

**FISMA**  
**CALIFORNIA STATE UNIVERSITY,**  
**HAYWARD**

**Report Number 00-03**  
**July 11, 2000**

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## **ABBREVIATIONS**

CSU	California State University
CSUH	California State University, Hayward
FISMA	Financial Integrity and State Manager's Accountability Act
SAM	State Administrative Manual
SUAM	State University Administrative Manual

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## INTRODUCTION

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### 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 and 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 1998-1999 was the primary period reviewed. In certain instances, we were concerned with representations of the most current data—in such cases, the test period was July 1997 through January 2000. Our primary focus was on internal controls. Specifically, we reviewed and tested:

- ▶ procedures for receipting and storing cash, segregation of duties involving cash receipting and recording of cash receipts;
- ▶ establishment of receivables and adequate segregation of duties over the establishment 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 the systems;
- ▶ procedures for initiating, evaluating, and accounting for investments; and
- ▶ establishment of trust funds, separate accounting, adequate agreements, and annual budgets.

We have not performed any auditing procedures beyond the date of our 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 to suggest areas for 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 that state agencies 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 such audits within the CSU. This report represents our biennial review.

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## **OPINION**

We visited the CSU Hayward campus from February 7, 2000 through March 17, 2000 and made a study and evaluation of the accounting and administrative control in effect as of March 17, 2000. Our study and evaluation was conducted in accordance with the Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative.

Campus' management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with Government Code, Sections 13402 et seq., includes documenting internal control, communicating requirements to employees, and assuring that internal control is functioning as prescribed. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of accounting and administrative control are to provide management with reasonable, but not absolute, assurance that:

- Assets are safeguarded against loss from unauthorized use or disposition.
- Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial statements.
- Financial operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5 and Trustee policy.

Our study and evaluation revealed certain conditions, which, in our opinion, could result in errors and irregularities if not corrected. Specifically, the campus did not maintain adequate control over the following areas: Cash Receipts, Accounts Receivable, Revolving Funds and Reconciliations. These conditions, along with other weaknesses, are described in the Executive Summary below and in the body of the report.

In our opinion, except for the effect of the weaknesses described above, the campus' accounting and administrative control in effect as of March 17, 2000, taken as a whole, was sufficient to meet the objectives stated above.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls change over time. Specific limitations that may hinder the effectiveness an otherwise adequate system of controls include, but are not limited to resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not cost effective; moreover, an audit may not always detect these limitations.

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## **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 control weaknesses were found at satellite cashiering areas. Adequate accounting and control of cash collections and deposits decrease the risk that misappropriation of funds will not be detected.

### **ACCOUNTS RECEIVABLE [8]**

#### **RELIEF FROM ACCOUNTABILITY [8]**

The campus did not pursue all available options in resolving delinquent accounts receivable. This is a repeat finding from our prior FISMA review. Pursuing all available options in the resolution of delinquent accounts receivable decreases the risk of misstating current and/or future assets and possible cash flows.

#### **TIMELY BILLINGS AND RECEIPTS [8]**

Campus billings for services rendered were not consistently issued or collected in a timely manner. Adequate control over billing for campus services and collection of outstanding obligations due to the general fund from other sources increases funds available and decreases campus subsidies.

### **REVOLVING FUND [10]**

#### **TRAVEL ADVANCES AND EXPENSES [10]**

Oversight of travel advances and claims was unsatisfactory. This is a repeat finding from our prior FISMA review. Adequate oversight of these areas decreases the risk of loss of funds and inappropriate reimbursements.

#### **CHANGE FUNDS [11]**

Controls over change funds were unsatisfactory. This is a repeat finding from our prior FISMA review. Adequate controls decrease the risk of loss of funds.

## **CASH DISBURSEMENTS [12]**

### **OUTSTANDING CHECKS [12]**

Controls over outstanding checks were unsatisfactory. This is a repeat finding from our prior FISMA review. Processing long outstanding checks decreases the amount of time required to reconcile these items and reduces the risk of misappropriation of funds.

## **INVESTMENTS [13]**

Investment accounting and management controls were inadequate. Adequate controls over investments decrease the risk of errors and increase investment earnings.

## **FISCAL INFORMATION TECHNOLOGY [14]**

Data access security was in need of improvement. Maintenance of adequate configurations of system security software helps to ensure that unauthorized users are not granted access to campus systems and confidential data.

## **TRUST FUNDS [15]**

### **BUDGETS [15]**

The campus did not prepare a budget for trust projects during fiscal year 1999. Preparing a budget for trust projects reduces the risk of mismanagement.

### **EXPENDITURES [15]**

Trust fund expenditures were not adequately controlled. Adequate control over trust fund expenditures decreases the risk of inappropriate purchases.

## **RECONCILIATIONS [16]**

The campus did not prepare reconciliations in a timely manner. This is repeat finding from our prior FISMA review. The timely completion of reconciliations decreases the risk that errors and irregularities will not be detected.

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## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

### CASH RECEIPTS

#### SATELLITE CASHIERING

Internal control weaknesses were found at satellite cashiering areas.

Three satellite cashiering areas, Housing and Residential Life, Public Safety, and Duplicating Services, were selected for review due to the scope of operations.

We noted the following :

##### Housing and Residential Life

- Checks received from students wishing to be placed on a waiting list for the next available housing unit were not endorsed. On February 17, 2000, over \$6,000 in such checks received between November 1999 and January 2000 were neither endorsed nor deposited.
- A record of the date the combination was last changed and the names of persons knowing the present combination was not maintained for the safe.
- Housing fees were not reconciled to receipts.

##### Public Safety

- Parking meter receipt tallies by lot or zone were not reconciled to collections by lot or zone.
- Daily parking machine permit tickets sales were not reconciled to receipts.

##### Duplicating Services

- The person collecting the receipts also reconciled photocopy machine revenue.
- A second individual did not review and verify the reconciliation of photocopy machine revenue to receipts.

SAM §8034.1 requires that agencies endorse checks, warrants, money orders, and other negotiable instruments on the day they are received.

SAM §8032.1 states that accumulated receipts of any amount will not remain undeposited for more than ten working days.

SAM §8024 requires that:

- As few persons as possible consistent with operating requirements know the safe combination.
- A record be kept showing: (a) the date the combination last was changed and (b) the names of persons knowing the present combination.
- The combinations will be changed when it becomes known to an excessive number of employees, or if any employee having knowledge of the combination leaves the employ of the agency or no longer requires the combination in the performance of his or her duties.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control shall include a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

SAM §8080 states that no one person will perform the duties of receiving remittances and reconciliation of cash transactions.

The director of housing and residential life indicated that she was not aware of the requirement to keep a record of the safe combination.

The assistant vice president and controller for business and financial services stated that, as a result of staffing shortages and turnover, reconciliations related to parking revenues were not performed.

The copy machines coordinator stated that, due to the limited number of department personnel, controls over cashiering functions were limited.

Inadequate accounting and control of cash collections and deposits increase the risk that misappropriation of funds will not be detected.

### **Recommendation 1**

We recommend that the campus develop policies addressing the control and security of cash receipts, considering both the SAM requirements described above and the business needs of the campus.

### **Campus Response**

The campus will develop policies for the control and security of cash receipts. Anticipated Completion Date: February 28, 2001

## **ACCOUNTS RECEIVABLE**

### **RELIEF FROM ACCOUNTABILITY**

The campus did not pursue all available options in resolving delinquent accounts receivable. This is a repeat finding from our prior FISMA review.

At the time of our review in March 2000, we noted that the most recent request for relief from accountability of uncollectible amounts over \$1,000 was January 1995.

SAM §8776.6 states that if all reasonable collection procedures do not result in payment of outstanding accounts receivable, the campus may request relief from accountability of uncollectible amounts from the state board of control.

The assistant vice president and controller for business and financial services stated that staffing shortages and turnover resulted in a deferral in the collection of certain receivables.

Not pursuing all available options in the resolution of delinquent accounts receivable increases the risk of misstating current and/or future assets and possible cash flow.

