and their functioning is the responsibility of the President; however, they are all technically employed by the University.

Ultimate responsibility for all activities within the Organization is shared primarily amongst the legislative and executive branches of government and management, including the internal control system. This includes the assignment of authority and responsibility for operating activities, and establishment of reporting relationships and authorization protocols.

**e) Organizational Structure**

An entity's organizational structure provides a framework within which its activities for achieving entity-wide objectives are planned, executed, controlled, and monitored. Significant aspects of establishing an effective organizational structure include defining key areas of authority and responsibility and establishing appropriate lines of reporting. The following is a description of the Organization's organizational structure.



Each department is managed by individuals who have exceptional experience and education in their field. Each manager has responsibilities outlined by published job descriptions that provide general functions and specific duties. These provide the basis for performance evaluations.

**f) Training**

Training is an important part of the Organization's commitment to excellence. Members of the Organization in positions of leadership, and staff alike, participate regularly in training sessions in-house to ensure that they appropriately perform their duties and keep up with the latest developments that may affect their roles within the Organization. In-house training is delivered through workshops, one-on-one, and online. Additionally, management encourages all members of the Organization to attend outside seminars and other related educational events to foster an atmosphere of technical and professional growth throughout the Organization.

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**g) Hiring Practices and Human Resources Policies**

The University and Organization share the responsibility of hiring staff members and performing all other human resource activities. The reason for this shared responsibility is that the Organization's staff members, including the Executive Director, are technically employees of the University. The Organization adheres to all University personnel policies and procedures in performing its human resource activities.

The selection and termination of the Executive Director is the responsibility of the Senate. In turn, the Executive Director is responsible for the appointment and termination of all the Organization's other staff members. Before deciding to hire a vacant staff position or create a new position, the Executive Director must receive the Senate's approval. In hiring for a vacant or newly created staff position, the President appoints members of the Organization to a "search" committee established by the Senate. It is the responsibility of this committee to participate in the new hire selection process. The Executive Director's appointment will not be accepted if the search committee did not participate in the selection process.

The University's Human Resources Employment Unit assists the Organization in:

- Developing effective job postings using the University's Online Application and Classification Information System.
- Developing a diverse candidate pool through the use of strategic advertising.
- Providing guidance on screening applications, interviewing, reference checking, and setting salaries.

To ensure that individuals are selected who possess the qualifications to perform the duties of positions most effectively, background checks are performed on final job candidates.

Generally, a career employee is in a probationary status for the first six months of employment. These employees receive a written performance evaluation at the mid-point and conclusion of the probationary period. All employees receive written performance evaluations annually by department managers to provide employees with an evaluation of their performance and to provide performance feedback.

**h) Integrity and Ethics**

The Organization's governing bodies and management establishes a control environment within which both all members of the Organization and the Organization's staff members must function. It is a framework for all aspects of internal control. The control environment includes a commitment to the highest ethical standards that will never compromise the truth of the Organization's values. Members of the Organization and the Organization's staff members demonstrate professionalism through responsibility, accountability, reliability in all interactions with each other. These values have been established as performance review criteria and are used for employee evaluations.

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**i) Code of Ethics**

The Organization's conduct is governed by a standard of ethics to provide guidance to its members and employees about the way the Organization intends to conduct operations. The Organization's policies and procedures provide a code of conduct for all members and employees to follow. Responsibilities covered include behave in a manner that reflects creditably on the Organization, adhere to the Organization's policies and procedures and to the rules of duly constituted Organizational Entities, pursue goals that reflect the values of their respective Organizational Entities and the Organization as a whole, treat each other and those in the community with behavior that fosters a safe, inclusive environment for everyone, and encourage and be ready to participate in respectful, open communication that is conducive to constructive collaboration and dialogue within and between each respective Unit. These responsibilities are regularly communicated to the Organization's members and employees.

**j) Commitment to Excellence**

Excellence should reflect the knowledge and skills required to accomplish tasks that define an individual's job. Through consideration of an entity's objectives and the strategies and plans for achievement of those objectives, management specifies the competence levels required for particular jobs and translates those levels into requisite knowledge and skills. The Organization has analyzed and defined the tasks and knowledge requirements that comprise the positions within the Organization. They consider such factors to the extent to which individuals must exercise judgment and the extent of related supervision when making hiring decisions. The Organization communicates this to personnel through the interview and performance evaluation process.

**k) Information and Communication**

The Organization utilizes various methods of communication to ensure its members and staff understand their individual roles and Organizational controls. On a daily basis, the Administrative Office closely communicates to ensure accuracy and timeliness of processing purchases. Meetings are held frequently where in depth discussions and analyses of various elements of the procurement system occur.

**l) Monitoring**

Annual risk assessments and audits are used to identify specific internal and external control improvement opportunities. Management designates personnel to monitor selected projects during design and implementation to consider their impact on the control environment prior to implementation. Risk assessment and monitoring is primarily the responsibility of the Student Technical Assistance and Internal Operations Unit and the Executive Director. However, all directors and assistant directors are regularly required to report exceptions and aid in the development of the Organization's system of internal control. The course of monitoring responsibility is as shown on the organization chart.

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**m) Risk Assessment/Management**

The Organization maintains insurance coverage against various risks under the University's broad range of insurance programs and policies. The University insures its operations with a combination of self-insurance programs and commercial insurance policies. The self-insurance programs provide the backbone of the University's overall insurance portfolio, in which the Organization is covered for matters such as wrongful acts arising out of the employment process (i.e. wrongful termination, sexual harassment, and discrimination), general liability claims, and employee work related injuries or illnesses. Commercial insurance policies that augment the self-insurance programs are designed to cover more specific exposures (e.g. accidental/medical coverage for staff engaged in work-related travel).

The University requires contractors, vendors, and suppliers who provide goods and services to the University to have insurance and to provide the University with Certificates of Insurance as evidence of coverage. The Organization works closely with the University's Risk Management Office to ensure it follows these same guidelines. The types and limits of insurance the University requires are based on the contractor's or vendor's scope of work and the risks associated with the goods or services they are providing to the University.

Understanding the importance of safeguarding the continuity, financial stability, and institutional memory of the Organization for current and future students, the Organization has established capital reserves from funds that have accumulated over the years. Reserve policies and guidelines require funds to be kept on deposit in federally insured banks, savings and loans, credit unions, University Short Term Interest Programs or brokerage firms, which provide casualty insurance to depositors at least equal to the of federally insured institutions. Funds kept on deposit in a brokerage firm must be managed by a Securities and Exchange Commission, Registered Investment Advisor who is registered with the International Board of Standards and Practices for Certified Financial Planners. Funds not kept in a federal insured bank, savings and loan, or credit union must be reviewed quarterly by the Investment Advisory Committee and the Executive Director. The Chair of the Investment Advisory Committee must report to the Senate at least quarterly regarding such deposits.

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**Control Objective 1:**

Controls provide reasonable assurance that the Organization obtains goods and services in accordance with the Organization's policies and procedures, University policies and procedures, and in compliance with laws and regulations.

Ref	Associated Students of the University, Santa Barbara Controls
1.1	The Finance and Business Committee is the financial arm of the Senate, responsible for all budget allocations of the Organization's funds and for the education and enforcement of the Organization's financial policies and procedures, which include the requirement that the Organization follow all University policies and procedures and comply with all laws and regulations.
1.2	Members of the Finance and Business Committee participate in training to ensure they understand the Organization's policies and procedures and the rules over procurement, including pre-authorization, bidding, contract approval, purchase orders, and receiving.
1.3	All members of the Organization involved in the procurement process, and the Organization's staff members, are educated by members of the Finance and Business Committee and staff advisors to ensure they are familiar with the rules over procurement, including pre-authorization, bidding, contract approval, purchase orders and receiving, depending on their level of involvement in the procurement process.
1.4	Finance and Business Committee members meet with Organizational Entities on an ongoing basis to help with requisition procedures for requesting purchase orders, encumbrances, checks, and transfers (of funds from other Organizational Entities).
1.5	Final approval of purchase requisitions must be approved by the Executive Director or by two managers (Directors or Assistant Directors). Once the Executive Director or two managers verify that a purchase requisition has been processed appropriately, and that the related purchase does not violate the Organization or University's policies and procedures, and/or any laws or regulations, the Executive Director or two managers sign the purchase requisition.

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**Control Objective 2:**

Controls provide reasonable assurance that goods and services purchased by the Organization are authorized and are for the use of the Organization in accomplishing its purpose.

Ref	Associated Students of the University, Santa Barbara Controls
2.1	Each Organizational Entity, other than Student Groups registered with the University's Office of Student Life, must formulate and submit an annual budget request to the Finance and Business Committee. In accordance with the Organization's policies and procedures, members of the Organizational Entity must present their budget request to the Budget Allocation Committee, comprised of the Finance and Business Committee, the Senate, and all of the Organization's Officers. At this time the Organizational Entity will answer questions from the Budget Allocation Committee regarding their budget request. Organizational Entities formulate budget request with the assistance of a member of the Finance and Business Committee. The budgets for Student Groups are consolidated into two line items on the Organization's annual budget and are determined by the Budget Allocation Committee.
2.2	Budgets are prepared by the President and approved by the Senate in a robust and formal process which involves the input from sources throughout the Organization, including the budget requests submitted by each of the Organizational Entities.
2.3	Organizational Entities, other than Student Groups, formally document their decision to purchase goods and services in their meeting minutes. The Senate reviews these minutes and approves each purchase if the Senate believes the purchase is an appropriate use of funds according to the Organizational Entity's budget. Approval must be obtained from the Finance and Business Committee for certain purchases, such as food and travel, rather than the greater legislative body.
2.4	Student Groups do not submit annual budget request, nor are they required to keep meeting minutes where the decision purchase goods and services are documented for other Organizational Entities. Each Student Group is allocated \$250 of discretionary funds per year. Student Groups may request additional funds during the year. The allocation of additional funds must be approved by the Senate or the Finance and Business Committee, as do all Student Group Purchases.

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**Control Objective 3:**

Controls provide reasonable assurance that vendors are selected in accordance with the Organization's policies and procedures, University policies and procedures, and in compliance with laws and regulations.

Ref	Associated Students of the University, Santa Barbara Controls
3.1	In recent years the Organization has strived to bring the Organization's procurement system in closer alignment with the University's procurement system. For the selection of vendors the Organization works closely with the University's Procurement Services Department. Beginning during the year ended June 30, 2018 the Organization began using the University's campus wide purchasing system, Gateway. In years to come the Organization plans to increase the number of vendors utilized that are vetted through Gateway, as this will aid in the selection vendors that can deliver the best overall value in cost, quality, and service over time.
3.2	Organizational Entities, with the help of members of the Finance and Business Committee, follow sustainable and socially responsible purchasing guidelines, outlined in the Organization's policies and procedures, when selecting vendors.
3.3	The Organization's policies and procedures prohibit members from participating in matters where a conflict of interest exists, and identify parameters to avoid such a conflict of interest.

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**Control Objective 4:**

Controls provide reasonable assurance that all Purchase Requisitions and Purchase Orders are properly authorized and processed in a timely fashion.

