

FISMA

**CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA**

**Audit Report 08-07
December 18, 2008**

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THE CALIFORNIA STATE UNIVERSITY

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ABBREVIATIONS

CFO	Chief Financial Officer
CSPUP	California State Polytechnic University, Pomona
CSU	California State University
FISMA	Financial Integrity and State Manager's Accountability Act
GAAP	Generally Accepted Accounting Principles
GC	Government Code
RMP	Revenue Management Program
SAM	State Administrative Manual
SCO	State Controller's Office
SUAM	State University Administrative Manual

EXECUTIVE SUMMARY

The California Legislature passed the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983, Government Code (GC) Sections 13400 through 13407. 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 biennial internal control audits (covering accounting and fiscal compliance practices) in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors) as required by GC, Section 1236. The Office of the University Auditor of the California State University (CSU) is currently responsible for conducting such audits within the CSU.

California State Polytechnic University, Pomona (CSPUP) management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with GC, 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.
- ▶ Established controls are not only effective but also promote operational efficiency.
- ▶ Financial operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and Trustee policy.

We visited the CSPUP campus from September 22, 2008, through October 24, 2008, and made a study and evaluation of the accounting and administrative control in effect as of October 24, 2008. This report represents our biennial review.

Our study and evaluation revealed certain conditions that, in our opinion, could result in errors and irregularities if not corrected. Specifically, the campus did not ensure appropriate segregation of duties controls in the cash receipts, cash disbursements, and payroll functions, and third-party accounts receivable controls needed improvement. These conditions, along with other weaknesses, are described in the executive summary and body of this report.

In our opinion, except for the effect of the weaknesses described above, CSPUP's accounting and administrative control in effect as of October 24, 2008, 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 changes 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 [6]

Duties and responsibilities related to cashiering were not properly segregated and uncleared collections were not always timely resolved.

ACCOUNTS RECEIVABLE [9]

Third-party accounts receivable controls were inadequate. Collection efforts were not adequately documented, write-offs were not adequately approved, and policies and procedures relating to collections and write-offs were not well documented, formalized, and/or generally available.

CASH DISBURSEMENTS [10]

Duties and responsibilities related to accounts payable check distribution were not properly segregated. In addition, access to the vendor master file was not adequately segregated from individuals responsible for processing payments.

PAYROLL [12]

Duties and responsibilities relating to payroll warrants were not properly segregated. The payroll department printed salary advance checks for employees when the State Controller's Office generated checks that were incorrect.

INTRODUCTION

STATEMENT OF INTERNAL CONTROLS

Internal accounting and related operational controls established by the State of California, the California State University 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. The ultimate responsibility for good internal control rests with management.

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, personnel of a quality commensurate with responsibilities, and an effective system of internal review.

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.

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.

Experience indicates that the existence of certain danger signals will usually be indicative of a poorly maintained or vulnerable control system. These symptoms may apply to the organization as a whole or to individual units or activities, and generally include any of the following danger signals:

- ▶ Policy and procedural or operational manuals are either not currently maintained or are non-existent.
- ▶ Lines of organizational authority and responsibility are not clearly articulated or are non-existent.
- ▶ Financial and operational reporting is not timely and is not used as an effective management tool.

- ▶ Line supervisors ignore or do not adequately monitor control compliance.
- ▶ No procedures are established to assure that controls in all areas of operation are evaluated on a reasonable and timely basis.
- ▶ Internal control weaknesses detected are not acted upon in a timely fashion.
- ▶ Controls and/or control evaluations have little relationship to organizational exposure to risk of loss or resources.

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.

PURPOSE

The principal audit objectives were to assess the adequacy of the systems of internal accounting and administrative control and to determine whether financial operations were conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and directives of the Board of Trustees and the Office of the Chancellor. Specifically, we sought assurances that:

- ▶ Legal and regulatory requirements are complied with.
- ▶ Accounting data is provided in an accurate, timely, complete, or otherwise reliable manner.
- ▶ Assets are adequately safeguarded from loss, damage, or misappropriation.
- ▶ Duties are appropriately segregated consistent with appropriate control objectives.
- ▶ Transactions, accounting entries, or systems output is reviewed and approved.
- ▶ Management does not intentionally override internal controls to the detriment of control objectives.
- ▶ Accounting and fiscal tasks, such as reconciliations, are prepared properly and completed timely.
- ▶ Deficiencies in internal controls previously identified were corrected satisfactorily and timely.
- ▶ Management seeks to prevent or detect erroneous recordkeeping, inappropriate accounting, fraudulent financial reporting, financial loss, and exposure.

SCOPE AND METHODOLOGY

Our study and evaluation were conducted in accordance with the *International 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 (2007/08) 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 January 2008 to August 2008. Our primary focus was on internal controls.

A preliminary survey of the campus was used to identify risks. Risk was defined as the probability that an event or action would adversely affect the campus. Our assessment of risk was based upon a systematic process using management's feedback and professional judgments on probable adverse conditions and/or events that became the basis for development of our final scope. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- ▶ Procedures for receipting and storing cash and adequate segregation of duties regarding the receiving and recording of cash receipts.
- ▶ Establishment of receivables and adequate segregation of duties regarding the billing and payment of receivables.
- ▶ Adequate segregation of duties regarding authorization and payment of cash disbursements and appropriate controls over campus vendors.
- ▶ Administration and reconciliation of bank accounts.
- ▶ Authorization and proper classification of personnel/payroll transactions.
- ▶ Monthly reconciliation of property to the general ledger.
- ▶ Establishment of trust funds, separate accounting, and adequate agreements.

We have not performed any auditing procedures beyond October 24, 2008. 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

SEGREGATION OF DUTIES

Duties and responsibilities related to cashiering were not properly segregated.

Based on assigned PeopleSoft access roles, we found that:

- ▶ Seven window cashiers could post charges and credits (in the form of a negative charge) directly to student accounts using the student post page, and one of these cashiers could reverse charges directly using the charge reversal feature in PeopleSoft.
- ▶ The cashiering coordinator could post transactions directly to the general ledger.
- ▶ Five student accounts personnel were designated as backup window cashiers. All of these personnel could post charges and credits (in the form of a negative charge) directly to student accounts using the student post page, and reverse charges using the charge reversal feature.
- ▶ Six student accounts personnel were not identified with specific cashiering duties, but were provided with cashiering access in PeopleSoft. Five of these employees could also post transactions to the general ledger.

State Administrative Manual (SAM) §8080, §8080.1, and §8080.2 state, in part, that no one person will perform more than one of the following types of duties: receiving and depositing remittances, inputting receipts information, and reconciling bank accounts and posting to the general ledger or any subsidiary ledger affected by cash transactions.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The director of student accounting and cashiering services stated that these accesses were provided for the employees to perform their established job functions. She also stated that complete segregation of duties was difficult due to lack of staff, and student accounts personnel must be able to help with cashiering in order to provide appropriate customer service to students.

Inadequate segregation of duties between cash receipts and accounts receivable duties increases campus exposure to loss from inappropriate acts.

Recommendation 1

We recommend that the campus:

- a. Remove access to credit posting and charge reversals from non-supervisory cashiering staff or implement compensatory mitigating controls.
- b. Remove access to general ledger posting from all employees in the cashiering area.
- c. Remove access to credit posting and charge reversals from student accounting staff that perform window cashiering duties or implement compensatory mitigating controls.
- d. Review employees' job functions and remove unnecessary cashiering access.

Campus Response

We concur.

- a. Removing access to credit posting and charge reversals will negatively impact customer service. Due to the budget crisis and limited resources, we are unable to increase staffing. As compensating controls, we will institute a query of credit posting and charge reversals at the end of the day to be reviewed and approved by the coordinator of cashiering, coordinator of student accounting, and the director of student accounting and cashiering services.
- b. The campus will remove access to general ledger posting from all employees in the cashiering area and review employees' job functions to remove unnecessary cashiering access.
- c. Removing access to credit posting and charge reversals will negatively impact customer service. Due to the budget crisis and limited resources, we are unable to increase staffing. As compensating controls, we will institute a query of credit posting and charge reversals at the end of the day to be reviewed and approved by the coordinator of cashiering, coordinator of student accounting, and the director of student accounting and cashiering services.
- d. The campus will remove access to general ledger posting from all employees in the cashiering area and review employees' job functions to remove unnecessary cashiering access.

