



STATE OF CALIFORNIA

STATE BOARD OF EQUALIZATION

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Controller

JULY 8, 2011

CSU CHANNEL ISLANDS  
1 UNIVERSITY DRIVE  
CAMARILLO, CA 93012-8599

KRISTINE CAZADD  
Interim Executive Director

IN REPLY REFER TO:

SR AR 101-604732

Dear CSU CHANNEL ISLANDS:

We have recently completed the *Report of Examination of Records* resulting from our audit of your firm's records and accounts. You will be pleased to know that this report recommends acceptance of the tax returns that you have filed for the permit number referenced above.

Please note, although we have applied commonly accepted auditing procedures during the course of your audit, the auditor may not have examined all of your transactions. There may still be transactions that you are not reporting correctly. If you have any questions as to the application of tax to a particular product or transaction, please contact your auditor in writing and he/she will provide you with a written response.

We appreciate the courtesy and cooperation extended to our auditor during the audit. If you have any questions regarding this recommendation, please contact us at the above address.

Sincerely,

Karen J. Syverud  
District Principal Auditor

Enclosures

cc:

*When you have been unable to resolve a matter through the normal appeals process or for information on your rights, you may contact the Taxpayers' Rights Advocate Office toll-free at 888-324-2798.*

**REPORT OF EXAMINATION OF RECORDS - SALES AND USE TAXES**

**BOARD OF EQUALIZATION**

(\* BLOCKS ARE FOR HEADQUARTERS USE )

NAME OF TAXPAYER <b>CSU Channel Islands</b>				ACCOUNT NUMBER <b>SR AR 101-604732</b>			CASE ID <b>561679</b>	
BUSINESS ADDRESS FOR UNREGISTERED ACCOUNTS.				<input type="checkbox"/> CHECK IF LEGAL	DATE OF REPORT <b>6/22/2011</b>	R.G. YEAR <b>1011</b>	R.G. CODE <b>M</b>	
NAME AND TITLE OF REPRESENTATIVE <b>Myrna Sta. Ana Accounts Payable Manager</b>				PERIOD EXAMINED FROM: <b>4/1/2010</b> TO: <b>3/31/2011</b>			O.M.A. <b>AR</b>	
IS TAXPAYER'S PERMIT CORRECT ? <input checked="" type="checkbox"/> YES <input type="checkbox"/> SEE COMMENTS		BUS. CODE <b>442299</b>	ACTIVE C.O. <input checked="" type="checkbox"/> 1 <input type="checkbox"/> 2	BOE-406 PREPARED <input type="checkbox"/> YES <input checked="" type="checkbox"/> NO		ID <b>1870</b>	CLASS <b>4</b>	AUDITOR <b>Virginia Galang</b>
CLASS OF BUSINESS Taxpayer is one of 23 schools in the Cal State systems. Sales are solely of surplus property.				REVIEWER <i>[Signature]</i>		DATE OF REVIEW <b>7/17/11</b>		HOURS <b>39</b>
				* MO/YR TRANS.		* PROCESSED BY		SUPERVISOR <b>16</b>

**VERIFICATION**

RECORDS: <input checked="" type="checkbox"/> D.E. <input type="checkbox"/> S.E. <input checked="" type="checkbox"/> ADEQUATE <input type="checkbox"/> INTERNAL CONTROLS <input type="checkbox"/> SEE COMMENTS	LOCATION (if other than B.A.)
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<b>GROSS RECEIPTS</b>	REPORTED MEASURE OF STATE TAX THOUSANDS OF \$ <b>\$445</b>	MARK UP TESTS ON <input type="checkbox"/> GROSS <input type="checkbox"/> EX TAX <input type="checkbox"/> TAXABLE <input type="checkbox"/> TAX INCLUDED		OTHER ITEMS VERIFIED AS REPORTED OR INAPPLICABLE <input checked="" type="checkbox"/> CAPITAL ASSET SALES <input type="checkbox"/> EXPENSE CREDITS	
	REPORTED SALES CONSISTENT WITH <input checked="" type="checkbox"/> BOOKS <input type="checkbox"/> INCOME TAX RETURNS <input type="checkbox"/> CASH RECEIPTS	FROM	TO	RATE	<input type="checkbox"/> DELIVERY CHARGES <input type="checkbox"/> FABRICATION LABOR
	<input type="checkbox"/> EXPENSES <input type="checkbox"/> SIZE OF BUSINESS	-			<input type="checkbox"/> TRADE-INS <input type="checkbox"/> REPOSSESSIONS
	<input checked="" type="checkbox"/> SALES TAX ACCRUAL ACCOUNT	-			<input type="checkbox"/> TRANSIT TAX <input checked="" type="checkbox"/> SEE COMMENTS

<b>USE TAX</b>	<input checked="" type="checkbox"/> CAPITAL ASSET ADDITIONS <input type="checkbox"/> CONSUMABLE SUPPLIES	<input type="checkbox"/> RENTAL EQUIPMENT <input type="checkbox"/> PERSONAL USE
	<input type="checkbox"/> INVENTORY WITHDRAWALS <input checked="" type="checkbox"/> CHARGES TO EXPENSE	<input type="checkbox"/> ADVERTISING <input type="checkbox"/> LOCAL USE TAX
ARE REPORTED ITEMS ? <input checked="" type="checkbox"/> ACTUAL		<input type="checkbox"/> ESTIMATED <input checked="" type="checkbox"/> SEE COMMENTS

<b>DEDUCTIONS</b>	ITEMS	CLAIMED	NETTED	TRACED INTO RECORDS FOR PERIODS	SPOT TESTED	OTHER VERIFICATION
		Sales for Resale	X		Audit Period	

DATE FORM BOE-523 PREPARED TO CLEAR DELINQUENCIES			
IF LOCAL TAX REALLOCATION IS INVOLVED, IS FORM BOE-414-L ATTACHED ?		<input type="checkbox"/> YES <input type="checkbox"/> NO	<input type="checkbox"/> REFUND CLAIM INVOLVED - SEE COMMENTS
<b>OTHER</b>	LIST ALL OTHER BUSINESS TAX PERMITS HELD BY TAXPAYER ON WHICH CONCURRENT AUDITS HAVE BEEN MADE	BUSINESS WITH 50 OR MORE EMPLOYEES?	<input checked="" type="checkbox"/> YES <input type="checkbox"/> NO
		SELLER OF TOBACCO PRODUCTS?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
		UNDERGROUND STORAGE TANK?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
		SELLER OF TIRES?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
		SELLER OF TELEVISIONS, COMPUTERS, & PORTABLE DVD PLAYERS?	<input type="checkbox"/> YES <input checked="" type="checkbox"/> NO
<input type="checkbox"/> VERIFY TAX PAYMENTS: IF TAX PAYMENT MADE UNDER DIFFERENT PERMIT, INDICATE NUMBER			

COMMENTS REGARDING CIGARETTE INDICIA INSPECTION: <b>None sold.</b>	PUBLICATIONS PROVIDED TO TAXPAYER OR REPRESENTATIVE <b>Publications: 17: Y 70: Y 76: Y</b>
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USE REVERSE SIDE FOR ADDITIONAL COMMENTS

## GENERAL COMMENTS

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**Type of Business Transactions** - CSU Channel Islands is one of 23 campuses in the California State University system. It is located in Camarillo. The only sales of tangible personal property the school has are of surplus property. They are sold at auctions and are reported on returns. Foodservice is operated by University Glen Corporation. The bookstore is operated by Follett Corporation. The taxpayer had a prior account, SU AR 100-346780. It was closed out 3/31/10 because they were told that since they make sales of assets, they need an SR account.

**Sales** - The only sales the taxpayer has are of surplus property. Sales are posted to acct 580090 - Other Operating Revenue. All sales were examined. Resales were supported with valid resale cards. The taxpayer had sales of assets when it had the SU account. The sales were included as ex-tax purchases.

**Purchases Subject to Use Tax** - Reported purchases is made up of asset purchases, supply purchases and Pro Card purchases.

**Asset Purchases** - Using an asset acquisition report, all asset purchases were examined. Tax was paid either directly to vendors or self-reported.

**Paid Bills** - A test period of 7/1/10 to 3/31/11 was used. Taxpayer agreed that it is a representative period. The trial balance was reviewed to identify accounts of interest. Using detailed general ledger of those accounts, vendors from whom material amounts were purchased were identified. Paid bills from those vendors were reviewed. Most were tax-paid directly to vendors or self-reported. Some ex-tax purchases were questioned and later supported. The test was abandoned. Potential tax due does not warrant any further time to investigate questioned purchases.

**Software** - Although no material errors were found in purchases of software, the tax application on software purchases, license renewals and support was reviewed with the taxpayer. Reg. 1502 was provided.

**Pro-Card Purchases** - Designated employees are issued U.S. Bancard credit cards that are billed directly to the school. Purchases made through these credit cards are referred to as "Pro-Card" or "P-Card" purchases. Each month, the taxpayer receives statements for each employee in an electronic file. A staff member of the Budget office and the A/P manager review the statements to identify ex-tax purchases. These are included on line 2. At first, a test period of 7/1/10 to 3/31/11 was established. February and March 2011 statements were reviewed in detail. Audited amounts were reconciled with reported amounts. Immaterial differences were found. The test of Pro-Card purchases was abandoned.

Overall, the taxpayer has a solid understanding as to what transactions are subject to sales and use tax. Good internal controls are in place to capture and report the proper amount of taxable measure. An audit of the SU account was not deemed necessary.

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