Ref	Associated Students of the University, Santa Barbara Controls
4.1	Organizational Entities are required to have Authorized Signers, approved by leadership of the Organizational Entity, on file with the Administrative Office. Signers may be undergraduate students, department advisors, or University staff members whom are responsible for financial matters. Authorized Signers are provided training regarding the rules over procurement, including preauthorization, vendor selection, bidding, contract approval, purchase orders, and receiving.
4.2	Every purchase requisition is reviewed, approved, and signed by two of the requesting Organizational Entity's Authorized Signers before being further processed by the Administration Office. The purchase requisition must not be made payable to either of the Authorized Signers. For this reason it is suggested that each Organizational Entity have three Authorized Signers on file with the Administration Office, in case a purchase requisite needs to be made payable to one of the Authorized Signers.
4.3	Purchase requisitions submitted to the Administrative Office are logged into the purchase requisition log book by the Administrative Assistant in order to properly identify and track the purchase requisition during handling.
4.4	Purchase requisitions submitted to the Administrative Office are reviewed by the Administrative Assistant to assure they are complete and accurate. Incomplete and/or inaccurate purchase requisitions are promptly returned to the Organizational Entity to be corrected.
4.5	The Administrative Assistant verifies the signatures of the two Authorized Signers listed on each purchase requisition by verifying (1) the Administrative Office has a completed Authorized Signer form on file for each signer, and (2) that the signatures of the Authorized Signers matches the signatures on file in the Administrative Office. Once the signatures are verified, the Administrative Assistant initials the purchase requisition and the purchase requisition sent to the Record Keeping Specialist for further processing.
4.6	The Record Keeping Specialist verifies that the Organizational Entity requesting funds, in the form of a purchase requisition, has funds available in its account for the purchase listed on the purchase requisition, and that appropriate support is attached to the purchase requisition (e.g. estimates, contracts or performance agreements, receipts). Once available funds are verified and it is determined that the purchase requisition includes appropriate support, the Record Keeping Specialist initials the purchase requisition and sends it to the Assistant Director for Finance and Budgets for further processing.

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**Control Objective 4 (continued):**

Controls provide reasonable assurance that all Purchase Requisitions and Purchase Orders are properly authorized and processed in a timely fashion.

Ref	Associated Students of the University, Santa Barbara Controls
4.7	The Assistant Director for Finance and Budgets verifies that the purchase listed on a purchase requisition was approved by the Senate, or if applicable, the Finance and Business Committee. Once the Senate or Finance and Business Committee approval is verified, the Assistant Director for Finance and Budgets initials the purchase requisition and sends it to the Executive Director or two managers for final approval.

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**Control Objective 5:**

Controls provide reasonable assurance that contracts are executed in accordance with the Organization's policies and procedures, University policies and procedures, and in compliance with laws and regulations.

Ref	Associated Students of the University, Santa Barbara Controls
5.1	Every contract that the Organization enters into must be approved and signed by the Executive Director. The Executive Director must sign all contracts before the Organization is legally bound to the speaker or performer.
5.2	Performance contracts must be completed two weeks before the event for a speaker or performer to be paid before the event. If a contract is not executed and submitted to the Administration Office at least two weeks before the event, the speaker or performer will be paid after the event. Most speakers and performers are paid after the event.
5.3	For insurance matters related to performance contracts, the Organization works closely with the University's Risk Management and Insurance Office.
5.4	The Executive Director reports to the President, the Finance and Business Committee, and the Senate on all contracts on an ongoing basis throughout the year.

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**Control Objective 6:**

Controls provide reasonable assurance that goods received are in the same quantity and quality as goods authorized.

Ref	Associated Students of the University, Santa Barbara Controls
6.1	Goods are received by the Organizational Entities that requested the purchases. The Organizational Entities are trained by the Finance and Business Committee to notify the Administrative Office if there are any exceptions in the receipt of their goods, or if any of the goods are subsequently returned.

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**Control Objective 7:**

Controls provide reasonable assurance that payments made to vendors are valid, accurate, and timely.

Ref	Associated Students of the University, Santa Barbara Controls
7.1	Before each vendor payment is processed, the Record Keeping Specialist verifies the purchase authorization, shipping document, and accuracy of the vendor invoice. Satisfied the payment should be processed, the Record Keeping Specialist verifies that all information to be entered into the accounting system is included on the purchase requisition, including the applicable general ledger account numbers. Once the payment is processed in the accounting system (by someone other than the Record Keeping Specialist) the Record Keeping Specialist attaches the purchase requisition to all other support, and notes on the purchase requisition the date that the payment was processed and the amount still owed to the vendor related to the purchase, which is zero in most instances.
7.2	Checks are prenumbered, the sequence is accounted for regularly, and unissued checks are controlled and kept in a secure location. Vendor payments are processed in the Organization's accounting system by an Administrative Staff Member. The Administrative Staff Member must request management retrieve unissued check stock from the secure location. Management provides the Administrative Staff Member the number of checks requested. Management then logs the check sequence, the number of checks provided, the current date, and his or her initials in the check stock log book. The Administrative Staff Member then prints the vendor payments on the checks provided by management.
7.3	Check signing authority for the Organization rests solely with the Executive Director.
7.4	The Executive Director has authorized the use of her signature in a check signing machine that is kept in a secure location. Two Administrative Staff Members must request and use the check signing machine together in the manager's office. The Administrative Staff Member that operates the machine must not be the same member that processed the payment in the accounting system. The two Administrative Staff Members are required to log the check signing machine's meter reading before use and after use, their initials, and the current date on the signature machine log stored with the machine.
7.5	Bank reconciliations are prepared and reviewed in a timely fashion. Bank statements are received in the mail or downloaded online and reviewed by a responsible person other than the person who reconciles the bank account before being submitted for reconciliation.
7.6	Vendor payments are processed daily, as necessary, in order to facilitate timely payments to vendors.
7.7	Management performs a periodic review of open purchase requisitions and purchase orders and investigates long outstanding unpaid items.

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**Control Objective 8:**

Controls provide reasonable assurance that credits for returned goods and other adjustments are recorded correctly and only when appropriate.

Ref	Associated Students of the University, Santa Barbara Controls
8.1	The Assistant Director of Finance and Budgets posts credits for errors and other adjustments in the accounting system and notifies each applicable Organizational Entity of the credit to their account.
8.2	Organizational Entities' account balances reflect credits for returned goods and other adjustments and are verified by the Authorized Signers of each Organizational Entity, when applicable.

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**Control Objective 9:**

Controls provide reasonable assurance that accrued liability balances reported are complete, accurate, and reported on a timely basis.

Ref	Associated Students of the University, Santa Barbara Controls
9.1	Management reviews Organizational expense reports periodically to provide proper oversight of each Organizational Entity's activities, perform Budget versus Actual analyses, and identify any significant unauthorized transactions.
9.2	Management reviews the Organization's financial statements on a periodic basis and investigates significant variances from budgeted and expected results.
9.3	The Organization holds the books open for its fiscal year until all invoices related to purchase requisitions and purchase orders dated during the year are received and processed in the accounting system. Payments are processed in the accounting system promptly once invoices are received, and the amounts are recorded on an accrued liability schedule that is reconciled to the general ledger.
9.4	Management reviews subsequent year reimbursement purchase requisitions carefully to ensure current year expenses and accrued liabilities are captured for such reimbursements. Purchase Requisitions change color each year and remain one color the entire year to aid this process.
9.5	As part of the closing process, Management prepares a report of all payments made after the end of the Organization's fiscal year and performs a search for unrecorded liabilities. In the event a payment was recorded in the wrong year, Management will adjust the Organization's accounts accordingly.

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#### **IV. INFORMATION PROVIDED BY INDEPENDENT SERVICE AUDITOR**

##### **Purpose and Objectives of Report**

This report is intended to provide users of the Associated Students of the University of California, Santa Barbara with information about controls at the Organization that may affect the processing of transactions. This report, when combined with an understanding and assessment of the internal controls at the user entities, is intended to assist the user auditor in (1) planning the audit of the user's financial statements, and (2) assessing control risk for assertions in the user's financial statements that may be affected by controls at the Organization.

Our examination of the Organization's controls was restricted to the control objectives and the related controls specified in this section by the Organization's management and were not extended to procedures described elsewhere in this report but noted listed, or procedures that may be in effect at the user entity. It is each user auditor's responsibility to evaluate this information in relation to the controls in place at each user entity.

Our examination included interview with key personnel, review of available documentation, and observation of certain control procedures surrounding and provided by the Organization.

The description of the system is the responsibility of the Organization's management. It has been prepared taking into consideration guidance contained in AICPA Statement on Standards for Attestation Engagements ("SSAE") No. 18 "Reporting on an Examination of Controls at a Service Organization Relevant to User Entities' Internal Control Over Financial Reporting" ("SOC 1").

This report was designed to cover a large majority of the Organization's user entities. Therefore, it focuses on those processes and controls applicable to the common processes supported by the Organization. Any unique user entity situations processes or not described in the report are outside of the scope of this report.