

FISMA
CALIFORNIA STATE UNIVERSITY,
FRESNO

Report Number 03-05
March 26, 2004

Members, Committee on Audit

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BOARD OF TRUSTEES
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ABBREVIATIONS

ARE	Admissions, Records and Evaluations
CIS	Campus Information Systems
CVIP	Central Valley Internet Project
CMS	Common Management Systems
CSU	California State University
CSUF	California State University, Fresno
FISMA	Financial Integrity and State Manager's Accountability Act
ID	Identification
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, Fresno (CSUF) campus from October 21, 2003, through December 18, 2003, and made a study and evaluation of the accounting and administrative control in effect as of December 18, 2003. This report represents our biennial review.

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

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

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

Our study and evaluation revealed certain conditions which, in our opinion, could result in errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal controls over the following areas: cash receipts, accounts receivable, payroll and personnel, fixed assets, trust funds, and information technology. 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, CSUF's accounting and administrative control in effect as of December 18, 2003, taken as a whole, was sufficient to meet the objectives stated above.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls change over time. Specific limitations that may hinder the effectiveness 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]

Cash receipts were not adequately controlled for the Central Valley Internet Project (CVIP) and in the office of admissions, records and evaluation (ARE). Checks received at CVIP satellite cashiering locations were not promptly endorsed and adequately safeguarded, while ARE did not adequately safeguard receipts during peak periods. In addition, the campus had not reconciled application fees since February 2002 and did not have a process in place to complete the reconciliation, and the state university fee reconciliations for fall 2002 and spring 2003 were not completed until September 2003.

ACCOUNTS RECEIVABLE [8]

Delinquent accounts receivable were not adequately pursued to ensure timely collection. A review of delinquent accounts disclosed four outstanding billings to one company totaling \$22,500 from 1999 and 2000. In addition, an aged accounts receivable trial balance for student accounts had not been produced since June 2002, which prevented adequate collection activities.

PAYROLL AND PERSONNEL [9]

Documentation of the employee separation process was not adequate and did not include completion of a clearance form to document and verify the return of revolving fund advances and campus property.

FIXED ASSETS [10]

Fixed asset acquisitions were not always properly and timely recorded. Ten assets acquired between February and June 2003 were not recorded into the property ledger until fiscal year end, and five of the assets were recorded at less than full acquisition value. In addition, property reconciliations were not signed and dated by the preparer and reviewer.

FISCAL INFORMATION TECHNOLOGY [12]

Controls over the integrity of data files were not adequate because some individuals had Oracle IDs that allowed them to modify production PeopleSoft data.

TRUST FUNDS [12]

A review of trust balances as of June 30, 2003, disclosed that 11 trust projects had negative cash balances totaling \$840,628 that ranged from \$29 to \$189,171, and six had negative fund balances totaling \$300,571 that ranged from \$336 to \$260,928.

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 2002-2003 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 December 2003. Our primary focus was on internal controls. Specifically, we reviewed and tested:

INTRODUCTION

- ▶ Procedures for receipting and storing cash, segregation of duties involving cash receipting, and recording of cash receipts.
- ▶ Establishment of receivables and adequate segregation of duties regarding billing and payment of receivables.
- ▶ Approval of purchases, receiving procedures, and reconciliation of expenditures to State Controller's balances.
- ▶ Limitations on the size and types of revolving fund disbursements.
- ▶ Use of petty cash funds, periodic cash counts, and reconciliation of bank accounts.
- ▶ Authorization of personnel/payroll transactions and accumulation of leave credits in compliance with state policies.
- ▶ Posting of the property ledger, monthly reconciliation of the property to the general ledger, and physical inventories.
- ▶ Access restrictions to automated accounting systems and proper documentation of the systems.
- ▶ Procedures for initiating, evaluating, and accounting for investments.
- ▶ Establishment of trust funds, separate accounting, adequate agreements, and annual budgets.

We have not performed any auditing procedures beyond the date of our report. Accordingly, our comments are based on our knowledge as of that date. 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

Cash control weaknesses were found at two of the three satellite cashiering locations visited.

The satellite cashiering locations reviewed included on-campus and off-campus locations for the Central Valley Internet Project (CVIP); the health center; and admissions, records and evaluations (ARE). Cash received for the CVIP, the health center, and ARE for the fiscal year ending June 30, 2003, totaled approximately \$444,724, \$384,711, and \$338,249, respectively.

CVIP

- ▶ Although campus policy required daily deposits, CVIP deposits were made on a biweekly basis, and the checks were not restrictively endorsed until the deposit was prepared. Additionally, non-endorsed checks received in the on-campus store were hand carried to the off-campus location for inclusion in the biweekly deposit.
- ▶ All checks received at the off-campus location were placed in a lockbox located under the front counter, which was not secured and remained at the front counter after hours.
- ▶ Although student employees at the on-campus store were instructed to keep checks in a locked file cabinet drawer, the checks were stored under the front counter in a file folder.

The CVIP operations manager stated that CVIP was originally administered by a campus auxiliary organization and that cashiering practices were developed by the non-state entity. The CVIP business services manager stated that she was new to the job and not yet fully aware of state cashiering requirements.

ARE

During peak periods, such as class registration, ARE did not deposit all funds daily. Instead, funds were placed in a locked overhead cabinet. However, the key was placed in an unlocked desk drawer that was accessible to all department members, and the door to the department was not locked.

The coordinator of the imaging center stated that the volume of receipts received in the department during peak periods prevented personnel from preparing deposits before the cashier's office closed.

State Administrative Manual (SAM) §8034.1 states that agencies will endorse checks, warrants, money orders, and other negotiable instruments on the day they are received. Timely endorsements serve to discourage the use of lost or stolen negotiable instruments by someone other than the state agency.

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

SAM §8032.1 states that when funds are not in use, they should be locked for safekeeping.

Inadequate controls over cash receipts increase the risk of loss from inappropriate acts.

Recommendation 1

We recommend that the campus:

- a. Establish procedures to endorse CVIP checks at the time of receipt but no later than the end of the day received.
- b. Consider modifying procedures to require that CVIP off-campus store cash receipts be deposited directly with the cashier's office.
- c. Establish procedures to adequately safeguard CVIP and ARE cash receipts.

Campus Response

We concur with the recommendations. Procedures have been established and implemented by CVIP to ensure that checks are timely endorsed, daily, and deposits from both locations are now being deposited on a daily basis. CVIP has also purchased a safe for each location to ensure that receipts are kept in a secure place until receipts are deposited with the cashier's office. ARE has changed its procedures to ensure that checks received too late to be deposited in the same day are secured in a locked cabinet. The supervisor in a separate office secures the key to the cabinet.

FEE RECONCILIATIONS

Application and state university fee reconciliations were not prepared in a timely manner.

We noted that the campus had not reconciled application fees since February 2002 and did not have a process in place to complete the reconciliation. In addition, the state university fee reconciliations for fall 2002 and spring 2003 were not completed until September 2003.

State University Administrative Manual (SUAM) §3825.01 requires a reconciliation of applications for admission to fees received within 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 §7900 requires all reconciliations be prepared within 30 days of the preceding month.

SAM §7901 indicates that the accuracy of accounting records may be provided partially by making certain reconciliations and verifications.

The manager of student financial services stated that the campus converted to the PeopleSoft student administration system in July 2002, but the software was delivered without the functionality to complete the reconciliations. She further stated that the Campus Information Systems (CIS) team delivered software to permit the reconciliation of state university fees in August 2003, but the functionality to reconcile application fees was still in progress.

Failure to reconcile fees in a timely manner increases the risk of errors and irregularities.

Recommendation 2

We recommend that the campus develop and implement a process to reconcile application fees.

Campus Response

We concur with the recommendation. A programmer analyst has been assigned to work with accounting and admission records and evaluation personnel to complete the development of the application fee reconciliation. This will be completed by October 2004.

ACCOUNTS RECEIVABLE

Delinquent accounts receivable were not adequately pursued to ensure timely collection.

Our review disclosed four outstanding billings to one company totaling \$22,500 dated between August 8, 1999, and June 27, 2000. In addition, an aged accounts receivable trial balance for student accounts had not been produced since June 2002 due to the Common Management Systems (CMS) implementation, which prevented adequate collection activities.

SAM §8776.6 and SUAM §3822 require the prompt follow-up of receivables.

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

The university controller stated that the outstanding receivables of the company in question were the result of a contract dispute. The manager of student accounts stated that the lack of a current student accounts receivable aging schedule was the result of the campus' conversion to the PeopleSoft student administration system in July 2002 and the inability of CMS to deliver software with the functionality to age student accounts.

Failure to properly manage receivables negatively impacts cash flow and reduces the likelihood that all monies owed will be collected.

Recommendation 3

We recommend that the campus:

- a. Resolve its dispute with the company in question or seek discharge from accountability for the outstanding receivables.
- b. Follow through with the California State University CMS project committee to encourage completion of the modification of the student finance system, which includes production of an aged accounts receivable trial balance report.

Campus Response

- a. We concur with the recommendation. The campus has reevaluated the disputed reconciliation with the company in question and has concurred that the receivable is not valid. The receivable has been reversed.
- b. We concur with the recommendation. We are continuing to work with the CMS project committee and are coordinating with the Sonoma campus to complete the modifications needed to receive an accurate aged receivable report. A memo to the CMS project committee encouraging completion of the aged accounts receivable trial balance report will be sent by the campus by May 2004.

PAYROLL AND PERSONNEL

Documentation of the employee separation process was not complete.

The employee separation process did not include completion of a clearance form to document and verify the return of revolving fund advances and campus property. Instead, the payroll office sent e-mails to pertinent campus departments, such as accounts payable and the key control office, to inform them of an employee separation. The individual departments were responsible for notifying payroll via a return e-mail whether the employee had any outstanding debts or other issues that needed resolution. Further, the payroll office did not retain any documentation to evidence that the employee separated without any outstanding debt or unreturned campus property.

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.

The payroll officer stated that the process of having an employee walk a clearance form around to campus departments for sign off was inefficient, especially considering the requirements of Assembly Bill 2410, which requires a 72-hour payoff.

Incomplete documentation of employee separations increases the risk of loss of state funds and inappropriate use of state resources.

Recommendation 4

We recommend that the campus review and strengthen employee separation procedures to ensure complete documentation, including preparation of a clearance form.

Campus Response

We concur with the recommendation. Procedures have been changed so that individuals separating from the university are responsible for using a clearance form. At semester's end, group separations will be handled via positive responses from departments that will evidence the clearance procedure and will be filed along with other separation documents. These notices are being retained in the payroll office as documentation.

FIXED ASSETS

PROPERTY ACCOUNTING

Fixed asset acquisitions were not always properly and timely recorded.

Our review of ten property acquisitions from February through June 2003 disclosed that:

- ▶ Five were not recorded into the property ledger at their full acquisition value.
- ▶ Although journal entries were prepared on a monthly basis to record the assets, the acquisitions were not recorded into the property ledger until the fiscal year end, June 30, 2003.

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

SAM §8650 requires that specified property information be recorded when property is acquired.

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

The director of procurement and support services stated that assets were not valued properly due to a misunderstanding of asset valuation criteria. The manager of general accounting stated that the campus usually records assets on a monthly basis. He further stated that since the chancellor's office was in the process of making significant financial reporting changes concerning fixed assets and accumulated depreciation, the campus was reluctant to record assets until the changes were finalized at fiscal year end.

The improper and untimely recording of fixed assets misstates financial records and increases the risk of theft or loss.

Recommendation 5

We recommend that the campus ensure that all fixed assets are recorded at full acquisition value in a timely manner.

Campus Response

We concur with the recommendation. Procedures have been put in place to ensure that all assets are recorded at full value in a timely manner.

PROPERTY RECONCILIATIONS

Property reconciliations were not signed and dated by the preparer and reviewer.

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

The director of procurement and support services stated that the property department was not aware of the requirement.

Failure to properly sign and date reconciliations reduces accountability over the reconciliation process.

Recommendation 6

We recommend that the campus strengthen controls to ensure that reconciliations include the preparer's name, reviewer's name, date prepared, and date reviewed.

Campus Response

We concur with the recommendation. Procedures have been initiated to ensure that reconciliations include the preparer's name, reviewer's name, date prepared, and date reviewed.

FISCAL INFORMATION TECHNOLOGY

Some individuals had Oracle IDs that 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 and password 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 CIS 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 7

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 with the recommendation. We, along with other campuses, are working with CMS Central to develop better methods for issuing and monitoring Oracle accounts. This will be completed by September 2004.

TRUST FUNDS

Some trust projects had negative balances.

Our review of trust balances as of June 30, 2003, disclosed that 11 had negative cash balances totaling \$840,628 that ranged from \$29 to \$189,171, and six had negative fund balances totaling \$300,571 that ranged from \$336 to \$260,928.

SUAM §3710.01 requires each trust project to maintain a positive cash and fund balance.

The manager of general accounting stated that most of the negative balances were due to payroll transactions and departmental chargebacks that were outside the control of the accounting department. He further stated that one of the negative balances was the result of insufficient revenues, and another negative balance persisted because of a cost reimbursable contract with another state agency.

Inadequate controls over trust projects increase the risk of monetary loss and non-compliance with state and local rules and regulations.

Recommendation 8

We recommend that the campus strengthen procedures over trust fund administration to ensure that trust projects maintain positive cash and fund balances.

Campus Response

We concur with the recommendation. Procedures have been set in place so that the university controller, the director of accounting services, and the general accounting manager meet quarterly to review trust fund cash and fund balances. Following these reviews, discussions with appropriate trust fund administrators are occurring to ensure corrective action takes place.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
John D. Welty	President
Josie Almeida	Manager, Student Financial Services
Tom Blagg	Pharmacist in Charge, Health Center
John Briar	Director, Campus Information Systems
Filomena Fagundes	Business Services Manager, Central Valley Internet Project (CVIP)
Tiffany Hanna	Finance Assistant, CVIP
Larry Haugen	Associate Director, Health Center
Mike Juarez	Operations Manager, CVIP
Steve Katz	University Controller
Ayesha Khan	Accountant
John Klein	Manager, Student Accounts
Shirley Lindal	Cashier
Dennis Livezey	Manager, General Accounting
Janice Loo	Financial Reporting/PeopleSoft
Pat Madrigal	Administrative Support Assistant, Admissions, Records, and Evaluations (ARE)
Darrell Martin	Interim Director, Information Technology Services
Margaret Martinez	Accounts Payable Supervisor
Jim Michael	Associate Director, Information Technology Services
Bernadette Nelson	Coordinator of the Imaging Center, ARE
Ann Paley	Accounting Technician
Margie Phillips	Director, Procurement and Support Services
Jeannine Raymond	Interim Vice President for Administration
Christine Rodriguez	Administrative Analyst
Monica Shackelton	Accounting Technician
Shirley Staton	Accounting Technician
Kathy Urata	Information Technology Consultant
Susan Vaquilar	Payroll Officer
Robert Vega	Director, Accounting Services
Linda Vivian	Accounting Technician
Patricia Work	Manager, Accounts Receivable/Accounts Payable

STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

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

B. INTERNAL CONTROL DEFINITION

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

1. Internal Accounting Controls

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

2. Operational Controls

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

C. INTERNAL CONTROL OBJECTIVES

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

D. INTERNAL CONTROL SYSTEMS LIMITATIONS

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



CALIFORNIA
STATE
UNIVERSITY,
FRESNO

May 5, 2004


RECEIVED
UNIVERSITY AUDITOR

MAY 25 2004

THE CALIFORNIA STATE
UNIVERSITY

Memorandum

To: Larry Mandel
University Auditor
The California State University

From: John D. Welty 
President

Subject: **Campus Response to Audit Report Number 03-05,
FISMA at California State University, Fresno**

My staff and I have reviewed the findings of the above captioned audit report. Enclosed is the Campus Response addressing specific recommendations contained in the report.

Please feel free to contact me if you should have any questions.

JDW:sk
Enclosure

c: Ms. Cynthia Teniente-Matson
Dr. Jeronima Echeverria
Mr. Steven Katz
Mr. Robert Vega

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Controller/Financial
Management

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FISMA
CALIFORNIA STATE UNIVERSITY,
FRESNO

REPORT NO. 03-05

CASH RECEIPTS

SATELLITE CASHIERING

Recommendation 1

We recommend that the campus:

- a. Establish procedures to endorse CVIP checks at the time of receipt but no later than the end of the day received.
- b. Consider modifying procedures to require that CVIP off-campus store cash receipts be deposited directly with the cashier's office.
- c. Establish procedures to adequately safeguard CVIP and ARE cash receipts.

Campus Response

We concur with the recommendations. Procedures have been established and implemented by CVIP to ensure that checks are timely endorsed, daily, and deposits from both locations are now being deposited on a daily basis. CVIP has also purchased a safe for each location to ensure that receipts are kept in a secure place until receipts are deposited with the cashier's office. ARE has changed its procedures to ensure that checks received too late to be deposited in the same day, are secured in a locked cabinet. The supervisor in a separate office secures the key to the cabinet.

FEE RECONCILIATIONS

Recommendation 2

We recommend that the campus develop and implement a process to reconcile application fees.

Campus Response

We concur with the recommendation. A Programmer Analyst has been assigned to work with Accounting and Admission Records and Evaluation personnel to complete the development of the application fee reconciliation. This will be completed by October 2004.

ACCOUNTS RECEIVABLE

Recommendation 3

We recommend that the campus:

- a. Resolve its dispute with the company in question or seek discharge from accountability for the outstanding receivables.
- b. Follow through with the California State University CMS project committee to encourage completion of the modification of the student finance system, which includes production of an aged accounts receivable trial balance report.

Campus Response

- a. We concur with the recommendation. The campus has re-evaluated the disputed reconciliation with the company in question and has concurred that the receivable is not valid. The receivable has been reversed.
- b. We concur with the recommendation. We are continuing to work with the CMS project committee and are coordinating with the Sonoma campus to complete the modifications needed to receive an accurate aged receivable report. A memo to the CMS project committee encouraging completion of the aged accounts receivable trial balance report will be sent by the campus by May 2004.

PAYROLL AND PERSONNEL

Recommendation 4

We recommend that the campus review and strengthen employee separation procedures to ensure complete documentation, including preparation of a clearance form.

Campus Response

We concur with the recommendation. Procedures have been changed so that individuals separating from the University are responsible for using a clearance form. At semester's end, group separations will be handled via positive responses from departments that will evidence the clearance procedure and will be filed along with other separation documents. These notices are being retained in the Payroll Office as documentation.

FIXED ASSETS

PROPERTY ACCOUNTING

Recommendation 5

We recommend that the campus ensure that all fixed assets are recorded at full acquisition value in a timely manner.

Campus Response

We concur with the recommendation. Procedures have been put in place to ensure that all assets are recorded at full value in a timely manner.

PROPERTY RECONCILIATIONS

Recommendation 6

We recommend that the campus strengthen controls to ensure that reconciliations include the preparer's name, reviewer's name, date prepared, and date reviewed.

Campus Response

We concur with the recommendation. Procedures have been initiated to ensure that reconciliations include the preparer's name, reviewer's name, date prepared and date reviewed.

FISCAL INFORMATION TECHNOLOGY

Recommendation 7

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 with the recommendation. We, along with other campuses, are working with CMS Central to develop better methods for issuing and monitoring Oracle accounts. This will be completed by September 2004.

TRUST FUNDS

Recommendation 8

We recommend that the campus strengthen procedures over trust fund administration to ensure that trust projects maintain positive cash and fund balances.

STATE OF TEXAS
COMPTROLLER GENERAL

Campus Response

We concur with the recommendation. Procedures have been set in place so that the University Controller, the Director of Accounting Services, and the General Accounting Manager meet quarterly to review trust fund cash and fund balances. Following these reviews, discussions with appropriate trust fund administrators are occurring to ensure corrective action takes place.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

June 30, 2004

CHANNEL ISLANDS

CHICO

MEMORANDUM


DOMINGUEZ HILLS

FRESNO

FERTON

TO: Mr. Larry Mandel
University Auditor

HAYWARD

FROM: Charles B. Reed
Chancellor 

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 03-05 on *FISMA*,
California State University, Fresno

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of June 30, 2004, I accept the response as submitted with the draft final report on *FISMA*, California State University, Fresno.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/amd

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Mr. Steve Katz, University Controller
Dr. John D. Welty, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS