

FISMA

**CALIFORNIA STATE UNIVERSITY,
HAYWARD**

**Report Number 04-01
August 2, 2004**

Members, Committee on Audit

Anthony M. Vitti, Chair
Roberta Achtenberg, Vice Chair
Herbert L. Carter Moctesuma Esparza
Debra Farar Bob Foster William Hauck
Raymond W. Holdsworth

Staff

University Auditor: Larry Mandel
Senior Director: Janice Mirza
IS Audit Manager: Greg Dove
Senior Auditor: Liz Huber

BOARD OF TRUSTEES

THE CALIFORNIA STATE UNIVERSITY

CONTENTS

Executive Summary	1
Introduction.....	5
Purpose	5
Scope and Methodology.....	5

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Cash Receipts.....	7
Satellite Cashiering.....	7
Fee Reconciliations	7
Uncleared Collections	9
Remittances to the State Treasurer	9
Accounts Receivable.....	10
Auxiliary Billings	10
Student Receivables	11
Purchasing.....	13
Revolving Fund.....	13
Cash Disbursements.....	14
Bank Reconciliations.....	14
Disbursements	15
Payroll and Personnel	16
Employment Eligibility Verification.....	16
Employee Separation.....	17
Fixed Assets.....	18
Property Accounting.....	18
Property Survey Reports	19
Fiscal Information Technology.....	20
Investments	20
Trust Funds	21

APPENDICES

APPENDIX A:	Personnel Contacted
APPENDIX B:	Statement of Internal Controls
APPENDIX C:	Campus Response
APPENDIX D:	Chancellor's Acceptance

ABBREVIATIONS

BP	Business Policy
C	Chancellor's Office (Coded Memoranda)
CSU	California State University
CSUH	California State University, Hayward
FISMA	Financial Integrity and State Manager's Accountability Act
HR	Human Resources
NOAT	Notice of Accounting Transactions
PIA	Prison Industry Authority
PPD	Physical Planning and Development
SAM	State Administrative Manual
SUAM	State University Administrative Manual

EXECUTIVE SUMMARY

In 1983, the California Legislature passed the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA). This act requires state agencies to establish and maintain a system of internal accounting and administrative control. To ensure that the requirements of this act are fully complied with, state entities with internal audit units are to complete internal control audits (covering accounting and fiscal compliance practices) in accordance with the *Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors) as required by Government Code Section 1236. The Office of the University Auditor of the California State University (CSU) is currently responsible for conducting such audits within the CSU.

We visited the California State University, Hayward (CSUH) campus from February 9, 2004, through March 26, 2004, and made a study and evaluation of the accounting and administrative control in effect as of March 26, 2004. This report represents our biennial review.

CSUH 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 audit disclosed conditions, which, in our opinion, if not corrected, would result in significant errors and irregularities. Specifically, the campus did not maintain adequate internal controls over the following areas: cash receipts, accounts receivable, purchasing, revolving fund, cash disbursements, payroll and personnel, fixed assets, fiscal information technology, investments, and trust funds. Areas needing improvement are summarized in this section of the report. These conditions, along with other weaknesses, are described below and in the body of the report.

In our opinion, due to the effect of the weaknesses described above, CSUH's accounting and administrative control in effect as of March 26, 2004, taken as a whole, were not 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 of 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 be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides 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 [7]

Certain activities that impact the control environment for cash receipts needed improvement. Although procedures to reconcile housing fees to recorded receipts had been developed in response to the prior FISMA audit, the first reconciliation was not completed until February 2004 and showed an unreconciled difference of \$40,998. Procedures were not in place to timely identify and resolve items posted to the uncleared collections account. The balance in this account as of February 28, 2004, totaled \$108,417, included items dating back to 2001, and no evidence could be provided to show that the posted items were being actively pursued for resolution. In addition, remittance of monies to the State Treasury did not occur with the required frequency, which is a repeat finding from our prior FISMA audit. A review of remittances to the State Treasury showed that only nine remittances had been made over the past eight months. Further, fee reconciliations were not always prepared in a timely and complete manner. Application fee reconciliations were being completed two to four months after the end of the academic term being reconciled, which is a repeat finding from our prior FISMA audit; and state university fee reconciliations did not include the preparer's name and the dates prepared and reviewed.

ACCOUNTS RECEIVABLE [10]

Billings for services rendered were not timely invoiced, which is a repeat finding from our prior FISMA audit. A review of ten invoices disclosed that five were prepared between five to ten months after the services were provided. In addition, controls over student receivables did not ensure timely collection and write-off. Collection procedures for student receivables did not include a sequence of three collection letters sent at 30-day intervals. The aged accounts receivable report for student accounts did not provide the age of student receivable balances other than identifying the balances as 0-90 days, 91-120 days, and >121 days old. As a result, we were unable to determine the exact age and number of student receivables >121 days old. And campus management indicated that student receivables were not necessarily written off when they became greater than two years old, as required by campus policy. We specifically noted that a write-off of student emergency loans over seven years old was performed in August 2003.

PURCHASING [13]

Procurement card controls did not ensure prior written approval for the purchase of restricted items. This is a repeat finding from our prior FISMA audit. A review of ten procurement card statements for the month of December 2003 disclosed that one cardholder had purchased office furniture from a vendor other than Prison Industry Authority without written approval from the purchasing manager and, in four instances, a hospitality expense approval form was not approved in advance for a food purchase.

REVOLVING FUND [13]

Revolving fund reconciliations were not completed timely. This is a repeat finding from our prior FISMA audit. Revolving fund reconciliations for July through December 2003 were each prepared in January 2004.

CASH DISBURSEMENTS [14]

Bank reconciliations were not complete. This is a repeat finding from our prior FISMA audit. A review of the bank reconciliations for October, November, and December 2003 showed unsupported differences totaling \$635,000, \$151,288, and (\$956,607), respectively. In addition, vendor data records (Form STD. 204) were not consistently maintained, and some signature authorization forms lacked specimen signatures. A review of 25 disbursements disclosed that Form STD. 204 was dated subsequent to the disbursement in four instances and was missing in another instance; and signature authorization forms for two individuals who had approved five of the disbursements lacked specimen signatures.

PAYROLL AND PERSONNEL [16]

Some employees did not properly complete federal I-9 employment eligibility forms. A review of ten new hires disclosed that one employee had not dated the employment eligibility form, and another employee neither dated nor signed the form. In addition, employee separation procedures did not ensure timely payment of wages due and complete clearance documentation. A review of ten employee separations disclosed four instances where final salary payment was not made immediately upon discharge of an employee, one instance where final salary payment was not completed within 72 hours from the date of separation for an employee who resigned, and six instances where clearance forms were not on file. Additionally, the campus clearance policy and corresponding clearance sheet form had not been updated to reflect current practice and CSU policy.

FIXED ASSETS [18]

Controls over property did not ensure that property acquisitions were properly valued. This is a repeat finding from our prior FISMA audit. A review of ten property acquisitions disclosed that, in three instances, the property had not been recorded at the purchase price plus incidental costs incurred to put the item into place and ready for its intended use. Further, property survey reports were not properly completed. A review of 15 property survey reports disclosed seven instances where the property survey report or attachments did not show the original purchase date of the disposed property and four instances where the property survey report or attachments did not show the original cost of the disposed property.

FISCAL INFORMATION TECHNOLOGY [20]

Certain individuals had inappropriately been assigned Oracle IDs that could have allowed them to modify production PeopleSoft data.

INVESTMENTS [20]

Controls over investments did not ensure timely planning and reconciliation of investments. Specifically, a written strategy for determining when to move funds in and out of their short- and long-term investments had not been developed, which is a repeat finding from our prior FISMA audit; and the campus only performed reconciliations of their investment accounts to the general ledger at fiscal year end.

TRUST FUNDS [21]

Trust fund administration was in need of improvement. This is a repeat finding from our prior FISMA audit. Specifically, seven of ten trust agreements reviewed did not include instructions for closing the account and the disposition of any unexpended balance, the Energy Rebate trust fund was inappropriately receiving revenues for 5 percent of utilities charges to non-CSU entities, 69 of 165 (42%) of the campus trust funds had negative cash balances as of June 30, 2003, and 2 of 14 expenditures reviewed were not approved by an authorized individual per the trust agreement.

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 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.
- ▶ Trust funds are established in accordance with State University Administrative Manual guidelines.

SCOPE AND METHODOLOGY

Our study and evaluation were 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. 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 2002/03 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 2003 to March 2004. 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.

INTRODUCTION

- ▶ Establishment of receivables and adequate segregation of duties regarding billing and payment of receivables.
- ▶ Approval of purchases, receiving procedures, and reconciliation of expenditures to the 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.
- ▶ Establishment of trust funds, separate accounting, adequate agreements, and annual budgets.

We have not performed any auditing procedures beyond March 26, 2004. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH RECEIPTS

SATELLITE CASHIERING

The reconciliation of housing fees to recorded receipts prepared by housing and residential life was incomplete. This is a repeat finding from our prior Financial Integrity and State Manager's Accountability Act (FISMA) audit.

Although procedures to reconcile housing fees to recorded receipts had been developed in response to the prior FISMA audit, the first reconciliation was not completed until February 2004 and showed an unreconciled difference of \$40,998.

State Administrative Manual (SAM) §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The director of housing and residential life stated that the unreconciled difference remained unresolved, because she had been unable to determine the reason for the difference, even after exhaustive review along with the assistant controller.

Inadequate control over cash receipts increases campus exposure to loss from inappropriate acts.

Recommendation 1

We recommend that the campus perform the analysis necessary to identify the source of the unreconciled difference and modify reconciliation procedures accordingly.

Campus Response

We concur. The campus will perform the analysis necessary to identify the source of the unreconciled difference and modify reconciliation procedures accordingly.

Anticipated Completion Date: December 31, 2004

FEE RECONCILIATIONS

Fee reconciliations were not always prepared in a timely and complete manner.

Our review of fee reconciliations for summer 2002 through spring 2003 disclosed that:

- ▶ Application fee reconciliations were being completed two to four months after the end of the academic term being reconciled. This is a repeat finding from our prior FISMA audit.

- ▶ State university fee reconciliations did not include the preparer's name and the dates prepared and reviewed. As a result, we were unable to determine who prepared the reconciliations and whether they were completed and reviewed in a timely manner.

State University Administrative Manual (SUAM) §3825.01 requires that a reconciliation of applications for admission to fees received be prepared one month after the end of the academic term being reconciled.

SUAM §3825.02 requires that a reconciliation of state university fees to the census date report be prepared for each academic term.

SAM §7908 requires all reconciliations show the preparer's name, reviewer's name, date prepared, and date reviewed.

The associate vice president/controller stated that the untimely application fee reconciliations were due to the lack of availability of monthly data from the student information system, and the missing dates and preparer's name on the state university fee reconciliations were due to oversight.

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

Recommendation 2

We recommend that the campus:

- a. Reconcile applications for admission to fees received one month after the end of the academic term being reconciled.
- b. Strengthen controls to ensure that state university fee reconciliations include the preparer's name and preparation and review dates.

Campus Response

We concur. The campus will:

- a. Reconcile applications for admission to fees received one month after the end of the academic term being reconciled.
- b. Strengthen controls to ensure that state university fee reconciliations include the preparer's name and preparation and review dates.

Anticipated Completion Date: February 28, 2005

UNCLEARED COLLECTIONS

Procedures were not in place to timely identify and resolve items posted to the uncleared collections account.

We found no evidence that items posted to the uncleared collections account were being actively pursued for resolution. The balance in this account as of February 28, 2004, totaled \$108,417 and included items dating back to 2001.

SAM §10452 states that the uncleared collections account should show the amount of cash collections being checked to determine if they are to be accepted for a fund in the State Treasury or are to be refunded to payers, and show a representation of the types of reimbursements that must be applied at the time they are ordered into the State Treasury.

SAM §10508 states, in part, that varying circumstances determine the clearance of uncleared collections and that items should be cleared at least once each quarter.

The accounts receivable manager stated her belief that uncleared collections were not being resolved more timely because of training issues, and the person who had been delegated the responsibility for this account had been out on disability.

Insufficient control over uncleared collections limits the campus' ability to detect errors and irregularities.

Recommendation 3

We recommend that the campus develop procedures to timely identify and resolve uncleared collection items.

Campus Response

We concur. The campus will develop procedures to timely identify and resolve uncleared collection items.

Anticipated Completion Date: February 28, 2005

REMITTANCES TO THE STATE TREASURER

Remittances of monies to the State Treasury did not occur with the required frequency. This is a repeat finding from our prior FISMA audit.

Accumulated deposits of \$25,000 were not remitted by the first day of the week following the accumulation. During our review of remittances to the State Treasury, we noted the following frequencies and amounts remitted:

Month	Number of Deposits	Total Remittances
July 2003	-	-
August 2003	1	\$ 4,717,478
September 2003	2	13,417,123
October 2003	1	1,274,132
November 2003	1	495,788
December 2003	2	6,308,485
January 2004	1	3,897,185
February 2004	1	1,217,656

SAM §8091 requires agencies to remit all monies determined to be revenue, reimbursements, abatements, and operating revenue to the State Treasury within 30 days following the date collected, regardless of the amount, unless more frequent remittances are required by law, regulation, or circumstance. Accumulated deposits of \$25,000 will be remitted as soon as possible, but not later than the first day of the week following the accumulation.

The general accounting manager stated that remittances were not being done timely because of staffing shortages.

Not remitting monies to the State Treasury at prescribed frequencies results in lost interest income to the state.

Recommendation 4

We recommend that the campus strengthen controls to ensure that monies are remitted to the State Treasury at prescribed frequency intervals.

Campus Response

We concur. The campus will strengthen controls to ensure that monies are remitted to the State Treasury at prescribed frequency intervals.

Anticipated Completion Date: December 31, 2004

ACCOUNTS RECEIVABLE

AUXILIARY BILLINGS

Auxiliary organizations were not timely invoiced. This is a repeat finding from our prior FISMA audit.

A review of ten invoices issued between July 2002 and November 2003 disclosed that five were prepared between five to ten months after the services were provided.

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

The accounts receivable manager stated that the delinquent invoicing was the result of various departments not sending the required information to accounting in a timely manner to permit timely invoicing.

Failure to timely invoice outstanding obligations due to the general fund from other sources reduces working capital and the likelihood of collecting funds.

Recommendation 5

We recommend that the campus strengthen procedures to ensure that auxiliary organizations are timely invoiced.

Campus Response

We concur. The campus will strengthen procedures to ensure that auxiliary organizations are timely invoiced.

Anticipated Completion Date: February 28, 2005

STUDENT RECEIVABLES

Controls over student receivables did not ensure timely collection and write-off.

We noted that:

- ▶ Collection procedures for student receivables did not include a sequence of three collection letters sent at 30-day intervals. Instead, statements were mailed to students on a quarterly basis.
- ▶ The aged accounts receivable report for student accounts did not provide the age of student receivable balances, other than identifying the balances as 0-90 days, 91-120 days, and >121 days old. As a result, we were unable to determine the exact age and number of student receivables >121 days old.
- ▶ Campus management indicated that student receivables were not necessarily written off when they became greater than two years old, as required by campus policy. Instead, the campus reviewed selected balances annually and relied upon advice from its outside collection agency for the write-off of individual balances. In addition, we specifically noted that a write-off of student emergency loans over seven years old was performed in August 2003.

SAM §8776.6 requires that each department develop collection procedures that will assure prompt follow-up on receivables. Once the address of the debtor is known, the accounting office will send a sequence of three collection letters at 30-day intervals, each in a progressively stronger tone. If all reasonable collection procedures do not result in payment, departments may file an application for discharge from accountability with the State Controller's Office, Division of Collections.

Executive Order 616, *Discharge of Accountability*, dated April 19, 1994, delegates authority to the campus for local adjustments of up to \$1,000 for receivables that are determined to be uncollectible or where the amount does not justify the collection costs. Discharge of accountability does not release the debtor from their obligation to the campus.

The California State University, Hayward (CSUH) *Allowance for Uncollectible Accounts Policy*, dated June 30, 1999, states that any receivables outstanding for more than two years will be completely written off the books.

The accounts receivable manager stated that the campus' current procedure for sending late notices on a quarterly basis, the current aged student accounts receivable report, and the delayed write-offs were the result of the lack of functionality within the student accounts receivable system.

Inadequate control over delinquent student receivables reduces the likelihood of collection, increases the amount of resources expended on collection efforts, and negatively impacts cash flow.

Recommendation 6

We recommend that the campus:

- a. Develop and implement procedures to send a sequence of three collection letters at 30-day intervals, each in a progressively stronger tone.
- b. Explore the feasibility of obtaining better aging data from the student accounts receivable system to permit timelier write-off decisions.
- c. Strengthen procedures to ensure compliance with the campus write-off policy or update the policy to reflect current practice.

Campus Response

We concur. The campus will:

- a. Develop and implement procedures to send a sequence of three collections letters sent at 30-day intervals each in a progressively stronger tone.
- b. Explore the feasibility of obtaining better aging data from the student accounts receivable system to permit timelier write-off decisions.
- c. Strengthen procedures to ensure compliance with the campus write-off policy or update the policy to reflect current practice.

Anticipated Completion Date: February 28, 2005

PURCHASING

Procurement card controls did not ensure prior written approval for the purchase of furniture and food products. This is a repeat finding from our prior FISMA audit.

Our review of ten procurement card statements from December 2003 disclosed that one cardholder had purchased office furniture from a vendor other than the Prison Industry Authority (PIA) without written approval from the purchasing manager. In addition, four instances were noted where a hospitality expense approval form was not approved in advance for a food purchase.

The CSUH *Procurement Credit Card Handbook*, dated March 2003, indicates that:

- ▶ For the purchase of office furniture, CSUH is mandated to utilize the PIA, when feasible. The credit card may be used to purchase direct from the PIA. For other furniture vendors, written approval from the purchasing manager must be obtained prior to making the purchase.
- ▶ The purchase of food products is permitted, but a Hospitality Expense Approval form must be submitted for each purchase with the monthly Procurement Credit Card Purchase Report form. Expense approval must be obtained in advance of any procurement.

The associate vice president/controller stated his belief that these instances of non-compliance were due to oversight.

Non-compliance with campus procurement card policies and procedures increases the risk of loss from inappropriate acts.

Recommendation 7

We recommend that the campus community be reminded of the approval requirements for the purchase of restricted items, such as furniture and food products.

Campus Response

We concur. The campus community will be reminded of the approval requirements for the purchase of restricted items, such as furniture and food products.

Anticipated Completion Date: December 31, 2004

REVOLVING FUND

Revolving fund reconciliations were not completed timely. This is a repeat finding from our prior two FISMA audits.

Revolving fund reconciliations for July through December 2003 were each prepared in January 2004.

SAM §7901 requires monthly preparation of all reconciliations within 30 days of the preceding month.

SAM §7800 requires that the revolving fund be reconciled to the general ledger monthly.

The general accounting manager stated that the revolving fund reconciliations were not completed timely due to the same staffing limitations.

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

Recommendation 8

We recommend that the campus strengthen procedures to ensure that revolving fund reconciliations are completed in a timely manner.

Campus Response

We concur. The campus will strengthen procedures to ensure that revolving fund reconciliations are completed in a timely manner.

Anticipated Completion Date: February 28, 2005

CASH DISBURSEMENTS

BANK RECONCILIATIONS

Bank reconciliations were incomplete. This is a repeat finding from our prior FISMA audit.

Our review of the bank reconciliations for October, November, and December 2003 showed unsupported differences totaling \$635,000, \$151,288, and (\$956,607), respectively.

SAM §7923 requires departments to reconcile their end of the month bank account balance with the like account maintained in the Centralized Treasury system. The person reconciling the bank statement will trace every reconciling item between the bank's and the agency's records and include an explanation on the reconciliation.

SAM §20050 indicates that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The general accounting manager stated that the campus had been working to identify these differences, but did not have the staffing necessary to devote sufficient time to their resolution.

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

Recommendation 9

We recommend that the campus strengthen procedures to ensure that reconciling items are adequately supported and promptly resolved.

Campus Response

We concur. The campus will strengthen procedures to ensure that reconciling items are adequately supported and promptly resolved.

Anticipated Completion Date: February 28, 2005

DISBURSEMENTS

Vendor data records (Form STD. 204) were not consistently maintained, and some signature authorization forms lacked specimen signatures.

Our review of campus procedures and 25 disbursements disclosed that:

- ▶ Form STD. 204 was dated subsequent to the disbursement in four instances and, in one instance, a STD. 204 form was not on file.
- ▶ Signature authorization forms for two individuals who had approved five of the disbursements lacked specimen signatures.

SAM §8422.19 states that a completed STD. 204 form must be obtained whenever a state agency engages in a transaction that leads to a payment to any individual or any entity that is not a governmental entity.

United States Code Annotated Title 26 §6721 indicates that a state agency that fails to obtain the taxpayer identification number or fails to file timely information returns is subject to a penalty of up to \$50 per annual information return to a maximum of \$250,000.

CSUH PeopleSoft Financials Purchase Request Preparation and Approval Options, dated August 12, 2003, indicates that the approver must have a valid signature authorization on file, which includes a signature specimen.

The associate vice president/controller stated that the STD. 204 form and signature authorization specimen recordkeeping issues were due to oversight.

Not maintaining vendor data records and specimen signatures increases the risk of penalties and inappropriate purchases.

Recommendation 10

We recommend that the campus:

- a. Strengthen controls over the maintenance of vendor data records (Form STD. 204) for vendors.
- b. Strengthen procedures to ensure that all signature authorization forms include specimen signatures.

Campus Response

We concur. The campus will:

- a. Strengthen controls over the maintenance of vendor data records (Form STD. 204) for vendors.
- b. Strengthen procedures to ensure that all signature authorization forms include specimen signatures.

Anticipated Completion Date: February 28, 2005

PAYROLL AND PERSONNEL

EMPLOYMENT ELIGIBILITY VERIFICATION

Some employees did not properly complete federal I-9 employment eligibility forms.

Our review of ten new hires between July 2002 and September 2003 disclosed that one employee had not dated the employment eligibility form and another employee neither dated nor signed the form.

The Immigration Reform and Control Act of 1986 states that all employees, citizens, and non-citizens are required to complete Form I-9 employment eligibility verifications at the beginning of employment. It further states that the employer is responsible for ensuring completion of the entire form.

The associate vice president/controller stated that the incomplete I-9 forms were due to oversight.

Inadequate control over employment eligibility verification procedures increases the risk of non-compliance with federal employment regulations.

Recommendation 11

We recommend that the campus strengthen procedures to ensure the proper completion of employment eligibility forms.

Campus Response

We concur. The campus will strengthen procedures to ensure the proper completion of employment eligibility forms.

Anticipated Completion Date: February 28, 2005

EMPLOYEE SEPARATION

Employee separation procedures did not ensure timely payment of wages due and complete clearance documentation.

Our review of ten employee separations between July 2002 and November 2003 disclosed that:

- ▶ In four instances where the employee was discharged, the final salary payment was not made immediately, and in one instance of an employee resignation, the final salary payment was not completed within 72 hours from the date of separation.
- ▶ Campus clearance forms were not on file in six instances.
- ▶ The campus *Clearance Sheets* policy and corresponding Clearance Sheet form had not been updated to reflect current practice and California State University (CSU) policy. Specifically, the policy and form still indicated that final paychecks would not be released until the clearance form was returned.

CSU Coded Memorandum Human Resources (HR) 2003-15, Attachment B, states that Labor Code §201 and §202 require the CSU to pay separating employees in a specified time frame. Payment of owed wages to discharged and resigned employees is treated differently in the Labor Code. An employee who is discharged must immediately be paid wages earned. An employee who resigns from employment must be paid wages earned no later than 72 hours from the date of separation. However, if the employee provides the employer at least 72 hours notice of his/her impending separation, he/she is entitled to wages owed at the time of separation.

SAM §8580.4 describes the need for adequate separation procedures, including preparation of a clearance form that includes clearance of revolving fund advances (travel and salary), return of keys, equipment, credit cards, etc.

SAM §20050 indicates that the existence of policy and procedural or operational manuals that are either not currently maintained or are nonexistent is one danger signal indicative of a poorly maintained or vulnerable control system.

The associate vice president/controller stated that the campus was unable to revise the employee separation procedures and the final check payment process due to staffing and resource shortages.

Insufficient control over employee separations increases the risk of late wage payments, loss of state funds, and inappropriate use of state resources.

Recommendation 12

We recommend that the campus:

- a. Review and strengthen employee separation procedures to ensure timely payment of wages and completion of clearance documentation.
- b. Update the campus *Clearance Sheets* policy and corresponding Clearance Sheet form to reflect current practice and CSU policy.

Campus Response

We concur. The campus will:

- a. Review and strengthen employee separation procedures to ensure timely payment of wages and completion of clearance documentation.
- b. Update the campus *Clearance Sheets* policy and corresponding Clearance Sheet form to reflect current practice and CSU policy.

Anticipated Completion Date: February 28, 2005

FIXED ASSETS

PROPERTY ACCOUNTING

Controls over property accounting did not ensure that property was properly valued. This is a repeat finding from our prior FISMA audit.

Our review of ten property acquisitions disclosed that, in three instances, the property had not been recorded at purchase price plus incidental costs incurred to put the item into place and ready for its intended use.

SAM §8631 requires purchased assets to be recorded at cost. Cost is defined as the purchase price, plus all incidental costs incurred to put the asset into place and ready for its intended use.

The general accounting manager stated that the property clerk retired and the position was only filled part time until recently. She added that in the process of becoming current, errors might have occurred due to time constraints.

Insufficient control over property accounting increases the risk of misstated property records.

Recommendation 13

We recommend that the campus strengthen procedures to ensure accurate property valuation.

Campus Response

We concur. The campus will strengthen procedures to ensure accurate property valuation.

Anticipated Completion Date: December 31, 2004

PROPERTY SURVEY REPORTS

Property survey reports were not properly completed. This is a repeat finding from our prior FISMA audit.

Our review of 15 property survey reports from July 2002 through December 2003 disclosed that:

- ▶ In seven instances, the property survey report or attachments did not show the original purchase date of the disposed property.
- ▶ In four instances, the property survey report or attachments did not show the original cost of the disposed property.

SAM §3520.3 requires property survey reports to show a document number, purchase date of the disposed property, original cost of the disposed property, disposition method, price offered for sold items, price received for sold items, receipt number for sold items, certification of disposal, and the title of the officer supervising the disposal of the property.

The general accounting manager and associate vice president/controller both stated that the property clerk had retired and the position was only filled part-time until recently. They further stated that the errors might have occurred due to time constraints after the position was filled full time while the work was being brought current.

Incomplete property survey reports reduce accountability over the disposal of state property.

Recommendation 14

We recommend that the campus strengthen property survey procedures to ensure the complete preparation of property survey reports.

Campus Response

We concur. The campus will strengthen property survey procedures to ensure the complete preparation of property survey reports.

Anticipated Completion Date: December 31, 2004

FISCAL INFORMATION TECHNOLOGY

Certain individuals had inappropriately been assigned Oracle IDs that could have allowed them to modify production PeopleSoft data.

SAM §4842.2 states that appropriate risk management procedures should be implemented to safeguard the integrity of data files, which includes effective account management. Effective account management is considered to include an appropriate authorization and monitoring of accounts that have access to production data files.

The director of business systems stated that guidelines had not yet been established for monitoring the use of production Oracle accounts.

Inadequate control over the use and monitoring of accounts with access to production data increases the risk of unauthorized and undetected modification of production data.

Recommendation 15

We recommend that the campus implement a process for authorizing and monitoring the use of IDs with access to production data to ensure that all such access is authorized and appropriate.

Campus Response

We concur. The campus will implement a process for authorizing and monitoring the use of IDs with access to production data to ensure that all such access is authorized and appropriate.

Anticipated Completion Date: February 28, 2005

INVESTMENTS

Controls over investments did not ensure timely planning and reconciliation of investments.

Specifically, we noted that:

- ▶ A written strategy for determining when to move funds in and out of their short- and long-term investments had not been developed. This is a repeat finding from our prior FISMA audit.
- ▶ The campus only performed reconciliations of their investment accounts to the general ledger at fiscal year end.

SAM §20050 indicates that there should be an established system of practices to be followed in the performance of duties and functions, and that it represents a control weakness if policy and procedure manuals are either not up to date or do not exist.

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.

SAM §7800 requires that subsidiary records be reconciled to the general ledger monthly.

The associate vice president/controller stated that the draft written strategy for moving funds between short- and long-term investments had simply not been finalized. He further stated the campus practice of not agreeing monthly reconciliations of investment activity to the general ledger was an oversight.

Inadequate control over the planning and reconciliation of investment activities increases the risk that investment earnings will not be maximized and errors and irregularities will not be timely detected.

Recommendation 16

We recommend that the campus:

- a. Develop a written strategy for determining when to move funds in and out of their short- and long-term investments.
- b. Perform reconciliations of investments to the general ledger on a monthly basis.

Campus Response

We concur. The campus will:

- a. Develop a written strategy for determining when to move funds in and out of their short- and long-term investments.
- b. Perform reconciliations of investments to the general ledger on a monthly basis.

Anticipated Completion Date: December 31, 2004

TRUST FUNDS

Trust fund administration was in need of improvement. This is a repeat finding from our prior FISMA audit.

Specifically, we noted that:

- ▶ Seven of ten trust agreements reviewed did not include instructions for closing the account and the disposition of any unexpended balance.
- ▶ Trust Fund RO028 (Energy Rebate) was inappropriately receiving revenues for five percent of utilities charges to non-CSU entities.

- ▶ 69 of 165 (42%) of the campus trust funds had negative cash balances as of June 30, 2003.
- ▶ 2 of 14 expenditures reviewed were not approved by an authorized individual per the trust agreement.

SAM §19440.1 indicates that each trust account established shall be supported by documentation as to the type of trust, donor or source of trust monies, purpose of the trust, time constraints, persons authorized to withdraw or expend funds, specimen signatures, reporting requirements, instructions for closing the account, disposition of any unexpended balance, and restrictions on the use of monies for administrative or overhead costs.

Education Code §89721 states, in part, that a trust fund shall be legally established using monies received in connection with the following sources or purposes:

- a. Gifts, bequests, devises, and donations.
- b. Any student loan or scholarship fund program.
- c. Advance payment for anticipated charges connected to federal grants or contracts.
- d. Room, board, and similar expenses of students enrolled in international programs.
- e. Cafeteria replacement funds.
- f. Miscellaneous receipts subject to return upon approval of a proper application.
- g. Fees and charges for services, materials, and facilities authorized by Section 89700, where these fees or charges are required of those persons who, at their option, use the services or facilities or are provided the material for which the fees or charges are made. Fees and charges so received and deposited shall be used solely to meet the costs of providing these services, materials, and facilities.
- h. Fees for instruction-related activities, as defined by the Trustees and as authorized by Section 89700, and revenues derived from the conduct of the instruction related activities.
- i. Fees for parking, health facilities, health services, extension programs, special sessions, and other self-supporting instructional programs.
- j. Revenue received by the Trustees from the California State Lottery Education Fund.
- k. Monies received by the Trustees for research, workshops, conferences, institutes, and special projects.

Chancellor's Office Coded Memorandums C NOAT 91-28 and PPD 91-32/BP 91-24 allow utility rebates to be deposited into the CSU Special Projects Fund (Fund 947) and utilized by the campus

physical plant to implement additional minor energy/utility projects. The memorandums do not allow for deposit of utility charges from non-CSU entities into trust.

SUAM §3710.01 indicates that each trust project must maintain a positive cash balance and a positive fund balance.

The associate vice president/controller stated that trust account documentation was incomplete because of oversight, the use of old forms, or some other anomaly. He added that the deposit of additional revenues to Trust Fund RO028 and the two instances where expenditures were not properly authorized were also due to oversight. He also stated his belief that most of the negative cash balances were due to timing issues and while some may have had negative balances, it was generally due to the necessity to incur expenditures for an approved program prior to the receipt of anticipated revenue. The senior accountant responsible for managing the campus trusts stated that there were much fewer true negative cash balances than noted, and many of the negative balances were due to posting errors, a change in program numbers resulting in program balances not being properly combined, and the setup of PeopleSoft by fund rather than program.

Inadequate trust fund administration increases the risk of inappropriate expenditures, loss due to poor trust fund management, and non-compliance with the Education Code and CSU policy.

Recommendation 17

We recommend that the campus:

- a. Strengthen controls to ensure that all trust fund agreements are properly completed.
- b. Cease depositing five percent of utility charges to non-CSU entities into the Energy Rebate account.
- c. Strengthen controls over trust funds to ensure that trust projects maintain positive cash balances.
- d. Improve oversight procedures to ensure that trust fund expenditures are properly authorized.

Campus Response

We concur. The campus will:

- a. Strengthen controls to ensure that all trust fund agreements are properly completed.
- b. Cease depositing five percent of utility charges to non-CSU entities into the Energy Rebate account.
- c. Strengthen controls over trust funds to ensure that trust projects maintain positive cash balances.
- d. Improve oversight procedures to ensure that trust fund expenditures are properly authorized.

Anticipated Completion Date: February 28, 2005

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Norma S. Rees	President
John Abbey	Assistant Controller
Jack Azevedo	Student Financial Services Officer
Sandy Batausa-Melville	Administrative Coordinator
Yvonne Brandenburg	Accounts Receivable Manager
Paula Compton	Accounts Payable Manager
Frank Correia	Director, Server and Network Operations
Jane Cross	Payroll Manager
Thomas Dixon	Systems Administrator, Institutional Research and Analysis
Diane Dolan	Cashier's Supervisor
Pam Esau	Accounting Technician II, Accounts Payable
Karen Esteller	General Accounting Manager
Janeith Glenn-Davis	Chief of Police
Jennifer Greenwood	Accounting Technician II, Main Cashier
JoAnne Hill	Human Resources Manager
Neal Hoss	Associate Vice President/Controller, Business and Financial Services
Aaron Ledesma	Accounting Technician II, Main Cashier
Lana Lewis	Lead Technician, Accounts Payable
Darryl Major	Administrative Sergeant
Leslie Merritt	Accounting Technician I, Accounts Payable
Regina A. Metoyer	Director, Housing and Residential Life
Richard S. Metz	Vice President, Administration and Business Affairs
Precious Perry	Administrative Services Coordinator, Contra Costa Campus
Kathy Pitta	Property Clerk
Madeline J. Scott	Contracts Manager
Ed Serafino	Property Clerk
Eric D. Thompson	Procurement and Support Services Officer and Risk Manager
Jayne Truong	Senior Accountant
Cheryl Washington	Director of Business Systems
Paula Suzanne Wittler	Purchasing Manager

STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

Internal accounting and related operational controls established by the State of California, the California State University (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 that 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 recordkeeping 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.


CALIFORNIA STATE UNIVERSITY, HAYWARD

25800 Carlos Bee Boulevard, Hayward, California 94542-3001

Office of the President

Telephone: (510) 885-3877

Fax: (510) 885-3808

**RECEIVED
UNIVERSITY AUDITOR**

AUG 30 2004

 THE CALIFORNIA STATE
UNIVERSITY

August 24, 2004

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

**Subject: Campus Response to Recommendations of FISMA Audit 04-01
California State University, Hayward**

Dear Mr. Mandel,

Please find enclosed California State University, Hayward's response to the recommendations resulting from our FISMA Audit 04-01. For each recommendation, we have included a corrective action plan and an anticipated date for implementation.

We appreciate the efforts of you and your staff during the process and the professional manner in which the audit was performed.

Sincerely,

A handwritten signature in cursive script that reads "Norma S. Rees".

Norma S. Rees
President

Enclosure

cc: Chancellor Reed
Vice President Metz

CASH RECEIPTS

SATELLITE CASHIERING

Recommendation 1

We recommend that the campus perform the analysis necessary to identify the source of the unreconciled difference and modify reconciliation procedures accordingly.

Campus Response

We concur. The campus will perform the analysis necessary to identify the source of the unreconciled difference and modify reconciliation procedures accordingly.

Anticipated Completion Date: December 31, 2004

FEE RECONCILIATIONS

Recommendation 2

We recommend that the campus:

- a. Reconcile applications for admission to fees received one month after the end of the academic term being reconciled.
- b. Strengthen controls to ensure that state university fee reconciliations include the preparer's name and preparation and review dates.

Campus Response

We concur. The campus will:

- a. Reconcile applications for admission to fees received one month after the end of the academic term being reconciled.
- b. Strengthen controls to ensure that state university fee reconciliations include the preparer's name and preparation and review dates.

Anticipated Completion Date: February 28, 2005

UNCLEARED COLLECTIONS

Recommendation 3

We recommend that the campus develop procedures to timely identify and resolve uncleared collection items.

Campus Response

We concur. The campus will develop procedures to timely identify and resolve uncleared collection items.

Anticipated Completion Date: February 28, 2005

REMITTANCES TO THE STATE TREASURER

Recommendation 4

We recommend that the campus strengthen controls to ensure that monies are remitted to the State Treasury at prescribed frequency intervals.

Campus Response

We concur. The campus will strengthen controls to ensure that monies are remitted to the State Treasury at prescribed frequency intervals.

Anticipated Completion Date: December 31, 2004

ACCOUNTS RECEIVABLE

AUXILIARY BILLINGS

Recommendation 5

We recommend that the campus strengthen procedures to ensure that auxiliary organizations are timely invoiced.

Campus Response

We concur. The campus will strengthen procedures to ensure that auxiliary organizations are timely invoiced.

Anticipated Completion Date: February 28, 2005

STUDENT RECEIVABLES

Recommendation 6

We recommend that the campus:

- a. Develop and implement procedures to send a sequence of three collections letters sent at 30-day intervals each in a progressively stronger tone.

- b. Explore the feasibility of obtaining better aging data from the student accounts receivable system to permit timelier write-off decisions.
- c. Strengthen procedures to ensure compliance with the campus write-off policy or update the policy to reflect current practice.

Campus Response

We concur. The campus will:

- a. Develop and implement procedures to send a sequence of three collections letters sent at 30-day intervals each in a progressively stronger tone.
- b. Explore the feasibility of obtaining better aging data from the student accounts receivable system to permit timelier write-off decisions.
- c. Strengthen procedures to ensure compliance with the campus write-off policy or update the policy to reflect current practice.

Anticipated Completion Date: February 28, 2005

PURCHASING

Recommendation 7

We recommend that the campus community be reminded of the approval requirements for the purchase of restricted items, such as furniture and food products.

Campus Response

We concur. The campus community will be reminded of the approval requirements for the purchase of restricted items, such as furniture and food products.

Anticipated Completion Date: December 31, 2004

REVOLVING FUND

Recommendation 8

We recommend that the campus strengthen procedures to ensure that revolving fund reconciliations are completed in a timely manner.

Campus Response

We concur. The campus will strengthen procedures to ensure that revolving fund reconciliations are completed in a timely manner.

Anticipated Completion Date: February 28, 2005

CASH DISBURSEMENTS

BANK RECONCILIATIONS

Recommendation 9

We recommend that the campus strengthen procedures to ensure that reconciling items are adequately supported and promptly resolved.

Campus Response

We concur. The campus will strengthen procedures to ensure that reconciling items are adequately supported and promptly resolved.

Anticipated Completion Date: February 28, 2005

DISBURSEMENTS

Recommendation 10

We recommend that the campus:

- a. Strengthen controls over the maintenance of vendor data records (Form STD. 204) for vendors.
- b. Strengthen procedures to ensure that all signature authorization forms include specimen signatures.

Campus Response

We concur. The campus will:

- a. Strengthen controls over the maintenance of vendor data records (Form STD. 204) for vendors.
- b. Strengthen procedures to ensure that all signature authorization forms include specimen signatures

Anticipated Completion Date: February 28, 2005

PAYROLL AND PERSONNEL

EMPLOYMENT ELIGIBILITY VERIFICATION

Recommendation 11

We recommend that the campus strengthen procedures to ensure that the proper completion of employment eligibility forms.

Campus Response

We concur. The campus will strengthen procedures to ensure that the proper completion of employment eligibility forms.

Anticipated Completion Date: February 28, 2005

EMPLOYEE SEPARATION

Recommendation 12

We recommend that the campus:

- a. Review and strengthen employee separation procedures to ensure timely payment of wages and completion of clearance documentation.
- b. Update the campus *Clearance Sheets* policy and corresponding clearance sheet form to reflect current practice and CSU policy.

Campus Response

We concur. The campus will:

- a. Review and strengthen employee separation procedures to ensure timely payment of wages and completion of clearance documentation.
- b. Update the campus *Clearance Sheets* policy and corresponding clearance sheet form to reflect current practice and CSU policy.

Anticipated Completion Date: February 28, 2005

FIXED ASSETS

PROPERTY ACCOUNTING

Recommendation 13

We recommend that the campus strengthen procedures to ensure accurate property valuation.

Campus Response

We concur. The campus will strengthen procedures to ensure accurate property valuation.

Anticipated Completion Date: December 31, 2004

PROPERTY SURVEY REPORTS

Recommendation 14

We recommend that the campus strengthen property survey procedures to ensure the complete preparation of property survey reports.

Campus Response

We concur. The campus will strengthen property survey procedures to ensure the complete preparation of property survey reports.

Anticipated Completion Date: December 31, 2004

FISCAL INFORMATION TECHNOLOGY

Recommendation 15

We recommend that the campus implement a process for authorizing and monitoring the use of IDs with access to production data to ensure that all such access is authorized and appropriate.

Campus Response

We concur. The campus will implement a process for authorizing and monitoring the use of IDs with access to production data to ensure that all such access is authorized and appropriate.

Anticipated Completion Date: February 28, 2005

INVESTMENTS

Recommendation 16

We recommend that the campus:

- a. Develop a written strategy for determining when to move funds in and out of their short- and long-term investments.
- b. Perform reconciliations of investments to the general ledger on a monthly basis.

Campus Response

We concur. The campus will:

- a. Develop a written strategy for determining when to move funds in and out of their short and long-term investments.

- b. Perform reconciliations of investments to the general ledger on a monthly basis.

Anticipated Completion Date: December 31, 2004

TRUST FUNDS

Recommendation 17

We recommend that the campus:

- a. Strengthen controls to ensure that all trust fund agreements are properly completed.
- b. Cease depositing five percent of utility charges to non-CSU entities into the Energy Rebate account.
- c. Strengthen controls over trust funds to ensure that trust projects maintain positive cash balances.
- d. Improve oversight procedures to ensure that trust fund expenditures are properly authorized.

Campus Response

We concur. The campus will:

- a. Strengthen controls to ensure that all trust fund agreements are properly completed.
- b. Cease depositing five percent of utility charges to non-CSU entities into the Energy Rebate account.
- c. Strengthen controls over trust funds to ensure that trust projects maintain positive cash balances.
- d. Improve oversight procedures to ensure that trust fund expenditures are properly authorized.

Anticipated Completion Date: February 28, 2005

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

September 16, 2004

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

MEMORANDUM

FRESNO

FULLERTON

TO: Mr. Larry Mandel
University Auditor

HAYWARD

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 04-01 on *FISMA*,
California State University, Hayward

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of September 16, 2004, I accept the response as submitted with the draft final report on *FISMA*, California State University, Hayward.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/al

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Mr. Richard S. Metz, Vice President, Administration and Business Affairs
Dr. Norma S. Rees, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS