



AUDIT AND ADVISORY SERVICES  
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July 29, 2025

To: Distribution

Re: **The Club & Guest House Operations  
Audit Report No. 08-25-0006**

We have completed an audit related to The Club & Guest House operations as part of our 2024-25 annual audit services plan. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by Housing, Dining & Auxiliary Enterprises during the audit. If you have any questions, please contact me.

Respectfully submitted,

Ashley Andersen  
Director  
Audit and Advisory Services

Enclosure

Distribution

Housing, Dining & Auxiliary Enterprises

Nestor Covarrubias, Sr. Executive Director, Auxiliary Services  
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Cc:

Interim Chancellor David Marshall  
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UCSB Audit Committee  
Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

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UC **SANTA BARBARA**  
Audit & Advisory Services

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Audit Report

**The Club & Guest House Operations**

July 29, 2025

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**Performed by:**

Antonio Mañas Meléndez, Associate Audit Director  
Laurie Liao, Senior Auditor

**Approved by:**

Ashley Andersen, Audit Director

Report No. 08-25-0006

## EXECUTIVE SUMMARY

### OBJECTIVE

The primary purpose of the audit was to evaluate selected internal controls and procedures implemented by The Club & Guest House based on risks to ensure efficient operations and compliance with applicable University of California (UC) and University of California, Santa Barbara (UCSB) policies. The main objectives were to determine whether:

- The department was in good financial standing at the end of the fiscal year 2023-24, and any deficits are quantified, assessed, and have formal plans for mitigation.
- The department has adequate financial reports to monitor revenues and expenses, and reconciliations are completed, appropriately supported, accurate, and approved by management in a timely manner.
- The contractual agreement between Housing, Dining, and Auxiliary Enterprises (HDAE) and the Faculty Club Board is current, and contract terms and conditions are carried out appropriately.
- The department accurately tracks and records Faculty Club Board revenue in accordance with the Cooperative Relations Agreement (CRA)<sup>1</sup>, with an emphasis on processes for collections of outstanding membership dues and transfers of monetary revenue collected by HDAE to the Board.
- The department has defined a separation-of-duties matrix for its financial systems, and users are granted privileges based on their duties.
- The department has implemented adequate internal controls, processes, and procedures to manage access, and generic accounts are properly identified for accountability purposes.

### SCOPE

The scope of our review was limited to The Club & Guest House interviews, business processes, and transactions in areas selected based on risk from July 2023 to March 2025.

### CONCLUSION

Based on the results of the work performed within the scope of the audit, we found that:

- According to the June 2024 general ledger, The Club & Guest House has an approximately \$3.1 million deficit. Management informed us that HDAE had been subsidizing The Club & Guest House's deficit with housing funds from 2014 to 2021 for approximately \$6 million, but this does not include various fees associated with the debt, such as interest, which total approximately \$5.5 million<sup>2</sup>. Furthermore:

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<sup>1</sup> Name of formal agreement between HDAE and the Board. See the background section.

<sup>2</sup> HDAE has provided this information. The auditor has not independently verified these numbers or the fund source.

- Formal plans to address the deficit have not been presented to HDAE management or stakeholders for acknowledgment or approval.
- There are opportunities to increase revenue by continuing to implement marketing campaigns and operational changes to increase the average room occupancy, which was 51% from January 2023 to December 2024.
- Revenue reconciliation is incomplete overall due to staff turnover, a lack of adequately trained backup personnel during that time, and unclear documented procedures. This situation impacted new staff in completing the reconciliation of all revenue accounts, documenting appropriate support, and ensuring the timeliness of management's review.
- Overall, department processes are fulfilling the requirements of the Cooperative Relations Agreement<sup>3</sup> In particular, only three requirements were not followed, six requirements had minor differences from the requirement description. However, no owner is assigned to ensure bi-annual reviews, which is critical to ensure the terms of the CRA are being carried out accurately.
- Although the department tracks the Faculty Club Board's revenue and expenses, including payment of memberships, we found the following:
  - Transfers to the Faculty Club Board have not been processed since the summer of 2023. Current staff are reinstating this process, but it was not completed at the time of our audit fieldwork.
  - Current processes for managing membership dues need to be improved to ensure timely and consistent collections. For example, only 55% of members are relatively current on their dues.
- For hotel and club management applications, Chorum and Encore, we found there is a need to:
  - Re-evaluate and document the separation of duties model to ensure adherence to the least privilege principle for user permissions.
  - Document procedures for managing generic user accounts and deactivating user accounts.
  - Finalize documenting classifications and availability for protecting confidential information in the business continuity plan and ensuring that this is periodically reviewed.

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<sup>3</sup> Agreement between the Faculty Club Board of Directors and Housing, Dining & Auxiliary Enterprises (HDAE). See page 16 for more details.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. FINANCIAL SUSTAINABILITY

#### OBSERVATION

##### *Budget and Overdrafts*

According to the June 2024 general ledger, The Club & Guest House has an approximately \$3.1 million deficit. Management informed us that HDAE had been subsidizing The Club & Guest House's deficit with housing funds from 2014 to 2021 for approximately \$6 million, but this did not include various fees associated with the debt, such as interest, which total approximately \$5.5 million<sup>4</sup>. Furthermore, formal plans to address the deficit have not been presented to all HDAE management or stakeholders for acknowledgement or approval.

This deficit is due to several situations outlined below, with the most significant impacts being the shutdowns for renovation and the COVID-19 lockdown. This has highlighted the need to continue maintaining financial discipline and establish a formalized and approved plan to improve revenue.

Through a series of interviews, we found that management and staff attribute this deficit to several situations, such as:

- Operations were shut down for renovations in 2017, so no revenue could be generated during this period until after reopening and regaining complete staffing levels.
- The COVID-19 lockdown in 2020 completely halted operations, and they could not reopen until the lockdown was lifted. Reopening after such a prolonged closure resulted in operations running below full capacity until new staff could be hired and trained.
- Current operations do not effectively encourage revenue flow. For instance, the dining room is only open for lunch on weekdays, and reservations at the Guest House are limited to those with a University affiliation. As a result, the projected occupancy rate of 81% is not being met, with the current rate at 51%.
- Any change in operations to improve revenue may need the Faculty Club Board to be included in discussions for proposed changes, as this may also result in changes to the Cooperative Relations Agreement.

There are ongoing efforts to address the deficit by improving revenue, although these initiatives have not yet been consolidated into a formal document for approval. Current actions include:

- A formal, documented annual marketing plan presented to the Faculty Club Board.
- Continued collaboration among key management to identify potential revenue opportunities.

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<sup>4</sup> This information has not been independently verified by the auditor.

- Exploring additional strategies, such as implementing weekend rates to boost Guest House occupancy and extending dining room hours to increase service availability.

### ***Guest House Room Occupancy Trend***

Guest House room occupancy data from January 2023 through December 2024 showed an average occupancy rate of 51%. This level is not optimal and should be improved to support the long-term sustainability of operations. Refer to Appendix A for details.

Management attributes the occupancy rate to several factors, such as:

- Extended Guest House closures during holidays such as Thanksgiving.
- Limited room features, such as the lack of air conditioning and amenities like a continental breakfast, all of which reduce appeal towards potential guests.
- The requirement that all guests have a university-related purpose restricts the potential to broaden the customer base.

A persistent deficit signals the need for a detailed review of financial practices, including cost reduction, revenue generation, debt management, and financial strategies to avoid further financial decline and to restore financial stability.

### **RECOMMENDATION #1**

We recommend that The Club & Guest House develop formal plans to improve revenue, obtain approval, and implement them to mitigate future overdrafts and ensure the organization's long-term financial sustainability.

### **MANAGEMENT RESPONSE #1**

The Club & Guest House will perform the following:

- Develop a plan that identifies current revenue streams and areas for potential growth, and also enhances marketing efforts. This may include revisiting the terms of the Cooperative Relations Agreement to better align with fiscal expectations.
- Collaborate and obtain plan approvals from stakeholders such as the Club Board and HDAE partners. This will include initiating a review of the Cooperative Relations agreement, particularly the revenue-sharing model.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

## **2. REVENUE ACCOUNTS RECONCILIATION**

### **OBSERVATION**

Due to staff turnover and a lack of clearly documented procedures, from December 2023 to August 2024, reconciliations were not performed or consistently performed for all revenue

accounts managed by the departments. Additionally, the credit card holding account remained unreconciled by December 2024.

| <b>Table 1</b> |                    | <b>Revenue Reconciliation</b> |                  |                  |               |               |
|----------------|--------------------|-------------------------------|------------------|------------------|---------------|---------------|
| <b>Months</b>  | <b>Account (s)</b> | <b>Completion</b>             | <b>Supported</b> | <b>Justified</b> | <b>Review</b> | <b>Timely</b> |
| December 2023  | All                | No                            | N/A              | N/A              | No            | No            |
| June 2024      | Night Audit        | Yes                           | No               | Yes              | Partial*      | Yes           |
|                | Tip Payouts        | Yes                           | No               | Yes              | Partial*      | Yes           |
|                | CC Holding         | No                            | N/A              | N/A              | No            | No            |
|                | CC Events          | Yes                           | Yes              | Yes              | Yes           | Yes           |
|                | Happy Hour         | No                            | N/A              | N/A              | No            | No            |
| July 2024      | All                | No                            | N/A              | N/A              | No            | No            |
| August 2024    | Night Audit        | Yes                           | Yes              | Yes              | Yes           | No            |
|                | Tip Payouts        | Yes                           | No               | Yes              | Partial*      | No            |
|                | CC Holding         | No                            | N/A              | N/A              | No            | No            |
|                | CC Events          | Yes                           | Yes              | Yes              | Yes           | No            |
|                | Happy Hour         | Yes                           | Yes              | Yes              | Yes           | No            |

Source: Auditor Analysis.

\*Partial: Reviewed and approved with unsupported report totals.

\*N/A: Not applicable because the reconciliation was not performed.

As part of our work, we judgmentally selected a sample of four months and reviewed the reconciliation process for five revenue accounts. We found that the department did not reconcile the revenue accounts for two of the four months (June 2024 and August 2024). For the reconciliations completed from our sample, we found there were unsupported reported balances, and reviews were not signed off within two months following the close of the reconciliation period. Our results are outlined in Table 1 and explained in detail below:

- **Completion:** The credit card holding account was not reconciled for both months, and the June 2024 member happy hour account was also not reconciled. As a result, we could not perform subsequent testing for the affected accounts.
- **Supported<sup>5</sup>:** The reconciliations of two revenue accounts in June 2024 and one in August did not include the support documentation of the balance sheet totals.
- **Justified differences:** Any discrepancies of the account reconciled in both months were justified.
- **Appropriate review:** All account strings reconciled in both months were reviewed by the manager. However, the lack of support documentation mentioned earlier indicates that a close review was not performed, which is indicated as “Partial” in Table 1.
- **Timely Review:** Three revenue accounts reconciled in June 2024 were reviewed in a reasonable timeline, but the four revenue accounts reconciled in August 2024 were

<sup>5</sup> Two June 2024 and one August 2024 accounts were not reconciled and thus did not have a balance sheet to perform this test.



reviewed 73 days after August, beyond the suggested guidance by HDAE management.

The limited reconciliation described above was primarily caused by staff turnover, a lack of adequately trained backup personnel during that time, and unclear documented procedures. As a result, no reconciliations were performed during that period and must now be brought up to date, which the current department is in the process of performing, based on the limited procedures available. Incomplete reconciliations increase the risk of material misstatement, fraud, or error in the financial reporting, as any discrepancies may go undetected.

## **RECOMMENDATION #2**

We recommend The Club & Guest House:

- Establish a plan to prioritize clearing the reconciliation backlog and provide regular progress updates to appropriate management and stakeholders.
- Document the reconciliation process in a procedure to ensure they are complete and easily understood.
- Evaluate the feasibility of cross-training personnel to serve as backup support.

## **MANAGEMENT RESPONSE #2**

The Club & Guest House has addressed the financial backlog, closed out the 2023/24 fiscal year, and provided the Club Board with its FY 2023/24 Budget Reconciliation reports.

The Club & Guest House will:

- Document and regularly update standardized operating procedures to remain current with account reconciliations. This includes sharing and continuous updates of resource documents.
- Evaluate cross-training feasibility amongst career staff.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

### **3. FACULTY CLUB BOARD**

#### **OBSERVATION**

The department tracks the Faculty Club Board's revenue and expenses, including payment of memberships. However, we found opportunities to improve the timely collection of accounts with open balances, including documenting the collections process in a procedure. Due to staff turnover, transfers to the Faculty Club Board have not been processed since the summer of 2023. During the audit, current staff were in the process of completing the reconciliation backlog before they could reinstate this regular process.

### ***Revenue Transfers to The Faculty Club Board***

As stated above, we found that there have been no revenue transfers to the Faculty Club Board since summer 2023 because there is a backlog of past reconciliations that need to be completed before any transfers can be initiated. The Faculty Club Board's revenue and expenses were identified and tracked by HDAE staff in an Excel document during the audit. However, the tracking was not completed during the audit inquiry. Discussions with management further revealed that the process for transfers going forward will be improved to be better aligned with applicable campus policies. However, the process has not yet been documented in a procedure.

Documenting the transfer procedure ensures consistency, improves efficiency, and reduces the risk of errors in future transfers, especially if the responsible staff member is out of the office and another staff member needs to step in.

### **RECOMMENDATION #3.1**

We recommend that The Club & Guest House complete the reconciliation backlog and formally document the process for tracking and transferring these funds to the Board. If other staff separations occur, evaluate the possibility of cross-training staff as backup to minimize operational disruption.

### **MANAGEMENT RESPONSE #3.1**

In alignment with campus policies, The Club & Guest House has completed the fiscal year 2023/2024 Board Reconciliation, and the transfer of funds has been completed.

The Club & Guest House has begun the documentation of the transfer of funds process and cross-training of staff, which will be reviewed annually to ensure compliance as policies evolve.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

### ***Collections of Membership Dues***

Current processes for managing membership dues need to be improved to ensure timely and consistent collections. For example, assuming an active membership category<sup>6</sup>: Only 55% of members are relatively current on their dues, and 16% have an outstanding balance of at least eight monthly dues.

The collections process involves a series of notifications to the delinquent member before the member account is presented to the Faculty Club Board to decide if they will assume the debt or cancel that account's membership. However, none of these steps are formally documented, and there is no evidence that this process has been enforced in recent years.

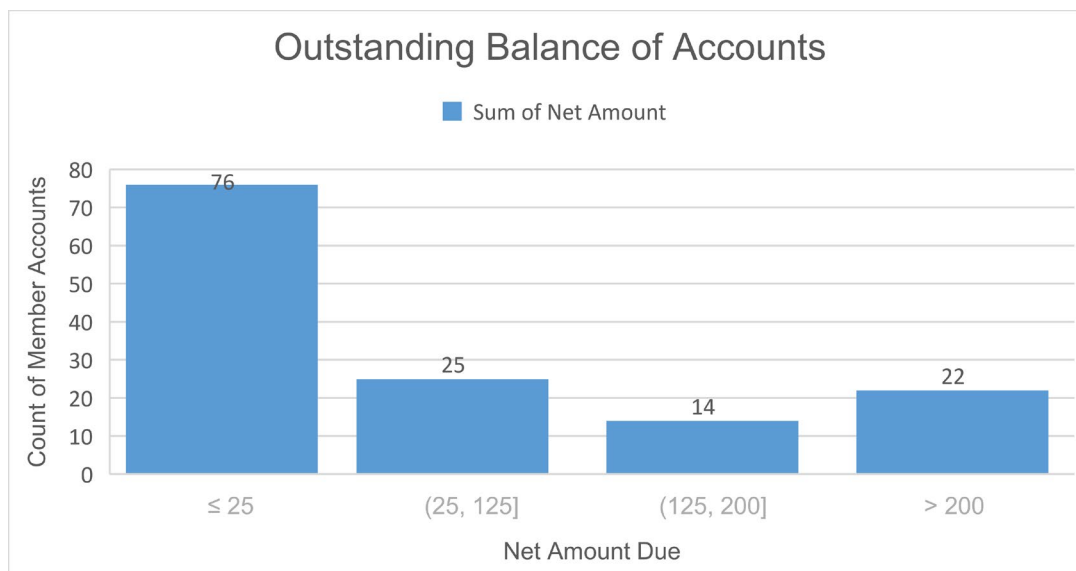
The outstanding balances for club members as of February 19, 2025, showed that out of 137 member accounts, there were:

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<sup>6</sup> Faculty, Staff, Postdocs, Alumni, Family of Student.

- 76 accounts (55%) with an outstanding balance of \$25 or less
- 25 accounts (18.25%) have an outstanding balance between \$25 and \$125
- 14 accounts (10.22%) with an outstanding balance between \$125 and \$200
- 22 accounts (16.06%) with an outstanding balance of over \$200

Since we performed our analysis, management informed us that many members have made payments on their accounts prior to the issuance of this report.



Source: Data provided by the department, and chart created by Audit and Advisory Services.

A key contributing factor is the limited resource – a single half-time position responsible for managing membership collections and other Faculty Club Board-related duties. Furthermore, this staff is jointly supported, with half of the role funded by the campus and the other by the Faculty Club Board. As a result, this resource is limited in devoting half its time towards follow-up and closer management of membership dues. Additionally, we were informed that the campus does not charge penalty fees for late payments, reducing the effectiveness of incentives for timely payment.

**RECOMMENDATION #3.2**

We recommend that The Club & Guest House formally document the process for collecting membership dues with open balances, send more timely notifications to delinquent members, consider including the details for the collections process in the CRA, and create opportunities to include the Faculty Club Board in discussions regarding solutions to encourage timely payments.

**MANAGEMENT RESPONSE #3.2**

The Club & Guest House will formalize the collection process, including the timely notices provided to members to address their outstanding balances. In collaboration with The Club Board and in accordance with CRA guidelines, the evaluation of responsibilities, staff resource allocation, current membership model, and Club Board participation will also be reviewed. Because there is a significant layer of administrative work associated with the memberships outside of the 50% Marketing & Membership Director role, there will be an assessment of the

time and resources shifted to a community-based model, subject to University policies permitting, and will be accessible to a broader audience through an engaging social calendar of events, thereby increasing revenue-generating opportunities.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

#### **4. COMPLIANCE WITH COOPERATIVE RELATIONS AGREEMENT**

##### **OBSERVATION**

Overall, department processes accurately fulfill the requirements of the Cooperative Relations Agreement. Our review found that the department is not performing three out of 28 requirements in the agreement, including a lack of a bi-annual review. Additionally, six requirements are being conducted in a manner consistent with the overall intent of the agreement. However, they differ slightly from what is stated in the agreement details.

We selected and assessed whether 28 key requirements included in the 2019 Cooperative Relations Agreement<sup>7</sup> were assigned to an owner, and if there was a department process facilitating this. From this, we identified six with the following situations described below:

- Three agreement requirements were not being met: One involves providing breakfast services, which are no longer being served, and another involves the biannual review of the Cooperative Relations Agreement. The third requirement was contingent upon alcohol being purchased; however, the University does not permit alcohol to be purchased on campus.
- Six requirements are being carried out in a manner that is generally consistent; however, they either deviate slightly from what the agreement described or have specific details that need to be clarified or updated to the current business situation:
  - Two requirements should be updated to reflect the 5.88% room revenue split.
  - One requirement description should be clarified to explain that the campus pays for all utilities except the ones for the Members Lounge.
  - Two requirements refer to the purchase of alcohol, which is not compatible with University policy, and should be updated accordingly.
  - One requirement description could be clarified to state that standard insurance is covered by the campus and not directly handled by HDAE, and to delineate further that this does not involve insurance related to having a liquor license, which the Board handles.
- When performing further analysis, we noted that the processes for 26 requirements have been assigned to a facilitator. A facilitator was not specified for the two remaining requirements because the process was not being performed. See Appendix A, Table A1 for additional details.

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<sup>7</sup> The most recent version of the agreement.

| <b>Table 2 Cooperative Relations Agreement (CRA)</b>  |                |  |
|---|----------------|--|
| <b>Requirements</b>   | <b>Aligned</b> | <b>Auditor Comments</b>  |
| Breakfast is provided daily for the guest room users during the Guest House's open days of operation.   | No             | This is no longer provided.  |
| This Cooperative Relations Agreement is reviewed on a bi-annual basis.  | No             | This has been revised as needed only.  |
| Hire and pay the salary of a bar manager to oversee the purchase, storage, and distribution of alcohol for dining and event services.   | No             | Alcohol cannot be purchased at The Club & Guest House, which is not applicable.  |
| Administer the scheduling of the Guest House (30 new guest rooms) and the Board guest rooms.  | Partial        | The process is being performed, but it should say 34 rooms and refer to the 5.88% room revenue split.  |
| HDAE pays all utilities for the building, including gas, electricity, water, and waste collection.  | Partial        | The description should clarify that HDAE pays for all utilities except the Members Lounge.   |
| Maintain and hold the liquor license for The Club, with primary responsibility for purchasing and pricing alcoholic beverages for all dining and event services held on the premises.   | Partial        | The Board maintains the liquor license, not HDAE. Furthermore, alcohol cannot be purchased at The Club and the Guest House, so this description should be revised.   |
| Receives 50% of the net income (Sales less purchase of alcohol and bar manager costs) from alcohol sales.   | Partial        | Alcohol cannot be purchased at The Club & Guest House, so this process description should be revised to refer to the bar service fee.  |
| Receives all income arising from the Guest House, daily meal services, the rental of meeting rooms, and non-Board-sponsored membership events, except that HDAE will receive 50% of the net income (Sales less purchase of alcohol and less bar manager salary) from alcohol sales. | Partial        | This process description must be clarified to say that HDAE does not receive 5.88% of the room revenue split (owed to the Board).  |
| Maintains the appropriate level of liability coverage for The Club and The Board.   | Partial        | This process description could be clarified by stating that it is covered by the campus and not directly handled by HDAE. It should also describe that the Board must manage any additional insurance required for the liquor license. |

Source: Auditor Analysis.

Partial: The department is performing with the intent of agreement, but the details are not aligned.

During the audit, management and staff informed us that the Cooperative Relations Agreement is being reviewed. Reviewing agreements ensures terms remain current, relevant, and aligned with changing business environments and needs. It also helps identify and address outdated terms and provides an opportunity to renegotiate certain portions of the agreement, if necessary.

**RECOMMENDATION #4**

We recommend that The Club & Guest House assign a responsible party to review the Cooperative Relations Agreement regularly. Stakeholders should review these requirements to determine whether they should be retained and updated to reflect current processes or

removed entirely from the Cooperative Relations Agreement to eliminate inconsistencies.

#### **MANAGEMENT RESPONSE #4**

The Club & Guest House will:

- Propose annual reviews, collaborate with other HDAE and Club Board stakeholders, and update outdated or inconsistent requirements to align with current operations and policies. These changes will be formally documented.
- Leverage systems for automated compliance tracking and review.
- Review funding for staff training and development to support overall operations.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

### **5. IT ACCESS CONTROL & SEPARATION OF DUTIES**

#### **OBSERVATION**

We identified that the two applications used to manage The Club's and the Guest House's operations, Chorum and Encore, require enhancements to the separation of duties model and the access control process to be aligned with UC information security policy. Management stated that this is due to staff turnover, and after setting up and implementing the systems, they have not re-evaluated account roles.

#### ***Separation of Duties***

The department does not have a documented separation of duties model for Chorum and Encore. The number of Encore users granted administrator roles could be considered excessive and should be reevaluated.

For both systems, we requested a list of all user accounts and identified which accounts were critical, which management confirmed. Specifically, we found:

- In Chorum, there were 62 active users and six role types. Notably, three users had the administrator role. Although the number of administrators appears reasonable, the justification for this role was not documented.
- In Encore, there were 23 active users and five roles. We identified 12 user accounts with the administrator role, including one with two separate administrator accounts. The justification for these users needing this role was also not documented.
- When discussing privileged roles with management, we observed that they submitted some of our questions to the system's customer support service for clarification. This suggests that while there is a general understanding of the privileged roles, the details are not well-defined. However, the system's customer support responded promptly to their requests for assistance and clarification with roles.

The critical administrator role is assigned to three users in Chorum and 12 users in Encore, which could be excessive, especially for Encore. Poor separation of duties in IT systems increases the potential risks for security vulnerabilities by allowing several individuals excessive control. Giving too many non-IT staff system administrator access increases the risk of security breaches and unintentional errors.

#### **RECOMMENDATION #5.1**

We recommend that The Club & Guest House establish and document a procedure to ensure that account roles are evaluated according to the least privilege principle, specifically that user accounts with administrative roles have a documented, justified need for this role.

#### **MANAGEMENT RESPONSE #5.1**

The Club & Guest House will:

- Document a formal procedure to evaluate and assign user roles based on the least privilege principle, with documented justification for administrative access.
- Ensure user roles undergo periodic reviews, supported by audit logs for accountability
- Provide staff training to maintain compliance with UC information Security policies.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

#### ***IT Generic Accounts***

We identified external monitoring processes for generic user accounts, but this process is not formally documented. For both Chorum and Encore, we requested a list of all accounts and identified generic accounts, which was also confirmed by and discussed with management:

- In Chorum, we identified two generic accounts, which do not have full access to the system and do not appear to have the ability to perform sensitive actions. Based on interviews with management, these generic accounts are tracked using a combination of activity logs and staff scheduling. However, this tracking process is not formalized in a document.
- In Encore, we identified one generic account created by the system's customer support staff for installation. This account was kept in case they needed access for potential troubleshooting issues. We noted that this account remains active by default.

Generic accounts are risky because they lack individual accountability, making it challenging to trace actions back to a specific user without additional, external tracking methods. Although the generic accounts in Chorum cannot perform sensitive actions and are being tracked through external methods, this is not documented. Management should also set the generic account in Encore to inactive until needed and should not remain active by default.

## **RECOMMENDATION #5.2**

We recommend that The Club & Guest House develop and document a procedure for monitoring generic account activity and ensuring that any infrequently used generic accounts are set to an inactive state.

## **MANAGEMENT RESPONSE #5.2**

The Club & Guest House will establish a documented, formal procedure to monitor and manage generic accounts, in which unused accounts will be set to inactive by default and reviewed periodically to confirm their necessity.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

## **Data Classification**

Campus IT support is overall aligned with department expectations and UC Policy BFB-IS-3: Electronic Information Security (IS-3) classifications for protecting confidential information and ensuring availability. However, this has not been finalized in the department's IT resource form or included in the most recent business continuity plan from 2019, which is currently being updated during our audit.

When reviewing whether campus IT support is aligned with IS-3 classifications for protecting confidential information and ensuring availability, we performed interviews and obtained relevant documentation and determined:

- There are no protection and availability level classifications recorded in the department's business continuity plan. The business continuity plan is also being updated; according to an interview, the last time this was completed was in 2019.
- The IT Resource Form is still in process and has not been finalized, but we obtained and observed that the draft version has classified 14 applications in accordance with IS-3 guidance.

The lack of protection and availability level classifications is non-compliant with IS-3 and can result in poor incident response after an unanticipated disruptive scenario. Furthermore, according to IS-12: IT Recovery, a disaster recovery plan should be reviewed at least annually. Furthermore, IS-3 requires the review of the classification of Institutional Information and IT Resources periodically or when significant changes occur.

## **RECOMMENDATION #5.3**

We recommend that The Club & Guest House finalize classifications to protect confidential information and ensure availability by UC Policy BFB-IS-3: Electronic Information Security, incorporate these classifications into the department disaster recovery plan, and establish a process to ensure the department's business continuity plan is reviewed periodically. This includes formalizing periodic classification reviews of user accounts and roles in these systems.



### **MANAGEMENT RESPONSE #5.3**

The Club & Guest House will:

- Finalize the classification of confidential information and availability levels in alignment with UC Policy BFB-IS-3: Electronic Information Security, which will be incorporated into the department's disaster recovery plan.
- Update and periodically review the department's disaster recovery plan to ensure compliance and preparedness.
- Establish a formal process to regularly review and update classifications, ensuring they remain current and effective.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

#### ***Deactivation of User Accounts Upon Separation***

We identified a general process for deactivating user accounts, but this is limited to career staff and does not extend to student staff. We also observed no periodic review of user accounts to ensure staff who are no longer in the department are no longer in the department's systems.

When comparing the lists of active user account information from Chorum and Encore with the list of active department employees from the human resources system, we identified three user accounts active in the department system that were not in the list of active department employees; management also confirmed they are no longer employed with the department. As part of our work, we also inquired about the deactivation procedure. As a result, we found:

- Once an employee resignation form is completed, management deactivates the employee in applicable systems, which is tracked using the Release Task List, a checklist for career staff separation. However, this checklist does not indicate when staff are deactivated from the system. We also observed that there are no audit logs to track when user accounts are deactivated, so it is not possible to identify when an employee is deactivated. Furthermore, there are no documented procedures for deactivating student staff user accounts.
- When comparing the list of active user accounts in Chorum with the list of active department employees from the human resources system, we identified 27 user accounts that were not in the human resources system. After meeting with the General Manager, we were able to obtain justifications for the 27 users not in our report:
  - Two users are no longer working in the department.
  - 15 users are recent hires, which we understand could result from timing delays in the human resources system.
  - Six users are career employees, and two are student employees in different departments.
  - Two users are part of the system implementation team.

- When comparing the list of active user accounts in Encore with the list of active department employees from the human resources system, we identified seven users who were not in the human resources system. After meeting with the General Manager, we were able to obtain the following justifications for the seven users not in our report:
  - Two users are no longer working in the department.
  - Four users are career employees; one is a student employee in a different department.

Establishing formally documented separation procedures for all employees, not limited to career staff, ensures that deactivating user accounts from department systems is a consistent step. Failing to deactivate accounts when an employee separates can potentially lead to unauthorized access, but regular account reviews may help reduce this risk.

#### **RECOMMENDATION #5.4**

We recommend that The Club & Guest House formally document separation procedures for all employees, including the deactivation of user accounts as one of the steps.

#### **MANAGEMENT RESPONSE #5.4**

The Club & Guest House will:

- Formally document separation procedures for all employees to ensure consistent deactivation of user accounts upon separation, which will include integrating an account deactivation step as part of offboarding, tracking deactivation timeliness, and establishing audit logs to monitor deactivation activities.
- Establish regular reviews of active user accounts to identify and deactivate accounts of separated employees promptly.

*Audit and Advisory Services will follow up on the status of these issues by November 30, 2025.*

## **GENERAL INFORMATION**

### **BACKGROUND**

#### *The Club & Guest House*

The Club & Guest House is where faculty and staff, notable visitors, and members of the campus and local community come to meet, gather, dine, and stay in a university setting. Although open to the public, The Club is a membership organization governed by a Board of Directors elected by the membership. Membership in The Club entitles individuals to privileged and discounted use of the recently-renovated facility, including dining and bar services, Guest House accommodations, event venue rental, and member social functions.

Membership is available to the following UCSB affiliates listed in Table 3.

| <b>Table 3</b>  |  | <b>Membership Dues</b>                               |  |
|---|--|--|--|
| <b>Membership Category</b>  |  | <b>Monthly Dues</b>                                  |  |
| Active (Faculty, Staff, Postdocs, Alumni, Family of Student)  |  | \$25 (member & partner only)                         |  |
| Graduate Student  |  | \$15 (member & partner only)                         |  |
| Junior Active (based on age, up to 35 years)  |  | \$15 (member & partner only)                         |  |
| Retiree   |  | \$15 (if a Club member for 5+ years upon retirement) |  |
| Campus Departments and Institutes   |  | \$35 (12-month sum charged annually on 7/1)          |  |
| Associate (University Support Groups, Local Corporations, Non-Profit Organizations with University affiliation) |  | \$75 (12-month sum charged annually on 7/1)          |  |

Source: <https://www.theclub.ucsb.edu/Join/Eligibility>.

The Club & Guest House is a 34-room campus hotel serving the temporary housing needs of visiting scholars, guest speakers, parents of students, alumni, and other University-affiliated visitors. Standard rates per night as of April 2025 ranged from \$286 - \$315, depending on the anticipated demand, occupancy level, room configuration, the number of guests staying in the room, and the checkout time. The Guest House offers its guests various amenities, including: complimentary Wi-Fi, local calls, daily housekeeping service upon request, etc.

The Club & Guest House has four available meeting spaces with standard rates that range from \$150 to \$750 for 4 hours or less: Heron Room, Lagoon Board Room, Betty Elings Wells Pavilion, Dining Room, and Betty Elings Wells West Terrace.

#### *Cooperative Relations Agreement<sup>8</sup>*

The Club & Guest House at UC Santa Barbara has maintained a significant presence on the UC Santa Barbara campus since 1968. In 2012, the campus determined that The Club was insolvent and in need of a substantial renovation. In order for The Club & Guest House to continue its existence as a prominent place in campus culture, a partnership was developed between the Board of Directors of the Faculty Club and Housing, Dining & Auxiliary Enterprises (HDAE). The resulting partnership was formalized as a Cooperative Relations Agreement (CRA) on May 5, 2012 (updated in 2019), and ceded ownership and financial responsibility to HDAE. This structural change provided the financial base for the modernization of The Club & Guest House, which was completed in January 2017.

#### *Jonas Club Software*

Jonas Club Software, a property management software application, is used to facilitate the routine functions of private club and hotel operations, including guest reservations, guest billing, night audit functions, dining services operations, and management reporting. Chorum and Encore are two of the key software products offered by Jonas Club Software that are integrated into each other. Chorum is designed to help hotels manage processes related to

<sup>8</sup> 2019 Cooperative Relations Agreement Between the Board of the UCSB Faculty Club and Housing, Dining & Auxiliary Enterprises for the Operation of The Club & Guest House at UC Santa Barbara

guest occupancy, while Encore is focused on financial and accounting tasks for club and hotel operations.

*UC Business/ Mission Continuity Plan*

Business/Mission Continuity Planners at each UC campus collaborate with faculty & staff in their institutions to increase the University’s resilience in the face of disruptive events. These business/mission continuity plans contain information and strategies that would be needed during a recovery process, as well as recommendations for preparations.

| <b>Table 4</b>  |   | <b>Relevant Policies and Guidance</b> |  |
|---|---|---------------------------------------|--|
| <b>Policy / Guidance</b>  | <b>Summary</b>  |                                       |  |
| UC BUS-10: Principles for Accountability with Respect to Financial Transactions | This policy provides an overview of financial accountability, financial management, data integrity, and compliance associated with financial transactions throughout the University. Campuses should develop policies and procedures to ensure these financial transaction accountability principles are met.   |                                       |  |
| BFB-IS-3: Electronic Information Security                                       | University of California’s Electronic Information Security Policy (IS-3) allows it to protect user confidentiality; to maintain the integrity of all data created, received, or collected by UC (Institutional Information); to meet legal and regulatory requirements; and to ensure timely, efficient, and secure access to information technology resources (IT Resources).  |                                       |  |
| UCSB Business & Financial Services Guidance on General Ledger Reconciliation    | Each month, actual revenues and expenses are monitored against budgets, and the department reconciles the general ledger. Actual revenues and expenses are monitored against budgets. Department reviews reports monthly for general propriety and accuracy. On comparison reports (monthly or annual), unexplained variances based on expectations (e.g., budget or prior period) are investigated to ensure accuracy. The department reconciles the General Ledger for accuracy. The department verifies amounts for supporting documentation and resolves exceptions. For any overdraft funds, the department reviews funds in terms of overdraft status and takes follow-up action. |                                       |  |

Source: UCOP and UCSB websites.

**METHODOLOGY & CRITERIA**

To accomplish the objectives presented above, our work included interviews, observations, a review of support documentation, and other steps:

- Reviewed UC policies and other guidance relevant to the scope of the audit:
  - UC BUS-10: Principles for Accountability with Respect to Financial Transactions
  - BFB-IS-3: Electronic Information Security
  - UCSB Business & Financial Services Guidance on General Ledger Reconciliation
- Researched and reviewed relevant audit reports related to the scope of the audit.
- Conducted interviews with Housing, Dining, and Auxiliary Enterprises personnel to

understand core business processes, policies, procedures, guidance, and internal controls.

- Performed a risk analysis that considered potential threats, their likelihood of occurrence, the severity of their impact, and existing controls to mitigate the risks.
- Independently pulled campus general ledger reporting to identify any overdrafts.
- Determined if The Club & Guest House has established an adequate reconciliation process to ensure transactions are consistently, appropriately, and accurately reflected in the campus general ledger with timely reviews.
- Selected a sample of Guest House revenues to verify that charges are accurate with stated rates.
- Obtained room occupancy data to identify the average percentage of rooms occupied over time as well as any observable trends.
- Identified application systems used in daily operations and performed a series of steps to ensure appropriate access control and separation of duties are being followed in these systems in the areas.
- Identification and review of the most recent and active agreement between the Board and the campus to ensure terms are being followed appropriately through campus processes, and that Board revenues are being regularly collected, tracked, and transferred accordingly.

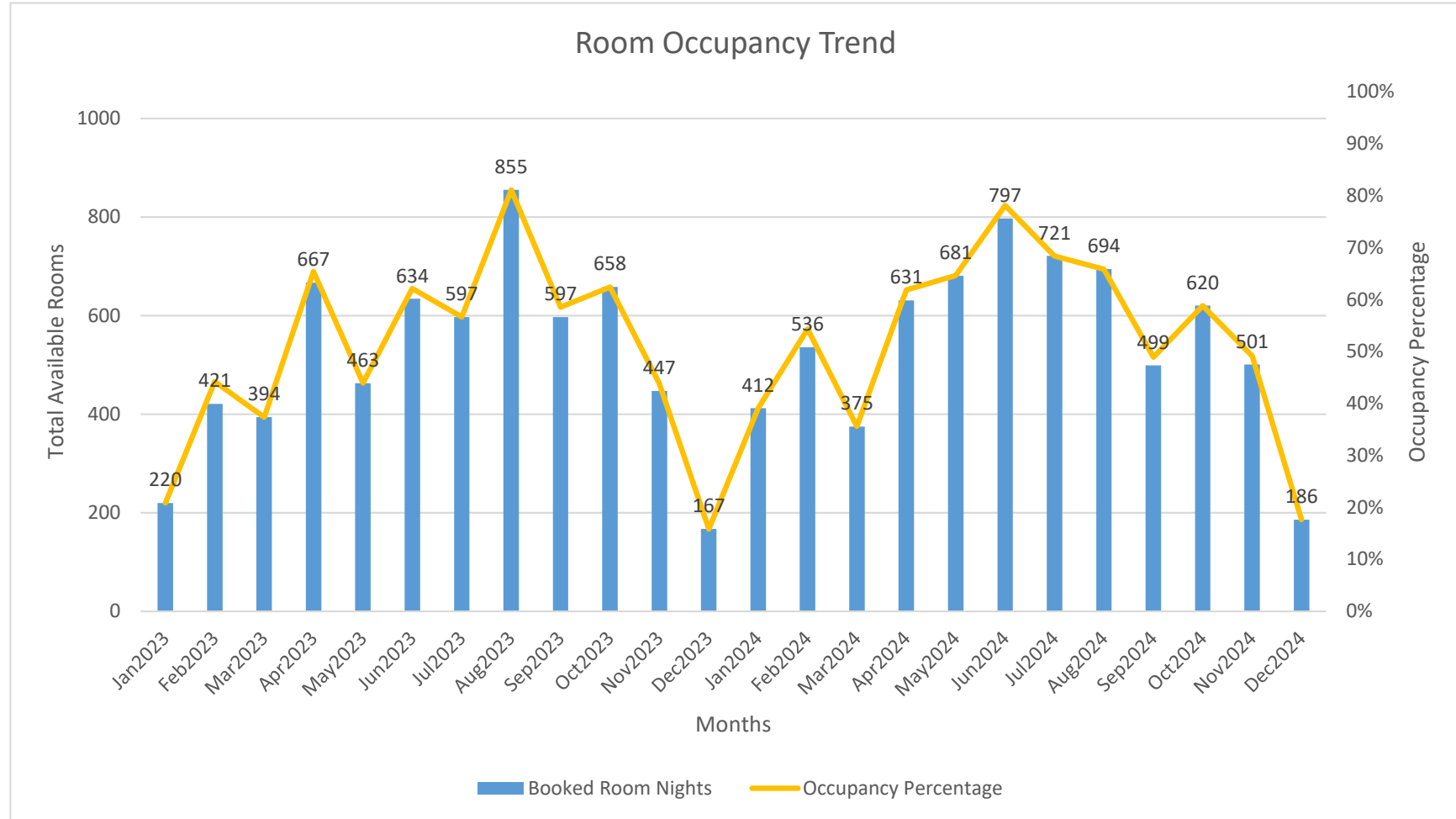
This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

## **AUDIT TEAM**

Ashley Andersen, Audit Director  
Antonio Mañas Meléndez, Associate Audit Director  
Laurie Liao, Senior Auditor

## **APPENDIX A**

Chart #1:



Source: The Club & Guest House.  
 \* Total Available Rooms Based on 34 Rooms.

| <b>Table A1</b>  |  | <b>Cooperative Relations Agreement Facilitator</b> |  |
|--|--|--|--|
| <b>Cooperative Relations Agreement Requirements</b>  |  | <b>Facilitator</b>                                 |  |
| This Cooperative Relations Agreement is reviewed on a bi-annual basis.   |  | Board*   |  |
| Hire and pay the salary of a bar manager to oversee the purchase, storage, and distribution of alcohol for dining and event services.  |  | N/A  |  |
| The salaries of all employees, with the exception of the Director of Member Services.  |  | HDAE   |  |
| Administer the scheduling of the Guest House (30 new guest rooms), and the Board guest rooms.  |  | HDAE   |  |
| Pay all utilities for the building, including gas, electric, water, and waste collection.  |  | HDAE   |  |
| Provide an operating expense budget for the Director of Member Services to support general supplies and marketing.   |  | HDAE   |  |
| Pay all debt service associated with The Club & Guest House renovation and addition.   |  | HDAE   |  |
| Track revenue (income) received by the Board.  |  | HDAE   |  |
| The Board income, Guest House and guest room income, and income from membership dues and events will be reported individually in a consolidated profit/loss statement provided monthly to the Board. |  | HDAE   |  |
| Maintain and hold the liquor license for The Club and have the primary responsibility for the purchase and pricing of alcoholic beverages for all dining and event services held on the premises.    |  | Board  |  |
| Receives 100% of income from membership dues, current base, and future.  |  | HDAE   |  |
| Receives 100% of net income from Club sponsored member events  |  | HDAE   |  |
| Receives 50% of the net income (Sales less purchase of alcohol and bar manager costs) from alcohol sales   |  | HDAE   |  |
| Receives 5.88% of all guest room rentals.  |  | HDAE   |  |



| Table A1  |  | Cooperative Relations Agreement Facilitator |  |
|---|--|---|--|
| Cooperative Relations Agreement Requirements  |  | Facilitator                                 |  |
| Receives 100% of development revenues from gifts and sponsorships with an appropriate set aside for operational costs as negotiated by the Board and HDAE.  |  | HDAE  |  |
| Receives all income arising from the Guest House, daily meal services, the rental of meeting rooms, and non-Board sponsored membership events, with the exception that HDAE will receive 50% of the net income (Sales less purchase of alcohol and less bar manager salary) from alcohol sales. |  | HDAE  |  |
| Oversees all accounting and handling of funds   |  | HDAE  |  |
| Pays for 50% of the salary of the Director of Marketing & Membership  |  | HDAE  |  |
| Maintains the appropriate level of liability coverage for The Club and The Board.   |  | HDAE  |  |
| Oversee building maintenance, grounds maintenance, and custodial service for The Club & Guest House.  |  | HDAE  |  |
| Oversee the daily operations and support for The Club & Guest House   |  | HDAE  |  |
| Reserve adequate funds to keep the physical plant in optimal condition.   |  | HDAE  |  |
| Determines the number and frequency of Board and member events.   |  | HDAE  |  |
| Establish the daily rental rate for the Guest House rooms (34) with established discounts for Club members.   |  | HDAE  |  |
| Oversee the Members Lounge and all events provided to the membership.   |  | HDAE  |  |
| Breakfast is provided daily for the guest room users during all open days of operation for the Guest House. (no longer provided)  |  | HDAE  |  |
| Lunch is provided Monday through Friday from 11:30 am to 1:30 pm, with the opportunity to extend this schedule.   |  | HDAE  |  |

| <b>Table A1</b>  |  | <b>Cooperative Relations Agreement Facilitator</b> |  |
|--|--|--|--|
| <b>Cooperative Relations Agreement Requirements</b>                                      |  | <b>Facilitator</b>                                 |  |
| Dining Service will be provided for all Club events, special events, and catered events. |  | HDAE   |  |

\* Although the Board is the facilitator, the CRA does not define an owner.  
 Source: Auditor Analysis.