Timeline: February 2009

UNCLEARED COLLECTIONS

Uncleared collections were not always timely resolved.

Our review of the uncleared collections account as of July 31, 2008, disclosed 2,778 items from calendar years 2007 and prior totaling \$88,699, and an additional 472 items from January through March 2008, totaling \$24,416, that were still uncleared.

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

The associate vice president of finance and administrative services stated that the campus had made significant advances in the uncleared collections reconciliation process and the campus may need to write-off these long-outstanding items in order to move forward. The director of student accounting and cashiering services stated that since the campus includes its student intent to register payments in the uncleared collections account, these advance registration payments may not be able to be cleared on a quarterly basis.

Failure to timely resolve unapplied credit balances in the uncleared collections account limits the campus' ability to detect errors and irregularities and may delay proper revenue recognition.

Recommendation 2

We recommend that the campus:

- a. Review current long-outstanding uncleared items and clear them through appropriate postings or write-offs.
- b. Establish procedures to ensure that future uncleared postings are reviewed and cleared in a timely manner.

Campus Response

We concur.

- a. The campus will review current long-outstanding uncleared items and clear them through appropriate postings or write-offs.
- b. We will establish procedures to ensure that future uncleared postings are reviewed and cleared in a timely manner.

Timeline: March 2009

ACCOUNTS RECEIVABLE

Third-party accounts receivable controls were inadequate.

We found that:

- ▶ Collection efforts were not adequately documented. Our review of ten items totaling \$106,290 that were greater than 60 days past due from the July 31, 2008, aging report disclosed that there were no documented collection efforts made until the time of audit for all ten items. This is a repeat finding from the prior Financial Integrity State Manager's Accountability Act (FISMA) audit.
- ▶ Third-party receivable write-offs were not adequately approved. There had been one write-off for \$100,469 since the last FISMA audit. Our review found that although the chief financial officer (CFO) was aware of and approved this write-off verbally, the only documentation of approval for the write-off was an e-mail sent by the associate vice president of finance and administrative services.
- ▶ Policies and procedures relating to the collection and write-off of third-party receivables were not well documented and/or formalized and generally available. Although the campus stated that they used Revenue Management Program (RMP) interim procedures for write-offs, the campus did not have a documented delegation of authority on file allowing the specified individuals to approve write-offs.

State University Administrative Manual (SUAM) §3822 requires each campus to establish procedures that provide for prompt follow-up of accounts receivable, including preparation and issuance of follow-up letters and/or calls, and utilization of the offset claim procedures for accounts greater than \$10.

SAM §8776.6 provides procedures and guidelines regarding adequate collection efforts and follow-up on receivables, including requirements for filing applications for Discharge From Accountability (Form STD. 27) with the State Controller's Office (SCO).

The campus' RMP interim procedure for write-offs states that periodic write-offs for accounts in arrears for amounts of \$1,000 or greater should be approved by the associate vice president of business and finance or equivalent. In the event that a documented delegation or designation from the CFO to the individuals in the roles listed in the recommended procedure does not exist, the CFO must approve all write-offs.

The director of university accounting services stated that based on the prior FISMA audit, the campus had implemented collection procedures. However, the staff member in charge of third-party receivables went out on medical leave, and when the lead accountant assumed her duties in the collection process, she did not realize the importance of documenting collection activities. In addition, the CFO stated that he did approve the write-off verbally in a meeting with all interested parties.

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

Recommendation 3

We recommend that the campus:

- a. Implement formal collection procedures that specify the types of collection efforts to be performed and which emphasize the importance of documenting these efforts.
- b. Document the delegation of authority from the CFO to the associate vice president of finance and administrative services and any other individual delegated the authority to approve write-offs, including their dollar limits.
- c. Strengthen write-off procedures to specify the required approval documentation to be retained.

Campus Response

We concur.

- a. The campus will formally document collection procedures, emphasizing the importance of documenting collection efforts.
- b. Documentation of the delegation of authority from the CFO for write-off approval, including dollar amount limits, will be maintained in accounting.
- c. Write-off procedures will be formally documented specifying the required approvals.

Timeline: February 2009

CASH DISBURSEMENTS

SEGREGATION OF DUTIES

Duties and responsibilities related to accounts payable check distribution were not properly segregated.

We found that after accounts payable checks were printed, they were returned unsealed to the accounts payable technicians or student accounting staff (student refunds) for distribution. In some cases, the accounts payable department held the checks for pick up.

SAM §8080 states that “no one person will perform more than one of the following seven types of duties: Initiating, or preparing invoices... and comparing machine-signed checks with authorizations and supporting documents.” It further states that “checks will not be routed for mailing or distribution through the person who authorized the disbursement or prepared the check.”

The director of university accounting services stated that complete segregation of duties was difficult to maintain with the current staffing levels. He also stated that he performs a complete review of the check register, and that the accounts payable technicians review each other's work by rotating checks when matching check copies to supporting documentation as a compensating control.

Inadequate segregation of duties regarding accounts payable processes and in the handling of checks increases the risk of inappropriate payments being made or checks being lost or stolen.

Recommendation 4

We recommend that the campus implement appropriate segregation of duties in the check printing and distribution area.

Campus Response

We concur. The campus will implement a process that will remove check handling and distribution from the accounts payable department.

Timeline: February 2009

VENDOR MASTER FILE

Access to the vendor master file was not adequately segregated from individuals responsible for processing payments.

We noted that 12 of 18 employees with access to update or make changes to the vendor master file could also process vouchers. Further, although the campus had created a report to identify changes made to the vendor master file, the report was not used in formal supervisory reviews of vendor updates or changes.

SAM §8080.1 requires each state agency to establish and maintain an adequate system of internal control, and that a key element in a system of internal control is separation of duties. Further, "no one person shall perform more than one of 11 types of duties, including maintaining records file and operating mechanized equipment, initiating disbursement documents, approving disbursement documents, and inputting disbursement information."

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

The director of university accounting services stated that complete segregation of duties was difficult due to staffing limitations and that compensating controls had been implemented, such as review of the check register and matching of checks to supporting documentation by another accounts payable technician, to mitigate this risk.

Failure to maintain adequate control over the vendor master file increases the risk of fraudulently misdirected payments.

Recommendation 5

We recommend that the campus:

- a. Review access to the vendor master file to determine whether all 18 individuals with access to the vendor master file have a defined need for such access.
- b. Restrict vendor add/update permissions from persons responsible for processing payments or implement compensating controls on vendor additions and updates.

Campus Response

We concur.

- a. The campus will review access to the vendor master file and limit user access as possible.
- b. The campus will restrict vendor add/update permissions from persons responsible for processing payments or develop additional compensating controls to strengthen the overall control and minimize the risk of fraudulent payments.

Timeline: February 2009

PAYROLL

Duties and responsibilities relating to payroll warrants were not properly segregated.

We found that the payroll department printed salary advance checks for employees when SCO generated checks that were incorrect.

SUAM §3812 states that none of the personnel assigned to the payroll office and none of the staff authorized by the appointing power to prepare payroll transactions and certify attendance reports shall be authorized to receive and distribute salary warrants. The pay warrants must be received and distributed by an office physically apart from the payroll office.

SAM §8580.1 states that persons designated by agencies to receive salary warrants from SCO, or to distribute salary warrants to employees, or to handle salary warrants for any other purpose will not be authorized to process or sign any of a number of personnel documents which are part of the purview of the payroll department.

The manager of human resources and payroll services stated that she agreed that the function of printing salary advances should not reside in the payroll department.

Inadequate segregation of duties over the processing of payroll transactions and the handling of payroll warrants increases the risk of irregularities.

Recommendation 6

We recommend that the campus process salary advance checks in accounting so that custody of these salary warrants is not within the payroll department.

Campus Response

We concur. The campus will remove the check printing activity from the payroll department and centralize all pay cycle activity in accounting.

Timeline: February 2009

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
J. Michael Ortiz	President
Anita Aguirre	Property Officer, Procurement and Support Services
Kathryn Barbosa	Lead Accountant
Edwin Barnes, III	Vice President, Administrative Affairs and Chief Financial Officer
Ruth Carrington	Finance Systems Analyst
Amy Cher	Accountant
Sheryl Cincush	Accountant
Brian Corcoran	Lead Accountant
Kathy Harper	Administrative Assistant
MyVan Hua	Cashiering Coordinator
Darwin Labordo	Associate Vice President, Finance and Administrative Services
Helen Lee	Accounts Payable Coordinator
Traci Lew	Senior Coordinator
Anna Line	Administrative Analyst
Lee Anne Ma	Student Administrative Security Coordinator
Mary Martinez	Manager, Human Resources and Payroll Services
Sylvia Nguyen	Accountant
Kathleen Prunty	Director, Procurement and Support Services
Sharon Reiter	Associate Vice President, Human Resources
Angelina Schultz	Director, Student Accounting and Cashiering Services
Jane Self	Director, Payroll Services
Candace Snodgrass	GAAP and Tax Manager
Al Viteri	Director, University Accounting Services
Joyce Wagar	Accountant
Tracy Wang	Student Accounting Coordinator
Katherine Wells	Operations and Production Associate
Linda Wheeler	Vault Supervisor
Joyce Xiong	University Auditor
Glendy Yeh	Executive Director, Administrative Affairs Information Systems
Antonia Young	Pharmacist



Office of the Vice President
for Administrative Affairs

RECEIVED
UNIVERSITY AUDITOR

DEC 24 2008

THE CALIFORNIA STATE
UNIVERSITY

December 24, 2008

Mr. Larry Mandel, University Auditor
Office of the Auditor
The California State University
400 Golden Shore, Suite 210
Long Beach, CA 90802

Dear Mr. Mandel:

Subject: Campus Response to Recommendations of FISMA Report 08-07

Enclosed is California State Polytechnic's campus response to the FISMA Audit 08-07. We appreciate the effort you and your staff have made to indicate areas where our procedures or internal controls could be strengthened. We will take the necessary actions to address the report's recommendations.

Please direct questions concerning the response to Darwin Labordo, Associate Vice President of Finance and Administrative Services at 909-869-2008 or dlabordo@csupomona.edu.

Sincerely,

Edwin A. Barnes, III, Vice President
Administrative Affairs

Cc: J. Michael Ortiz, President
Darwin Labordo, Associate Vice President, Finance & Administrative Services
Sharon Reiter, Associate Vice President, Human Resource Services
Joice Xiong, University Auditor

Enclosure

FISMA

**CALIFORNIA STATE POLYTECHNIC UNIVERSITY,
POMONA**

Audit Report 08-07

CASH RECEIPTS

SEGREGATION OF DUTIES

Recommendation 1

We recommend that the campus:

- a. Remove access to credit posting and charge reversals from non-supervisory cashiering staff or implement compensatory mitigating controls.
- b. Remove access to general ledger posting from all employees in the cashiering area.
- c. Remove access to credit posting and charge reversals from student accounting staff that perform window cashiering duties or implement compensatory mitigating controls.
- d. Review employees' job functions and remove unnecessary cashiering access.

Campus Response

We concur.

- a. Removing access to credit posting and charge reversals will negatively impact customer service. Due to the budget crisis and limited resources, we are unable to increase staffing. As compensating controls, we will institute a query of credit posting and charge reversals at the end of the day to be reviewed and approved by the Coordinator of Cashiering, Coordinator of Student Accounting and the Director of Student Accounting and Cashiering.
- b. The campus will remove access to general ledger posting from all employees in the cashiering area and review employees' job functions to remove unnecessary cashiering access.
- c. Removing access to credit posting and charge reversals will negatively impact customer service. Due to the budget crisis and limited resources, we are unable to increase staffing. As compensating controls, we will institute a query of credit posting and charge reversals at the end of the day to be reviewed and approved by the Coordinator of Cashiering, Coordinator of Student Accounting and the Director of Student Accounting.

- d. The campus will remove access to general ledger posting from all employees in the cashiering area and review employees' job functions to remove unnecessary cashiering access.

Timeline: February 2009

UNCLEARED COLLECTIONS

Recommendation 2

We recommend that the campus:

- a. Review current long-outstanding uncleared items and clear them through appropriate postings or write-offs.
- b. Establish procedures to ensure that future uncleared postings are reviewed and cleared in a timely manner.

Campus Response

We concur.

- a. The campus will review current long-standing uncleared items and clear them through appropriate postings or write-offs.
- b. We will establish procedures to ensure that future uncleared postings are reviewed and cleared in a timely manner.

Timeline: March 2009

ACCOUNTS RECEIVABLE

Recommendation 3

We recommend that the campus:

- a. Implement formal collection procedures that specify the types of collection efforts to be performed and which emphasize the importance of documenting these efforts.
- b. Document the delegation of authority from the CFO to the associate vice president of finance and administrative services and any other individual delegated the authority to approve write-offs, including their dollar limits.
- c. Strengthen write-off procedures to specify the required approval documentation to be retained.

Campus Response

We concur.

- a. The campus will formally document collection procedures, emphasizing the importance of documenting collection efforts.
- b. Documentation of the delegation of authority from the CFO for write-off approval, including dollar amount limits, will be maintained in Accounting.
- c. Write-off procedures will be formally documented specifying the required approvals.

Timeline: February 2009

CASH DISBURSEMENTS

SEGREGATION OF DUTIES

Recommendation 4

We recommend that the campus implement appropriate segregation of duties in the check printing and distribution area.

Campus Response

We concur. The campus will implement a process that will remove check handling and distribution from the Accounts Payable department.

Timeline: February 2009

VENDOR MASTER FILE

Recommendation 5

We recommend that the campus:

- a. Review access to the vendor master file to determine whether all 18 individuals with access to the vendor master file have a defined need for such access.
- b. Restrict vendor add/update permissions from persons responsible for processing payments or implement compensating controls on vendor additions and updates.

Campus Response

We concur.

- a. The campus will review access to the vendor master file and limit user access as possible.
- b. The campus will restrict vendor add/update permissions from persons responsible for processing payments or develop additional compensating controls to strengthen the overall control and minimize the risk of fraudulent payments.

Timeline: February 2009

PAYROLL

Recommendation 6

We recommend that the campus process salary advance checks in accounting so that custody of these salary warrants is not within the payroll department.

Campus Response

We concur. The campus will remove the check printing activity from the Payroll department and centralize all pay cycle activity in Accounting.

Timeline: February 2009


THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

January 26, 2009

CHANNEL ISLANDS

CHICO

MEMORANDUM

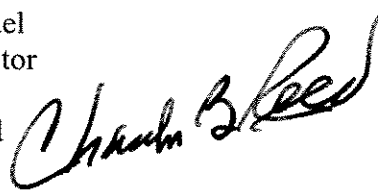
DOMINGUEZ HILLS

EAST BAY

TO: Mr. Larry Mandel
University Auditor

FRESNO

FROM: Charles B. Reed
Chancellor



FULLERTON

HUMBOLDT

SUBJECT: Draft Final Report 08-07 on *FISMA*,
California State Polytechnic University, Pomona

LONG BEACH

LOS ANGELES

In response to your memorandum of January 26, 2009, I accept the response as submitted with the draft final report on *FISMA*, California State Polytechnic University, Pomona.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

CBR/jt

POMONA

Enclosure

SACRAMENTO

cc: Dr. Edwin A. Barnes, III, Vice President, Administrative Affairs and
Chief Financial Officer
Dr. J. Michael Ortiz, President

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS