

**FISMA**  
**CALIFORNIA STATE UNIVERSITY,**  
**FRESNO**

**Report Number 05-05**  
**May 5, 2006**

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## **ABBREVIATIONS**

CGE	Continuing and Global Education
CMS	Common Management Systems
CSU	California State University
CSUF	California State University, Fresno
CVIP	Central Valley Internet Project
FISMA	Financial Integrity and State Manager's Accountability Act
HR	Human Resources
HRSA	Human Resources Student Administration
SAM	State Administrative Manual
TEC	Travel Expense Claim(s)

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## EXECUTIVE SUMMARY

The California Legislature passed the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983. 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 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.

California State University, Fresno (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.

We visited the CSUF campus from October 31, 2005, through January 6, 2006, and made a study and evaluation of the accounting and administrative control in effect as of January 6, 2006. 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 maintain adequate internal control over the following areas: cash receipts, revolving fund, fixed assets, fiscal information technology, and trust funds. 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 January 6, 2006, taken as a whole, was sufficient to meet the objectives stated above.

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 [5]**

Cash control weaknesses were found at the central valley internet project (CVIP), scholarship office, and division of continuing and global education (CGE). Safes were not properly anchored in the CVIP locations and the scholarship office, a record was not maintained of individuals with safe access in the scholarship office, safe combinations had not been changed in the scholarship and CGE offices, and safe access was not properly limited at CGE. Further, checks were not timely endorsed and/or deposited by the scholarship office and CGE, transfer receipts were not used to transfer funds between the scholarship office and the financial aid office, and payment processing procedures were not adequate at CGE.

## **REVOLVING FUND [8]**

Travel expense claims (TEC) were not always timely submitted. A review of 171 travel advances disclosed that 47 (or 27%) were not cleared by the submission of a TEC within 30 days after the travel end date. Two of these travel advances were for cancelled trips and were not returned until 74 and 118 days after the issuance of the advance. Further, two change funds in excess of \$500 were counted quarterly instead of monthly and neither fund had been approved by the Department of Finance.

## **FIXED ASSETS [9]**

The tracking of off-campus use of equipment by employees required improvement. Specifically, home use permits were not used to track property items removed from the campus by employees.

## **FISCAL INFORMATION TECHNOLOGY [10]**

The mechanism used to block inappropriate access to student and faculty accounts required improvement, and the existing employee termination and transfer process did not provide assurance of timely removal of card key access by security administrators.

## **TRUST FUNDS [12]**

Certain trust fund projects had negative cash and/or fund balances. A review of trust balances as of June 30, 2005, disclosed that: four trust accounts had negative cash balances totaling \$61,097, three trust accounts had negative equity fund balances totaling \$268,462, and eight trust projects had negative fund balance clearing accounts totaling \$584,067. This is a repeat finding from the prior FISMA audit.

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## 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.
- ▶ Fiscal information systems are adequately controlled and safeguarded, and adequate segregation of duties exists.
- ▶ 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 *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 2004/05 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 2005 to December 2005. Our primary focus was on internal controls. Specifically, we reviewed and tested:

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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 accounting systems and related computer facilities/equipment, and administration of information technology operations.
- ▶ 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 January 6, 2006. 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.

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## **OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES**

### **CASH RECEIPTS**

Cash control weaknesses were found at each of the three satellite cashiering areas visited.

The satellite cashiering locations reviewed included the central valley internet project (CVIP), scholarship office, and division of continuing and global education (CGE).

#### **CVIP**

The CVIP had two locations, one off-campus and the other in the student union. Both locations had identical small safes that were not anchored to the building.

#### **Scholarship Office**

We found that:

- ▶ The department's small safe was not anchored to the building.
- ▶ The safe was delivered approximately four years ago with a preset combination from the manufacturer that had never been changed.
- ▶ The department did not have a record of individuals with access to the safe.
- ▶ Scholarship office receipts were initially received through the mail in the financial aid office where they were opened and placed in a basket for pickup by scholarship office personnel. The financial aid office neither logged the checks nor used a transfer receipt to localize accountability over the transfer of funds from that office to the scholarship office.
- ▶ Unendorsed checks from donors were often retained in the scholarship office for up to two weeks until stated conditions were met by students before deposit.

#### **CGE**

We found that:

- ▶ Registration forms with payments attached were placed in file folders that corresponded to the courses the students were applying for, and processing was dependent upon workload. Additionally, no record of payments received was maintained.
- ▶ There were ten active file folders at the time of our review on January 4, 2006. We selected one of these files for review and found seven registration forms with corresponding checks dated between December 10, 2005, and January 1, 2006, totaling \$675.

- ▶ The CGE safe contained a large number of documents. Among the documents, we discovered 18 registration forms and checks dated between March 5, 2005, and December 13, 2005, totaling \$3,605.
- ▶ Although CGE had an inventory of pressed-numbered receipts, no inventory control was maintained over the receipts.
- ▶ CGE's safe combination had not been changed even though it had been transferred from another department approximately eight years ago and at least three employees from the division with access had separated.
- ▶ Although seven employees had access to CGE's safe, only three employees accessed the safe on a regular basis.

State Administrative Manual (SAM) §8025 states that, as a deterrent to burglary, state agencies will securely anchor a safe to the building and, where practical, to the building's foundation.

SAM §8025 states that safe combinations will be known to as few persons as possible.

SAM §8024 states that a record will be kept showing the date the safe combination was last changed and the names of persons knowing the present combination.

SAM §8021 states that separate series of transfer receipts will be used to localize accountability for cash or negotiable instruments to a specific employee from the time of receipt to its deposit.

SAM §8023 states that all checks, money orders, and warrants received for deposit will be restrictively endorsed for deposit as soon as possible after receipt, but no later than the end of the working day.

SAM §8032.1 states that agencies with safes will accumulate collections until they amount to \$1,000 in cash or \$10,000 in cash, checks, money orders, and warrants and that accumulated receipts of any amount will not remain undeposited for more than ten working days.

SAM §8020 requires an inventory control for press-numbered receipts.

SAM §20050 states that elements of a satisfactory system of internal accounting and administrative control includes a plan that limits access to state assets to authorized personnel who require these assets in the performance of their assigned duties, and a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The director of accounting services stated that the issues noted were due to oversight.

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

### **Recommendation 1**

We recommend that the campus:

- a. Securely anchor the CVIP and scholarship office safes.
- b. Change the safe combinations in the scholarship office and CGE.
- c. Maintain a list of persons with access to the safe in the scholarship office and limit access to the safe in CGE.
- d. Maintain a log of scholarship office receipts received by the financial aid office and utilize transfer receipts to transfer the funds from that office to the scholarship office.
- e. Ensure that checks received in the scholarship office and CGE are timely endorsed and deposited.
- f. Establish formalized payment processing procedures at CGE, including a record of undeposited payments and an inventory of press-numbered receipts.

### **Campus Response**

- a. We concur. The safes located in CVIP are now anchored and the safe in the scholarship office will be anchored by September 30, 2006.
- b. We concur. Safe combinations will be changed by September 30, 2006, for the safes located in CVIP and the scholarship office.
- c. We concur. The scholarship office will develop and maintain a list of persons with access to the safe, and CGE will limit access to the safe to those individuals needing regular access. Both of these tasks will be completed by September 30, 2006.
- d. We concur. The financial aid office will implement a process of logging checks it receives for the scholarship office. In addition, the two offices will develop and implement a formal process to document the transfer of control of checks between them. These processes will be in place by September 30, 2006.
- e. We concur. Appropriate personnel in both the scholarship office and CGE have been notified of the importance of timely endorsements and deposits. In addition, the cashier's office will monitor deposits for timeliness.
- f. We concur. Since the audit, CGE has been established as an online cashiering location using CashNet technology. They have adopted standard university cashiering policies and procedures and no longer have the need for issuing manual receipts. However, CGE will develop a process for recording undeposited payments by September 30, 2006.

## **REVOLVING FUND**

### **TRAVEL EXPENSE CLAIMS**

Travel expense claims (TEC) were not always timely submitted.

Our review of 171 travel advances issued between May and September 2005 disclosed that 47 (or 27%) were not cleared by the submission of a TEC within 30 days after the travel end date. These advances were cleared between 31 and 118 days after the travel end date. In addition, we noted that two of these travel advances were issued for trips that were cancelled and were not returned until 74 and 118 days after the issuance of the advance.

SAM §8116.2 requires the submittal of a properly prepared TEC to substantiate travel expenses as soon as possible after the trip or at least once a month.

California State University, Fresno policy requires a TEC to be submitted within 30 days after the travel end date.

The director of accounting services stated that all travel advance follow-up procedures were followed and that the number of delinquent TEC noted did not represent the majority of claims that were processed timely.

Insufficient control over travel expenses increases the risk that revolving fund monies may be expended for inappropriate purposes.

#### **Recommendation 2**

We recommend that the campus strengthen procedures to ensure that TEC are timely submitted.

#### **Campus Response**

We concur. Accounting services will develop and implement new procedures designed to ensure that travel claims are timely submitted. These new procedures will be implemented by September 30, 2006, and will be communicated to campus departments at the fall 2006 travel workshop.

## **CHANGE FUNDS**

Change funds were not always appropriately counted and authorized.

Our review of 15 change funds disclosed that two funds in excess of \$500 were counted quarterly instead of monthly as required, and neither fund had been approved by the Department of Finance.

SAM §8111.2 states that change funds in excess of \$500 will be counted monthly by an employee other than the custodian of the fund.

SAM §8111.1 states that each change fund in excess of \$500 will be established only after approval of the fiscal systems and consulting unit, Department of Finance.

The director of accounting services stated that failure to adequately count certain change funds and seek approval for the funds from the Department of Finance was due to oversight.

Inadequate administration of change funds increases the risk of loss and inappropriate use of state resources.

### **Recommendation 3**

We recommend that the campus:

- a. Strengthen controls to ensure that independent counts are performed at prescribed frequency intervals.
- b. Seek authorization from the Department of Finance for change funds in excess of \$500.

### **Campus Response**

- a. We concur. Accounting office personnel have been instructed on the requirements for independent counts, including frequency. In addition, accounting services will establish a calendar for cash counts. The calendar will be completed by July 31, 2006.
- b. We concur. We sought and received permission from the Department of Finance to maintain change fund balances in excess of \$500 for two funds.

## **FIXED ASSETS**

The tracking of off-campus use of equipment by employees required improvement.

During our review of fixed assets, we noted that home use permits were not used to track property items removed from the campus by employees.

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 associate vice president of finance stated that the campus had a telecommuting policy for employees that work from home. He further stated that the policy required the completion of an

equipment checklist detailing the state property to be used at home by the employee and was required to be signed by both the employee and the supervisor.

Failure to utilize home use permits increases the risk that property released to campus employees is not returned when the employee separates from the campus.

**Recommendation 4**

We recommend that the campus implement the use of permits to track property used off-campus.

**Campus Response**

We concur. Property control will develop and implement a process to track campus equipment used off-campus. We will complete the process by September 30, 2006.

**FISCAL INFORMATION TECHNOLOGY**

**USER ACCESS**

The mechanism used to block inappropriate access to student and faculty accounts required improvement.

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 information technology services stated that the existing mechanism used to block inappropriate access to accounts with access to others' confidential data was appropriate. He added that by implementing an equivalent mechanism for those accounts without access to others' confidential data, the security of the system could be enhanced.

Failure to deter unauthorized access attempts increases the likelihood that information privacy and integrity of state operations could be compromised.

**Recommendation 5**

We recommend that the campus use the same strong authentication techniques for access to all of its computerized systems.

### **Campus Response**

We concur. Modification to our authentication, to provide the same strong authentication techniques for all access, is currently in testing and should be implemented by June 30, 2006.

### **CARD KEY ACCESS REMOVAL**

The existing employee termination and transfer process did not provide assurance of timely removal of card key access by security administrators.

SAM §4842.2 states that appropriate risk management procedures should be implemented to provide control of physical access to information assets. Effective physical security practices include removal of card key access upon employee termination.

The director of information technology services stated that removal of ID card access to offline Locknetics equipment was handled through the KeyCard office as part of the human resources (HR) termination/transfer process where managers provided notifications to that office on employee events. He added that the KeyCard office dispatched personnel to reprogram the locks and remove card access. He further stated that the current process was dependent upon managers to notify the KeyCard office and no reports from the campus HR system were provided to KeyCard as a control.

Inadequate control over access removal increases the risk of unauthorized and undetected access to campus systems and confidential data.

### **Recommendation 6**

We recommend that the campus reexamine the process for notifying security administrators to ensure that all persons responsible for administering information security are notified of employee terminations and transfers in a timely manner, and that the process be strengthened to periodically remove card key access that is no longer needed.

### **Campus Response**

We concur. The current campus process for employee termination/transfer includes on its checklist to have the employee's manager to communicate with the KeyCard office for coordination of removing access to campus doors that are both manually (i.e. keys) and electronically controlled. Additionally, automated interfaces from the campus CMS HRSA system for state employees and Oracle Enterprise World HR system for auxiliary employees manage KeyCard status, preventing active KeyCard use once an employee is terminated. However, this does not remove the system record of the privilege to access the door (i.e. turns the KeyCard off but does not alter the access records).

We agree with the recommendation to improve this process with more systemic notification. A one-time process of matching records having electronic door access in the KeyCard system with

the active employee records to confirm or adjust setting appropriate privileges will be completed.

The KeyCard office is now included on the distribution of a monthly report of employee terminations and transfers. Office procedures have been developed to utilize this list to better manage terminating access to campus doors.

## **TRUST FUNDS**

Certain trust fund projects had negative cash and/or fund balances. This is a repeat finding from our prior FISMA audit.

Our review of trust balances as of June 30, 2005, disclosed that:

- ▶ Four trust projects had negative cash balances totaling \$61,097 that ranged from \$2,817 to \$35,983.66.
- ▶ Three trust projects had negative equity fund balances totaling \$268,462 that ranged from \$18,069 to \$226,308.
- ▶ Eight trust projects had negative fund balance clearing amounts totaling \$584,067 that ranged from \$10,492 to \$196,228.

State University Administrative Manual §3710.01 requires each trust project to maintain a positive cash and fund balance.

The director of accounting services stated that his office monitors trust fund activity on a monthly basis, but due to circumstances beyond their control, some balances were negative at year-end.

Inadequate control over trust projects increases the risk of monetary loss and lack of funds for trust disbursements.

### **Recommendation 7**

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. Accounting services will develop and implement strengthened procedures for monitoring cash balances, equity fund balances, and fund balance clearing amounts by September 30, 2006.

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## **APPENDIX A: PERSONNEL CONTACTED**

<b><u>Name</u></b>	<b><u>Title</u></b>
John D. Welty	President
Josie Almeida	Manager, Student Financial Services
Tony Armendariz	Manager, General Accounting
Mathew Babick	Internal Auditor
Richard Boes	Director, Information Technology Services
John Briar	Director, Campus Information Systems
Filomena Fagundes	Business Services Manager
Sandra Griffin	Assistant to the Associate Vice President
Gary Hensley	PeopleSoft Security Administrator
Steve Katz	Associate Vice President for Finance
Ayesha Khan	Accountant
John Klein	Manager, Student Accounts
Shirley Lindal	Accounting Technician
Janice Loo	Financial Reporting/Taxation
Darrell Martin	Associate Director, Information Technology Services
Margaret Martinez	Accounting Technician
Cynthia Matson	Vice President for Administrative Services and Chief Financial Officer
Jim Michael	Associate Director, Information Technology Services
Margie Phillips	Director, Procurement and Support Services
Chris Robinson	Director, Accounting Services
Christine Rodriguez	Administrative Analyst
Monica Shackelton	Accounting Technician
Colleta Smith	Accounting/Payroll Technician
Shirley Staton	Accounting Technician
Kathy Urata	Information Technology Consultant
Susan Vaquilar	Payroll Manager
Greg Varela	Administrative Analyst/Specialist
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 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.

### **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**

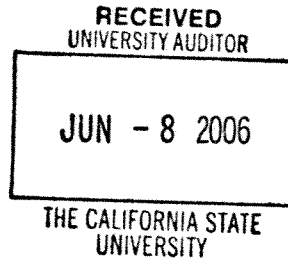
The objective of internal accounting and related operational control is to provide reasonable, but not absolute, assurance as to the safeguarding of assets against loss from unauthorized use or disposition, and the reliability of financial records for preparing financial statements and maintaining accountability 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,  
FRESNO



**MEMORANDUM**

June 8, 2006

TO: Larry Mandel  
University Auditor

FROM: Cynthia Teniente-Matson  
Vice-President for Administration  
and Chief Financial Officer

A handwritten signature in black ink, appearing to read "Cynthia Teniente-Matson".

SUBJECT: **Campus Responses to Recommendations in the FISMA Audit Report #05-05**

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My staff and I have reviewed the findings and the 7 recommendations in the subject audit report. Enclosed is our set of campus responses addressing the recommendations.

We appreciate the thoroughness of your review and your flexibility in correcting certain findings through the closing process. Please contact me should you have any questions.

Attachment

cc: Dr. John D. Welty  
Mr. Matt Babick

Office of the  
Vice President  
for Administration and  
Chief Financial Officer

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**FISMA****CALIFORNIA STATE UNIVERSITY,  
FRESNO****Report Number 05-05  
May 5, 2006****CASH RECEIPTS****Recommendation 1**

We recommend that the campus:

- a. Securely anchor the CVIP and scholarship office safes.
- b. Change the safe combinations in the scholarship office and CGE.
- c. Maintain a list of persons with access to the safe in the scholarship office and limit access to the safe in CGE.
- d. Maintain a log of scholarship office receipts received by the financial aid office and utilize transfer receipts to transfer the funds from that office to the scholarship office.
- e. Ensure that checks received in the scholarship office and CGE are timely endorsed and deposited.
- f. Establish formalized payment processing procedures at CGE, including a record of undeposited payments and an inventory of press-numbered receipts.

**Campus Response**

- a. We concur. The safe located in CVIP is now anchored and the safe in the scholarship office will be anchored by September 30, 2006.
- b. We concur. Safe combinations will be changed by September 30 for the safes located in CVIP and the scholarship office.
- c. We concur. The scholarship office will develop and maintain a list of persons with access to the safe, and CGE will limit access to the safe to those individuals needing regular access. Both of these tasks will be completed by September 30, 2006.
- d. We concur. The financial aid office will implement a process of logging checks it receives for the scholarship office. In addition, the two offices will develop and implement a formal process to document the transfer of control of checks between them. These processes will be in place by September 30, 2006.

- e. We concur. Appropriate personnel in both the scholarship office and CGE have been notified of the importance of timely endorsements and deposits. In addition, the cashier's office will monitor deposits for timeliness.
- f. We concur. Since the audit, CGE has been established as an online cashiering location using Cashnet technology. They have adopted standard university cashiering policies and procedures and no longer have the need for issuing manual receipts. However, CGE will develop a process for recording undeposited payments by September 30, 2006.

## **REVOLVING FUND**

### **TRAVEL EXPENSE CLAIMS**

#### **Recommendation 2**

We recommend that the campus strengthen procedures to ensure that TEC are timely submitted.

#### **Campus Response**

We concur. Accounting Services will develop and implement new procedures designed to ensure that travel claims are timely submitted. These new procedures will be implemented by September 30, 2006, and will be communicated to campus departments at the Fall 2006 travel workshop.

## **CHANGE FUNDS**

#### **Recommendation 3**

We recommend that the campus:

- a. Strengthen controls to ensure that independent counts are performed at prescribed frequency intervals.
- b. Seek authorization from the Department of Finance for change funds in excess of \$500.

#### **Campus Response**

- a. We concur. Accounting office personnel have been instructed on the requirements for independent counts, including frequency. In addition, Accounting Services will establish a calendar for cash counts. The calendar will be completed by July 31, 2006.
- b. We concur. We sought and received permission from the Department of Finance to maintain change fund balances in excess of \$500 for two funds.

## **FIXED ASSETS**

### **Recommendation 4**

We recommend that the campus implement the use of permits to track property used off-campus.

### **Campus Response**

We concur. Property Control will develop and implement a process to track campus equipment used off-campus. We will complete the process by September 30, 2006.

## **FISCAL INFORMATION TECHNOLOGY**

### **USER ACCESS**

#### **Recommendation 5**

We recommend that the campus use the same strong authentication techniques for access to all of its computerized systems.

#### **Campus Response**

We concur. Modifications to our authentication to provide the same strong authentication techniques for all access is currently in testing and should be implemented by June 30, 2006.

### **CARD KEY ACCESS REMOVAL**

#### **Recommendation 6**

We recommend that the campus reexamine the process for notifying security administrators to ensure that all persons responsible for administering information security are notified of employee terminations and transfers in a timely manner, and that the process be strengthened to periodically remove card key access that is no longer needed.

#### **Campus Response**

We concur. The current campus process for employee termination/transfer includes on its checklist to have the employee's manager to communicate with the KeyCard office for coordination of removing access to campus doors that are both manually (i.e. keys) and electronically controlled. Additionally, automated interfaces from the campus CMS HRSA System for state employees and Oracle Enterprise World HR System for Auxiliary employees manage Keycard status, preventing active Keycard use once an employee is terminated. However, this does not remove the system record of the privilege to access the door (i.e. turns the Keycard off but does not alter the access records).

We agree with the recommendation to improve this process with more systemic notification. A one-time process of matching of records having electronic door access in the Keycard system with the active employee records to confirm or adjust setting appropriate privileges will be completed.

The KeyCard office is now included on the distribution of a monthly report of employee terminations and transfers. Office procedures have been developed to utilize this list to better manage terminating access to campus doors.

## **TRUST FUNDS**

### **Recommendation 7**

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. Accounting Services will develop and implement strengthened procedures for monitoring cash balances, equity fund balances, and fund balance clearing amounts, by September 30, 2006.



THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

June 16, 2006

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

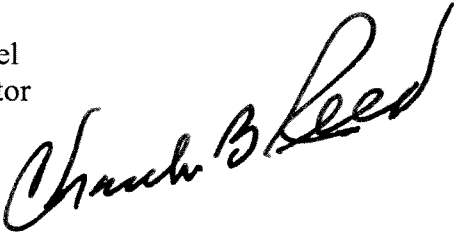
DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor 

HUMBOLDT

LONG BEACH

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

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of June 16, 2006, I accept the response as submitted with the draft final report on *FISMA*, California State University, Fresno.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/jt

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Mr. Matt Babick, Internal Auditor  
Dr. John D. Welty, President

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS