

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

**Audit Report 07-05**  
**March 28, 2008**

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## **ABBREVIATIONS**

CIS	Campus Information Systems
CSB	Craig School of Business
CSU	California State University
CSU Fresno	California State University, Fresno
EO	Executive Order
FISMA	Financial Integrity and State Manager's Accountability Act
FY	Fiscal Year
GC	Government Code
PPC	Police Pavilion Center
SAM	State Administrative Manual
SCO	State Controller's Office
SHC	Student Health Center
SUAM	State University Administrative Manual
UPD	University Police Department

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## EXECUTIVE SUMMARY

The California Legislature passed the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983, Government Code (GC) Sections 13400 through 13407. This act requires state agencies to establish and maintain a system of internal accounting and administrative control. To ensure that the requirements of this act are fully complied with, state entities with internal audit units are to complete biennial internal control audits (covering accounting and fiscal compliance practices) in accordance with the *International Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors) as required by GC, Section 1236. The Office of the University Auditor of the California State University (CSU) is currently responsible for conducting such audits within the CSU.

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

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

- ▶ Assets are safeguarded against loss from unauthorized use or disposition.
- ▶ Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial statements.
- ▶ Established controls are not only effective but also promote operational efficiency.
- ▶ Financial operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and Trustee policy.

We visited the CSU Fresno campus from September 24, 2007, through November 16, 2007, and made a study and evaluation of the accounting and administrative control in effect as of November 16, 2007. 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, cash disbursements, payroll and personnel, fixed assets, and trust funds. Four of the 14 findings were repeats from prior audits. Specifically, three findings were noted in the prior FISMA audit and one of the three was also included in the March 2004 FISMA audit. A related finding regarding the lack of a cost allocation plan to bill campus auxiliaries was also noted in the recent Contracts and Grants audit. These conditions, along with other weaknesses, are described in the executive summary and body of this report.

In our opinion, due to the effect of the weaknesses described above, including the repeat audit findings, CSU Fresno's accounting and administrative control in effect as of November 16, 2007, taken as a whole, was not sufficient to meet the objectives stated above.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls 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 [7]**

Parking permit inventories were not completely reconciled by permit number at the end of each academic term. Cash control weaknesses were also found at each of the four cashiering areas visited. Various control issues noted were repeats from the prior FISMA audit. The student health center (SHC) pharmacy did not utilize transfer receipts when permitting the university police department officer to pick up the consolidated deposit for delivery to the main cashier's office. Further, at the SHC, the annual physical count of pharmacy inventory was not adequately reconciled to the perpetual inventory records in order to identify variances and account for any missing inventory. The cash counting area at the police pavilion center was not adequately secured and separated from the lobby area as cashiers selling parking permits and collecting parking citation fees received large amounts of cash from students and were vulnerable to acts of theft/violence. At the Craig School of Business, transfer receipts were not utilized when transferring deposits to the continuing education office and payments, which consisted of checks and credit card forms with credit card and social security numbers, were not adequately secured in a locked bag when transferred to the continuing education office. At the scholarship office, transfer receipts were not utilized when transferring deposits to the main cashier's office.

### **ACCOUNTS RECEIVABLE [12]**

The campus lacked a current cost allocation plan for the reimbursement of facilities, goods, and services provided by the campus to the auxiliary organizations, and reimbursements were not timely. This is a repeat finding from the Contracts and Grants audit performed in April 2007. In addition, collection activity and follow-up on past-due accounts receivable from student, auxiliary, and third-party accounts were not always adequate to ensure collection. For example, a review of delinquent accounts receivable with balances of at least \$1,000 disclosed that collection correspondence was not sent timely and/or at sufficient intervals, and did not address further action to be taken for four of the six student accounts and for all 15 third-party accounts reviewed. Also, payroll transactions were not always timely or accurately processed which resulted in overpayments and repayment plans that were not always appropriately managed. For example, a review of five payroll overpayments ranging from \$3,764 to \$19,866 for which accounts receivable had been established and payment plans enacted prior to audit fieldwork disclosed that three overpayments were attributed to academic personnel department errors and/or delays when the payroll set-up worksheet was submitted to the payroll department. In addition, two overpayments were attributed to CalPERS retirement coding errors by the payroll department and four employees were not required to sign their respective repayment plans.

Furthermore, the campus did not seek discharge from accountability from the State Controller's Office for those accounts over \$1,000, which had been deemed uncollectible.

### **CASH DISBURSEMENTS [17]**

Access to the vendor master file was not adequately segregated from individuals responsible for processing payments, and monitoring controls were not in place to review system access. A total of 23 authorized users had the ability to process payments as well as update the vendor master file within PeopleSoft. Management also could not provide any evidence of periodic review performed to ensure the propriety of PeopleSoft Finance roles and permissions.

### **PAYROLL AND PERSONNEL [18]**

Separation clearance forms were not always completed for separating employees. A review of ten separations from August 2006 to May 2007 disclosed that separation clearance forms were not completed for two separated employees. In addition, vacation leave accrual balances that exceeded the maximum allowable accruals were not always approved by the campus president as required by campus policy.

### **FIXED ASSETS [20]**

Property acquisitions were not always recorded accurately or timely to appropriate asset accounts. A review of ten property purchases/acquisitions between January 2007 and July 2007 disclosed that in three instances, property was recorded to the general ledger for incorrect amounts ranging from undercapitalization of \$1,717.02 to overcapitalization of \$7,577.97. In five instances, property had not been recorded to the appropriate asset account as of the end of audit fieldwork from between 129 to 148 days after receipt. Additionally, the tracking of off-campus use of equipment by employees required improvement. Home use permits were not utilized to track property removed from campus by employees and to document the employee's acceptance of responsibility for the equipment removed from the campus. This is a repeat finding from the last FISMA audit. Further, property reconciliations were not timely prepared. During a review of reconciliations in November 2007, it was noted that although campus procedures included monthly completion of property reconciliations, the most recent property reconciliation was completed in 2006. Finally, although the campus had promulgated policies and procedures to adhere to when computers were stolen or lost, it could not provide documentary evidence that the 15 computers reported as stolen in 2006 were subject to an investigation of protected data contained on those computers and the subsequent notification necessary in the event of security breaches.

### **TRUST FUNDS [24]**

Some trust fund projects had negative cash and/or fund balances. This is a repeat finding from the prior two FISMA audits. A review of trust fund balances as of June 30, 2007, disclosed that 10 of the 214 total trust funds had negative balances totaling \$352,276.

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## INTRODUCTION

### **STATEMENT OF INTERNAL CONTROLS**

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

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

#### 1. Internal Accounting Controls

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

#### 2. Operational Controls

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

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

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

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

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INTRODUCTION

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

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

**PURPOSE**

The principal audit 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.
- ▶ Operating 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 2006/07 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 1, 2006, to August 31, 2007. 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 operating 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 November 16, 2007. 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**

#### **PARKING PERMIT RECONCILIATIONS**

Parking permit inventories were not completely reconciled by permit number at the end of each academic term. The remaining parking permit inventory authorized for destruction was not reconciled to the parking permits sold in CASHNet to identify missing permits, which were not sold or authorized for destruction.

State Administrative Manual (SAM) §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

The financial accounting manager stated that the lack of reconciliation was due to oversight.

Inadequate control over asset inventories increases campus exposure to loss from inappropriate acts.

#### **Recommendation 1**

We recommend that the campus prepare documented reconciliations of parking permit inventories by permit number at the end of each academic term by reconciling permits sold in CASHNet to the remaining permits in order to identify missing permits.

#### **Campus Response**

We concur. The campus will fully reconcile the parking permit inventory by parking permit number. We will reconcile beginning inventory, new inventory, and ending inventory with permits sold, destroyed, and/or missing. We will reconcile 2007/08 activity by July 31, 2008. In addition, we will conduct future reconciliations at the end of each academic term.

#### **SATELLITE CASHIERING**

Cash control weaknesses were found at each of the four satellite cashiering areas visited. Various control issues noted below were repeats from the prior Financial Integrity and State Manager's Accountability Act (FISMA) audit.

The satellite cashiering locations reviewed included the student health center (SHC), the police pavilion center (PPC), the Craig School of Business (CSB), and the scholarship office.

#### **Student Health Center**

- ▶ The SHC records office did not utilize transfer receipts when transferring deposits to the SHC pharmacy. Also, the SHC pharmacy did not utilize transfer receipts when permitting the

university police department (UPD) officer to pick up the consolidated deposit for delivery to the main cashier's office.

- ▶ Accountability for cash receipts was not always localized at the SHC pharmacy. We observed that all cashiers processed transactions while the cashiering system was logged in with the main pharmacist's/cashier's ID and password.
- ▶ The annual physical count of pharmacy inventory was not adequately reconciled to the perpetual inventory records in order to identify variances and account for any missing inventory.

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. A receipt will be signed by the receiving employee whenever cash or checks not payable to the state agency are transferred between employees.

The California State University (CSU) *Information Security Policy*, dated August 2002, states that campus policies and procedures should provide for individual unique user ID/passwords (no shared IDs).

Executive Order (EO) 943, *Policy on University Health Services*, dated April 28, 2005, states that procedures must be developed for inventory control and regular removal of outdated, deteriorated, or recalled medications.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

The associate director of health and psychological services stated that the SHC was unaware that transfer receipts were necessary when transferring deposits between departments and to the main cashier's office. He also stated that the use of only one login ID was due to oversight. He further stated that while an annual physical inventory count was done, the SHC was unaware that this inventory needed to be reconciled in this manner.

### **Police Pavilion Center**

- ▶ The cash counting area at the PPC was not adequately secured and separated from the lobby area. Cashiers selling parking permits and collecting parking citation fees received large amounts of cash from students and were vulnerable to acts of theft/violence.
- ▶ The safe was not adequately secured. We noted that the safe, which often held over \$1,000 in cash, was kept unlocked throughout the day and all staff had been permitted access. There was also no record of individuals with knowledge of the combination.
- ▶ Checks and cash receipts for the red bike program that were deposited to the UPD were not adequately reconciled.

SAM §20050 states that internal accounting controls comprise the methods and procedures directly associated with safeguarding assets.

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 §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 §7901 states that the accuracy of an agency's accounting records may be proved partially by making certain reconciliations and verifications and requires monthly preparation of all reconciliations within 30 days of the preceding month.

SAM §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

The manager of the PPC stated that the unsecured cash counting area was due to oversight. She added that the unlocked safe and lack of safe access records were results of being unaware of SAM requirements. The manager of the PPC further stated that the lack of cash receipts reconciliation was due to oversight.

### **Craig School of Business**

- ▶ Transfer receipts were not utilized when transferring deposits to the continuing education office.
- ▶ Payments, which consisted of checks and credit card forms with credit card and social security numbers, were not adequately secured in a locked bag when transferred from the CSB to the continuing education office.
- ▶ Checks received by the CSB were not always restrictively endorsed on the day of receipt. Instead, checks were to be endorsed before they were brought to the continuing education office for deposit.

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.

SAM §8032.1 requires that receipts be adequately safeguarded until deposited.

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

The director of the CSB graduate program stated that the lack of transfer receipts and locked deposit bags were oversights. He added that the delayed restrictive endorsement of checks was due to departmental practice, which was not in compliance with SAM.

### **Scholarship Office**

Transfer receipts were not utilized when transferring deposits to the main cashier's office.

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 administrative analyst at the scholarship office stated that he was unaware that transfer receipts were necessary when transferring deposits to the main cashier's office.

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

### **Recommendation 2**

We recommend that the campus:

- a. Implement the use of transfer receipt by all satellite cashiering locations when forwarding deposits to the main cashier's office and making inter-office transfers of funds.
- b. Ensure that SHC pharmacy personnel utilize the cashiering system when only logged-in with their assigned user ID.
- c. Reconcile the annual physical count of pharmacy inventory to perpetual inventory records, including identification and resolution of variances.
- d. Improve the security of the PPC cash counting area by removing visibility from the lobby.
- e. Ensure that the PPC safe remains locked at all times when not in use and that a listing of individuals with safe combination knowledge be maintained.
- f. Reconcile revenues received from the red bike program to deposits made to the UPD by maintaining a collection summary sheet and reconciling it on a monthly basis to receipts posted in CASHNet.
- g. Implement the use of lockable deposit bags for the transfer of deposits at the CSB.
- h. Ensure that all checks are restrictively endorsed immediately upon receipt or at minimum, by the end of each day.

## Campus Response

We concur.

- a. The SHC and all other satellite cashiers who receipt directly into CASHNet have implemented usage of a new deposit transfer form. The new form recaps information related to each deposit, such as deposit date, amount, bag number, and pick-up date and time. Both the cashier on duty and the police officer picking up the deposit will sign and date the form when the officer picks up a deposit. Usage of the revised form began January 2, 2008.

The CSB (Executive MBAE), the scholarship office, and all other satellite cashiers who do not receipt directly into CASHNet are utilizing a revised form of the collection sheet that records the transferor and receiver of funds up to and including the time of deposit at the university cashier's office. When the collection sheet is receipted into CASHNet, the university cashier sends all receipts to the satellite department as verification of deposit. The modification to the collection sheet was implemented on March 25, 2008.

In addition to the changes mentioned above, a campus-wide satellite cashiering workshop was conducted by the university cashier's office to address all deposit and reconciliation requirements with satellite cashiers and their departmental managers. These workshops were conducted on May 1 and May 2, 2008.

- b. A memorandum will be sent to the director of the SHC reminding her of the need for SHC pharmacy personnel to utilize the cashiering system only when logged-in with their assigned user ID. In addition, the supervising cashier in accounting services will conduct periodic surprise audits to ensure that the appropriate SHC user IDs are being utilized.
- c. The SHC will reconcile the annual physical count of the controlled medications inventory to perpetual inventory records, including identification and resolution of variances. In addition, due to the lack of a perpetual inventory system for items other than controlled medications, the SHC will conduct periodic random audits of medications on hand to test whether our shelf count will reconcile to our orders and dispense records.
- d. We will ensure by May 30, 2008, that there is no visibility of the cash counting area from the public counter.
- e. The safe at the PPC is now kept locked when not in use and a listing of all individuals with the combination is now maintained by the supervisor in the police department.
- f. Beginning with deposits for May 2008, we will perform a monthly reconciliation of the red bike program revenues.
- g. We will begin using lockable bags for CSB deposits no later than May 30, 2008.

- h. A campus-wide satellite cashiering workshop was conducted by the university cashier's office to address all deposit and reconciliation requirements with satellite cashiers and their departmental managers. These workshops were conducted on May 1 and May 2, 2008. In these workshops, the requirement to endorse checks in a timely manner was discussed. In addition, we will send a memorandum to the CSB reminding them of the need to endorse checks in a timely manner as recommended.

All corrective action noted above will be completed by September 30, 2008, unless otherwise noted.

## **ACCOUNTS RECEIVABLE**

### **COST ALLOCATION PLAN**

The campus lacked a current cost allocation plan for the reimbursement of facilities, goods, and services provided by the campus to the auxiliary organizations, and reimbursements were not timely. This is a repeat finding from the Contracts and Grants audit performed in April 2007.

A cost allocation plan for fiscal year (FY) 2007/08 was not completed. Furthermore, it was confirmed that the campus had not invoiced any of the auxiliary organizations for FY 2005/06 or FY 2006/07.

EO 753, *Allocation of Costs to Auxiliary Enterprises*, dated July 28, 2000, requires that an annual written cost allocation plan is prepared to ensure that auxiliary enterprises are charged for allowable direct costs plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the university funded from the General Fund.

The associate vice president of financial services stated that the lateness of the cost allocation plan and reimbursements was due to high workloads and changes in staff.

The absence of an approved cost allocation plan increases the risk that the campus operating fund will not be fully compensated for support provided to auxiliary enterprises.

### **Recommendation 3**

We recommend that the campus annually update its cost allocation plan in advance of each fiscal year and ensure prompt billing to auxiliary enterprises for reimbursement of facilities, goods, and services provided.

### **Campus Response**

We concur. The cost allocation plan was updated for FY 2007/08 and submitted and approved by the chancellor's office. Billings for FY 2005/06 and FY 2006/07 were prepared and paid in March 2008.

The campus will complete the FY 2008/09 cost allocation plan before June 30, 2008. In addition, we will invoice auxiliary organizations for reimbursement of facilities, goods, and services provided by September 30, 2008.

## **DELINQUENT ACCOUNTS**

Collection activity and follow-up on past-due accounts receivable from student, auxiliary, and third-party accounts were not always adequate to ensure collection.

Our review of delinquent accounts receivable with balances of at least \$1,000 disclosed that:

- ▶ Collection correspondence was not sent timely and/or at sufficient intervals and did not address further action to be taken for four of the six student accounts and for all 15 third-party accounts reviewed.
- ▶ Three separate auxiliary accounts receivable from the Athletics Corporation had balances over 90 days past due totaling \$253,092 and \$258,638 as of September 30, 2007, and February 15, 2008, respectively. During this period, university services continued to be provided to these delinquent accounts as total accounts receivable grew from \$260,339 to \$425,078. The campus had not required any signed agreements from these accounts to acknowledge the past-due status of their liabilities and support their commitment to pay these debts. Also, the campus had not initiated any action to charge interest for severely delinquent balances that had negatively affected the campus operating fund's investment earning potential.
- ▶ Two third-party accounts receivable from foreign government embassies had balances over 90 days past due totaling \$145,950 and \$200,398 as of September 30, 2007, and February 15, 2008, respectively. During this period, university services continued to be provided to these delinquent accounts as total accounts receivable grew from \$226,383 to \$335,672. The campus had also not required any signed agreements from these accounts to acknowledge the past-due status of their liabilities and support their commitment to pay these debts.

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 at 30-day intervals. Further, if all reasonable collection procedures are unsuccessful, an analysis should be prepared to determine what additional collection efforts should be made.

State University Administrative Manual (SUAM) §3822 states that each campus will establish procedures that provide for prompt follow-up of accounts receivable, including preparation and issuance of follow-up letters and/or calls.

The university controller stated that the Athletics Corporation had suffered some cash flow problems, but had always paid its balances in full. He further stated that while the foreign accounts were consistently slow to pay, they did eventually pay so the campus deemed it in their best interest to retain their business and accommodate their protracted payment. The accounting technician for third-party accounts stated that the insufficient collection activity was a result of inconsistency in the

follow-up process. The manager of student accounts stated that the student accounts were not completely pursued as a result of oversights and miscommunication with the CSB graduate office.

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

#### **Recommendation 4**

We recommend that the campus strengthen procedures to ensure that delinquent accounts receivable are promptly pursued. This might include ceasing any further provision of university services and charging interest on account balances.

#### **Campus Response**

We concur. The campus has implemented an electronic billing process for both students and third-party sponsors. In this process, we are periodically (nine times per year) sending an email message to students and sponsors who have balances due and/or account activity during the period since the last eBill was published. The email contains a link to the appropriate electronic invoice, which shows current charges, balance due, and information related to the consequences of non-payment. Those consequences include the placement of a financial hold on the account causing the suspension of campus services, including denial of class registration, grades, transcripts, and other university services until all obligations are paid. The sponsor eBill, implemented in February 2008, notifies sponsors, including the Athletics Corporation, foreign governments, and other similar third parties, that failure to pay the balance due will cause all third-party sponsorship privileges to be suspended.

We will, by July 31, 2008, modify our correspondence to note that student accounts not paid in a timely manner may be sent to a collection agency and the Franchise Tax Board tax refund intercept program. In addition, we will continue to pursue payment of all outstanding sponsor receivables, including those noted as of September 30, 2007, and February 15, 2008.

### **PAYROLL OVERPAYMENTS**

Payroll transactions were not always timely or accurately processed which resulted in overpayments and subsequent repayment plans that were not always appropriately managed.

Our review of five payroll overpayments ranging from \$3,764 to \$19,866 for which accounts receivable had been established and payment plans enacted prior to audit fieldwork disclosed that:

- ▶ Three overpayments were attributed to academic personnel department errors and/or delays when the payroll set-up worksheet was submitted to the payroll department.
- ▶ Two overpayments were attributed to CalPERS retirement coding errors by the payroll department.

- ▶ Four employees were not required to sign their respective repayment plans.
- ▶ Three of the repayment plans were initiated by the payroll technicians and lacked evidence of review/approval by the payroll manager.

SAM 8776.7 states that once a repayment plan has been agreed upon, it will be put in writing and signed by the employee. The signature block will include a statement similar to the following: “I agree to the repayment schedule described above and acknowledge the gross amount set forth as a legitimate debt owed by me to the state.”

The payroll manager stated that the payroll overpayments were due to erroneous and delayed submission of payroll set-up worksheets by academic personnel departments as well as coding errors within the payroll department. She added that the payment plans were not always required to be signed by the employees and the payroll manager when employee agreement on payback was acknowledged, as the payroll office had operated under the premise that all accounts receivable collections were voluntary.

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

### **Recommendation 5**

We recommend that the campus:

- a. Strengthen procedures to ensure that payroll set-up worksheets are completed timely and are double-checked by academic personnel departments prior to submission to payroll.
- b. Strengthen procedures to ensure that payroll transactions are processed accurately in accordance with the employee data provided by human resources.
- c. Ensure that all repayment plans are documented and signed by the employee as well as the payroll manager to demonstrate proper approval of the terms of the agreement.

### **Campus Response**

We concur.

- a. The campus will, by July 31, 2008, strengthen procedures to ensure that payroll set-up worksheets are completed timely and are double-checked by academic personnel departments prior to submission to payroll.
- b. The campus will, by July 31, 2008, strengthen procedures to ensure that payroll transactions are processed accurately in accordance with the employee data provided by human resources.

- c. Payroll services implemented the form “Repayment of Overpaid Salary Agreement” on February 12, 2008. This new form will help us in documenting all of the relevant information pertaining to an overpayment and planned repayment. The new form identifies the source of the overpayment, identifies the pay periods to which the overpayment relates, sets the repayment schedule, serves as the confirmation that the employee acknowledges the overpayment as their liability and agrees to the repayment schedule, and serves as the authorization for the university reimbursement. The payroll manager signs the agreement on behalf of the university.

## **WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS**

The campus did not seek discharge from accountability from the State Controller’s Office (SCO) for those accounts over \$1,000, which had been deemed uncollectible.

Our review of the listing of accounts written-off from January 2006 to July 2007 disclosed that a total of 107 accounts with balances each over \$1,000 were written-off locally without contacting the SCO to request discharge from accountability. (A requirement during the January 2006 through July 2007 time period.)

EO 616, *Discharge of Accountability*, dated April 19, 1994, states that campuses will be obligated to comply with the collection efforts as outlined in SAM §8776.6, which includes collection procedures that assure prompt follow-up on receivables. Authority is also delegated to the campus for local adjustments of up to \$1,000 that are determined to be uncollectible or where the amount does not justify the collection costs.

SAM §8776.6 provides procedures and guidelines regarding adequate collection efforts and follow-up on receivables, including specific requirements for filing applications for discharge from accountability with the SCO. If all reasonable collection procedures do not result in payment, departments may request discharge from accountability of uncollectible amounts due from private entities. Departments will file an application for discharge from accountability form, STD. 27, with the SCO, Division of Collections.

The university controller stated that the campus had not contacted SCO to file an application for discharge of accountability as the campus believed that SAM Section 8776 no longer applied to CSU due to the new Revenue Management Program.

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

### **Recommendation 6**

We recommend that the campus contact the Office of the Chancellor with requests to write-off uncollectible accounts greater than \$1,000.

### **Campus Response**

We concur. The campus will contact the Office of the Chancellor with future requests to write-off uncollectible accounts greater than \$1,000, until a new CSU policy is established.

## **CASH DISBURSEMENTS**

Access to the vendor master file was not adequately segregated from individuals responsible for processing payments, and monitoring controls were not in place to review system access.

Twenty-three users had the ability to process payments as well as add/update the vendor master file within PeopleSoft. Management also could not provide any evidence of periodic review performed to ensure the propriety of PeopleSoft Finance roles and permissions.

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

The manager of accounts receivable and accounts payable stated that the vendor master file was accessible to so many users due to upgrades within PeopleSoft, which resulted in additional user access.

Failure to maintain adequate control over the vendor master file increases the risk of fraudulently misdirected payments, while the failure to monitor user roles and permissions increases the risk of inappropriate access to data.

### **Recommendation 7**

We recommend that the campus:

- a. Limit vendor add/update permissions to only those individuals with a defined need for such access, and specifically restrict vendor add/update permissions from individuals responsible for processing payments.
- b. Perform and document the periodic review of PeopleSoft Finance user roles and permissions to ensure that inappropriate access to data does not exist.

### **Campus Response**

We concur.

- a. The campus will conduct a review of all employees with access to vendor add/update permission. We will then remove this access for employees who do not have a defined need for such access and for those employees responsible for processing payments. These steps will be completed by July 31, 2008.
- b. The campus will conduct and document a review of all PeopleSoft Finance user roles and permissions to ensure that inappropriate access to data does not exist. This will be completed by September 30, 2008.

## **PAYROLL AND PERSONNEL**

### **SEPARATION CLEARANCE FORMS**

Separation clearance forms were not always completed for separating employees.

Our review of ten separations from August 2006 to May 2007 disclosed that separation clearance forms were not completed for two separated employees.

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 manager stated that the separations for these employees were not documented as a result of the difficulties encountered with employee cooperation when requiring separating employees to properly complete the separation clearance forms.

Insufficient administration of employee separations increases the risk of loss of state funds and inappropriate use of state resources.

### **Recommendation 8**

We recommend that the campus enforce employee separation procedures to ensure complete clearance documentation.

### **Campus Response**

We concur. We will remind departments of the need to complete a separation clearance form for each separating employee in accordance with existing policy and procedures.

## VACATION LEAVE ACCRUALS

Vacation leave accrual balances that exceeded the maximum allowable accruals as of December 31, 2006, were not always approved by the campus president as required by campus policy.

Our review of employee year-end accrued vacation leave balances as of December 31, 2006, that required adjustment at January 1, 2007, disclosed that 13 employees were allowed to carry forward vacation leave balances in excess of their maximum allowable accrual without documented presidential approval. Eleven of these leave balances were approved by campus vice presidents without documented delegation by the campus presidents, while two balances lacked any documented approval.

Section 42909, Article 4, Subchapter 7, Chapter 1, Division 5 of Title 5 of the California Code of Regulations states as follows:

(a) An employee may accumulate credit for vacation with pay for which vacation is not taken during the calendar year. On January 1st of any calendar year, an employee covered by Section 42902 shall not have a credit for vacation with pay of more than 384 hours; an employee covered by Section 42904 shall not have a credit of more than 272 working hours for 10 or less years of qualifying service or 384 working hours for more than 10 years of such service; a Management Personnel Plan employee shall not have a credit of more than 384 working hours for 10 or less years of qualifying service or 440 working hours for more than 10 years of such service; and a campus president, general counsel, vice chancellor, or chancellor shall not have a credit of more than 480 hours.

(b) Notwithstanding subsection (a) to the contrary, the president of a campus at which an employee is employed, or the chancellor in the case of all other employees, may permit an employee to carryover more vacation credits than the prescribed maximum when the employee was prevented from taking enough vacation to reduce the credits because the employee (1) was required to work as a result of fire, flood, or other similar emergency, (2) was prevented from taking vacation by work the president or the chancellor, as the case may be, has determined to be of a priority or critical nature over an extended period of time, (3) was absent on full salary for compensable injury, or (4) was prevented by campus rule from taking vacation until December and at that time was unable to take vacation because of illness requiring use of sick leave.

The payroll manager stated that lack of presidential approval was due to a campus misinterpretation that the vice presidents were authorized to grant vacation carryover.

Failure to maintain accrued vacation leave balances within prescribed maximums results in over compensation of employees and exposes the campus to increased liability.

### **Recommendation 9**

We recommend that the campus establish procedures to ensure proper approval of excessive leave balance carryovers by the campus president or his/her designee.

### **Campus Response**

We concur. President Welty signed a delegation of authority on March 24, 2008, permitting the vice presidents to authorize the carryover of excessive leave consistent with Title 5, Section 42909 and campus policy implemented in July 2000.

## **FIXED ASSETS**

### **PROPERTY ACQUISITIONS**

Property acquisitions were not always posted accurately or timely to the appropriate asset accounts.

Our review of ten property purchases/acquisitions between January 2007 and July 2007 disclosed that:

- ▶ In three instances, property was recorded to the general ledger for incorrect amounts ranging from undercapitalization of \$1,717.02 to overcapitalization of \$7,577.97.
- ▶ In five instances, property had not been recorded to the appropriate asset account as of the end of audit fieldwork from between 129 to 148 days after receipt.

SAM §8631 states that purchased assets are 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 departments to record specific property information when property is acquired. In addition, departments will keep track of state property, whether capitalized or not, in an automated property accounting system.

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 financial accounting manager stated that the instances of incorrect capitalization were due to changes to purchase orders that were inadvertently missed due to freight, sales tax, or subsequent additions. She further stated that the delays in recording property to the accounting records was a result of the decision to hold entry of property into the general ledger in order to confirm proper implementation of the asset management module at the 2006/07 fiscal year-end.

Inadequate control over property accounting increases the risk of misstated property records and theft or loss of state property.

**Recommendation 10**

We recommend that the campus strengthen procedures to ensure that property is recorded to the appropriate asset account in an accurate and timely manner.

**Campus Response**

We concur. The campus has strengthened practices related to asset management processing to ensure that property acquisition postings are accurate and timely. Equipment purchases are entered in the asset management system when payment vouchers are posted, rather than when received (as was past practice). Additionally, information related to construction work in progress and other facility improvements is entered into the asset management system on a monthly basis based on data submitted by facilities management. Lastly, monthly property reconciliations will be completed to ensure that cost information included in the asset management system is consistent with what is recorded in the general ledger. We will implement monthly reconciliations by July 31, 2008.

**HOME USE PERMITS**

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

Home use permits were not utilized to track property removed from campus by employees and to document the employee's acceptance of responsibility for the equipment removed from the campus. This is a repeat finding from the last FISMA audit.

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

The director of procurement and support services stated that the lack of home use permits was due to oversight.

Failure to utilize home use permits increases the risk of unauthorized use and loss of state property.

**Recommendation 11**

We recommend that the campus implement the use of home use permits for off-campus use of university equipment.

### **Campus Response**

We concur. The campus has implemented the use of home use permits as follows:

- a. For all property purchases where the potential for home use exists, warehouse services will require that a home use permit will be completed prior to the equipment being delivered to the department.
- b. For all computer and related equipment, other than desktop computers that are part of a mass refresh conducted by campus information systems (CIS), a home use permit will be required at the time the equipment is delivered by CIS personnel.

### **PROPERTY RECONCILIATIONS**

Property reconciliations were not timely prepared.

During our review of reconciliations in November 2007, we noted that although campus procedures included monthly completion of property reconciliations, the financial accounting manager stated that the most recent monthly property reconciliation was completed in early 2006.

SAM §7924 requires that departments reconcile property at least quarterly or monthly depending upon the volume of property transactions. Agencies will reconcile the acquisitions and dispositions of capitalized property with the amounts recorded into the property ledger.

The financial accounting manager stated that the reconciliations were not completed during FY 2006/07 while the campus was implementing the asset management module.

Untimely reconciliations increase the risk of misstated property records and theft or loss of state property.

### **Recommendation 12**

We recommend that the campus develop workable reconciliation procedures for its property, including the preparation of reconciliations on at least a quarterly basis that have been signed and dated by the preparer and reviewer.

### **Campus Response**

We concur. We will develop monthly property reconciliation procedures by July 31, 2008. The new procedures will require that the preparer and reviewer sign and date the reconciliation form.

## **STOLEN EQUIPMENT**

Although the campus had promulgated policies and procedures to adhere to when computers were stolen or lost, it could not provide documentary evidence that the 15 computers reported as stolen in 2006 were subject to an investigation of protected data contained on those computers and the subsequent notification necessary in the event of security breaches.

California State University, Fresno *Information Security Disclosures: Information Technology Services Procedures* states that the following steps must be taken to determine if confidential information existed on lost or stolen devices: (1) Conduct interview(s) to consider what kind of information was stored on computer or device. (2) If there is a backup (e.g., an Information Technology Services/Department backup account or other), review the information stored on the backup. Determine if data belonging to other organizations (e.g., federal, state) were stored on the device. Determine if any legally protected or confidential information was stored or handled on the computer or device. (3) If confidential information determined (e.g., from interviews or data examination), notify office of the vice president. (4) Document whether or what confidential data may have been exposed. (5) Change passwords that may have been used, stored, or saved on the computer or device.

EO 649, *Safeguarding State Property*, dated February 15, 1996, delegates authority to each campus president to establish and maintain a system of internal controls to safeguard state property.

SAM §8643 states that agency management must promptly investigate incidents involving loss, damage, or misuse of information assets.

The vice president of administration stated that the lack of an investigation in 2006 and earlier and the inability to track these computers was a result of misunderstandings and inadequate communication between warehouse services and the office of admissions, records and evaluations. She added that the appropriate managers in administrative services had not followed up on the incomplete paperwork regarding the computers in question.

Inadequate control over equipment assets, especially those containing protected data, increases the risk of loss and inappropriate use of state resources, and increases campus exposure to information security breaches.

### **Recommendation 13**

We recommend that the campus perform and document the investigation of protected data contained on computers reported as lost or stolen.

### **Campus Response**

We concur. The campus has completed an investigation related to the computers reported missing in 2006. The investigation determined that some of the computers were incorrectly reported as missing,

and the computers actually missing did not contain confidential data. A copy of the report is available for review.

## **TRUST FUNDS**

Some trust fund projects had negative cash and/or fund balances. This is a repeat finding from our last two FISMA audits.

Our review of trust fund balances as of June 30, 2007, disclosed that 10 of the 214 total trust funds had negative balances totaling \$352,276.

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

The university controller stated that the negative balances were due to several accounts, which had significant timing differences between their revenues and expenses.

Failure to maintain positive cash balances in trust projects increases the risk of monetary loss and lack of funds for trust disbursements.

### **Recommendation 14**

We recommend that the campus strengthen procedures over trust fund administration to ensure that trust projects maintain positive cash balances or that interest is charged for borrowing from other trust accounts.

### **Campus Response**

We concur. The campus has strengthened procedures over trust fund administration to ensure that trust projects maintain positive cash balances, but where negative balances exist, a reporting will be made on a quarterly basis to the associate vice president of financial services for appropriate follow-up.

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
John D. Welty	President
Josie Almeida	Manager, Student Financial Services
Mathew Babick	Internal Auditor
Tom Blagg	Pharmacist, Student Health Center
Richard Boes	Director, Information Technology Services
John Briar	Director, Campus Information Systems
Cheryl Burger	Accounting Technician
Tom Burns	Director, Craig School of Business Graduate Program
Paula Carleton	Analyst, Student Health Center Records
Gary Hensley	PeopleSoft Security Administrator
Ellen Jamra	Director, Advancement Services
Steve Katz	Associate Vice President, Financial Services
Ayesha Khan	Accountant
John Klein	Manager, Student Accounts
Randy Larson	Director, University Advancement
Janice Loo	Manager, Financial Accounting
Clint Moffitt	Associate Vice President, Administration
Margie Phillips	Director, Procurement and Support Services
Mary Quesada	Manager, Police Pavilion Center
Shailesh Rana	Analyst, Craig School of Business Graduate Program
Chris Robinson	University Controller
Dirk Ruthrauff	Associate Director, Health and Psychological Services
Monica Shackelton	Manager, Accounts Receivable/Accounts Payable
Shirley Staton	Accounting Technician
Cynthia Teniente-Matson	Vice President, Administration and Chief Financial Officer
Susan Vaquilar	Payroll Manager
Greg Varela	Administrative Analyst/Specialist, Scholarship Office
Linda Vivian	Accounting Technician
Vicky Vongdara	Accounting Technician
Mary Witte	Accounting Technician



CALIFORNIA  
STATE  
UNIVERSITY,  
FRESNO

June 2, 2008


RECEIVED  
UNIVERSITY AUDITOR

JUN - 3 2008

THE CALIFORNIA STATE  
UNIVERSITY

**Memorandum**

To: Larry Mandel  
University Auditor  
Office of the Chancellor

From: Ms. Cynthia Teniente-Matson   
Vice-President for Administration and  
Chief Financial Officer

Subject: **Responses to FISMA Audit Report #07-05**

Please find attached our set of campus responses to your FISMA Audit Report #07-05.

CTM:pt

Attachment

c: Dr. John D. Welty  
Mr. Matt Babick  
Mr. Clint Moffitt  
Mr. Chris Robinson

Office of the  
Vice President  
for Administration and  
Chief Financial Officer

5241 N. Maple Ave. M/S TA52  
Fresno, CA 93740-8027

559.278.2083

Fax 559.278.2928

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

**Audit Report 07-05**

**CASH RECEIPTS**

**PARKING PERMIT RECONCILIATIONS**

**Recommendation 1**

We recommend that the campus prepare documented reconciliations of parking permit inventories by permit number at the end of each academic term by reconciling permits sold in CASHNet to the remaining permits in order to identify missing permits.

**Campus Response**

We concur. The campus will fully reconcile the parking permit inventory by parking permit number. We will reconcile beginning inventory, new inventory and ending inventory with permits sold, destroyed and/or missing. We will reconcile 2007/08 activity by July 31, 2008. In addition, we will conduct future reconciliations at the end of each academic term.

**SATELLITE CASHIERING**

**Recommendation 2**

We recommend that the campus:

- a. Implement the use of transfer receipt by all satellite cashiering locations when forwarding deposits to the main cashier's office and making inter-office transfers of funds.
- b. Ensure that SHC pharmacy personnel utilize the cashiering system when only logged-in with their assigned user ID.
- c. Reconcile the annual physical count of pharmacy inventory to perpetual inventory records, including identification and resolution of variances.
- d. Improve the security of the PPC cash counting area by removing visibility from the lobby.
- e. Ensure that the PPC safe remains locked at all times when not in use and that a listing of individuals with safe combination knowledge be maintained.

- f. Reconcile revenues received from the red bike program to deposits made to the UPD by maintaining a collection summary sheet and reconciling it on a monthly basis to receipts posted in CASHNet.
- g. Implement the use of lockable deposit bags for the transfer of deposits at the CSB.
- h. Ensure that all checks are restrictively endorsed immediately upon receipt or at minimum, by the end of each day.

### **Campus Response**

We concur.

- a. The Student Health Center and all other satellite cashiers who receipt directly into CASHNet have implemented usage of a new deposit transfer form. The new form recaps information related to each deposit, such as deposit date, amount, bag number, and pick-up date and time. Both the cashier on duty and the police officer picking up the deposit will sign and date the form when the officer picks up a deposit. Usage of the revised form began January 2, 2008.

The Craig School of Business (Executive MBAE), the Scholarship Office, and all other Satellite Cashiers who do not receipt directly into CASHNet, are utilizing a revised form of the Collection Sheet that records the “transferor” and “receiver” of funds up to and including the time of deposit at the University Cashier’s Office. When the collection sheet is receipted into CASHNet, the University Cashier sends all receipts to the satellite department as verification of deposit. The modification to the Collection Sheet was implemented on March 25, 2008.

In addition to the changes mentioned above, a campus-wide Satellite Cashiering Workshop was conducted by the University Cashier’s Office to address all deposit and “reconciliation” requirements with satellite cashiers and their departmental managers. These workshops were conducted on May 1 and May 2, 2008.

- b. A memorandum will be sent to the Director of the Student Health Center reminding her of the need for SHC pharmacy personnel to utilize the cashiering system only when logged-in with their assigned user ID. In addition, the supervising cashier in Accounting Services will conduct periodic surprise audits to ensure that the appropriate SHC user IDs are being utilized.
- c. The SHC will reconcile the annual physical count of the controlled medications inventory to perpetual inventory records, including identification and resolution of variances. In addition, due to the lack of a perpetual inventory system for items other than controlled medications, the SHC will conduct periodic random audits of medications on hand to test whether our shelf count will reconcile to our orders and dispense records.
- d. We will ensure by May 30, 2008, that there is no visibility of the cash counting area from the public counter.
- e. The safe at the PPC is now kept locked when not in use and a listing of all individuals with the combination is now maintained by the supervisor in the police department.

- f. Beginning with deposits for May 2008, we will perform a monthly reconciliation of the red bike program revenues.
- g. We will begin using lockable bags for CSB deposits no later than May 30, 2008.
- h. A campus-wide Satellite Cashiering Workshop was conducted by the University Cashier's Office to address all deposit and "reconciliation" requirements with satellite cashiers and their departmental managers. These workshops were conducted on May 1 and May 2, 2008. In these workshops the requirement to endorse checks in a timely manner was discussed. In addition, we will send a memorandum to the CSB reminding them of the need to endorse checks in a timely manner as recommended.

All corrective action noted above will be completed by September 30, 2008 unless otherwise noted.

## **ACCOUNTS RECEIVABLE**

### **COST ALLOCATION PLAN**

#### **Recommendation 3**

We recommend that the campus annually update its cost allocation plan in advance of each fiscal year and ensure prompt billing to auxiliary enterprises for reimbursement of facilities, goods, and services provided.

#### **Campus Response**

We concur. The cost allocation plan was updated for 2007/08 and submitted and approved by the Chancellor's Office. Billings for 2005/06 and 2006/07 were prepared and paid in March 2008.

The campus will complete the 2008/09 cost allocation plan before June 30, 2008. In addition, we will invoice auxiliary organizations for reimbursement of facilities, goods and services provided, by September 30, 2008.

### **DELINQUENT ACCOUNTS**

#### **Recommendation 4**

We recommend that the campus strengthen procedures to ensure that delinquent accounts receivable are promptly pursued. This might include ceasing any further provision of university services and charging interest on account balances.

#### **Campus Response**

We concur. The campus has implemented an electronic billing process for both students and third-party sponsors. In this process we are periodically (nine times per year) sending an email message to students and sponsors who have balances due and/or account activity during the period since the last eBill was published. The email contains a link to the appropriate

electronic invoice which shows current charges, balance due, and information related to the consequences of nonpayment. Those consequences include the placement of a financial hold on the account causing the suspension of campus services, including denial of class registration, grades, transcripts, and other university services until all obligations are paid. The sponsor eBill, implemented in February 2008, notifies sponsors, including the Athletics Corporation, foreign governments and other similar third-parties, that failure to pay the balance due will cause all third-party sponsorship privileges to be suspended.

We will, by July 31, 2008, modify our correspondence to note that student accounts not paid in a timely manner may be sent to a collection agency and the Franchise Tax Board tax refund intercept program. In addition, we will continue to pursue payment of all outstanding sponsor receivables, including those noted as of September 30, 2007, and February 15, 2008.

## **PAYROLL OVERPAYMENTS**

### **Recommendation 5**

We recommend that the campus:

- a. Strengthen procedures to ensure that payroll set-up worksheets are completed timely and are double-checked by academic personnel departments prior to submission to payroll.
- b. Strengthen procedures to ensure that payroll transactions are processed accurately in accordance with the employee data provided by human resources.
- c. Ensure that all repayment plans are documented and signed by the employee as well as the payroll manager to demonstrate proper approval of the terms of the agreement.

### **Campus Response**

We concur.

- a. The campus will, by July 31, 2008, strengthen procedures to ensure that payroll set-up worksheets are completed timely and are double-checked by academic personnel departments prior to submission to payroll.
- b. The campus will, by July 31, 2008, strengthen procedures to ensure that payroll transactions are processed accurately in accordance with the employee data provided by human resources.
- c. Payroll Services implemented the form "Repayment of Overpaid Salary Agreement" on February 12, 2008. This new form will help us in documenting all of the relevant information pertaining to an overpayment and planned repayment. The new form: identifies the source of the overpayment, identifies the pay periods to which the overpayment relates, sets the repayment schedule, serves as the confirmation that the employee acknowledges the overpayment as their liability and agrees to the repayment schedule, and serves as the authorization for the university reimbursement. The payroll manager signs the agreement on behalf of the university.

## **WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS**

### **Recommendation 6**

We recommend that the campus contact the Office of the Chancellor with requests to write-off uncollectible accounts greater than \$1,000.

### **Campus Response**

We concur. The campus will contact the Office of the Chancellor with future requests to write-off uncollectible accounts greater than \$1,000, until a new CSU policy is established.

## **CASH DISBURSEMENTS**

### **Recommendation 7**

We recommend that the campus:

- a. Limit vendor add/update permissions to only those individuals with a defined need for such access, and specifically restrict vendor add/update permissions from individuals responsible for processing payments.
- b. Perform and document the periodic review of PeopleSoft Finance user roles and permissions to ensure that inappropriate access to data does not exist.

### **Campus Response**

We concur.

- a. The campus will conduct a review of all employees with access to vendor add/update permission. We will then remove this access for employees who do not have a defined need for such access and for those employees responsible for processing payments. These steps will be completed by July 31, 2008.
- b. The campus will conduct and document a review of all PeopleSoft Finance user roles and permissions to ensure that inappropriate access to data does not exist. This will be completed by September 30, 2008.

## **PAYROLL AND PERSONNEL**

### **SEPARATION CLEARANCE FORMS**

#### **Recommendation 8**

We recommend that the campus enforce employee separation procedures to ensure complete clearance documentation.

**Campus Response**

We concur. We will remind departments of the need to complete a separation clearance form for each separating employee in accordance with existing policy and procedures.

**VACATION LEAVE ACCRUALS**

**Recommendation 9**

We recommend that the campus establish procedures to ensure proper approval of excessive leave balance carryovers by the campus president or his/her designee.

**Campus Response**

We concur. President Welty signed a delegation of authority on March 24, 2008, permitting the Vice Presidents to authorize the carryover of excessive leave consistent with Title 5, section 42909 and campus policy implemented in July 2000.

**FIXED ASSETS**

**PROPERTY ACQUISITIONS**

**Recommendation 10**

We recommend that the campus strengthen procedures to ensure that property is recorded to the appropriate asset account in an accurate and timely manner.

**Campus Response**

We concur. The campus has strengthened practices related to asset management processing to ensure that property acquisition postings are accurate and timely. Equipment purchases are entered in the asset management system when payment vouchers are posted, rather than when received (as was past practice). Additionally, information related to construction work in progress and other facility improvements is entered into the asset management system on a monthly basis based on data submitted by Facilities Management. Lastly, monthly property reconciliations will be completed to ensure that cost information included in the Asset Management system is consistent with what is recorded in the general ledger. We will implement monthly reconciliations by July 31, 2008.

**HOME USE PERMITS**

**Recommendation 11**

We recommend that the campus implement the use of home use permits for off-campus use of university equipment.

### **Campus Response**

We concur. The campus has implemented the use of home use permits as follows:

- a. For all property purchases where the potential for home use exists – Warehouse Services will require that a home use permit will be completed prior to the equipment being delivered to the department.
- b. For all computer and related equipment, other than desktop computers, that are part of a mass refresh conducted by Campus Information Systems – a home use permit will be required at the time the equipment is delivered by CIS personnel.

## **PROPERTY RECONCILIATIONS**

### **Recommendation 12**

We recommend that the campus develop workable reconciliation procedures for its property, including the preparation of reconciliations on at least a quarterly basis that have been signed and dated by the preparer and reviewer.

### **Campus Response**

We concur. We will develop monthly property reconciliation procedures by July 31, 2008. The new procedures will require that the preparer and reviewer sign and date the reconciliation form.

## **STOLEN EQUIPMENT**

### **Recommendation 13**

We recommend that the campus perform and document the investigation of protected data contained on computers reported as lost or stolen.

### **Campus Response**

We concur. The campus has completed an investigation related to the computers reported missing in 2006. The investigation determined that some of the computers were incorrectly reported as missing, and the computers actually missing did not contain confidential data. A copy of the report is available for review.

## **TRUST FUNDS**

### **Recommendation 14**

We recommend that the campus strengthen procedures over trust fund administration to ensure that trust projects maintain positive cash balances or that interest is charged for borrowing from other trust accounts.

**Campus Response**

We concur. The campus has strengthened procedures over trust fund administration to ensure that trust projects maintain positive cash balances, but where negative balances exist a reporting will be made on a quarterly basis to the Associate Vice President for Financial Services for appropriate follow-up.



THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

June 9, 2008

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

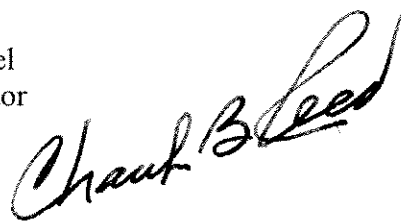
DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor


HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report 07-05 on *FISMA*,  
California State University, Fresno

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of June 9, 2008, 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