

**FISMA**

**OFFICE OF THE CHANCELLOR**

**Report Number 05-09**

**March 29, 2006**

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**Members, Committee on Audit**

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Senior Director: Janice Mirza  
IS Audit Manager: Greg Dove  
Internal Auditor: Ann Casey

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**BOARD OF TRUSTEES**

**THE CALIFORNIA STATE UNIVERSITY**

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## **ABBREVIATIONS**

AO	Administration Operations
CST	CalState TEACH
CSU	California State University
CSURMA	California State University Risk Management Authority
FISMA	Financial Integrity and State Manager's Accountability Act
HR	Human Resources
IP	International Programs
PIMS	Payroll Management Information System
SAM	State Administrative Manual
SCO	State Controller's Office

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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.

Office of the Chancellor 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 Office of the Chancellor from November 7, 2005, through December 22, 2005, and made a study and evaluation of the accounting and administrative control in effect as of December 22, 2005. 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, accounts receivable, 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, the Office of the Chancellor's accounting and administrative control in effect as of December 22, 2005, 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 [5]**

Cash control weaknesses were found at the three satellite cashiering areas visited. Checks were not always restrictively endorsed on the day received at CalState TEACH (CST) and the administration operations department. Further, access to funds was not adequately controlled, personal information was not properly protected, and an adequate segregation of duties was not maintained at CST. In addition, transfer receipts were not used by international programs (IP) and CST when delivering collections to the main cashiering location.

### **ACCOUNTS RECEIVABLE [7]**

Administration and collection of student accounts receivable needed improvement at IP and CST. The CST accounts receivable balance of approximately \$15,500 was not recorded on the chancellor's office financial statements, and duties and responsibilities related to accounts receivable were not properly segregated at IP. Further, delinquent student accounts receivables were not adequately pursued to ensure timely collection. A review of IP collection activities disclosed that collection letters were not sent in 30-day intervals to three of the ten delinquent accounts reviewed. In addition, collection procedures had not been established and performed for delinquent accounts at CST.

### **PAYROLL AND PERSONNEL [9]**

The delegation of authority on file with the State Controller's Office to authorize personnel and payroll transactions was not kept current, and a signature card was not properly maintained for one individual authorizing personnel and payroll transactions.

### **TRUST FUNDS [10]**

Trust fund expenditures were not always properly approved. A review of 20 trust fund expenditures disclosed that six expenditures had not been approved by an individual who was an authorized signatory per the corresponding trust agreement.

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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 January 2005 to October 2005. Our primary focus was on internal controls. Specifically, we reviewed and tested:

- ▶ Procedures for receipting and storing cash, segregation of duties involving cash receipting, and recording of cash receipts.

- ▶ Establishment of receivables and adequate segregation of duties 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 December 22, 2005. 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 MANAGEMENT RESPONSES**

## **CASH RECEIPTS**

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

The satellite cashiering locations reviewed included international programs (IP), CalState TEACH (CST), and the administration operations (AO) department.

### **Restrictive Endorsement of Checks**

Checks were not always restrictively endorsed on the day received at CST and AO.

State Administrative Manual (SAM) §8034.1 and §8023 require checks and other negotiable instruments to be endorsed on the day they are received.

The assistant director of administration and the CST systemwide director stated that they were unaware of the requirement.

### **Safety of Funds and Protection of Confidential Data**

Access to funds at CST was not adequately controlled and personal information was not properly protected.

We found that checks were not placed in a secured storage facility upon receipt. Instead, the checks were placed in a file located on the program coordinator's desk and remained there until transferred to the main cashiering location, which occurred three times a month. In addition, students' social security numbers were being written on checks after acceptance for payment.

SAM §8032.1 requires that receipts be adequately safeguarded until deposited. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping.

SAM §20050 states that the elements of a satisfactory system of accounting and administrative control shall include, in part, a plan that limits access to state assets to authorized personnel who require these assets in the performance of assigned duties. Further, internal accounting controls comprise the methods and procedures directly associated with safeguarding assets.

California State University (CSU) directive HR 2005-16, *Requirements for Protecting Confidential Personal Data*, dated April 8, 2005, states that each campus and the chancellor's office must take necessary measures to protect confidential personal information, which includes, but is not limited to, social security numbers.

The CST systemwide director stated that she was unaware of the required procedures.

### **Segregation of Duties**

Duties and responsibilities related to cashiering and the reconciliation/deposit of cash receipts were not properly segregated at CST.

We found that the program coordinator received and processed payments, created invoices, posted receipts information, and prepared the deposit for transfer to the main cashiering location.

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: maintaining books of original entry, receiving and depositing remittances, inputting receipts information, and reconciling input to output.

SAM §8032.3 states that except where the supervisor and the person depositing cash are not at the same location, the person supervising the person depositing cash will verify that receipts have been deposited intact and in accordance with SAM §8032.1.

The CST systemwide director stated that she was unaware of the segregation of duties requirement.

### **Transfer Receipts**

IP and CST did not utilize transfer receipts when delivering collections to the main cashiering location.

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

The IP assistant director of finance and the CST systemwide director stated that they were unaware of the required procedures.

Inadequate control over cash receipts and the protection of personal information increases the risk of loss from inappropriate acts and the unauthorized access to and disclosure of personal information.

### **Recommendation 1**

We recommend that the chancellor's office:

- a. Ensure that all checks received at CST and AO are restrictively endorsed by the end of the day.
- b. Ensure that all receipts at CST are adequately safeguarded in a secured mechanism until deposited.
- c. Establish and implement a policy to prohibit writing social security numbers on checks at CST.
- d. Review cashiering activities at CST and take appropriate action to either segregate duties or establish effective mitigating controls.

- e. Establish and implement the use of transfer receipts at IP and CST.

### **Management Response**

We concur.

- a. We have corrected the problem: we purchased an endorsement stamp at AO and all checks are endorsed as they are received. The CST systemwide director and program coordinator have now been given the authority and necessary equipment to endorse all checks on the date of receipt.
- b. All checks received by CST are now being locked in a secured location until they are delivered to the accounting department.
- c. We have implemented a policy prohibiting CST staff from writing social security numbers on checks received.
- d. We have reviewed our cash receiving procedures and have developed a process by which the person who receives and opens mail, including application fee checks, will never be the person who endorses and delivers the checks and transmittal forms to the accounting department.
- e. The procedure we have now developed involves the use of a transmittal form signed by a CST staff member, as well as accounting department staff in person upon delivery. IP has implemented this recommendation and is using the transfer receipt form when making deposits.

## **ACCOUNTS RECEIVABLE**

Administration and collection of student accounts receivable needed improvement at IP and CST.

### **Recording Accounts Receivable**

Valid accounts receivables were not always recorded.

We found that the CST accounts receivable balance of approximately \$15,500 at January 2006 was not recorded on the chancellor's office financial statements.

SAM §8776 states that an accounts receivable is defined as a claim against a person, firm, corporation, or other entity for money owed to the state.

SAM §8776.2 states that a valid accounts receivable is a receivable which is due and payable and for which there is no apparent disagreement over the validity of the claim or the amount at the time it was established.

The CST systemwide director stated that she was unaware of the requirement.

### **Segregation of Duties**

Duties and responsibilities related to accounts receivable were not properly segregated at IP.

We found that the student funds coordinator posted receipts information, created invoices, performed reconciliations, and managed and performed all follow-up of delinquent accounts.

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: maintaining books of original entry, receiving and depositing remittances, inputting receipts information, and reconciling input to output.

The IP assistant director of finance stated that current staffing levels limited the ability to adequately segregate each of the functions.

### **Collection Procedures for Delinquent Accounts**

Delinquent student accounts receivables were not adequately pursued to ensure timely collection. Our review disclosed that:

- ▶ Collection letters were not sent in 30-day intervals to three of the ten delinquent IP student accounts receivables reviewed.
- ▶ Collection procedures had not been established and performed for delinquent accounts at CST.

SAM §8776.6 requires that each department develop collection procedures that will assure prompt follow-up on receivables and states that a sequence of three collection letters is to be sent. Further, if all reasonable collection procedures are unsuccessful, an analysis should be prepared to determine what additional collection efforts should be made.

The IP assistant director of finance stated that 30-, 60-, and 90-day letters were not prepared due to the lack of manpower. The CST systemwide director stated that she was unaware of the required policies and procedures.

Inadequate control over accounts receivables increases the risk of misstated assets and loss from inappropriate acts, reduces the likelihood of collection, and negatively impacts cash flow.

### **Recommendation 2**

We recommend that the chancellor's office:

- a. Strengthen procedures to ensure that all valid accounts receivables are recorded.
- b. Review accounts receivable activities at IP and take appropriate action to either segregate duties or establish effective mitigating controls.

- c. Strengthen procedures at IP to ensure that accounts receivables are promptly pursued for collection.
- d. Establish and implement collection procedures at CST.

### **Management Response**

We concur.

- a. We will continue to scan all checks received, file the PDFs electronically on our secure server, and log them in our administration manager database. The new procedures we have developed involve also recording all accounts receivables on transmittal forms that are reviewed and signed by the accounting department.
- b. We concur with the recommendation, however due to limited IP staff, it is not possible to segregate duties unless another position is provided to the department. Currently, the assistant director of finance reviews account reconciliations. One change IP will implement is to give the responsibility of follow-up of delinquent accounts to the department secretary.
- c. Timely follow-up on delinquent accounts will now be the responsibility of the IP department secretary.
- d. At CST, we have developed and implemented a method of invoicing and collection of all delinquent accounts that is handled by the accounts receivable department. This includes the issuance of 30-, 60-, and 90-day letters and, if necessary, the eventual referral of the delinquent account to the Franchise Tax Board.

## **PAYROLL AND PERSONNEL**

The delegation of authority on file with the State Controller's Office (SCO) to authorize personnel and payroll transactions was not kept current, and a signature card was not properly maintained for one individual authorizing personnel and payroll transactions.

We found that one individual approving payroll/personnel transactions was not listed on the SCO listing and did not have a signature card on file with the SCO due to a clerical error by the SCO. The chancellor's office payroll department did not follow-up to correct the error.

The CSU *Personnel/Payroll Management Information System (PIMS) User Manual* indicates that transactions keyed at the campus may be documented on any campus-generated form or report as long as there is an authorized signature on the document (under *General Information in Transaction Overview*).

The SCO, Personnel/Payroll Services Division *Payroll Procedures Manual* requires an authorized signature certifying that the information on the payroll document is correct. It is the responsibility of each campus to ensure that the signature card file of employees authorized to sign various payroll documents maintained by the SCO, Personnel/Payroll Services Division is accurate (under *Introduction* §1500 and *Agency/Campus Responsibility* §1501).

The payroll and data manager stated that the missing documentation and authorization was due to a clerical error by the SCO in not entering all the names submitted to them by the chancellor's office.

Failure to maintain current delegations of authority and signature cards increases the risk of inappropriate or unauthorized transactions.

### **Recommendation 3**

We recommend that the chancellor's office strengthen controls to ensure that the delegation of authority on file with the SCO remains current and signature cards are kept on file.

### **Management Response**

We agree with the recommendation. We have resubmitted the name that the SCO erroneously omitted from their list, and have received confirmation that the name now is included. We will monitor the SCO listings in the future to make sure they accurately reflect information we submit to them.

## **TRUST FUNDS**

Trust fund expenditures were not always properly approved.

Our review of 20 trust fund expenditures disclosed that six expenditures had not been approved by an individual who was an authorized signatory per the corresponding trust agreement.

SAM §19440.1 provides that each trust account established shall be supported by documentation of the persons authorized to withdraw or expend funds, their specimen signatures, the purpose of the trust, and restrictions on the use of monies.

The enterprise accounting manager stated that trust fund expenditures were not always properly approved due to departments not updating their trust fund agreements for changes in staff.

Failure to obtain proper authorization for trust expenditures increases the risk of inappropriate expenditures and loss.

**Recommendation 4**

We recommend that the chancellor's office strengthen procedures to ensure that trust fund expenditures are properly authorized.

**Management Response**

We concur that there were expenditures from one trust fund that were not properly approved based on the trust agreement on file. Further controls over trust fund administration are being reviewed to determine at what level, delegation of authority document or trust fund agreement, is the most appropriate to comply with SAM §19440.1. A resolution will be in place by April 30, 2006.

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## **APPENDIX A: PERSONNEL CONTACTED**

<u>Name</u>	<u>Title</u>
Richard P. West	Executive Vice Chancellor and Chief Financial Officer
George Ashkar	Senior Director, Controller, Financial Services
Sue Bell-Ramirez	Assistant Director of Administration
June Cacho	General Fund Accountant
Mary Carrillo	Staff Assistant to Administration
Amy Chung	Payroll Technician
Jolene Colman	International Programs (IP) Secretary
Kelly Cox	Enterprise Accounting Manager
Joyce Cury	Student Funds Coordinator, IP
Robert Eaton	Financial Manager, Finance and Treasury
Lisa Gibbons	CSURMA Lead Accountant
Bruce Gibson	Senior Director, Human Resources Services
Jean Gill	Associate Director, Financial Services
David Goodson	Financial Reporting Analyst
Ellyce Gordon	Property Clerk
Terry Hamilton	Accounts Payable Manager
Dennis Hordyk	Assistant Vice Chancellor, Financial Services
Cheryl Kwiatkowski	Senior Director, Information Technology Services
Thoa Le	Budget Director
Helene Mandell	Systemwide Director, CalState TEACH Program
Linda Masterton	Assistant Director, Purchasing
Colleen Nickles	Senior Director, Finance and Treasury
Sharon Okashima	Assistant Director of Finance, IP
Sylvia Olivas	Accountant II
Sherry Pickering	General Accounting Manager
Angelene Renaud	Accountant
Pat Ritchie	Payroll and Data Manager
Jason Stanton	Program Coordinator
Paul Stromgren	Acting Director of Administration
Yvette Tam	Financial Reporting Analyst
Jan Terborg	Campus Relations Administrator
Joselyn Zamora	Human Resources Assistant

## **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.



Richard P. West, Executive Vice Chancellor  
Chief Financial Officer  
Business and Finance  
401 Golden Shore, 5th Floor, Long Beach, CA 90802-4210  
562-951-4600 / Fax 562-951-4970

RECEIVED  
UNIVERSITY AUDITOR  
**APR 26 2006**  
THE CALIFORNIA STATE  
UNIVERSITY

**MEMORANDUM**

To: Larry Mandel  
University Auditor

Date: April 24, 2006

From: Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

Subject: FISMA Audit 05-09 Responses

Attached is the Chancellor's Office response to the Chancellor's Office FISMA audit recommendations. Our response is based on a review of the controls identified by your staff as needing improvements. We believe our corrective action plan will be sufficient to restore or upgrade critical controls.

We would like to thank your staff for the professionalism displayed during the course of the audit.

RPW:gs

Attachment

cc: Dennis Hordyk

**CSU Campuses**  
Bakersfield  
Channel Islands  
Chico  
Dominguez Hills  
East Bay

Fresno  
Fullerton  
Humboldt  
Long Beach  
Los Angeles  
Maritime Academy

Monterey Bay  
Northridge  
Pomona  
Sacramento  
San Bernardino  
San Diego

San Francisco  
San José  
San Luis Obispo  
San Marcos  
Sonoma  
Stanislaus

## FISMA

## OFFICE OF THE CHANCELLOR

Report Number 05-09  
March 29, 2006

## CASH RECEIPTS

**Recommendation 1**

We recommend that the CO:

- a. Ensure that all checks received at CST and AO are restrictively endorsed by the end of the day.
- b. Ensure that all receipts at CST are adequately safeguarded in a secured mechanism until deposited.
- c. Establish and implement a policy to prohibit writing social security numbers on checks at CST.
- d. Review cashiering activities at CST and take appropriate action to either segregate duties or establish effective mitigating controls.
- e. Establish and implement the use of transfer receipts at IP and CST.

**Management Response**

Administration Operations (AO) finding (1a): We concur. We have corrected the problem: we purchased an endorsement stamp and all checks are endorsed as they are received.

CalState Teach (CST) findings:

(1a) We concur. The CST Systemwide Director and Program Coordinator have now been given the authority and necessary equipment to endorse all checks on the date of receipt.

(1b) We concur. All checks received by CST are now being locked in a secure location until they are delivered to the accounting department.

(1c) We concur. We have implemented a policy prohibiting CST staff from writing social security numbers on checks received.

(1d) We concur. We have reviewed our cash receiving procedures and have developed a process by which the person who receives and opens mail, including application fee checks, will never be the person who endorses and delivers the checks and transmittal forms to the accounting department.

(1e) We concur. The procedure we have now developed involves the use of a transmittal form signed by a CST staff member, as well as accounting department staff in person upon delivery.

International Programs (IP) finding 1 (e): We concur. IP has implemented this recommendation and is using the transfer receipt form when making deposits.

## ACCOUNTS RECEIVABLE

### Recommendation 2

We recommend that the CO:

- a. Strengthen procedures to ensure that all valid accounts receivables are recorded.
- b. Review accounts receivable activities at IP and take appropriate action to either segregate duties or establish effective mitigating controls.
- c. Strengthen procedures at IP to ensure that accounts receivables are promptly pursued for collection.
- d. Establish and implement collection procedures at CST.

### Management Response

CalState Teach (CST) finding: 2 (a) We will continue to scan all checks received, file the PDFs electronically on our secure server, and log them in our Administration Manager database. The new procedures we have developed involve also recording all accounts receivables on transmittal forms that are reviewed and signed by the accounting department."

International Programs (IP) finding: 2 (b) We concur with the recommendation, however due to limited IP staff it is not possible to segregate duties unless another position is provided to the department. Currently, the Assistant Director of Finance reviews account reconciliations. One change IP will implement is to give the responsibility of follow-up of delinquent accounts to the Department secretary.

2 (c) We concur. Timely follow-up on delinquent accounts will now be the responsibility of the IP Department secretary.

CalState Teach (CST) finding 2 (d) We concur. We have developed and implemented a method of invoicing and collection of all delinquent accounts that is handled by the Accounts Receivable department. This includes the issuance of 30-, 60-, and 90-day letters and, if necessary, the eventual referral of the delinquent account to the Franchise Tax Board.

## PAYROLL AND PERSONNEL

### Recommendation 3

We recommend that the CO strengthen controls to ensure that the delegation of authority on file with the SCO remains current and signature cards are kept on file.

**Management Response**

We agree with the recommendation. We have re-submitted the name that the SCO erroneously omitted from their list, and have received confirmation that the name now is included. We will monitor the SCO listings in the future to make sure they accurately reflect information we submit to them.

**TRUST FUNDS**

**Recommendation 4**

We recommend that the CO strengthen procedures to ensure that trust fund expenditures are properly authorized.

**Management Response**

We concur that there were expenditures from one Trust fund that were not properly approved based on the Trust Agreement on file. Further controls over trust fund administration are being reviewed to determine at what level, Delegation of Authority document or Trust Fund Agreement, is the most appropriate to comply with SAM 19440.1. A resolution will be in place by April 30, 2006.



THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

May 8, 2006

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

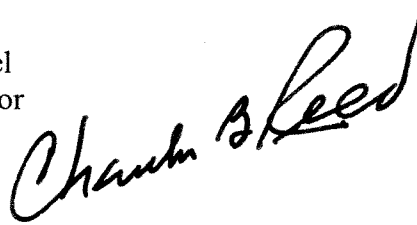
DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor


HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-09 on *FISMA*,  
Office of the Chancellor

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of May 8, 2006, I accept the response as submitted with the draft final report on *FISMA*, Office of the Chancellor.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Dennis Hordyk, Assistant Vice Chancellor, Financial Services  
Mr. Richard P. West, Executive Vice Chancellor and Chief Financial Officer

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS