

FISMA

**CALIFORNIA POLYTECHNIC STATE UNIVERSITY,
SAN LUIS OBISPO**

**Report Number 98-06
September 11, 1998**

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ABBREVIATIONS

BRS	Billing and Receivables System
CSU	California State University
EO	Executive Order
FISMA	Financial Integrity and State Manager's Accountability Act
ITS	Information Technology Systems
PO	Purchase Order
SAM	State Administrative Manual
SCO	State Controller's Office
SUAM	State University Administrative Manual

INTRODUCTION

PURPOSE

The principal audit objective was to assess the adequacy of controls and systems to ensure that:

- ▶ cash receipts are processed in accordance with laws, regulations and management policies;
- ▶ receivables are promptly recognized and balances are periodically evaluated;
- ▶ purchases are made in accordance with laws, regulations and management policies;
- ▶ revolving fund disbursements are authorized and processed in accordance with laws, regulations, and management policies;
- ▶ cash disbursements are properly authorized and made in accordance with established procedures, and adequate segregation of duties exists;
- ▶ payroll/personnel criteria for hiring employees, establishing compensation rates and authorizing disbursements are controlled, and access to personnel/payroll records and processing areas are restricted;
- ▶ purchase and disposition of fixed assets are controlled and assets are promptly recorded in the subsidiary records;
- ▶ physical computer controls are in place and functioning;
- ▶ investments are adequately controlled and securities are safeguarded; and
- ▶ trust funds are established in accordance with SUAM guidelines.

SCOPE AND METHODOLOGY

The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests that required annualized data, fiscal year 1996-97 fiscal year was the primary period reviewed. In certain instances, we were concerned with representations of the most current data—in such cases, the test period January to June 1998. Our primary focus was on internal controls, and we reviewed and tested:

- ▶ procedures for receipting and storing cash, segregation of duties involving cash receipting and recording of cash receipts;

INTRODUCTION

- ▶ establishment of receivables and adequate segregation of duties over the establishing of billing for and payment of receivables;
- ▶ approval of purchases, receiving procedures and reconciliation of expenditures to State Controller's balances;
- ▶ limitations on the size and types of revolving fund disbursements;
- ▶ use of petty cash funds, periodic cash counts, and reconciliation of bank accounts;
- ▶ authorization of personnel/payroll transactions and accumulation of leave credits in compliance with state policies;
- ▶ posting of the property ledger, monthly reconciliation of the property to the general ledger, and physical inventories;
- ▶ access restrictions to automated accounting systems and proper documentation of systems;
- ▶ procedures for initiating, evaluating, and accounting for investments; and
- ▶ establishment of trust funds, separate accounting, adequate agreements, and annual budget.

We have not performed any auditing procedures beyond the date of this report. Accordingly, our comments are based on our knowledge as of that date and should be read with that understanding. Since the purpose of our comments is make recommendations in areas requiring improvement, comments on favorable matters are not discussed.

BACKGROUND

In 1983, the California Legislature passed the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA). This act required state agencies to establish and maintain a system of internal accounting and administrative control. To ensure that the requirements are fully complied with, the head of each agency is required to prepare and submit a report on the adequacy of the system of internal accounting and administrative control following the end of each odd-numbered fiscal year. The Office of the University Auditor of the CSU is currently responsible for conducting the audits of internal accounting and administrative control within the CSU. This report represents our biennial review.

OPINION

We visited the California Polytechnic State University, San Luis Obispo from May 4, 1998, through June 26, 1998, and audited the internal control structure in effect at that time.

In accordance with the Government Code Section 13402, et seq., state agency heads are responsible for establishing and maintaining systems of internal accounting control. The broad objectives of control systems for state agencies are to provide management with reasonable, but not absolute, assurance that:

- ▶ assets are safeguarded from unauthorized use or disposition; and
- ▶ transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial reports in accordance with the State Administrative Manual.

Because of inherent limitations in control systems, errors or irregularities may occur and remain undetected. In addition, projection of any evaluation of systems to future periods is subject to risk, inasmuch as procedures may become inadequate as a result of changes in conditions, or the degree of compliance with the procedures may deteriorate. (See Appendix B, *Statement of Internal Controls*.)

Our audit disclosed conditions which, in our opinion, if not corrected could result in errors and irregularities. Specifically, the campus does not maintain adequate internal controls over cash receipts, accounts receivable, fixed assets and trust funds. Other areas needing improvement are listed in the Executive Summary.

EXECUTIVE SUMMARY

The purpose of this section is to provide management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

CASH RECEIPTS [6]

SATELLITE CASHIERING [6]

Internal controls involving timely cash deposits, restrictive endorsements of checks, and safeguarding of cash receipts in the extended education department and athletic ticket office were not adequate. Security/internal control over cash is increased when cash deposits and restrictive endorsements are made in a timely manner and written records are maintained of who has access to safe facilities.

ACCOUNTS RECEIVABLE [8]

STUDENT RECEIVABLES [8]

The campus did not always pursue all available options in resolving delinquent student accounts receivable. Pursuing other available options in the collection of delinquent student receivables limits the potential loss of state revenues as a result of uncollectible accounts.

PAYROLL RECEIVABLES [8]

The campus did not pursue all available options in resolving delinquent accounts. In addition, supporting documentation for payroll receivables was not always available. Preparing accurate aging reports and pursuing other available options in the collection of delinquent employee receivables helps to ensure that receivables are diligently processed and state revenue loss is limited.

LIBRARY RECEIVABLES [9]

Procedures for administering delinquent library accounts receivable were not adequate. Maintaining adequate controls over accounts receivable collection results in increased working capital and investment earnings.

PURCHASING [11]

Procurement card purchasing procedures involving both prohibited and equipment items were not adequate. Strengthening controls over procurement card purchases reduces the risk of inappropriate purchases and exposure to loss/misuse of fixed assets.

REVOLVING FUND [12]

Independent cash counts of petty cash/change funds did not always occur with the required frequency, and signed transfer receipts were not used when there was a change in custodian. This is a repeat finding from our prior FISMA audit. Performing timely and independent counts of petty cash/change funds and documenting the transfer of funds between custodians helps to ensure that university assets are safeguarded and internal controls are not compromised.

PAYROLL/PERSONNEL [13]

Campus employee clearance forms did not include the requirement that employees return their procurement cards prior to separation. Strengthening controls to ensure that clearance forms contain a review for return of procurement cards issued to all separating employees reduces the risk of inappropriate purchases.

FIXED ASSETS [13]

PROPERTY IDENTIFICATION/INVENTORY [13]

Internal control procedures for the identification and capitalization of state property were not adequate. Tagging and properly accounting for new acquisitions reduces the risk that property will be lost or stolen and helps to ensure that property inventory records are accurate.

PROPERTY RECONCILIATIONS [14]

Reconciliations of property and general ledger records were not completed in a timely manner. This is a repeat finding from our prior FISMA audit. Completing timely reconciliations of property and general ledger records reduces the risk of errors and irregularities remaining undetected.

USE OF PROPERTY OFF-CAMPUS [15]

The campus did not establish written policies or procedures regarding the loaning of university property to campus employees for off-campus use. Obtaining appropriate authorization, approval and notification to the property office ensures there is proper accountability and reduces the risk of theft.

FISCAL INFORMATION TECHNOLOGY (IT) [16]

The campus did not have an information technology (IT) disaster recovery plan. A disaster recovery plan ensures continuity of computing operations for support of critical applications, produces the greatest benefit from remaining limited resources, and achieves a systematic and orderly migration toward the resumption of all computing services.

TRUST FUNDS [17]

EXPENDITURE APPROVAL AUTHORITY [17]

Trust account expenditures were approved by individuals other than those with signatory approval. Ensuring that only those individuals designated in the trust fund documents approve expenditures reduces the risk of inappropriate expenditures.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH RECEIPTS

SATELLITE CASHIERING

Internal controls involving timely cash deposits, restrictive endorsements of checks, and safeguarding of cash receipts in the extended education department and athletic ticket office were not adequate.

Delays in Deposits / Restrictive Endorsements

There were delays in depositing fee payments for the extended education services department. We found cash receipts in excess of \$4,500 and over four weeks old that were not restrictively endorsed and remained unprocessed in the department safe.

SAM §8030 and §8034 require accumulated cash receipts of any amount to be deposited within ten working days and checks and other negotiable instruments to be endorsed on the day they are received.

The director of extended education indicated that staff turnover contributed to the delays.

Delaying the transfer of cash receipts to central cashiering and not restrictively endorsing checks and/or other negotiable instruments in a timely manner increases campus exposure to loss from inappropriate acts and interest earnings.

Access to Safes/Vaults

The athletics ticket office did not maintain a written record of employees with access to the safekeeping facilities, nor was a record maintained of when the safe combination was last changed.

SAM §8024 requires that a record be kept showing the names of individuals knowing the present combination and the date the combination was last changed.

The athletics department ticket manager stated that he was unaware of this requirement.

Internal controls in the safeguarding of assets are compromised when the safe combination is known by employees who leave the employ of the campus and/or by employees who no longer have a need to know the safe combination in order to perform their duties.

Recommendation 1

We recommend that the campus improve procedures at the satellite cash collection centers to ensure that:

- a. cash receipts are remitted to central cashiering in a timely manner;
- b. checks and negotiable instruments are restrictively endorsed on the day of receipt; and
- c. a current written record is maintained of those individuals who have access to the safekeeping facilities and the dates the combinations were last changed.

Campus Response

Procedures for proper remittance of cash receipts will be transmitted to each authorized satellite cash collection center. Procedures will include:

- a. required timeframes for receipt and deposit of cash;
- b. the requirement for restrictive endorsement of checks and negotiable instruments on the day of receipt; and
- c. the requirement to maintain a current written record of individuals who have access to safekeeping facilities and the dates the combinations were changed.

Daily deposits will be reviewed for conformity with these guidelines relative to items a and b above. Deviations will be documented and brought to the attention of the Assistant Director for Payment Management. Repeated deviations will be brought to the attention of the responsible managers and the Director of Fiscal Services.

A copy of the log reflecting changes to safe combinations and/or those with access to such combinations will be provided to the Assistant Director for Payment Management whenever a change is made, and no less frequently than semi-annually.

Anticipated Date of Closure: October 1, 1998

ACCOUNTS RECEIVABLE

STUDENT RECEIVABLES

The campus did not always pursue all available options in resolving delinquent student accounts receivable.

Three of the twelve delinquent student accounts in our sample selection, totaling approximately \$12,000, were more than a year old and had not been submitted to tax offset and/or collection agencies in a timely manner.

SAM §8776.6 requires prompt follow-up of accounts receivable including utilization of the offset claim procedures for accounts greater than \$10.

The assistant director for accounts management indicated that follow-up had not always taken place after payment arrangements had been made with students but that this will be corrected. She also stated that some accounts had not been sent to collection agencies on a timely basis due to selection criteria errors in the program.

Long outstanding accounts receivable have a very low probability of collection and the cost of collection, along with increased workload, may exceed the amount owed. In addition, the campus is misstating its current and/or future assets and possible cash flow.

Recommendation 2

We recommend that the campus strengthen procedures to ensure that outstanding student receivables are addressed appropriately and timely.

Campus Response

We will review and strengthen current policy and procedures to ensure that all reasonable collection efforts are pursued in accordance with SAM§8776.

Anticipated date of closure: December 15, 1998

PAYROLL RECEIVABLES

The campus did not pursue all available options in resolving delinquent accounts. In addition, supporting documentation for payroll receivables was not always available.

The May 1998 payroll accounts receivable aging report indicated there was approximately \$35,000 in outstanding receivables. Of this amount, more than \$20,000 was over a year old and some items dated back to 1990.

A sample selection of twenty outstanding receivables indicated that two of the six delinquent payroll receivables in our sample, totaling \$3,903, were items in which the campus did not pursue all available options to resolve. In addition, one of these two delinquent receivable items, in the amount of \$1,050, dated back to 1990 and was not properly supported with payroll documentation.

SAM § 7900 requires that the accuracy of accounting records may be provided partially by making certain reconciliations and verifications.

SAM §8776.6 also established procedures for the collection of outstanding accounts receivable. If all reasonable collection efforts do not result in payment, the campus may request relief from accountability of uncollectible amounts from the State Board of Control.

The assistant director for payroll services indicated that tracking and aging of payroll receivables was difficult because of the use of the student accounts receivable system for that purpose due to lack of a system designed for payroll type receivables.

By not producing accurate aging reports, receivables are not only misstated, but they also may not be processed diligently. Not pursuing other available options in the collection of delinquent accounts receivable increases the potential for loss of revenues.

Recommendation 3

We recommend that the campus:

- a. complete a reconciliation of payroll balances to supporting documentation to ensure that monthly aging reports are accurate and up to date; and
- b. strengthen collection procedures to ensure that delinquent employee receivables are addressed in a timely manner.

Campus Response

We have completed a reconciliation of payroll receivables to supporting documentation and have written off any that could not be documented. Collection policy will be reviewed and revised as necessary, and procedures will be strengthened to ensure that documentation is maintained, and that follow up action is conducted in a complete and timely manner.

Anticipated Date of Closure: November 16, 1998

LIBRARY RECEIVABLES

Procedures for administering delinquent library accounts receivable were not adequate.

The library does not maintain an aging schedule, the purpose of which is to determine the total amount owed the campus and the length of time individual accounts are outstanding. In addition, procedures had not been established to transfer uncollectible library receivables to the campus accounting office.

The circulation department automated system database and manual records maintained in the interlibrary loan section indicated that, as of June 1998, there was \$55,923 in outstanding accounts receivable. A number of these accounts dated back ten years and all available options had not been pursued in resolving these delinquent accounts.

SAM §8776.6 established procedures for the collection of outstanding accounts receivable. If all reasonable collection efforts do not result in payment, the campus may request relief from accountability of uncollectible amounts from the State Board of Control.

SUAM §3822 requires prompt follow-up of accounts receivable including utilization of the offset claim procedures for accounts greater than \$10.

Executive Order No. 616 delegates to campuses the authority to write off debts of \$1,000 or less which are either uncollectible or the amount(s) involved do not justify the cost of collection.

The circulation supervisor stated that, because the library had always been responsible for its own collections, the coordination of library receivables with the campus accounting office had not occurred. The interlibrary loan supervisor indicated that limited staffing restricted follow-up efforts.

Inadequate controls over accounts receivable collections decrease working capital, increase the risk of revenue loss, and misstate the accounting records.

Recommendation 4

We recommend that the campus strengthen library accounts receivable procedures to ensure that the library:

- a. transfers uncollectible accounts to the accounting office in a timely manner and;
- b. establishes an aging schedule of library receivables.

Campus Response

We will work with the Library to strengthen accounting policy and procedures with regard to Library receivables, including documentation of receivables, follow-up on past due receivables, write off of uncollectible receivables, and development of an aging report for Library receivables.

Anticipated Date of Closure: December 15, 1998

PURCHASING

Procurement card purchasing procedures involving both prohibited and equipment items were not adequate.

A sample review of procurement card activity during the period February 1998 through April 1998 identified two equipment purchases of \$500 or more that were prohibited by campus policy. In addition, the campus had not established written procedures to provide formal notification of equipment purchases to the property office.

Guidelines on credit card usage are provided in the section entitled *Prohibited Use of Procurement Credit Cards* in the campus Procurement Credit Card Handbook.

The accounting technician indicated that not following campus policies regarding the identification and reporting of prohibited equipment purchases was the result of an oversight.

Property items cannot be properly identified and promptly entered into the campus inventory database if procurement card information is not submitted to the property office.

Recommendation 5

We recommend that the campus:

- a. strengthen procurement card review procedures to ensure that purchases are in compliance with campus policy; and
- b. establish procedures to ensure the timely reporting of procurement card equipment acquisitions to the property office.

Campus Response

We will review the policy under which equipment purchases are not permitted, and revise it if appropriate. We will strengthen review of purchasing card transactions/logs to ensure that inappropriate purchases, if any, are identified and reported, that corrective action is taken, and that equipment purchases, if any, are reported to the Property Accounting Office in a timely manner.

Anticipated Date of Closure: October 1, 1998

REVOLVING FUND

Independent cash counts of petty cash/change funds did not always occur with the required frequency, and signed transfer receipts were not used when there was a change in custodian. This is a repeat finding from our prior FISMA audit.

We found that six of the sixty-six petty cash/change funds were not independently counted and verified within the required frequency. In the nineteen instances reviewed where there was a change in custodian, no transfer receipts were prepared.

SAM§8111.2 requires an employee other than the custodian of the petty cash or change fund to count each fund in accordance with the prescribed schedule and report them to the accounting office. In addition, transfers of fund custody require that: (a) a personal audit of the fund is made by the employees directly concerned; and (b) a receipt has been given by the newly assigned custodian to the custodian being relieved. A copy of such receipt signed by both parties will be delivered to the Accounting Officer.

The assistant director for payment management indicated that it is difficult to know when custodians have changed, and that even though departments have been asked to provide such notification, they don't always do so.

Internal controls over cash funds are compromised when independent cash counts are not conducted timely and changes in fund custodians are not properly documented.

Recommendation 6

We recommend that the campus ensure that:

- a. independent counts of all petty cash/change funds are completed timely; and
- b. a signed transfer receipt is completed when a change in fund custodian occurs.

Campus Response

We will ensure that independent cash counts are conducted on schedule. We will use Financial Accounting System account controls to group accounts by the frequency with which cash counts are required. A quarterly report of such counts will be prepared and submitted to the Director of Fiscal Services.

Anticipated Date Of Closure: October 15, 1998

PAYROLL/PERSONNEL

The campus employee clearance forms did not include the requirement that employees return their procurement cards prior to separation.

SAM §8580.4 requires that, prior to releasing the final warrant, separating employees must complete a clearance form which includes information addressing the return of credit card items.

The assistant director for payroll services indicated that the requirement to return the procurement card had not yet been added to the clearance form used by separating employees.

The risk that inappropriate/unauthorized purchases will be made exists when campus clearance forms do not include a review for the return of procurement cards by separating employees prior to delivering their final pay warrants.

Recommendation 7

We recommend that the campus ensure that clearance forms contain a requirement for the return of procurement cards.

Campus Response

A requirement for return of campus procurement cards will be added to the campus clearance form.

Anticipated Date of Closure: November 16, 1998

FIXED ASSETS

PROPERTY IDENTIFICATION/INVENTORY

Internal control procedures for the identification and capitalization of state property were not adequate. This is a repeat finding from our prior FISMA audit.

Nine of the twenty 1996-97 property acquisitions selected for review, including one furniture acquisition, were not tagged or entered on the campus inventory for as long as twelve months after purchase.

In addition, the campus does not have a policy requiring that furniture items be identified and tagged.

SAM §8650 and §8651 require departments to record information when property is acquired and maintain records of all capitalized and noncapitalized property. When practicable, all state property will be tagged after acquisition. Executive Order 649 indicates that the campus may continue to follow

the State Administrative Manual guidelines (e.g., § 8651) or institute a policy more appropriate to the university's environment.

The assistant director, financial reporting indicated that some items had been missed by the program that produces the report used by the property accounting office due to a selection criteria problem. The director of fiscal services indicated that not tagging furniture (except for special purpose furniture) has been campus policy for many years.

When property is not tagged and entered on the property inventory, property records are understated and the risk that property will be lost or stolen is increased.

Recommendation 8

We recommend that the campus:

- a. strengthen procedures to ensure that all property acquisitions are tagged and entered on the campus inventory in a timely manner; and
- b. amend existing policies to properly address the internal control and identification of furniture items.

Campus Response

We have revised the FOCUS report used to identify accountable property items that are received each week. We will develop a report of items paid for but not received (including both three way and two way match items), but not tagged after a reasonable period and to take correction action.

The campus will develop a written policy which addresses the four criteria contained in Executive Order 649 and allows for our deviation from SAM 8961.

Anticipated Date of Closure: December 15, 1998

PROPERTY RECONCILIATIONS

Reconciliations of property and general ledger records were not completed in a timely manner. This is a repeat finding from our prior FISMA audit.

The last reconciliation of property and general ledger records occurred in December 1997 and covered the period of July-December 1997.

SAM §7969 requires that at the end of each month or quarter, if the volume of property transactions is small, agencies will reconcile the equipment expenditures from the current year's state operations appropriation with accretions of major property to the property ledger.

The director of fiscal services indicated that reconciliations between expenditure records and property records were complicated by the number of additions to the property file that do not go through the expenditure system (e.g. gifts, surplus property, etc.) and by the number of items which do go through the expenditure system that are not added to property records because they do not meet the criteria for addition.

Failure to complete timely reconciliations of property and general ledger records increases the risk of errors and irregularities remaining undetected.

Recommendation 9

We recommend that the campus strengthen procedures to ensure that property and general ledger records are reconciled timely.

Campus Response

The campus will reconcile the equipment expenditures from the current year's State operations appropriation with accretions of major property to the Property Ledger in accordance with the provisions of State Administrative Manual section 7969 and in concert with CSU internal control objectives.

Anticipated Date of Closure: December 15, 1998

USE OF PROPERTY OFF-CAMPUS

The campus had not established written policies or procedures regarding the loaning of university property to campus employees for off-campus use.

SAM §8600 requires a combination of accurate accounting records and internal controls to be in place to protect against and detect the unauthorized use of state property.

On the issue of taking property items off campus, the supervising property clerk indicated that current notification procedures are informal and do not require campus departments to submit documentation to the property office.

Not providing the property office with proper authorization, approval and notification for off-campus use of property items increases the risk of theft and inadequate accountability.

Recommendation 10

We recommend that, prior to loaning university property to staff for off-campus use, the campus establish policies and procedures to ensure that the property office receives proper authorization and notification.

Campus Response

We have drafted a policy and procedures for off campus use of equipment to ensure that the Property Accounting Office is notified and maintains records of such uses and the related authorizations. This policy and procedure will be implemented during the Fall Quarter 1998.

Anticipated Date of Closure: November 16, 1998

FISCAL INFORMATION TECHNOLOGY (IT)

The campus did not have an information technology (IT) disaster recovery plan.

SAM § 4841 requires state agencies to provide for the proper use and protection of its information assets by establishing appropriate policies and procedures for preserving the integrity and security of automated files and data bases.

SAM § 4843.1 requires each state agency to establish and maintain both an operational recovery plan to protect its information assets in the event of a disaster or serious disruption to its operations, and the agency's plans for resuming operation following a disaster affecting those applications.

The director of computing services indicated that department resource requirements do not allow for the completion of a disaster recovery plan.

Without a disaster recovery plan, the campus cannot ensure continuity of computing operations for support of critical applications, produce the greatest benefit from remaining limited resources and achieve a systematic and orderly migration toward the resumption of all computing services.

Recommendation 11

We recommend that the campus develop a written disaster recovery plan.

Campus Response

We will develop a plan for disaster recovery relative to fiscal records, including those on both paper and electronic files. We will coordinate with other offices, as necessary and advise them of actions we perceive to be needed.

Anticipated Date of Closure: December 15, 1998

TRUST FUNDS

EXPENDITURE APPROVAL AUTHORITY

Trust account expenditures were being approved by individuals other than those with signatory approval.

A sample selection of twenty trust account purchases during 1996-97 indicated that staff at the organizational level with on-line access to the automated purchasing system approved trust expenditures, even though they were not always authorized in the trust agreement to do so.

In addition, six of the seven “hard copy” requisition expenditures in our sample selection were not properly authorized as required by the trust agreement.

SAM §19440.1 requires trust accounts to be supported by documentation indicating persons authorized to withdraw or expend funds and specimen signatures.

The director of fiscal services indicated that trust account approval levels are established based on organization structure, as are other accounts (e.g. General Fund). Therefore staff with on line access can approve expenditures at their approval level or below. Not ensuring that trust fund expenditures are approved by only those individuals designated in the trust fund documents increases the risk of inappropriate expenditures.

Recommendation 12

We recommend that the campus:

- a. review and update as required, trust files and/or agreements to ensure that individuals who have on-line expenditure authority within organizational units are also properly authorized to expend trust funds; and/or
- b. Adjust existing security procedures in the automated procurement system to prevent unauthorized individuals direct on-line access to approve trust expenditures.

Campus Response

We will ensure that all trust account disbursements are approved by those to whom the above indicated authority has been delegated.

Anticipated Date of Closure: December 15, 1998

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Warren Baker	President
Sharon Andreson	Circulation Supervisor, Library
Preston Allen	Director, Housing
Brian Bartels	Ticket Manager, Athletics
Michael Bernard	Operations Specialist, ITS
Ken Burton	Director, ITS-Computing Services
Harvey Blatter	Staff Accountant
Laurie Borello	Assistant Director, Data Processing
Carol Clifford	Assistant Director, Payroll Services
Scott Cooke	Assistant Director, Financial Reporting
Robert Dignan	Director of Fiscal Services
Vera Gee	Evaluator, Admissions and Records
Betty Kroeze	Head of Support Services, Health Center
Frank Lebens	Vice President, Administration and Finance
Frank Limon	Manager, Warehouse
Ray Macias	Director, Support Services
L. Thomas Mitchell	Chief of Police, Public Safety Services
Robert Patee	Supervisor, Facility Services
Rick Ramirez	Associate Vice President, Finance
Nancy Reynolds	Assistant Director, Accounts Management
Stan Rosenfield	Assistant Director, Payment Management
Janice Stone	Interlibrary Loan Supervisor, Library
Patricia Stoneman	Director, Extended Education
Vicki Stover	Associate Vice President, Administration
Fred Strasser	Supervising Property Clerk
John Sullivan	Accounting Technician/Travel Coordinator
Jane Tolman	Accounts Management Analyst
Patricia Tschol	Accounting Technician
Richard Walls	Coordinator, Main Frame Systems Support
Philip Webb	Associate Director, Athletics
Karen Weller	Systems Analyst
Lee Whitmer	Supervising Cashier

APPENDIX B

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STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

Internal accounting and related operational controls established by the State of California, the CSU Board of Trustees, and the Office of the Chancellor are evaluated by the University Auditor, in compliance with professional standards for the conduct of internal audits, to determine if an adequate system of internal control exists and is effective for the purposes intended. Any deficiencies observed are brought to the attention of appropriate management for corrective action.

B. INTERNAL CONTROL DEFINITION

Internal control, in the broad sense, includes controls which may be characterized as either accounting or operational as follows:

1. Internal Accounting Controls

Internal accounting controls comprise the plan of organization and all methods and procedures that are concerned mainly with, and relate directly to, the safeguarding of assets and the reliability of financial records. They generally include such controls as the systems of authorization and approval, separation of duties concerned with record keeping and accounting reports from those concerned with operations or asset custody, physical controls over assets, and personnel of a quality commensurate with responsibilities.

2. Operational Controls

Operational controls comprise the plan of organization and all methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

C. INTERNAL CONTROL OBJECTIVES

The objective of internal accounting and related operational control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability for assets. The concept of reasonable assurance recognizes that the cost of a system of internal accounting and operational control should not exceed the benefits derived and also recognizes that the evaluation of these factors necessarily requires estimates and judgment by management.

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D. INTERNAL CONTROL SYSTEMS LIMITATIONS

There are inherent limitations that should be recognized in considering the potential effectiveness of any system of internal accounting and related operational control. In the performance of most control procedures, errors can result from misunderstanding of instruction, mistakes of judgment, carelessness, or other personal factors. Control procedures whose effectiveness depends upon segregation of duties can be circumvented by collusion. Similarly, control procedures can be circumvented intentionally by management with respect to the executing and recording of transactions. Moreover, projection of any evaluation of internal accounting and operational control to future periods is subject to the risk that the procedures may become inadequate because of changes in conditions and that the degree of compliance with the procedures may deteriorate. It is with these understandings that internal audit reports are presented to management for review and use.