

**FISMA**

**CALIFORNIA STATE UNIVERSITY,  
CHANNEL ISLANDS**

**Audit Report 09-11  
April 15, 2010**

---

**Members, Committee on Audit**

Henry Mendoza, Chair  
Raymond W. Holdsworth, Vice Chair  
Nicole M. Anderson   Margaret Fortune  
George G. Gowgani   Melinda Guzman  
William Hauck

---

**Staff**

University Auditor: Larry Mandel  
Senior Director: Michelle Schlack  
Senior Auditor: Danette Adams  
Senior Auditor: Wendee Shinsato

---

**BOARD OF TRUSTEES**

**THE CALIFORNIA STATE UNIVERSITY**

---

## CONTENTS

Executive Summary .....	1
Introduction.....	3
Statement of Internal Controls .....	3
Purpose .....	4
Scope and Methodology.....	5

---

## OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

Accounts Receivable.....	6
Accounts Receivable Controls .....	6
Delinquent Employee Receivables.....	7
Payroll.....	8
Salary Advances .....	8
Segregation of Duties .....	9
Reconciliations .....	10

## **APPENDICES**

APPENDIX A:	Personnel Contacted
APPENDIX B:	Campus Response
APPENDIX C:	Chancellor's Acceptance

---

## **ABBREVIATIONS**

A&IT	Academic & Information Technology
CSU	California State University
CSUCI	California State University, Channel Islands
EHDB	Employment History Database
FISMA	Financial Integrity and State Manager's Accountability Act
GAAP	Generally Accepted Accounting Principles
GC	Government Code
HR	Human Resources
PIMS	Personnel/Payroll Information Management System
SAM	State Administrative Manual
SUAM	State University Administrative Manual

---

## EXECUTIVE SUMMARY

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

California State University, Channel Island's (CSUCI) 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 CSUCI campus from November 30, 2009, through January 13, 2010, and made a study and evaluation of the accounting and administrative control in effect as of January 13, 2010. 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: accounts receivable, payroll, and reconciliations. 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, CSUCI's accounting and administrative control in effect as of January 13, 2010, 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.

### **ACCOUNTS RECEIVABLE [6]**

Accounts receivable controls were inadequate. This is a repeat finding from the prior FISMA audit. Collection activity and follow-up on past-due employee receivable accounts was not always adequate.

### **PAYROLL [8]**

The campus did not have procedures for the recovery of salary advance checks furnished to employees in place of their regular salary warrants. Duties and responsibilities related to certain payroll functions were not properly segregated.

### **RECONCILIATIONS [10]**

Reconciliations were not always performed timely and complete. Student and employee receivable reconciliations, State Administrative Manual 99 reconciliations, and fixed asset reconciliations were all found to be untimely during the audit period.

---

## INTRODUCTION

### **STATEMENT OF INTERNAL CONTROLS**

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

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

#### 1. Internal Accounting Controls

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

#### 2. Operational Controls

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

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

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

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

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

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

### **PURPOSE**

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

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

## **SCOPE AND METHODOLOGY**

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests that required annualized data, fiscal year 2008/2009 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 2009 to December 2009. Our primary focus was on internal controls.

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

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

- ▶ Procedures for receipting and storing cash, 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.
- ▶ Adequate segregation of duties regarding authorization and payment of cash disbursements and appropriate controls over campus vendors.
- ▶ Authorization and proper classification of personnel/payroll transactions.
- ▶ Posting of the property ledger, monthly reconciliation of the property to the general ledger, and authorization of property disposals.
- ▶ Access restrictions to accounting systems.
- ▶ Procedures for establishment of trust funds, separate accounting, and adequate agreements.

We have not performed any auditing procedures beyond January 13, 2010. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.

---

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

## **ACCOUNTS RECEIVABLE**

### **ACCOUNTS RECEIVABLE CONTROLS**

Accounts receivable controls were inadequate. This is a repeat finding from the prior Financial Integrity State Manager's Accountability Act (FISMA) audit.

Our review disclosed that:

- ▶ The campus did not use an aged receivables report for management and follow-up of student receivables. Although an aging report had recently been created, it failed to report correct amounts, and therefore was still undergoing review.
- ▶ The campus had not fully documented policies and procedures for employee receivables. Employee receivable collection procedures did not adequately address collection efforts to be made after the initial notification to the employee or the determination and approval of write-offs of uncollectible employee receivable balances.

State Administrative Manual (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 are 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.

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; an established system of practices to be followed in performance of duties and functions; and an effective system of internal review.

California State University (CSU) Financial Services Directive 09-02, dated April 8, 2009, requires campuses to develop write-off procedures that include a description of why the balances are determined to be uncollectible, the process for approving the write-off of the balances, and the requirement that balances should be written off by the close of the fiscal year.

The university controller stated that the campus is committed to collecting student receivable balances and the cashiers are actively engaged with the students who have outstanding balances. She further stated, however, that the student financial module was re-implemented this year and the aging report is still being developed for use in collection efforts and reconciliation purposes. The interim associate vice president of human resources stated that employee receivable procedures were created in response to the prior FISMA report, and the campus was not aware that these procedures were incomplete.

Inadequate control over accounts receivable increases the risk that receivables will not be properly controlled and reflected in campus financial statements, reduces the likelihood of collection, and negatively impacts cash flow.

### **Recommendation 1**

We recommend that the campus:

- a. Generate and use an aged accounts receivable report on a regular basis in its management and follow-up of delinquent student accounts.
- b. Revise and implement policies and procedures for employee receivables to address collection efforts after initial notification of the receivable and write-offs of long-outstanding accounts.

### **Campus Response**

- a. The campus concurs. Accounting continues to work closely with academic & information technologies (A&IT) to complete the development of the student financial accounts receivable aging. Current time frame per A&IT is by June 30, 2010.
- b. The campus concurs. The policies and procedures will be updated by September 1, 2010.

## **DELINQUENT EMPLOYEE RECEIVABLES**

Collection activity and follow-up on past-due employee receivable accounts was not always adequate.

Our review of 11 delinquent accounts receivable as of September 30, 2009, disclosed that:

- ▶ The campus did not follow up on a credit item that had been outstanding since June 30, 2008, to determine if the amount was owed to the employee.
- ▶ For three items on the aging report, payroll had no record of an open accounts receivable for the employee.
- ▶ For two items, the employee was not notified of the receivable in a timely manner.
- ▶ For five items, after the initial notification letter to the employee, additional collection efforts were not sent timely and/or at sufficient intervals.

Government Code §19838 requires reimbursement to the state of overpayments made to employees.

SAM §8776.6 and §8776.7 provide collection procedures to be employed in the collection of amounts due from employees.

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

The university controller stated that a misunderstanding by staff who posted payments for employee receivables versus salary advances might have caused discrepancies between payroll and accounting records of employee receivables. The interim associate vice president of human resources stated that the gaps in collection activity were due to limited resources.

Inadequate control over delinquent employee receivable accounts reduces the likelihood of collection, increases the amount of resources expended on collection efforts, and impacts cash flow. Inaccurate receivable balances result in inaccurate and unreliable accounting data.

### **Recommendation 2**

We recommend that the campus:

- a. Review the current listing of outstanding receivables, including credit accounts, to identify and dispose of any receivables that are not valid or need to be written off.
- b. Ensure that initial notification letters are sent in a timely manner for outstanding employee receivables and collection efforts are promptly and appropriately pursued.

### **Campus Response**

- a. The campus concurs. The activity for employee receivables has been transferred to the billing analyst who is able to review the accounts more frequently.
- b. The campus concurs. Payroll has developed and implemented a new tracking system that will be used as a reminder for all payroll technicians regarding the employee receivable collections. The automated reminder will be set for each receivable established with the initial notification to the employee. When reminded, if needed, the payroll technicians will follow up with the employee to ensure prompt collection efforts are in place and outstanding balances are pursued.

## **PAYROLL**

### **SALARY ADVANCES**

The campus did not have procedures for the recovery of salary advance checks furnished to employees in place of their regular salary warrants.

Our review of the salary advance reconciliation as of September 30, 2009, disclosed that 18 advances with a total amount of \$5,863.34 were outstanding between 63 and 503 days and were still in the process of being recovered.

SUAM §3813 indicates that salary advances to employees should be collected when a corrected or delayed warrant for the pay period involved is received, with the time period for recovery of salary advances not to exceed 60 days.

The university controller stated that the campus had not made a sufficient effort in clearing old balances; however, she stated her belief that there are offsetting entries that will most likely clear these outstanding balances.

Insufficient control over salary advances reduces the likelihood of collection.

### **Recommendation 3**

We recommend that the campus:

- a. Establish and implement procedures to address the recovery of salary advances.
- b. Review the current listing of outstanding salary advances to identify and dispose of any items that are not valid or need to be written off.

### **Campus Response**

- a. The campus concurs. The campus will document our current procedures to address the recovery of salary advances. This will be completed in September 1, 2010.
- b. The campus concurs. The activity for salary advances has been transferred to the billing analyst who is able to review the accounts more frequently. The billing analyst will identify and recommend disposal of items that are not valid or need to be written off. This will be completed by September 1, 2010.

### **SEGREGATION OF DUTIES**

Duties and responsibilities related to certain payroll functions were not properly segregated.

We noted that three employees in the payroll area accessed and updated both personnel records in PeopleSoft and payroll records in the Personnel/Payroll Information Management System (PIMS) as part of their regular job duties.

CSU Directive HR/EHDB 2007-01, *KPMG Recommendation Concerning Payroll-related Segregation of Duties*, dated May 7, 2007, states that payroll employees should not be the same individuals who modify employee master files.

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

The interim associate vice president of human resources stated that data entry into PeopleSoft is performed by payroll staff in order to ensure proper coding of payroll transactions and maintain data integrity between PeopleSoft and PIMS. She also stated that financial reports are reviewed by campus departments on a monthly basis to ensure accuracy.

#### **Recommendation 4**

We recommend that the campus remove update access from either PeopleSoft or PIMS for the affected employees, or implement compensating controls.

#### **Campus Response**

The campus does not concur. The PeopleSoft HR module was implemented on campus as a reporting tool whereby salary information for PIMS could be reported through the PeopleSoft Finance module. In order for this to occur, minimal personnel information is entered into PeopleSoft HR. No pay will be issued as a result of a PeopleSoft HR entry. Pay will be issued only through transactions entered into PIMS. In addition, pay warrants are delivered to the cashier's office where the cashiers match employee listings provided by campus departments. The campus believes there is sufficient segregation of duties for the payroll function. We see no internal control deficiency by having the payroll staff enter the data in both systems. The campus is willing to accept the risk inherent in allowing staff to enter data in both systems.

## **RECONCILIATIONS**

Reconciliations were not always performed timely and complete.

Our review disclosed that:

- ▶ The July, August, and September 2009 student receivable reconciliations were all performed in October 2009.
- ▶ Although the campus practice was to perform employee receivable reconciliations monthly, the months of July, August, and September were reconciled as a single reconciliation in October 2009.
- ▶ Although the campus practice was to perform SAM 99 reconciliations monthly, the reconciliations for July through October 2009 were reconciled as a single reconciliation in November 2009.

- ▶ The fixed asset reconciliation for the quarter ending September 30, 2009, was not completed until January 2009.

SAM §7800 requires that the subsidiary ledger be reconciled to the general ledger account monthly.

SAM §7901 and §7924 state that all reconciliations will be prepared monthly within 30 days of the preceding month, except for property reconciliations, which will be prepared at least quarterly.

The university controller stated that reconciliations fell behind at year-end due to staffing constraints. She added that the same staff that keeps the reconciliations current through the remainder of the year was responsible for closing the year-end books, working with the KPMG audit team through October, and preparing year-end financial statements. She also stated that the campus was required to observe numerous furlough days and that overtime was not permitted except to meet critical deadlines related to the generally accepted accounting principles (GAAP) audit.

Untimely reconciliations limit the campus' ability to detect errors and irregularities and compromises accountability.

#### **Recommendation 5**

We recommend that the campus ensure that reconciliations are performed in a timely manner. This could include a review of the assignment of staffing duties and training of backup staff to perform the reconciliations when necessary.

#### **Campus Response**

The campus concurs. While the campus agrees with the need to prepare timely reconciliations, we find ourselves in the predicament of having the same staff members whose primary focus during July-October are year-end closing and completing the financial audit are the same staff members who are preparing monthly reconciliations. Due to budget constraints, the accounting department does not have the additional staff to train as backup during the first quarter of the fiscal year, and if we did train others to do this, we would be pulling them from other critical accounting tasks that should not be put on hold either. Furloughs have, of course, complicated this whole issue. Once the financial reporting package is complete, we immediately turn our energies to catching up on the important work that we were not able to complete. Once again the campus is willing to accept the risk inherent in delaying the financial reconciliations.

---

## **APPENDIX A: PERSONNEL CONTACTED**

<b><u>Name</u></b>	<b><u>Title</u></b>
Richard R. Rush	President
Jacinta Bastone	Payroll Supervisor
Maribeth Bradberry	Accounting Supervisor
Noel Buena	Property Coordinator
Joanne Coville	Vice President, Finance and Administration
Emily Deakin	University Controller
Colleen Haws	Business Services Analyst, Transportation and Parking
Missy Jarnagin	Director, Budget, Procurement and Support Services
Theresa Olivo	University Cashiering Supervisor
Anna Pavin	Interim Associate Vice President, Human Resources
Valerie Platscheck	Manager, Procurement and Support Services
Jennifer Schweisinger	Financial Reporting Analyst
Myrna Sta Ana	Accounts Payable Supervisor
Phyllis Vicker	Senior Staff Accountant
Marysia Wancewicz	Financial Analyst, Budgeting



# Channel Islands

CALIFORNIA STATE UNIVERSITY

OFFICE OF THE PRESIDENT

19 May 2010

RECEIVED  
UNIVERSITY AUDITOR

MAY 19 2010

THE CALIFORNIA STATE  
UNIVERSITY

Mr. Larry Mandel  
University Auditor  
The California State University  
401 Golden Shore, 4<sup>th</sup> Floor  
Long Beach, CA 90802-4210

Dear Larry:

I am writing in response to FISMA Audit 09-11. For your review, I have enclosed the University's revised response to the audit report.

If you have any questions or concerns, you may contact Joanne Coville, Vice President for Finance and Administration, by email at [joanne.coville@csuci.edu](mailto:joanne.coville@csuci.edu) or by calling her office at (805) 437-8877.

Sincerely yours,

Richard R. Rush  
President

**FISMA**

**CALIFORNIA STATE UNIVERSITY,  
CHANNEL ISLANDS**

**Audit Report 09-11**

**ACCOUNTS RECEIVABLE**

**ACCOUNTS RECEIVABLE CONTROLS**

**Recommendation 1**

We recommend that the campus:

- a. Generate and use an aged accounts receivable report on a regular basis in its management and follow-up of delinquent student accounts.
- b. Revise and implement policies and procedures for employee receivables to address collection efforts after initial notification of the receivable and write-offs of long-outstanding accounts.

**Campus Response**

- a. The campus concurs. Accounting continues to work closely with Academic & Information Technologies (A&IT) to complete the development of the student financial accounts receivable aging. Current timeframe per A&IT is by June 30, 2010.
- b. The campus concurs. The policies and procedures will be updated by September 1, 2010.

**DELINQUENT EMPLOYEE RECEIVABLES**

**Recommendation 2**

We recommend that the campus:

- a. Review the current listing of outstanding receivables, including credit accounts, to identify and dispose of any receivables that are not valid or need to be written off.
- b. Ensure that initial notification letters are sent in a timely manner for outstanding employee receivables and collection efforts are promptly and appropriately pursued.

**Campus Response**

- a. The campus concurs. The activity for employee receivables has been transferred to the Billing Analyst who is able to review the accounts more frequently.
- b. The campus concurs. Payroll has developed and implemented a new tracking system that will be used as a reminder for all payroll technicians regarding the employee receivable collections. The automated reminder will be set for each receivable established with the initial notification to the employee. When reminded, if needed, the payroll technicians will follow up with the employee to ensure prompt collection efforts are in place and outstanding balances are pursued.

**PAYROLL**

**SALARY ADVANCES**

**Recommendation 3**

We recommend that the campus:

- a. Establish and implement procedures to address the recovery of salary advances.
- b. Review the current listing of outstanding salary advances to identify and dispose of any items that are not valid or need to be written off.

**Campus Response**

- a. The campus concurs. The campus will document our current procedures to address the recovery of salary advances. This will be completed in September 1, 2010.
- b. The campus concurs. The activity for salary advances has been transferred to the Billing Analyst who is able to review the accounts more frequently. The Billing Analyst will identify and recommend disposal of items that are not valid or need to be written off. This will be completed in September 1, 2010.

## **SEGREGATION OF DUTIES**

### **Recommendation 4**

We recommend that the campus remove update access from either PeopleSoft or PIMS for the affected employees, or implement compensating controls.

### **Campus Response**

The campus does not concur. The PeopleSoft HR module was implemented on campus as a reporting tool whereby salary information for PIMS could be reported through the PeopleSoft Finance module. In order for this to occur, minimal personnel information is entered into PeopleSoft HR. No pay will issue as a result of a PeopleSoft HR entry. Pay will be issued only through transactions entered into PIMS. In addition, pay warrants are delivered to the Cashier's office where the cashiers match employee listings provided by campus departments. The campus believes there is sufficient segregation of duties for the payroll function. We see no internal control deficiency by having the payroll staff enter the data in both systems. The campus is willing to accept the risk inherent in allowing staff to enter data in both systems.

## **RECONCILIATIONS**

### **Recommendation 5**

We recommend that the campus ensure that reconciliations are performed in a timely manner. This could include a review of the assignment of staffing duties and training of backup staff to perform the reconciliations when necessary.

### **Campus Response**

The campus concurs. While the campus agrees with the need to prepare timely reconciliations, we find ourselves in the predicament of having the same staff members whose primary focus during July-October are yearend closing and completing the financial audit are the same staff members who are preparing monthly reconciliations. Due to budget constraints, the Accounting department does not have the additional staff to train as backup during the first quarter of the fiscal year and, if we did train others to do this, we would be pulling them from other critical accounting tasks that should not be put on hold either. Furloughs have, of course, complicated this whole issue. Once the financial reporting package is complete, we immediately turn our energies to catching up on the important work that we were not able to complete. Once again the campus is willing to accept the risk inherent in delaying the financial reconciliations.



THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

July 2, 2010

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

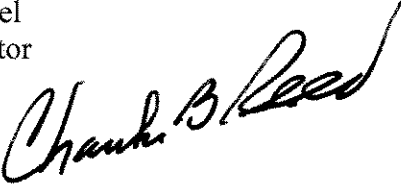
EAST BAY

TO: Mr. Larry Mandel  
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

SUBJECT: Draft Final Report 09-11 on *FISMA*,  
California State University, Channel Islands

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of July 2, 2010, I accept the response as submitted with the draft final report on *FISMA*, California State University, Channel Islands.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/amd

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS