



MEMORANDUM

Date: April 24th, 2020
To: Students of California State University San Marcos
From: Kenneth Tran, President & CEO
Re: ASI Audited Financial Statements and Corporate Tax Forms Update

On November 15th, 2019, the Associated Students, Inc. (ASI) Board of Directors reviewed the 18/19 ASI Audited Financial Statement in which a disclosure included information on financial irregularities discovered by management. On April 24th, 2020, the ASI Board of Directors reviewed the 2019 Corporate Tax Forms in which further disclosures are provided about the irregularities. Unfortunately, the financial irregularities are due to non-ASI business activities that a former ASI professional staff member allegedly committed for personal gain. Upon finding the irregularities in the ASI accounting records, our ASI Executive Director, Dr. Annie Macias, took immediate action and reported the loss to local authorities. Dr. Macias is still currently working with authorities to assist with the continuing criminal investigation. Further, an insurance claim was filed in January of 2019 to recover any funds associated with the business losses.

I am extremely disappointed to report that a former ASI professional staff member, whose responsibilities were to empower the student voice, allegedly took advantage of student fees and violated the financial integrity of our organization. However, it is important for students to know that the actions of this individual do not reflect the values and mission of ASI. We do not tolerate any misuse of student fees and plan on continuing to keep students informed as we are able during the criminal investigation process.

To prevent the recurrence of this situation, there have been internal changes in policies and duties to prevent future mismanagement of funds. As stated in the Corporate Tax Forms, these changes include:

1. Management and accounting froze the bank account to stop any further fraudulent activity (December 2018) and implemented monitoring steps of current bank accounts to identify any unusual transactions.
2. Established a monthly budget reconciliation process comparing budget to actuals which includes a review from each programmatic area supervisor and an independent review to be signed off by the Business Services Specialist (Completed December 2018).
3. Established segregation of duties by creating a log to record and monitor the purchase of prepaid credit cards purchased with a business credit card. The log is reviewed by the Business Services Specialist on a monthly basis through the users' monthly credit card reconciliations (Completed June 2019).
4. The organization's bank account was closed, and a new bank account was opened with a different banking institution. The new banking institution provides additional resources to accounting and management for monitoring transactions, monthly reconciliations and tracking of payments and checks (Completed June 2019).
5. Implemented a business credit card program with a new banking institution and established internal controls procedures for the set-up, monitoring, and reconciliation of credit card accounts. The new institution provides improved monitoring tools and additional resources for the credit card program administrator. In addition, the program administrator does not hold a business credit card or has the access to process any electronic payments with the business bank account (Completed June 2019).
6. Established education and training procedures to business credit card holders on the Corporate Credit Policy, Conflict of Interest Policy, Hospitality and Reconciliation processes once per academic year typically during the summer months (Completed June 2019).

7. Implemented additional procedures to strengthen internal controls over credit card accounts, which include the following processes;
 - a. Each credit card holder is required to complete a monthly reconciliation.
 - b. Review and sign off of the monthly reconciliation by the supervisor of the credit card holder. (Completed January 2019)
 - c. The program administrator performs a monthly internal audit of all credit card account reconciliations, to determine that procedures are followed according to policy. (Completed December 2019).

Students can find the ASI 2019 Corporate Tax forms [here](#). As stated in our previous statement, ASI is committed to ensuring the ethical use and responsible spending of student fees. We will continue to serve as an advocate and a voice for students through this process.



Kenneth Tran
President of the Associated Students, Inc. of CSUSM

CC: Dr. Ellen Neufeldt, President of California State University San Marcos
Dr. Annie Macias, Executive Director of Associated Students, Inc. of CSUSM
Jaelyn Freeman, Chair & Chief of Staff of Associated Students, Inc. of CSUSM
Mariana Rosales, Executive Vice President of Associated Students, Inc. of CSUSM
Michelle Tran, Vice President of Student & University Affairs of Associated Students, Inc. of CSUSM