

**INDEPENDENT ACCOUNTANT'S REPORT  
ON APPLYING AGREED-UPON PROCEDURES**

To The Trustees of  
California State University Channel Islands Site Authority  
Camarillo, California

We have performed the procedures enumerated below, which were agreed to by California State University Channel Islands Site Authority solely to assist California State University Channel Islands Site Authority in evaluating certain expenditures and related reporting procedures for Common Area Maintenance Expenditures of University Glen and Ground Lease rental agreements (CAME). Management is responsible for California State University Channel Islands Site Authority's compliance with those criteria. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of those parties specified in this report. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures performed and related resulting observations are attached as Exhibit I.

We were not engaged to, and did not, conduct an examination, the objective of which would be the expression of an opinion on CAME schedules. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of California State University Channel Islands Site Authority and its lessees and is not intended to be and should not be used by anyone other than these specified parties.

*Vasin, Heyn + Co.*

October 14, 2015

## **Exhibit I**

### **Procedure(s)/Results**

- 1. Review Annual Expenses for each of the Common Area Maintenance (CAM) functions in relation to generally accepted accounting principles contained in Campus accounting manuals, practices and procedures.**

### **Results**

We reviewed the expense categories being charged as CAM on the Annual Homeowner's Report. The categories of expenses appear appropriate. There were some general ledger expense accounts included in the Maintenance line item or other line items which appear to be more administrative in nature, however these amounts were minor.

In the 2013-2014 year the Homeowner's water expense line item was overstated on the Annual Homeowners Report as compared to the underlying general ledger data by \$16,875.

### **Observation**

We tested actual expenses for consistent distribution to expense categories in connection with our audit of California State University, Channel Islands Site Authority financial statements and did not deem it necessary to repeat those tests with the Agreed-Upon Procedures Engagement.

### **Recommendations**

Expenses that are not directly related to CAM should not be included in the CAM pool. These types of expenses should be reported through the Management Fee line item of the CAM reports.

Management should insure that the controls in place for providing accurate data to homeowners are effective.

### **Management Responses**

We concur. An evaluation is under review to establish the appropriate pool of expenses related to CAM; these will be documented and included in the annual report. Expenses that are not directly related to CAM will be moved to operations and reported through the management fee line.

CI Fiscal Services will review the utilities that are not separately metered with facilities services to ensure that the allocation is appropriate. This review will be conducted on an annual basis as part of the annual cost recovery review. These reviews will be completed by January 31, 2016.

## **2. Test Calculation of CAM fees charged to a sample of residents for each function.**

### **Results**

From a sample of 60 homeowners we compared the CAM charges indicated on the Annual Report to Homeowners to actual amounts billed to the respective homeowner. No exceptions were noted.

From a sample of three commercial tenants, we compared the CAM rates provided to the actual amounts billed during three test months.

The CAM billing for two commercial tenants did not agree with the amounts calculated based on management's provided rate and square footage. Requested lease documents confirming the rates provided were not provided for verification. For tenant Sammy's Market the calculated rate was \$1,980 per month but the tenant was charged \$2,889.52 per month. For the tenant Pizza 3.14, the calculated rate was \$472.42 per month but the tenant was charged \$702.00 per month.

### **Recommendations**

Management should insure that the controls in place providing for accurate commercial CAM billing are effective.

### **Management Responses**

We concur. By January 31, 2016 a review of the current years CAM billings for commercial tenants will be reviewed for consistency in billing to occupied spaces. Additionally, commercial CAM billings will be reviewed annually to ensure that consistent with fee structures.

## **3. Review reserve maintenance plan and related cost allocations for compliance with Annual Reserve Studies.**

### **Results**

We reviewed Reserve Studies for the following seven areas effective July 1, 2011 and July 1, 2014. Townhomes (200 units), Single Family Homes (72 units), Town Center, Residential and Commercial (70 units), Town Center, Residential (58 units), Town Center, Commercial (12 units), Apartments (328 units) and Common Areas (658 units). The reports included Reserve balance held at July 1, 2011 and July 1, 2014, respectively. We noted that the balances reported on the July 1, 2014 reserve studies was overstated by \$95,399 on an aggregate basis with totals on the Reserve studies totaling \$2,003,652. We found that in the year 2011-2012 the amounts recommended in the Reserve Studies were being funded by the various homeowner/tenant groups. In subsequent years, 2012-2013 and 2013-2014 the amounts being allocated to Reserves varied from the amounts recommended in the July 1, 2011 Reserve Studies, generally being slightly lower than in the 2011-2012 year. There was no documentation provided by Management regarding the changes in methodology for reporting Reserve charges in subsequent years.

All amounts allocated to the Reserve are then treated as one single pool and are available for payment of Reserve-related repairs.

**4. Review reserve maintenance plan and related cost allocations for compliance with Annual Reserve Studies. - Continued**

**Recommendations**

We recommend that changes to amounts being allocated to Reserves in amounts other than those recommended on the Reserve studies be explained in writing.

We recommend that amounts allocated to Reserves based on the seven Reserve studies be kept segregated from each other and that expenses be specifically allocated to the Reserve applicable to each related expenditure.

**Management Responses**

We concur. Any deviation from the published reserve study will be documented and continued to be shared with the Board during the annual budget approval process.

Management will prepare a new allocation which separates out the reserves into the seven separate categories found in the reserve study and applicable expenses will be allocated appropriately to each category. An evaluation of the current reserve balance along with the segregation will be done by January 31, 2016.

**5. Review a sample of Ground subleases for compliance with reporting common area maintenance charges.**

**Results**

We reviewed the ground sublease agreement. Per management, all ground sublease agreements contain identical terms. No exception was found in reporting requirements for common area maintenance charges.

**Recommendations**

None.

**6. Determine if the methodology for allocating expenses is reasonable in relation to cost allocation principles at 2 CFR 200.**

**Results**

We reviewed with management the allocation of CAM-related costs between three different CAM pools, Homeowners, Renters and Commercial. We also reviewed an analysis provided by management where the original allocation of expenses was compared to an allocation based on the number of dwelling units.

The analysis provided the following increases (decreases) in allocation of CAM expenses by category and year.

	<b><u>2011-2012</u></b>	<b><u>2012-2013</u></b>	<b><u>2013-2014</u></b>
Homeowners	\$ (34,690)	\$ (33,773)	\$ (11,331)
Town Center	(52,599)	(3,101)	(19,572)
Renters	61,054	35,534	24,181

Generally an analysis of this type would result in a total net change of zero – that is not the case with this analysis. The reason for that could not be determined.

In our opinion, the dwelling unit allocation appears more appropriate.

**Recommendations**

We recommend that all CAM charges be maintained in one CAM expense pool - without allocation of individual expenses to units CAM expenses should then be charged to each unit at a consistent rate.

Charges related to vacant rental units (gas, electric, etc.) should be charged directly to rental operations and not to the CAM pool.

**Management Responses**

We concur. Management will revise the current methodology for recording CAM expenses in one pool based upon applicable CAM expenses documents from item #1. Then these expenses will be allocated consistently to each unit.

Vacant units' expenses will be billed to rental operations. Management will complete a new template for the new methodology by January 31, 2016 and will implement with the 16/17 budget cycle.