### **Recommendation 2**

We recommend that the campus seek relief from accountability of uncollectible amounts over \$1,000 on a regular basis.

### **Campus Response**

The campus will seek relief from accountability of uncollectible amounts over \$1,000 on a regular basis. Anticipated Completion Date: February 28, 2001

## **TIMELY BILLINGS AND RECEIPTS**

Campus billings for services rendered were not consistently issued or collected in a timely manner.

Requests to invoice auxiliary organizations were not submitted timely by campus service provider departments. Thus, amounts owed by these on-campus organizations were not collected timely. Delays of over eleven months were noted during our review of documents.

Additionally, we noted the following outstanding auxiliary organization receivable balances at January 31, 2000:

<u>Fiscal Year</u>	<u>Outstanding Balance</u>
1995-1996	\$ 1,477
1996-1997	14,000
1997-1998	10,941
1998-1999	200,766

SAM §8776.3 requires invoices to be prepared as soon as possible after recognition of a claim.

SAM §8776.6 provides specific criteria for collecting outstanding amounts owed the university, including three sending three follow-up letters at thirty day intervals after the initial billing, collections agencies, sale of receivables, and tax offset.

The assistant vice president and controller for business and financial services stated that staffing shortages and turnover resulted in the necessity to defer the preparation of certain billings.

Inadequate control over billing for campus services and collection of outstanding obligations due to the general fund from other sources reduces funds available for other campus needs and provides a subsidy to the auxiliary organizations.

### **Recommendation 3**

We recommend that the campus:

- a. immediately bill and collect for the outstanding obligations noted above; and
- b. ensure that billings and collections for services to auxiliary organizations and other on-campus groups are made in a timely manner.

### **Campus Response**

The campus will ensure that auxiliaries are billed for outstanding obligations and collections made in a timely manner. Anticipated Completion Date: February 28, 2001

## REVOLVING FUND

### TRAVEL ADVANCES AND EXPENSES

Oversight of travel advances and claims was unsatisfactory. This is a repeat finding from our prior FISMA review.

Periodic statements were not sent to notify employees who had travel advances but had not submitted a travel expense claim to substantiate the travel expenses or had not returned any excess travel advance amount.

Collection procedures for outstanding travel advances through payroll deductions were not utilized.

SAM §8116.2 states the following:

- A properly prepared travel expense claim to substantiate the travel expenses must be submitted as soon as possible after the trip or at least once a month.
- A periodic statement must be sent no less frequently than bi-monthly to notify employees who have travel advances but have not submitted a travel expense claim to substantiate the travel expenses or have not returned any excess travel advance amount.

SAM §8116.3 states that if an employee does not submit a travel expense claim to substantiate the travel expenses within thirty calendar days of the periodic statement date, the total travel advance amount must be deducted from the next regular payroll warrant(s).

CSU memorandum HR 96-11, *Policy and Procedures Governing Travel and Relation Expense Reimbursement*, dated June 21, 1996, provides maximum meal reimbursement amounts for breakfast, lunch, and dinner as \$6.00, \$9.50, and \$16.50, respectively.

The assistant vice president/controller for business and financial services stated that weaknesses related to travel advances and claims resulted from staffing shortages and turnover.

Inadequate oversight of travel advances and claims increases the risk of loss of funds and inappropriate reimbursements.

#### **Recommendation 4**

We recommend that the campus strengthen controls to ensure that outstanding travel advances are resolved in accordance with SAM requirements.

**Campus Response**

The campus will implement procedures to strengthen the review and collection of outstanding travel advances. Anticipated Completion Date: February 28, 2001

**CHANGE FUNDS**

Controls over change funds were in need of improvement. This is a repeat finding from our prior FISMA review.

During our review, we noted the following:

- Thirteen of the nineteen active change funds were not subject to independent counts as frequently as required between July 1997 and February 2000. This is a repeat finding from our prior audit.
- The consolidation of the change fund in student health services did not have a receipt given by the newly assigned custodian to the custodian being relieved.
- Two change funds in excess of \$500 had not received approval from the Department of Finance.

SAM §8111.2 states that transfers of custody will be accomplished only after a personal audit of the fund has been made by the employees directly concerned and 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 department. An employee other than the custodian of the change fund will count it in accordance with the following schedule:

<u>Size of Fund</u>	<u>Frequency of Count</u>
\$200.00 or less	Annually
\$200.01 to \$500.00	Quarterly
\$500.01 to \$2,500.00	Monthly

SAM §8111.1 states that each change fund in excess of \$500 will be established only after approval of the Fiscal Systems and Consulting Unit in the Department of Finance.

The accounts receivable manager stated that oversight for the audit of change funds was recently transferred to another employee in order to ensure timely review.

Inadequate control over change funds increases the risk of loss of funds.

**Recommendation 5**

We recommend that the campus take the following actions with respect to change funds:

- a. perform independent counts as frequently as required by SAM §8111.2;

- b. provide a receipt to newly assigned custodian from the custodian being relieved; and
- c. submit a request to the Department of Finance for approval on all change funds in excess of \$500.

**Campus Response**

The campus will implement procedures to ensure that independent counts of change funds will be performed in accordance with SAM, receipts will be provided to new change fund custodians, and requests will be submitted to the Department of Finance for approval of change funds in excess of \$500. Anticipated Completion Date: February 28, 2001

**CASH DISBURSEMENTS**

**OUTSTANDING CHECKS**

Controls over outstanding checks were unsatisfactory. This is a repeat finding from our prior FISMA review.

We noted that the bank reconciliation for November 1999 included the following outstanding checks:

<u>Aging</u>	<u>Number</u>	<u>Total</u>
12 to 23 Months	224	\$59,597
Over 23 Months	89	\$16,608

SAM §8042 states that:

- Office revolving fund checks issued after January 1, 1998 and after outstanding for more than one year or unclaimed, for which the reimbursement to the office revolving fund has not been received, will be canceled and credited back to the office revolving fund.
- Office revolving fund and agency checks issued before January 1, 1998 outstanding over two years or unclaimed will be canceled and the amount of the checks will be remitted to the Special Deposit Fund Unclaimed Trust Account.

The assistant vice president and controller for business and financial services stated that staffing shortages and turnover resulted in the deferral of canceling long outstanding checks.

Not processing long outstanding checks increases the risk of misappropriation and the effort required to include reconciling items.

**Recommendation 6**

We recommend that the campus cancel, credit, and remit long outstanding checks as required by SAM §8042.

**Campus Response**

The campus will cancel, credit, and remit outstanding checks in accordance with SAM. Anticipated Completion Date: February 28, 2001

**INVESTMENTS**

Investment accounting and management controls were inadequate.

Prior to our review of investments in March 2000, we noted that the following procedures were last performed for June 1999:

- reconciliations to the general ledger;
- allocation of interest earnings and realized gains and losses; and
- cash flow analysis.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control includes a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

SAM §8099 states that cash flow management practices are an important factor in permitting the state to realize the most interest from the dollars that flow through its system.

The assistant controller stated that staffing shortages and turnover resulted in the deferral of investment accounting and management.

Inadequate controls over investments increase the risk that errors and investment earnings will not be maximized.

**Recommendation 7**

We recommend that the campus strengthen investment accounting and administrative controls to ensure that reconciliations, allocation of earnings and losses, and cash flow forecasting are completed on a regular basis.

### **Campus Response**

The campus will strengthen accounting and administrative controls for investments regarding reconciliations, earnings and losses allocations, and cash flow forecasting. It should be noted that investments were monitored during the course of the year. Anticipated Completion Date: February 28, 2001

## **FISCAL INFORMATION TECHNOLOGY**

Data access security is in need of improvement.

We found that:

- programmers have access to production files;
- the system does not lock out users after a predetermined time;
- passwords are not of adequate length; and
- a data access security policy had not been developed.

Current practices for password management require a minimum number of password characters and revocation of user identification numbers after a predetermined number of failed password attempts. (See Department of Defense Password Management Guideline, aka Greenbook). Additionally, Control Objectives for Information Technology (COBIT) and Federal Information Processing Standards Publication 112 (FIPS112 and 190) also recommends that guidelines be established for an appropriate minimum password length and an appropriate and enforced frequency of password changes. Furthermore, SAM §20003 and 4840 requires, in part, that there be a plan that limits access to state agency assets to authorized personnel who require these assets in the performance of their assigned duties. Finally, Section 3.11.3 of the Generally Accepted Principles and Practices for Securing Information Technology Systems SP 800-14 by the National Institute of Standards and Technology (NIST), states that if passwords are used for authentication, organizations should secure password with attributes such as a minimum character lengths.

The manager of data access security stated that the configuration of the access security had not been reviewed periodically to ensure it met current practices.

Inadequate configurations of system security software could allow unauthorized users to gain access to campus systems and confidential data.

### **Recommendation 8**

We recommend that the campus:

- a. increase the password character requirement, sign off users after a period of inactivity, and restrict programmer access to production files; and
- b. periodically review data access security policy and configurations.

### **Campus Response**

The campus will make the suggested changes and periodically review data access security policies and configurations. Anticipated Completion Date: July 31, 2001

## **TRUST FUNDS**

### **BUDGETS**

The campus did not prepare a budget for trust projects during fiscal year 1999.

SUAM §3710.04 states that preparation and approval of a budget assists in the management of a trust project.

The assistant controller stated that staffing shortages and turnover resulted in a deferral of trust project budget preparation.

Not preparing a budget for trust projects increases the risk of mismanagement of funds.

### **Recommendation 9**

We recommend that the campus prepare an annual budget for each trust project.

### **Campus Response**

The campus will prepare an annual budget for each trust project. Anticipated Completion Date: February 28, 2001

### **EXPENDITURES**

Trust fund expenditures were not adequately controlled.

Our test of twenty trust expenditures dated between July 1, 1998 and January 31, 2000 disclosed the following:

- Eight of the twenty expenditures were authorized by personnel not appearing on the trust agreement.
- Seven of the twenty expenditures were for items not authorized by the trust agreements (included personal gifts for \$445, staff lunches for \$265, bottled water for \$103, and dry cleaning for \$84).
- Two of the twenty expenditures were for off-campus meetings that did not include written justification to rent non-state facilities for meetings or conferences.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control shall include a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

CSU Hayward Memorandum dated May 21, 1986, *Conference Room Rentals*, requires that campus departments prepare a written justification to rent non-state facilities for meetings or conferences through the appropriate vice president's office.

The assistant vice president and controller for business and financial services stated that weaknesses related to the authorization and oversight of trust fund expenditures were a result of staffing shortages and turnover.

Inadequate control over trust fund expenditures increases the risk of inappropriate purchases.

### **Recommendation 10**

We recommend that the campus strengthen controls to ensure that trust fund expenditures are approved by appropriate personnel and spent for appropriate purposes.

### **Campus Response**

The campus will strengthen procedures to ensure that trust fund expenditures are appropriate and properly approved. Anticipated Completion Date: February 28, 2001

## **RECONCILIATIONS**

The campus did not prepare reconciliations in a timely manner. This is a repeat finding from our prior FISMA review.

During our review of reconciliations in February 2000, we noted the following:

- Application fees were last reconciled for June 1999 and did not include the name of the preparer and reviewer with the dates prepared and reviewed.
- State university fees were last reconciled for Summer 1999 and did not include the name of the preparer and the date prepared.

- Reconciliation of the revolving fund to the general checking account was last reconciled for June 1999.
- Revolving fund resources were last reconciled to the amount of cash advanced for June 1999.
- The bank reconciliation was last completed for November 1999.
- Expenditures were last reconciled to the State Controller's balances for June 1999.
- Property inventory was last reconciled to the general ledger for September 1999.

SUAM §3825.01 states that a reconciliation of applications for admission to fees received is prepared for each academic term.

SAM §7900 states that all reconciliations be prepared within thirty days of the preceding month.

SAM §7908 states that all reconciliations show the name of the preparer and the reviewer along with the date prepared and reviewed.

SUAM §3825.02 states that a reconciliation of state university fees to the census date report for the number of students is prepared for each academic term.

SAM §8193 states that two monthly reconciliations are required for revolving fund transactions. The revolving fund cash book balance plus the general ledger balance for general cash and agency trust fund cash will be reconciled to the general checking account in the centralized state treasury system. Also, the revolving fund resources will be reconciled with the amount of cash advanced as shown for the funds concerned.

SAM §8060 states that all bank accounts and centralized state treasury system accounts will be reconciled at the end of each month.

SAM §7920 states that agencies reconcile account balances in the agency books with related accounts in the centralized state treasury system.

SAM §7969 states that agencies reconcile equipment expenditures with the property ledger at the end of each month.

The assistant vice president and controller for business and financial services stated that staffing shortages and turnover resulted in the deferral of certain reconciliations.

Not completing reconciliations in a timely manner increases the risk that errors and irregularities will not be detected.

**Recommendation 11**

We recommend that the campus strengthen procedures to ensure that reconciliations are completed timely.

**Campus Response**

The campus will strengthen controls to ensure that reconciliations are performed in a timely manner.  
Anticipated Completion Date: February 28, 2001

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Dr. Norma Rees	President
John Abbey	Assistant Controller
Madeleine Apple	Registration Supervisor
Barbara Aro-Valle	Director of Facilities Reservations
Yvonne Brandenburg	Accounts Receivable Manager
Paula Compton	Accounts Payable Manager
Frank Correia	Director of Server and Network Operations
Keohi Council	Administrative Secretary, Academic Affairs
Agnes Cruz	Lead Accounts Payable Technician
Diane Dolan	Cashier's Supervisor
John Flores	Office Manager, Human Resources
Bonnie Guiomar	Payroll Officer
Joanne Hill	Benefits Manager
Neal Hoss	Assistant Vice President and Controller, Business and Financial Services
Gladys Janer	Secretary, Accounting and Fiscal Services
Lana Lewis	Accounts Payable Technician
Nyassa Love	Financial Accounting Manager
Mark Marrow	Head of Library Access Services
Dr. Frank Martino	Provost and Vice President for Academic Affairs
Regina Metoyer	Director of Housing and Residential Life
Richard Metz	Vice President for Administration and Business Affairs
Al Newell	Motor Pool Supervisor
Kathy Pitta	Property Clerk
Bob Pitta	Administrative Services Officer
Marilyn Reinhardt	Copy Machines Coordinator
Eloise Thomas	Accounts Receivable Technician
Eric Thompson	Procurement Officer/Risk Manager
Jane Traversa	Administrative Analyst, Academic Affairs
Paula Wittler	Purchasing Manager

## **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.

#### **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.



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**RECEIVED**  
University Auditor

SEP 11 2000

The California State  
University

August 30, 2000

Mr. Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore  
Long Beach, CA 90802

Subject: **Revised Campus Response to Recommendations of  
FISMA Audit #00-03  
California State University, Hayward**

Dear Mr. Mandel:

Following a review of our recent FISMA Audit 00-03 and in consultation with appropriate University staff, we are submitting our responses to your recommendations. For each recommendation, we have included a corrective action plan and a revised anticipated date for implementation per your request.

**Recommendation 1 – Cash Receipts/Satellite Cashiering**

We recommend that the campus develop policies addressing the control and security of cash receipts, considering both the SAM requirements described above and the business needs of the campus.

Campus Response

*The campus will develop policies for the control and security of cash receipts.*

Anticipated Completion Date: February 28, 2001

**Recommendation 2 – Accounts Receivable/Relief from Accountability**

We recommend that the campus seek relief from accountability of uncollectible amounts over \$1,000 on a regular basis.

Campus Response

*The campus will seek relief from accountability of uncollectible amounts over \$1,000 on a regular basis.*

Anticipated Completion Date: February 28, 2001

**Recommendation 3 – Accounts Receivable/Timely Billings and Receipts**

We recommend that the campus:

- a. immediately bill and collect for the outstanding obligations noted above; and
- b. ensure that billings and collections for services to auxiliary organizations and other on-campus groups are made in a timely manner.

Campus Response

*The campus will ensure that auxiliaries are billed for outstanding obligations and collections made in a timely manner.*

Anticipated Completion Date: February 28, 2001

**Recommendation 4 – Revolving Fund/Travel Advances and Expenses**

We recommend that the campus strengthen controls to ensure that outstanding travel advances are resolved in accordance with SAM requirements.

Campus Response

*The campus will implement procedures to strengthen the review and collection of outstanding travel advances.*

Anticipated Completion Date: February 28, 2001

**Recommendation 5 – Revolving Fund/Change Funds**

We recommend that the campus take the following actions with respect to change funds:

- a. perform independent counts as frequently as required by SAM §8111.2;
- b. provide a receipt to newly assigned custodian from the custodian being relieved; and
- c. submit a request to the Department of Finance for approval on all change funds in excess of \$500.

Campus Response

*The campus will implement procedures to ensure that independent counts of change funds will be performed in accordance with SAM, receipts will be provided*

*to new change fund custodians, and requests will be submitted to the Department of Finance for approval of change funds in excess of \$500.*

Anticipated Completion Date: February 28, 2001

#### **Recommendation 6 – Cash Disbursements/Outstanding Checks**

We recommend that the campus cancel, credit, and remit long outstanding checks as required by SAM §8042.

Campus Response

*The campus will cancel, credit, and remit outstanding checks in accordance with SAM.*

Anticipated Completion Date: February 28, 2001

#### **Recommendation 7 – Investments**

We recommend that the campus strengthen investment accounting and administrative controls to ensure that reconciliations, allocation of earnings and losses, and cash flow forecasting are completed on a regular basis.

Campus Response

*The campus will strengthen accounting and administrative controls for investments regarding reconciliations, earnings and losses allocations, and cash flow forecasting. It should be noted that investments were monitored during the course of the year.*

Anticipated Completion Date: February 28, 2001

#### **Recommendation 8 – Fiscal Information Technology**

We recommend that the campus:

- a. increase the password character requirement, sign off users after a period of inactivity, and restrict programmer access to production files; and
- b. periodically review data access security policy and configurations.

Campus Response

*The campus will make the suggested changes and periodically review data access security policies and configurations.*

Anticipated Completion Date: July 31, 2001

**Recommendation 9 – Trust Funds/Budgets**

We recommend that the campus prepare an annual budget for each trust project.

Campus Response

*The campus will prepare an annual budget for each trust project.*

Anticipated Completion Date: February 28, 2001

**Recommendation 10 – Trust Funds/Expenditures**

We recommend that the campus strengthen controls to ensure that trust fund expenditures are approved by appropriate personnel and spent for appropriate purposes.

Campus Response

*The campus will strengthen procedures to ensure that trust fund expenditures are appropriate and properly approved.*

Anticipated Completion Date: February 28, 2001

**Recommendation 11 - Reconciliations**

We recommend that the campus strengthen controls to ensure that reconciliations are completed timely.

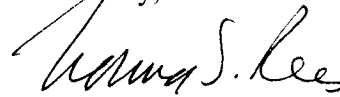
Campus Response

*The campus will strengthen controls to ensure that reconciliations are performed in a timely manner.*

Anticipated Completion Date: February 28, 2001

We appreciate the efforts of your staff to assist us in improving the operation of our campus and the professional manner in which the audit was performed.

Sincerely,

A handwritten signature in black ink, appearing to read "Norma S. Rees". The signature is fluid and cursive, with the first name being the most prominent.

Norma S. Rees  
President

cc: Richard Metz  
Neal Hoss

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

September 20, 2000

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

FRESNO

TO: Larry Mandel  
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed 

HUMBOLDT

SUBJECT: Draft Final Report Number 00-03 on *FISMA*,  
California State University, Hayward

LONG BEACH

LOS ANGELES

In response to your memorandum of September 20, 2000, I accept the response as submitted with the draft final report on FISMA, California State University, Hayward.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

CBR/cw

POMONA

Enclosure

SACRAMENTO

cc: Dr. Norma S. Rees, President

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS