

**Audit and Advisory Services**  
401 Golden Shore  
Long Beach, CA 90802-4210

August 24, 2021

Dr. Thomas A. Parham, President  
California State University, Dominguez Hills  
1000 E. Victoria Street  
Carson, CA 90747

Dear Dr. Parham:

**Subject: Audit Report 20-58, Accounts Payable and Disbursements,  
California State University, Dominguez Hills**

We have completed an audit of *Accounts Payable and Disbursements* as part of our 2020-2021 Audit Plan, and the final report is attached for your reference. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

I have reviewed the management response and have concluded that it appropriately addresses our recommendations. The management response has been incorporated into the final audit report, which will be posted to Audit and Advisory Services' website. We will follow-up on the implementation of corrective actions outlined in the response and determine whether additional action is required.

Any observations not included in this report were discussed with your staff at the informal exit conference and may be subject to follow-up.

I wish to express my appreciation for the cooperation extended by the campus personnel over the course of this review.

Sincerely,



Vlad Marinescu  
Vice Chancellor and Chief Audit Officer

c: Joseph I. Castro, Chancellor  
Adam Day, Chair, Committee on Audit  
Jane W. Carney, Vice Chair, Committee on Audit

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**ACCOUNTS PAYABLE AND  
DISBURSEMENTS**

**California State University, Dominguez Hills**

Audit Report 20-58  
August 24, 2021

## EXECUTIVE SUMMARY

### OBJECTIVE

The objectives of the audit were to ascertain the effectiveness of operational, administrative, and financial controls related to accounts payable (AP) and disbursements and to ensure compliance with relevant federal and state regulations; Trustee policy; Office of the Chancellor (CO) directives; and campus procedures.

### CONCLUSION

Based upon the results of the work performed within the scope of the audit, except for the weaknesses described below, the operational, administrative, and financial controls for AP and disbursements as of May 27, 2021, taken as a whole, provided reasonable assurance that risks were being managed and objectives were met.

Overall, we noted that California State University, Dominguez Hills (CSUDH) had an appropriate framework for the administration of AP and disbursements; however, we identified some areas needing improvement. Specifically, we found that vendor master file (VMF) maintenance roles and responsibilities were not properly segregated from payment processing roles and responsibilities. In addition, we noted that multiple employees were assigned incompatible roles related to VMF maintenance and payment processing within PeopleSoft. Further, library AP responsibilities were not properly segregated. Also, the campus did not have documented procedures in place for the review of user access to PeopleSoft and did not perform an annual review as required by systemwide policy. Additionally, evidence of delegation of authority was not always maintained for the approval of disbursements.

Specific observations, recommendations, and management responses are detailed in the remainder of this report.

## OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

### 1. SEGREGATION OF DUTIES

#### OBSERVATION

Responsibilities and duties related to VMF maintenance and library disbursement processing were not adequately segregated.

The VMF contains vital information about vendors the campus does business with, including the vendor's name, address, contact information, tax identification number, and banking information. This information is used to facilitate payments to vendors in the procurement of goods and services.

At CSUDH, vendors requested additions or updates to their information by submitting a Payee Data Record Form through the accounting department dropbox, through email, or by updating their information on their invoices. The AP lead was responsible for updating vendor information in the VMF; additions and revisions were not reviewed by another individual. We found that the AP lead was also allowed to process payments in the PeopleSoft Common Financial Systems (CFS), evidence that duties were not properly segregated. Further, we reviewed a listing of active PeopleSoft users who had been assigned AP roles and noted six additional users with incompatible role assignments.

Additionally, library duties and responsibilities related to AP were not adequately segregated. We found that an administrative analyst outside the AP department was responsible for approving library-related disbursements and processing payments in PeopleSoft; we reviewed five library disbursements and found that two were approved and processed by the administrative analyst. The AP lead performed a secondary review of disbursements after the information was keyed into PeopleSoft for accuracy with the invoice received.

Proper segregation of duties decreases the risk of unauthorized or inappropriate activity and improves accountability.

#### RECOMMENDATION

We recommend that the campus:

- a. Develop and implement a documented process for updating vendor records in the VMF, including a periodic review of PeopleSoft user-access privileges, to ensure proper segregation of duties.
- b. Communicate the new process to individuals involved in AP and access management.
- c. Evaluate the current process for library AP and disbursements and adequately segregate incompatible duties and responsibilities, or implement mitigating procedures.

**MANAGEMENT RESPONSE**

We concur. The campus shall:

- a. Develop and implement a documented process for updating vendor records in the VMF, including a periodic review of PeopleSoft user-access privileges, to ensure proper segregation of duties.
- b. Communicate the new process to individuals involved in AP and access management.
- c. Evaluate the current process for library AP and disbursements and adequately segregate incompatible duties and responsibilities, or implement mitigating procedures.

Completion date: October 31, 2021

**2. USER ACCESS REVIEW**

**OBSERVATION**

The process for reviewing user access to PeopleSoft needed improvement.

We found that supervisors granted AP employees access to PeopleSoft and assigned them various roles in the system based on job responsibilities. Designated AP roles enabled users to process payments, run inquiries, and update VMF information. When employees separated from the university or changed jobs, their access and user roles would need to be updated or removed.

Integrated California State University Administrative Manual (ICSUAM) §8060, *Access Control*, states that campuses are to develop procedures to detect unauthorized access and privileges assigned to authorized users that exceed the required access rights needed to perform their job functions.

ICSUAM §8060.S000, *Access Control Standard*, states that at least annually, appropriate campus managers and/or their designated delegates must review user-access rights to information assets containing protected data, and results of the review must be documented.

We found that the campus did not have written policies and procedures outlining PeopleSoft user-access review. Moreover, the campus could not provide evidence that user access to PeopleSoft was reviewed to detect unauthorized access and privileges assigned to unauthorized users that exceeded the required rights needed to perform their job duties.

Further, we reviewed the AP PeopleSoft active user listing and noted 101 total active user accounts of separated employees, corresponding to 26 percent of all AP user accounts. However, access to PeopleSoft is restricted through single sign-on via the campus Active Directory. Upon separation from the university, employees are removed from the Active Directory, preventing access to PeopleSoft.

Comprehensive procedures and documented management review of user access decreases the risk of unauthorized or inappropriate activity and ensures compliance with CO information security requirements.

**RECOMMENDATION**

We recommend that the campus:

- a. Develop and implement a documented procedure detailing an annual review of user access to PeopleSoft, as required by CSU policy.
- b. Communicate the procedure to management involved in user-access reviews.
- c. Complete the user-access review and remove access for the separated employees mentioned above.

**MANAGEMENT RESPONSE**

We concur. The campus shall:

- a. Develop and implement a documented procedure detailing an annual review of user access to PeopleSoft, as required by CSU policy.
- b. Communicate the procedure to management involved in user-access reviews.
- c. Complete the user-access review and remove access for the separated employees mentioned above.

Completion date: October 31, 2021

**3. DELEGATION OF AUTHORITY**

**OBSERVATION**

Evidence of delegation of authority was not always maintained for the approval of disbursements.

We reviewed 30 direct payments and 20 travel disbursements and found that in three instances, evidence of delegation of authority for the approver of the disbursements was not maintained.

Proper delegation of authority and adequate processing of expenditures improves accountability and decreases the risk of noncompliance with CSU and campus policies and the potential for improper payments.

**RECOMMENDATION**

We recommend that the campus:

- a. Require and maintain evidence of approval by an individual with delegation of authority for all disbursements.
- b. Provide refresher training regarding maintenance of delegation of authority to personnel involved in the AP disbursement process.

**MANAGEMENT RESPONSE**

We concur. The campus shall:

- a. Require and maintain evidence of approval by an individual with delegation of authority for all disbursements.
- b. Provide refresher training regarding maintenance of delegation of authority to personnel involved in the AP disbursement process.

Completion date: October 31, 2021

## GENERAL INFORMATION

### BACKGROUND

AP and disbursement audits involve the assessment of operational, administrative, and financial controls surrounding the accounts payable process, from receipt of invoice to the disbursement of funds. Administration of accounts payable, which includes timely and accurate payments to internal and external parties, is typically the responsibility of financial services or the bursar's office in the administration and finance division. Duties include verifying that payments are properly approved and authorized, ensuring that payments are properly recorded, and monitoring for duplicate or erroneous payments to vendors.

The different types of payables at universities are employee, student, and third-party payables. Employee payables are generated from payroll or reimbursements for travel, hospitality, or approved business expenses. Student payables are generated from financial aid, student loans, and refunds. Third-party payables are generated from vendor invoices as a result of goods or services provided to the campus. Payment methods used by the campus can include paper checks, wire transfers, automated clearing house (ACH), and procurement cards. Additionally, the campus may have petty cash funds available for paying small allowable expenses.

The primary California State University (CSU) policy governing AP and disbursement activities are Executive Order (EO) 1000, *Delegation of Fiscal Authority and Responsibility*; ICSUAM §3103.01, *Disbursements – General*; and ICSUAM §3103.02; *Outgoing Disbursements*; All of these policies were updated in September 2020. EO 1000 delegates authority to each president to provide effective oversight of all state funds held by the campus and all funds held in a fiduciary capacity. ICSUAM §3103.01 requires that the campus chief financial officer (CFO), or his or her delegate, establish procedures detailing how and when funds can be disbursed and related documentation requirements. In addition, the CFO is responsible for establishing appropriate segregation of duties so that no one person can disburse funds independently. ICSUAM §3103.02 provides requirements related to direct deposit, wire transfer, and paper check payment methods.

At CSUDH, the AP department within the Financial Services division is responsible for AP activities and the oversight of travel and hospitality management activities, and ensures compliance with systemwide and campus policies and procedures. The AP department is also responsible for ensuring that there is proper approval for expenditures, university expenditures are timely and accurately recorded, and vendors, faculty, staff, and students are paid in a timely, accurate, and efficient manner consistent with overall guidelines and regulations. The AP department is overseen by the associate vice president for business and finance, who reports to the vice president of administration and finance.

### SCOPE

Due to temporary operating procedures and limitations resulting from the COVID-19 public health emergency, we performed fieldwork remotely from April 12, 2021, through May 27, 2021. Our audit and evaluation included the audit tests we considered necessary in

determining whether operational, administrative, and financial controls are in place and operative. The audit focused on procedures in effect from July 1, 2019, to May 27, 2021.

Specifically, we reviewed and tested:

- Accounts payable and disbursement administration and organization, including clear lines of authority and responsibility, and current and comprehensive policies and procedures.
- Internal controls and segregation of duties over accounts payable and disbursements.
- Processes to ensure that expenditures are appropriate, properly authorized, and processed in accordance with CSU and campus policies.
- Reconciliations, monitoring, and review of disbursement transactions and escheatment of long-outstanding items in compliance with CSU and state escheatment requirements.
- Access to systems used in disbursement administration.

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.

Our testing and methodology, which was designed to provide a review of key operational, administrative, and financial controls, included interviews and detailed testing on certain aspects of the accounts payable, travel, and hospitality expenditures. Our review was limited to gaining reasonable assurance that essential elements of the accounts payable, travel, and hospitality areas were in place, and we did not examine all aspects of the areas. In addition, we excluded payroll, financial aid, and disbursements from testing as they have specific requirements that are better suited for an audit of each individual area. Disbursements handled by auxiliaries that did not flow through the campus accounts payable department were also excluded.

## CRITERIA

Our audit was based upon standards as set forth in federal and state regulations and guidance, Trustee policy, Office of the Chancellor directives, and campus (and auxiliary, if applicable) procedures, as well as sound administrative practices and consideration of the potential impact of significant risks. This audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- Government Code §13402 and §13403
- Education Code 89753, *Expenditures and Control*
- EO 688, *Delegation of Authority – Approval of Travel Requests*

- EO 731, *Designation of Chief Financial Officer*
- EO 1000, *Delegation of Authority and Responsibility*
- EO 1031, *Systemwide Records/Information Retention and Disposition*
- EO 1041, *CSU Student Travel Policy*
- EO 1069, *Risk Management*
- ICSUAM §1301, *Hospitality, Payment or Reimbursement of Expenses*
- ICSUAM §3103.01, *Disbursements-General*
- ICSUAM §3103.02, *Outgoing Disbursements*
- ICSUAM §3601.01, *CSU Travel and Business Expense Reimbursement Policy*
- ICSUAM §8060.00, *Access Control*
- ICSUAM §8080.00, *Physical Security*
- ICSUAM §8100.00, *Electronic and Digital Signatures*
- *CSU Contracts and Procurement Policy*
- Coded Memorandum RM 2014-01, *International Travel Approval Process and Requirement to Purchase Insurance*
- *CSUDH Hospitality Policy*
- *CSUDH Travel Procedures*

#### **AUDIT TEAM**

Audit Manager: Christina Chen  
Internal Auditor: Stephanie Martinelli