

FISMA

**CALIFORNIA STATE UNIVERSITY,
LONG BEACH**

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ABBREVIATIONS

CFO	Chief Financial Officer
CSU	California State University
CSULB	California State University, Long Beach
FISMA	Financial Integrity and State Manager's Accountability Act
HR	Human Resources
PTES	Parking, Transportation and Event Services
SAM	State Administrative Manual
SCO	State Controller's Office
SUAM	State University Administrative Manual
TEC	Travel Expense Claim(s)
UCES	University College and Extension Services

EXECUTIVE SUMMARY

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

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

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

- ▶ Assets are safeguarded against loss from unauthorized use or disposition.
- ▶ Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial statements.
- ▶ Financial operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and Trustee policy.

We visited the CSULB campus from November 28, 2005, through January 19, 2006, and made a study and evaluation of the accounting and administrative control in effect as of January 19, 2006. This report represents our biennial review.

Our study and evaluation revealed certain conditions that, in our opinion, could result in errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following areas: cash receipts, accounts receivable, purchasing, revolving fund, cash disbursements, payroll and personnel, fixed assets, and trust funds. These conditions, along with other weaknesses, are described in the executive summary and body of this report.

In our opinion, except for the effect of the weaknesses described above, CSULB's accounting and administrative control in effect as of January 19, 2006, taken as a whole, was sufficient to meet the objectives stated above.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls changes over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to, resource constraints, faulty judgments,

unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

The following summary provides management with an overview of conditions requiring their attention. Areas of review not mentioned in this section were found to be satisfactory. Numbers in brackets [] refer to page numbers in the report.

CASH RECEIPTS [6]

Cash control weaknesses were found at each of the three satellite cashiering areas visited, which included parking, transportation and event services, University College and Extension Services, and enrollment services. The reconciliation of parking permits inventory to cash receipts was not timely; and instances were noted where accountability for cash receipts was not localized, safe access records were outdated, receipts were not provided or utilized properly, and the transfer of large deposits was inadequately controlled. The campus was unable to provide state university and application fee reconciliations for spring 2004, fall 2004, and spring 2005, although the campus was able to provide evidence of detailed fee analysis for those periods. Further, uncleared collections account balances were not always timely investigated and resolved. A review of the unapplied credit report as of November 30, 2005, disclosed 165 unapplied credits dated between June 13, 2003, and September 1, 2005, totaling \$36,332.

ACCOUNTS RECEIVABLE [12]

Delinquent payroll accounts receivable were not adequately pursued to ensure timely collection. Collection letters were not timely and consistently sent for six of ten outstanding payroll receivables dated between February 2004 and August 2005. In addition, the insufficient collection activity on these receivables prevented submission of the balances to the Franchise Tax Board for tax offset.

PURCHASING [13]

Open purchase orders were not always timely investigated and resolved. A review of the open purchase order report as of November 11, 2005, showed 102 open purchase orders from 2001 through 2003 with remaining funds totaling \$114,810.

REVOLVING FUND [14]

Travel and salary advances were not always adequately controlled. A review of 12 travel advances issued between March 2005 and June 2005 and ten salary advances issued between March 2004 and August 2005 showed seven travel expense claims were not completed within 60 days of the employee's end travel date; collection activity for one travel advance was delayed for 130 days; salary advance request forms did not indicate the circumstances warranting the salary advance; and one salary advance from 2004 without evidence of recovery, further action taken, or write-off. In addition, change and purchase funds were not always counted with the required frequency or properly utilized. A review of

16 change and purchase funds showed that ten funds were not counted with the required frequency and five petty cash purchases from one fund exceeded the maximum allowable purchase amount.

CASH DISBURSEMENTS [17]

Vendor data forms were not always maintained on file. A review of 25 disbursements dated between March and August 2005 disclosed that a vendor data form was not on file for five vendors that had received payment.

PAYROLL AND PERSONNEL [18]

Duties and responsibilities related to the processing of payroll transactions and the handling of payroll warrants were not properly segregated. Payroll services was responsible for the processing of payroll transactions/state payroll forms, the receipt of all payroll warrants delivered by the State Controller's Office, and the distribution of salaried employees payroll warrants to departmental warrant officers. In addition, vacation accrual payouts and adjustments were not always adequately controlled. A review of 12 employee separations disclosed that one employee was incorrectly paid for accrued vacation, while a review of 20 employee year-end vacation accrual adjustments done at January 1, 2005, disclosed that leave balances for two employees were incorrectly adjusted.

FIXED ASSETS [20]

Fixed assets were not always timely deleted from campus property records or adequately controlled. A review of ten assets reported as lost or stolen between August 2002 and August 2005 disclosed that five assets had not been deleted from the campus inventory listing as of September 31, 2005, and two assets were not adequately accounted for by serial number or campus asset identification tag number, which prevented accurate removal from the property records. It could not be determined if these two assets had been removed from the property records.

TRUST FUNDS [21]

Certain trust fund agreements were not on file and certain expenditures were not properly supported. A review of 15 trust funds disclosed that trust fund agreements were not on file for two funds, while a review of 20 trust fund expenditures disclosed that two expenditures totaling \$66,000 lacked sufficient supporting documentation.

INTRODUCTION

PURPOSE

The principal audit objective was to assess the adequacy of controls and systems to ensure that:

- ▶ Cash receipts are processed in accordance with laws, regulations, and management policies.
- ▶ Receivables are promptly recognized and balances are periodically evaluated.
- ▶ Purchases are made in accordance with laws, regulations, and management policies.
- ▶ Revolving fund disbursements are authorized and processed in accordance with laws, regulations, and management policies.
- ▶ Cash disbursements are properly authorized and made in accordance with established procedures, and adequate segregation of duties exists.
- ▶ Payroll/personnel criteria for hiring employees, establishing compensation rates, and authorizing disbursements are controlled, and access to personnel and payroll records and processing areas are restricted.
- ▶ Purchase and disposition of fixed assets are controlled and assets are promptly recorded in the subsidiary records.
- ▶ Fiscal information systems are adequately controlled and safeguarded, and adequate segregation of duties exists.
- ▶ Investments are adequately controlled and securities are safeguarded.
- ▶ Trust funds are established in accordance with State University Administrative Manual guidelines.

SCOPE AND METHODOLOGY

Our study and evaluation were conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* issued by the Institute of Internal Auditors, and included the audit tests we considered necessary in determining that accounting and administrative controls are in place and operative. The management review emphasized, but was not limited to, compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests that required annualized data, fiscal year 2004/05 was the primary period reviewed. In certain instances, we were concerned with representations of the most current data; in such cases, the test period was July 2005 to August 2005. Our primary focus was on internal controls. Specifically, we reviewed and tested:

INTRODUCTION

- ▶ Procedures for receipting and storing cash, segregation of duties involving cash receipting, and recording of cash receipts.
- ▶ Establishment of receivables and adequate segregation of duties regarding billing and payment of receivables.
- ▶ Approval of purchases, receiving procedures, and reconciliation of expenditures to State Controller's balances.
- ▶ Limitations on the size and types of revolving fund disbursements.
- ▶ Use of petty cash funds, periodic cash counts, and reconciliation of bank accounts.
- ▶ Authorization of personnel/payroll transactions and accumulation of leave credits in compliance with state policies.
- ▶ Posting of the property ledger, monthly reconciliation of the property to the general ledger, and physical inventories.
- ▶ Access restrictions to accounting systems and related computer facilities/equipment, and administration of information technology operations.
- ▶ Procedures for initiating, evaluating, and accounting for investments.
- ▶ Establishment of trust funds, separate accounting, adequate agreements, and annual budgets.

We have not performed any auditing procedures beyond January 19, 2006. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH RECEIPTS

SATELLITE CASHIERING

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

The satellite cashiering locations reviewed included parking, transportation and event services (PTES), University College and Extension Services (UCES), and enrollment services.

Parking Receipts

The reconciliation of parking permits inventory to cash receipts was not timely.

Although the campus demonstrated that a process had previously been in place at PTES for the reconciliation of parking permits by decal number to cash received and to the general ledger, reconciliations had not been performed since spring 2005.

California State University, Long Beach *Reconciliation of Parking Decals* procedure requires a reconciliation to be performed at the end of each parking permit price markdown. The reconciliation should include a verification of the total amount of decals issued minus the total number returned to the number of decals sold through CashNet.

State Administrative Manual (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 PTES senior director stated that the department experienced the simultaneous turnover of both the cashiering coordinator and the parking cashier, which resulted in delays in maintaining and reconciling the parking permit control inventory.

Accountability

Accountability for cash receipts was not always localized.

We found that:

- ▶ Payments received via mail at the PTES administrative building were transferred between employees without the use of transfer receipts when delivered to the PTES customer relations center.

- ▶ The person responsible for opening incoming mail at UCES did not prepare a prelisting of cash and checks received not payable to the university.

SAM §8021 requires that a separate series of transfer receipts will be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit. This series of receipts need not be press-numbered. A receipt will be signed by the receiving employee whenever cash or checks not payable to the state agency are transferred between employees. State agencies will retain copies of these receipts.

SAM §8020.1 states that all incoming mail receipts consisting of cash and negotiable instruments not payable to the state agency will be prelisted by the person opening the mail to localize accountability of these assets.

The PTES senior director stated that the situation with the mail delivery was due to the recent change of locations, which was resolved during the audit. He added that mail is now delivered to the customer relations center where payments are opened and deposited by the cashier. The UCES chief financial officer (CFO) stated that the issues related to minor cash controls were a result of not being prepared for rare occurrences and recent management turnover.

Safe Access Records

Documentation of individuals with access to safes at enrollment services and UCES were outdated.

We found that the enrollment services safe access records included four individuals who were no longer employed and omitted five new employees with safe access, while UCES safe access records listed two individuals who were no longer employed and omitted one new employee with safe access.

SAM §8024 requires the retention of a record listing the names of persons knowing the present combination.

The director of academic support and student relations indicated that the record of employees with knowledge of the enrollment services safe combination was current, but had not been made available to the bursar's office. The UCES CFO stated that the safe access records were not current due to recent management turnover.

Receipts

Receipts were not always provided or utilized properly.

We found that:

- ▶ At enrollment services, receipts were not provided to customers paying by check when the CashNet system was non-operational. It should be noted that cash was not accepted from customers when the CashNet system was non-operational.

- ▶ At UCES, press-numbered receipts issued for cash payments were not utilized in sequential order and an inventory control system was not in place.

SAM §8020 requires that state agencies prepare receipts for all collections from payers who request receipts.

SAM §8020 states that an inventory control will be kept for press-numbered receipts.

The director of academic support and student relations indicated that managerial staff was unaware of the SAM requirement. The UCES CFO stated that the issues related to minor cash controls were a result of not being prepared for rare occurrences and recent management turnover.

Transfer of Funds

At enrollment services, the daily delivery of the deposit to the cashier's office was performed by only one person regardless of the amount of funds being transferred (including instances of cash in excess of \$3,000).

SAM §8032.4 states that a single employee will not transport more than \$3,000 in coin and currency at one time. Whenever coin and currency to be deposited exceeds \$3,000 and armored car service is either not available or excessively expensive, two agency employees should be assigned to deliver the deposit jointly or two or more deposits may be made to reduce the cash transported at one time. Occasionally, exceptionally large deposits may be handled by requesting a public safety escort.

The director of academic support and student relations stated that managerial staff was unaware of the SAM requirement.

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

Recommendation 1

We recommend that the campus:

- a. Prepare documented reconciliations of parking permits issued to revenue recorded in the general ledger on at least a quarterly basis, including verification of decals issued and decals returned.
- b. Implement the use of transfer receipts at PTES to localize accountability over checks received through the mail and transferred to other locations.
- c. Establish procedures to localize accountability over cash receipts at UCES and prepare a prelisting of cash and checks received not payable to the university.
- d. Ensure that enrollment services and UCES safe access records are updated and procedures are established to keep the records current.

- e. Ensure that press-numbered receipts are available at enrollment services for use when the CashNet system is non-operational.
- f. Develop and implement inventory control procedures for press-numbered receipts at UCES.
- g. Establish procedures to ensure that the transfer of large deposits from enrollment services to the cashier's office is performed by at least two individuals.

Campus Response

We concur.

- a. We will establish a procedure to prepare documented reconciliations of parking permits issued to revenue recorded in the general ledger on at least a quarterly basis, including verification of decals issued and decals returned. Estimated date of completion is May 31, 2006.
- b. All PTES mail is now directly delivered to the customer relations center. Mail including payments will be opened and deposited by the cashier at the customer relations center. Corrective action on this issue is complete.
- c. UCES management does not recall ever having an instance in which cash or checks payable to other agencies were received in the mail. For those extremely rare instances, we have implemented a procedure and a mail receipts log. Corrective action on this issue is complete.
- d. Procedures have been established to ensure that safe access records are updated and kept current at enrollment services and UCES. Corrective action on this issue is complete.
- e. Press-numbered receipts were ordered and implemented at enrollment services. These will be issued to students paying by check when CashNet receipts cannot be printed. Corrective action on this issue is complete.
- f. The use of press-numbered receipts is a very rare occurrence. The only reason this would be done is if the system is down and there is a customer waiting. Procedures have been implemented for the usage of one press-numbered receipt book at UCES. The receipt book is kept in the cashier's office and the usage will be monitored by the supervisor. Corrective action on this issue is complete.
- g. Procedures have been established to ensure that the transfer of large deposits from enrollment services to the cashier's office is performed by at least two individuals. Corrective action on this issue is complete.

FEE RECONCILIATIONS

The campus was unable to provide state university and application fee reconciliations for spring 2004, fall 2004, and spring 2005.

Although the campus was unable to provide state university and application fee reconciliations for the three semesters reviewed from spring 2004 to spring 2005, it was able to provide evidence of a detailed fee analysis conducted for each of the required reconciliation periods reviewed.

State University Administrative Manual (SUAM) §3825.01 states that a reconciliation of applications for admission to fees received shall be prepared for each academic year term and maintained on file by each campus. The reconciliations should be completed one month after the end of the academic term being reconciled.

SUAM §3825.02 states that a reconciliation of state university fees to census date report relative to the number of students accounted on the census date shall be prepared for each academic term. The reconciliation shall be maintained on file by each campus.

The controller stated that the documented reconciliations had been boxed up and could not be located due to various office moves.

Failure to reconcile fees and maintain corresponding reconciliations on file increases the risk that errors and irregularities will not be detected and compromises accountability.

Recommendation 2

We recommend that the campus reconcile state university and application fees in a timely manner and ensure that the reconciliations are retained on file.

Campus Response

We concur. We will reconcile state university and application fees in a timely manner and ensure that the reconciliations are retained on file. Estimated date of completion is September 30, 2006.

UNCLEARED COLLECTIONS

Uncleared collections account balances were not always timely investigated and resolved.

Our review of the unapplied credit report as of November 30, 2005, disclosed 165 unapplied credits dated between June 13, 2003, and September 1, 2005, totaling \$36,332.

UCES and the main campus were responsible for 93 and 72 of the unapplied credits, respectively. Further campus analysis showed that 86 of the 93 UCES credits and 25 of the 72 main campus credits required immediate correction or refund.

SAM §10508 states that varying circumstances determine the clearance of uncleared collections and that items should be cleared at least once each quarter.

The UCES CFO stated that the student accounts with credit balances had not been timely resolved due to workload prioritization and recent management turnover. The university bursar stated that the unapplied credits for 25 items totaling \$4,000 were due to installment payment items that typically did not have credit balances, summer items that were generally not investigated during the course of the year, and parking payments that required corrections for corresponding charges that had yet to be posted.

Failure to timely resolve unapplied credit balances in the uncleared collections accounts limits the campus' ability to detect errors and irregularities and may delay proper revenue recognition.

Recommendation 3

We recommend that the campus strengthen procedures to timely investigate and resolve uncleared collections items.

Campus Response

We concur.

The process to review all unapplied credit balances in the uncleared collections accounts has been improved to ensure timely investigation and resolution at the university bursar's office. The reports have been revised to include installment payment item types and summer item types. All uncleared collections are reviewed bi-weekly. Corrective action on this issue is complete.

UCES will resolve unapplied credit balances in the uncleared collection accounts in a timely manner. Staff will utilize a log named "unapplied credits as of xx-xx-xx" to track and monitor these balances. When an account is over 90 days uncleared, additional justification and a plan must be notated in the log and the registration supervisor must actively coordinate the effort to resolve the account. The registration supervisor has been assigned to monitor this activity and report to the CFO and the bursar's office any problems or concerns related to it. Corrective action on this issue is complete.

ACCOUNTS RECEIVABLE

Delinquent payroll accounts receivable were not adequately pursued to ensure timely collection.

We found that collection letters were not timely and consistently sent for six of ten outstanding payroll receivables dated between February 2004 and August 2005. In addition, the insufficient collection activity on these receivables prevented submission of the balances to the Franchise Tax Board for tax offset.

Government Code §19838 requires reimbursement to the state of overpayments made to employees. Employee overpayments can arise from office revolving fund salary and travel advances and payroll warrants issued by the State Controller's Office (SCO).

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

SAM §8790.3 states that offset is normally made only after giving notice to the debtor and providing him/her an opportunity to present any valid objection he/she may have to the use of the offset procedure.

The assistant vice president of human resources management stated that a significant turnover in the payroll department resulted in a lag in collection activity on some accounts.

Inadequate control over delinquent payroll 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 payroll accounts receivable are promptly pursued for collection.

Campus Response

We concur. The accounts receivable process has been revised to improve accounts receivable collection activities. First, when an accounts receivable is created, the payroll technician who handles the division to whom the employee reports, will write a letter to that employee explaining the amount and rationale for the accounts receivable. The letter will also indicate his/her duty for repayment and ask that a schedule be established with payroll services. The payroll technician will then complete a collection form stored electronically in a shared drive. A separate payroll staff member has been assigned collection responsibility to ensure timely and consistent follow-up of delinquent payments; that employee will use these forms to track progress. In addition, an aging and activity report has been created that is updated and reviewed by the director of payroll services at least monthly. Corrective action on this issue is complete.

PURCHASING

Open purchase orders were not always timely investigated and resolved.

Our review of the open purchase order report as of November 11, 2005, showed 102 open purchase orders from 2001 through 2003 with remaining funds totaling \$114,810.

SAM §8422.20 states the agency shall develop procedures to follow-up on open purchase documents/contracts to determine whether all goods and services ordered are actually received.

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

The purchasing manager stated that the majority of the open purchase orders pertained to “danglers” in the PeopleSoft purchasing module. She added that prior to the upgrade to PeopleSoft version 8.4, purchasing was unable to force close open purchase orders or “danglers.”

Failure to resolve long-outstanding encumbered purchase orders could impair budget analysis and planning and result in less than optimal decision making.

Recommendation 5

We recommend that the campus establish monitoring procedures to ensure that open purchase orders are processed or otherwise timely resolved.

Campus Response

We concur. Although the problem was caused by “reopened danglers” due to defects in the PeopleSoft purchasing module and had been previously reconciled with accounting so that the amounts did not affect the general ledger totals, we believe the “danglers” should be eliminated and will use the force close feature of PeopleSoft version 8.4 to close the “danglers.” Any “danglers” that cannot be closed by this method will be referred to technical personnel for behind the scenes force closure. The purchasing manager will perform a monthly review to ensure that the “danglers” are closed. Corrective action on this issue is complete.

REVOLVING FUND

TRAVEL AND SALARY ADVANCES

Travel and salary advances were not always adequately controlled.

Our review of 12 travel advances issued between March 2005 and June 2005 and ten salary advances issued between March 2004 and August 2005 disclosed that:

- ▶ Seven travel expense claims (TEC) submitted to substantiate travel advances were not completed within 60 days of the employee's end travel date.
- ▶ Collection activity for one travel advance was delayed until 130 days after the completion of travel.
- ▶ Salary advance request forms for all ten advances did not indicate the circumstances warranting the salary advance.
- ▶ One salary advance paid at employee separation in September 2004, which resulted in an overpayment, showed no documentation of recovery, further action taken, or write-off.

SAM §8116.2 states that a properly prepared claim to substantiate the travel expenses must be submitted as soon as possible after the trip(s) or at least once a month.

California State University (CSU) directive HR 2005-49, *CSU Policy and Procedures Governing Travel and Relocation Expense Reimbursement*, dated December 16, 2005, states, in part, that the TEC must be submitted within a reasonable period of time not to exceed 60 days.

SAM §8595 states that agencies will prepare written criteria for salary advances including the procedures that must be followed before advances are given. The specific reason for the advance must be written on the request.

SUAM §3813 states that advances to employees should be collected when the corrected or delayed warrant for the pay period involved is received. Generally, the time period for recovery of salary advances should not exceed 60 days. When salary advances due to the state are not recoverable from the employee after a 120-day period, action to write-off the account should be taken. This includes filing a claim on STD. Form 27 with the State Board of Control (SAM §8072.3 outlines the requirements for completing the form). Since non-recoverable revolving fund advances create a deficiency in an established fund balance, it is necessary to file for recovery regardless of the amount. Simultaneously, action should be initiated to utilize the tax offset process when the amount due the state is in excess of \$50, or less if the campus wishes to establish a lower level.

The accounts payable manager stated that the referenced TEC were for foreign and student group travel that required extra effort to prepare, which made it difficult to submit them within 30 days after the trip end date. She further stated that staff shortages in accounts payable resulted in the delay of timely communication and follow-up of outstanding advances. The assistant vice president of human resources management stated that the payroll department was utilizing a form which did not require an advance reason as outlined in SAM §8595. He further added that due to a clerical error, the outstanding salary advance was not logged and therefore was not collected.

Insufficient control over travel and salary advances increases the risk that revolving fund monies may not be available or be expended for inappropriate purposes and reduces the likelihood of collection.

Recommendation 6

We recommend that the campus:

- a. Strengthen controls to improve the timely recovery of travel and salary advances.
- b. Update the salary advance request form to include a section to record the reason for the advance.

Campus Response

We concur.

- a. Accounts payable has implemented a sequence of delinquent letters as follow-up measures for travel advances. Accounts payable will be reconciling the payroll advance account and sending a listing of outstanding items to payroll each month. Corrective action on this issue is complete.
- b. Payroll services has created a form to complete when issuing a salary advance which will accompany the business office form used for salary advances. This form will clearly state the reason for the salary advance and anticipated method for collecting advanced funds. A copy of this form will be retained in the collection file for follow-up by the individual assigned collection responsibility. Corrective action on this issue is complete.

CHANGE AND PURCHASE FUNDS

Change and purchase funds were not always counted with the required frequency or properly utilized.

Our review of the 16 change and purchase funds maintained disclosed that:

- ▶ Ten funds were not counted with the required frequency from March 2004 to December 2005.

Fund Name	Amount	Frequency	Counts Missed
Parking Office	\$5,000	Monthly	11/05, 10/05, 8/05, 4/05, 2/05
UCES Cashier's	\$600	Monthly	11/05, 10/05, 8/05, 4/05, 2/05, 1/05
Registration	\$900	Monthly	11/05, 10/05, 8/05, 4/05, 2/05, 12/04
Facilities Management	\$400	Quarterly	12/05
Enrollment Services	\$800	Monthly	11/05, 10/05, 8/05, 4/05, 2/05, 1/05, 12/04
Housing	\$50	Annually	Year of 2004
Housing	\$750	Monthly	11/05, 10/05, 8/05, 4/05, 2/05, 12/04
Marine Institute	\$300	Quarterly	12/05, 9/05, 6/05, 3/05, 12/04, 9/04, 3/04
Marine Institute	\$200	Annually	6/05
Marine Institute	\$200	Annually	8/05

- ▶ Five petty cash purchases from the Housing MT079 fund exceeded the maximum allowable purchase amount of \$50.

SAM §8111.2 states that an employee other than the custodian of the change or petty cash fund will count it in accordance with the following schedule:

Size of Fund	Frequency of Count
\$200 or less	Annually
\$200.01 to \$500	Quarterly
\$500.01 to \$2,500	Monthly

SAM §8112 states that cash purchase funds, operated on an imprest basis, provide cash for purchases or services not to exceed \$50 (exclusive of sales tax) per purchase or service.

The general accounting manager stated that counts were not performed with the required frequency due to staffing shortages. He further stated that special agreements had been verbally made with the housing office to permit more latitude in purchases where a procurement card could not be used.

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

Recommendation 7

We recommend that the campus:

- a. Strengthen controls to ensure that independent counts are performed at prescribed frequency intervals.
- b. Strengthen controls to ensure that purchases or services do not exceed \$50 per purchase or obtain formal management approval for exceptions provided to the housing office.

Campus Response

We concur.

- a. The reason for some funds not being audited during the mentioned period is because of a staffing shortage. Instead of auditing every month, we audited every other month. We have since cross-trained our accountant I position to assist in the monthly audit. We have also prepared an annual schedule of when the petty cash audits will be conducted. Estimated date of completion is June 30, 2006.
- b. A formal delegation will be given to the director of housing to approve in advance expenditures over \$50 for housing. Estimated date of completion is June 30, 2006.

CASH DISBURSEMENTS

Vendor data forms were not always maintained on file.

Our review of 25 disbursements dated between March and August 2005 disclosed that a vendor data form (STD. 204) was not on file for five vendors that had received payment.

SAM §8422.19 states that a completed STD. 204 must be obtained whenever a state agency engages in a transaction that leads to a payment to any individual or any entity that is not a governmental entity. The STD. 204 must be completed by the vendor and attached to each contract. For non-contract transactions, this form must be completed by the vendor and retained in the state agency's business services or accounting office as determined by state agency policy.

The accounts payable manager stated that the missing forms were obtained many years ago and had been misfiled or were in files located in off-site storage.

Inadequate maintenance of vendor data forms increases the risk of inappropriate payments and may expose the campus to increased tax liability.

Recommendation 8

We recommend that the campus obtain and maintain vendor data forms for all vendors receiving payment.

Campus Response

We concur. The system places on hold any item processed in the system for which a 204 form is required and not yet received. Removing the hold flag requires manual intervention by a limited number of individuals with the appropriate access and is done only if a 204 form is in hand. The controller's office staff was reminded of the importance of correctly filing and accurately maintaining the Vendor Data 204 form files. Corrective action on this issue is complete.

PAYROLL AND PERSONNEL

SEGREGATION OF DUTIES

Duties and responsibilities related to the processing of payroll transactions and the handling of payroll warrants were not properly segregated.

Payroll services was responsible for the processing of payroll transactions/state payroll forms, the receipt of all payroll warrants delivered by the SCO, and the distribution of salaried employees payroll warrants to departmental warrant officers.

SUAM §3812 states that none of the personnel assigned to the payroll office and none of the staff authorized by the appointing power to prepare payroll transactions and certify attendance reports shall be authorized to receive and distribute salary warrants. The pay warrants must be received and distributed by an office physically apart from the payroll office.

SAM §8580.1 states that persons designated by agencies to receive salary warrants from SCO, or to distribute salary warrants to employees, or to handle salary warrants for any other purpose will not be authorized to process or sign any of the following personnel documents: Proof of Lost or Destroyed Payroll Warrant and Request for Issuance of Duplicate Warrant, Form CD-113A and B; CSU Personnel/Payroll Transaction form, STD. 456-A; Absences Without Pay Report form, STD. 603; Absence and Additional Time Worked Report form, STD. 634; Payroll Exceptions Report form, STD. 666; Time and Attendance Report form, 672; Miscellaneous Payroll/Leave Actions form, STD. 671; Payroll Adjustment Notice form, STD. 674; Personnel Action Request form, STD. 680-A.

The assistant vice president of human resources management stated that the procedure for receiving warrants had been changed to gain greater control over the process. He added that duties were assigned to an employee that did not process payroll to mitigate risk, but the employee was physically housed in the department. He further stated that SUAM §3812 was not adequately researched before change was made.

Inadequate segregation of duties over the processing of payroll transactions and the handling of payroll warrants increases the risk of irregularities.

Recommendation 9

We recommend that the campus review payroll duties and take appropriate action to segregate incompatible duties and responsibilities.

Campus Response

We concur. The pay warrant handling procedure has been modified so that all warrants are now physically received by the bursar/cashier's office. The employee who handles the monthly disbursement to departmental warrant officers has been reassigned and physically moved to another department (benefits and staff human resources). Employees responsible for processing payroll no longer have access to pay warrants. Corrective action on this issue is complete.

VACATION ACCRUAL

Vacation accrual payouts and adjustments were not always adequately controlled.

Our review of 12 employee separations dated between March 2004 and August 2005 and 20 employee year-end vacation accrual adjustments at January 1, 2005, disclosed that:

- ▶ One employee was incorrectly paid for accrued vacation at separation. The employee was paid 12,001 hours of vacation instead of the 17,339 hours that were accrued at separation.
- ▶ Two employees' leave balances were incorrectly adjusted. Two employees in the California Faculty Association with more than ten years of service had their vacation accrual balance incorrectly rolled back to 320 hours instead of the 440 hour maximum.

Article 34.6 of the California Faculty Association collective bargaining agreement states that credits are cumulative to a maximum of 320 working hours for ten or less years of qualifying service or 440 working hours for more than ten years of such service. Accumulations in excess of this amount as of January 1 of each year shall be forfeited by the faculty unit employee.

The assistant vice president of human resources management stated that an error in the manual calculation process produced the 5.3-hour underpayment of accrued vacation at separation. He further stated the two employees whose accrued vacation was incorrectly adjusted had multiple appointments and an automated report picked up the wrong seniority dates, which resulted in the errors.

Inaccurate calculation and adjustment of accrued vacation may under or over compensate employees and expose the campus to increased liability.

Recommendation 10

We recommend that the campus strengthen controls over the manual calculation of accrued vacation payouts at employee separation and the year-end adjustment of employee vacation accruals for employees holding multiple appointments.

Campus Response

We concur. To ensure consistent leave balance adjustments, PeopleSoft report LBPAY008 was reengineered to include a “service months” data point. This report is used to enroll rehired employees in leave accrual plans. This will ensure employees with existing service credit are enrolled in the proper vacation plan.

The vacation payout procedure was also modified. The payroll technicians now utilize a form to clear various leave types upon separation. The form outlines all leave accrued and used; this form is then submitted to another payroll technician or supervisor who checks the calculation and actually adjusts/pays out the balances. All parties involved sign off on the form. All of the above actions have been completed. Corrective action on this issue is complete.

FIXED ASSETS

Fixed assets were not always timely deleted from campus property records or adequately controlled.

Our review of ten assets reported as lost or stolen between August 2002 and August 2005 disclosed that:

- ▶ Five assets (laptop computers) had not been deleted from campus property records as of September 31, 2005.
- ▶ Two assets (computers) had not been adequately accounted for by serial number or campus asset identification tag number, which prevented accurate removal from the property records. It could not be determined if these assets had been removed from the property records.

SAM §8643 states that whenever property is lost, stolen, or destroyed, departments will prepare a Property Survey Report form, STD. 152, and adjust their property accounting records.

SAM §20050 indicates, in part, that the elements of a satisfactory system of internal accounting and administrative controls include a system of recordkeeping procedures adequate to provide effective accounting control over assets.

The materials manager stated that the property records had not been updated because university police had not notified the property office of the losses.

Insufficient control over fixed assets increases the risk of misstated property records.

Recommendation 11

We recommend that the campus:

- a. Establish procedures to ensure that property management is notified of all asset losses on at least a monthly basis in order to facilitate the timely removal of assets from property records.
- b. Instruct departments to maintain adequate accountability of technology assets, including those classified as “sensitive assets,” by locally recording serial numbers or asset tag numbers for inventory reporting purposes.

Campus Response

- a. We concur. The property office will work with the campus police to establish procedures to ensure that property management is notified of all assets on at least a monthly basis. Estimated date of completion is June 30, 2006.
- b. All departments will be reminded and monitored on their responsibility to prepare and forward to the property office a Property Survey Report form, STD 152 whenever property is lost, stolen, or destroyed. All departments will also be reminded of the requirement to record serial numbers and asset tag numbers for property (including sensitive items) for tracking purposes. Corrective action on this issue is complete.

TRUST FUNDS

TRUST FUND AGREEMENTS

Certain trust fund agreements were not on file.

Our review of 15 trust funds disclosed that trust fund agreements were not on file for two funds, Trust Energy Initiative 39104 and Billing/Receivable General Payments MT102.

SAM §19440.1 states that each trust account established shall be supported by documentation as to the type of trust, donor, or source of trust moneys, purpose of the trust, time constraints, persons authorized to withdraw or expend funds, specimen signatures, reporting requirements, instructions for closing the account, disposition of any unexpended balance, and restrictions on the use of moneys for administrative or overhead costs. This documentation will be retained until the trust is dissolved.

The general accounting manager stated that the missing trust agreements were an oversight.

Inadequate trust fund administration increases the risk of loss due to poor trust fund administration.

Recommendation 12

We recommend that the campus strengthen controls to ensure that trust fund agreements are prepared to support each trust account.

Campus Response

We concur. We are currently reviewing all trust funds to determine if agreements are on file. Trust fund agreements will be prepared for those funds that do not have one on file. Estimated date of completion is June 30, 2006.

TRUST FUND EXPENDITURES

Certain trust fund expenditures were not properly supported.

Our review of 20 trust fund expenditures dated between January 2004 and June 2005 disclosed that two expenditures lacked sufficient supporting documentation of expenses incurred. The expenditures represented reimbursement of expenses incurred by the Southern California Marine Institute and totaled \$66,000.

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

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 general accounting manager stated that both expenses pertained to ocean studies and the payments had been made consistent with an agreement with another university.

Failure to obtain sufficient supporting documentation for trust fund expenditures increases the risk of inappropriate expenditures and loss.

Recommendation 13

We recommend that the campus strengthen procedures to ensure that trust fund expenditures are properly supported.

Campus Response

We concur. Expenditures questioned by the auditors pertained to the Southern California Marine Institute. The applicable administrative services manager was reminded that a copy of the actual invoice and supporting documentation were needed for all future expenditures from this fund. Staff

was instructed not to process future check requests without supporting documentation. Estimated date of completion is June 30, 2006.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
F. King Alexander	President
Robert C. Maxson	President (At time of review)
Celia Afan	General Accounting Supervisor
Tom Angell	Director, Benefits and Staff Human Resources
Scott Apel	Assistant Vice President, Human Resources Management
Thomas Bass	Senior Director, Parking, Transportation and Event Services (PTES)
Helen Batchelor	Director, Academic Support and Student Relations
Lisa Bauer	Cashier Supervisor
Raquel Bazan	Tax Analyst/Specialist
Elizabeth Beall	Purchasing Manager
Phil Buford	Supervisor, Payroll Services
Ignacio Carrillo	Associate Director, PTES
Nancy Eckhous	Bursar
Bob Escalante	Materials Manager
Les Freeman	General Accounting Manager
Edward Garcia	Lead Cash Accountant
William Griffith	Vice President, Administration and Finance
Tanya Ho	Senior Auditor, Internal Auditing Services
Susan Holt	Buyer III
Charles Hughes	Director, Procurement and Contracts
Michael Jones	Chief Financial Officer, University College and Extension Services
Joseph Latter	Associate Vice President, Financial Management
Steve Law	Director, Network Services
LaRonda Leslie	Lead Student Relations Specialist
Nancie Mack	Assistant Director, Student Relations
Robyn Mack	Associate Vice President, University Services and Chief of Staff
Michael Markoski	Director, Administrative Computing
Virginia Martin	Financial Aid Business Officer
Marjorie Mashburn	Cashier Supervisor
Shawn McCown	Controller
Sandy Miyake	Director, Payroll Services
Janet Parker	Associate Vice President, Budget and Human Resources Management
Jack Pearson	Chief of Police
Lauri Reilly	Manager, Accounts Payable
Maryann Rozanski	Director of Safety, Risk Management and Information Security
Angelina Schultz	Manager, Student Accounts and Cashiering
Aysu Spruill	Director, Internal Auditing Services
Rick Timboe	Associate Vice President, Information Technology Services
Christine Welch	Director, Financial Management Information Systems

STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

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

B. INTERNAL CONTROL DEFINITION

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

1. Internal Accounting Controls

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

2. Operational Controls

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

C. INTERNAL CONTROL OBJECTIVES

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

D. INTERNAL CONTROL SYSTEMS LIMITATIONS

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

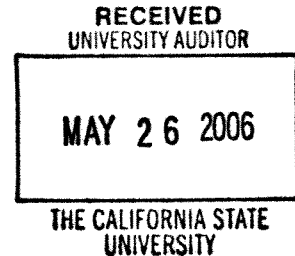


CALIFORNIA STATE UNIVERSITY, LONG BEACH

DIVISION OF ADMINISTRATION AND FINANCE

May 26, 2006

Mr. Larry Mandel
University Auditor
California State University
401 Golden Shore
Long Beach, California 90802



Re: Response to FISMA Audit # 05-10

Dear Larry:

Please find enclosed California State University, Long Beach's response to the above report. The campus is committed to addressing and resolving the issues identified in the audit report.

Please let me know if we can provide you with any additional information.

Sincerely,

A handwritten signature in black ink, appearing to read "W. H. Griffith".

William H. Griffith
Vice President for Administration and Finance

Enclosure

cc:

F. King Alexander, President
Robyn R. Mack, Associate Vice President, University Services and Chief of Staff
Aysu Spruill, Director, Internal Auditing Services

FISMA**CALIFORNIA STATE UNIVERSITY,
LONG BEACH****Report Number 05-10
April 26, 2006****CASH RECEIPTS****SATELLITE CASHIERING****Recommendation 1**

We recommend that the campus:

- a. Prepare documented reconciliations of parking permits issued to revenue recorded in the general ledger on at least a quarterly basis, including verification of decals issued and decals returned.
- b. Implement the use of transfer receipts at PTES to localize accountability over checks received through the mail and transferred to other locations.
- c. Establish procedures to localize accountability over cash receipts at UCES and prepare a prelisting of cash and checks received not payable to the university.
- d. Ensure that enrollment services and UCES safe access records are updated and procedures are established to keep the records current.
- e. Ensure that press-numbered receipts are available at enrollment services for use when the CashNet system is non-operational.
- f. Develop and implement inventory control procedures for press-numbered receipts at UCES.
- g. Establish procedures to ensure that the transfer of large deposits from enrollment services to the cashier's office is performed by at least two individuals.

Campus Response

We concur.

- a. Parking and Transportation and Event Services (PTES): We will establish a procedure to prepare documented reconciliations of parking permits issued to revenue recorded in the general ledger on at least a quarterly basis, including verification of decals issued and decals returned. Estimated date of completion is May 31, 2006.

- b. Parking and Transportation and Event Services (PTES): All PTES mail is now directly delivered to the customer relations center. Mail including payments will be opened and deposited by the cashier at the customer relations center. Corrective action on this issue is complete.
- c. University College and Extension Services (UCES): UCES management does not recall ever having an instance in which cash or checks payable to other agencies were received in the mail. For those extremely rare instances, we have implemented a procedure and a mail receipts log. Corrective action on this issue is complete.
- d. Enrollment Services: Procedures have been established to ensure that safe access records are updated and kept current. Corrective action on this issue is complete.

UCES: Procedures have been established to ensure that safe access records are updated and kept current. Corrective action on this issue is complete.

- e. Enrollment Services: Press-numbered receipts were ordered and implemented. These will be issued to students paying by check when Cashnet receipts cannot be printed. Corrective action on this issue is complete.
- f. UCES: The use of press-numbered receipts is a very rare occurrence. The only reason this would be done is if the system is down and there is a customer waiting. Procedures have been implemented for the usage of one press-numbered receipt book. The receipt book is kept in the cashier's office and the usage will be monitored by the supervisor. Corrective action on this issue is complete.
- g. Enrollment Services: Procedures have been established to ensure that the transfer of large deposits from enrollment services to the cashier's office is performed by at least two individuals. Corrective action on this issue is complete.

FEE RECONCILIATIONS

Recommendation 2

We recommend that the campus reconcile state university and application fees in a timely manner and ensure that the reconciliations are retained on file.

Campus Response

We concur with the auditor's recommendation and will reconcile state university and application fees in a timely manner and will ensure that the reconciliations are retained on file. Estimated date of completion is September 30, 2006.

UNCLEARED COLLECTIONS

Recommendation 3

We recommend that the campus strengthen procedures to timely investigate and resolve uncleared collections items.

Campus Response

We concur.

University Bursar: The process to review all unapplied credit balances in the uncleared collections accounts has been improved to ensure timely investigation and resolution. The reports have been revised to include installment payment item types and summer item types. All uncleared collections are reviewed bi-weekly. Corrective action on this issue is complete.

UCES: UCES will resolve unapplied credit balances in the uncleared collection accounts in a timely manner. Staff will utilize a log named “Unapplied credits as of xx-xx-xx” to track and monitor these balances. When an account is over 90 days uncleared, additional justification and a plan must be notated in the log and the Registration Supervisor must actively coordinate the effort to resolve the account. The Registration Supervisor has been assigned to monitor this activity and report to the CFO and the Bursar’s office any problems or concerns related to it. Corrective action on this issue is complete.

ACCOUNTS RECEIVABLE**Recommendation 4**

We recommend that the campus strengthen procedures to ensure that payroll accounts receivable are promptly pursued for collection.

Campus Response

We concur. The accounts receivable (A/R) process has been revised to improve A/R collection activities. First, when an A/R is created, the payroll technician who handles the division to whom the employee reports, will write a letter to that employee explaining the amount and rationale for the A/R. The letter will also indicate their duty for repayment and ask that a schedule be established with Payroll Services. The payroll technician will then complete a collection form stored electronically in a shared drive. A separate Payroll staff member has been assigned collection responsibility to ensure timely and consistent follow up of delinquent payments; that employee will use these forms to track progress. In addition, an aging and activity report has been created that is updated and reviewed by the Director of Payroll Services at least monthly. Corrective action on this issue is complete.

PURCHASING**Recommendation 5**

We recommend that the campus establish monitoring procedures to ensure that open purchase orders are processed or otherwise timely resolved.

Campus Response

We concur. Although the problem was caused by "reopened dangles" due to defects in the PeopleSoft purchasing module and had been previously reconciled with Accounting so that the amounts did not affect the general ledger totals, we believe the dangles should be eliminated and will use the "force close" feature of PeopleSoft version 8.4 to close the "dangles." Any "dangles" that cannot be closed by this method will be referred to technical personnel for "behind the scenes force closure." The Purchasing Manager will perform a monthly review to ensure that the "dangles" are closed. Corrective action on this issue is complete.

REVOLVING FUND**TRAVEL AND SALARY ADVANCES****Recommendation 6**

We recommend that the campus:

- a. Strengthen controls to improve the timely recovery of travel and salary advances.
- b. Update the salary advance request form to include a section to record the reason for the advance.

Campus Response

We concur.

- a. Accounts payable has implemented a sequence of delinquent letters as follow-up measures for travel advances. Accounts payable will be reconciling the payroll advance account and sending a listing of outstanding items to Payroll each month. Corrective action on this issue is complete.
- b. Payroll Services has created a form to complete when issuing a salary advance which will accompany the Business Office form used for salary advances. This form will clearly state the reason for the salary advance and anticipated method for collecting advanced funds. A copy of this form will be retained in the collection file for follow up by the individual assigned collection responsibility. Corrective action on this issue is complete.

CHANGE AND PURCHASE FUNDS**Recommendation 7**

We recommend that the campus:

- a. Strengthen controls to ensure that independent counts are performed at prescribed frequency intervals.
- b. Strengthen controls to ensure that purchases or services do not exceed \$50 per purchase or obtain formal management approval for exceptions provided to the housing office.

Campus Response

We concur.

- a. The reason for some funds not being audited during the mentioned period is because of staffing shortage. Instead of auditing every month we audited every other month. We have since cross-trained our Accountant I position to assist in the monthly audit. We have also prepared an annual schedule of when the petty cash audits will be conducted. Estimated date of completion is June 30, 2006.
- b. A formal delegation will be given to the Director of Housing to approve in advance expenditures over \$50.00 for Housing. Estimated date of completion is June 30, 2006.

CASH DISBURSEMENTS**Recommendation 8**

We recommend that the campus obtain and maintain vendor data forms for all vendors receiving payment.

Campus Response

We concur. The system places on hold any item processed in the system for which a 204 form is required and not yet received. Removing the hold flag requires manual intervention by a limited number of individuals with the appropriate access and is done only if a 204 form is in hand. The Controller's Office staff was reminded of the importance of correctly filing and accurately maintaining the Vendor Data 204 form files. Corrective action on this issue is complete.

PAYROLL AND PERSONNEL**SEGREGATION OF DUTIES****Recommendation 9**

We recommend that the campus review payroll duties and take appropriate action to segregate incompatible duties and responsibilities.

Campus Response

We concur. The pay warrant handling procedure has been modified so that all warrants are now physically received by the Bursar/Cashier's Office. The employee who handles the monthly disbursement to departmental warrant officers has been reassigned and physically moved to another department (Benefits and Staff Human Resources). Employees responsible for processing payroll no longer have access to pay warrants. Corrective action on this issue is complete.

VACATION ACCRUAL

Recommendation 10

We recommend that the campus strengthen controls over the manual calculation of accrued vacation payouts at employee separation and the year-end adjustment of employee vacation accruals for employees holding multiple appointments.

Campus Response

We concur. To ensure consistent leave balance adjustments, PeopleSoft report LBPAY008 was reengineered to include a “service months” data point. This report is used to enroll rehired employees in leave accrual plans. This will ensure employees with existing service credit are enrolled in the proper vacation plan.

The vacation payout procedure was also modified. The payroll technicians now utilize a form to clear various leave types upon separation. The form outlines all leave accrued and used; this form is then submitted to another payroll technician or supervisor who checks the calculation and actually adjusts/pays out the balances. All parties involved sign off on the form. All of the above actions have been completed. Corrective action on this issue is complete.

FIXED ASSETS

Recommendation 11

We recommend that the campus:

- a. Establish procedures to ensure that property management is notified of all asset losses on at least a monthly basis in order to facilitate the timely removal of assets from property records.
- b. Instruct departments to maintain adequate accountability of technology assets, including those classified as “sensitive assets,” by locally recording serial numbers or asset tag numbers for inventory reporting purposes.

Campus Response

- a. We concur. Property will work with the Campus Police to establish procedures to ensure that property management is notified of all assets on at least a monthly basis. Estimated date of completion is June 30, 2006.
- b. All departments will be reminded and monitored on their responsibility to prepare and forward to Property a Property Survey report Form STD 152 whenever property is lost, stolen or destroyed. All departments will also be reminded of the requirement to record serial numbers and asset tag numbers for property (including sensitive items) for tracking purposes. Corrective action on this issue is complete.

TRUST FUNDS

TRUST FUND AGREEMENTS

Recommendation 12

We recommend that the campus strengthen controls to ensure that trust fund agreements are prepared to support each trust account.

Campus Response

We concur. We are currently reviewing all trust funds to determine if agreements are on file. Trust Fund Agreements will be prepared for those funds that do not have one on file. Estimated date of completion is June 30, 2006.

TRUST FUND EXPENDITURES

Recommendation 13

We recommend that the campus strengthen procedures to ensure that trust fund expenditures are properly supported.

Campus Response

We concur. Expenditures questioned by the auditors pertained to the Southern California Marine Institute. The applicable administrative services manager was reminded that a copy of the actual invoice and supporting documentation were needed for all future expenditures from this fund. Staff was instructed not to process future check requests without supporting documentation. Estimated date of completion is June 30, 2006.



THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

June 16, 2006

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HILLS

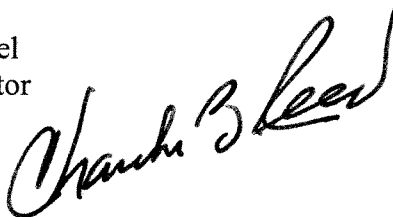
EAST BAY

FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 05-10 on *FISMA*,
California State University, Long Beach

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

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

NORTHRIDGE

POMONA

SACRAMENTO

CBR/jt

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Dr. F. King Alexander, President
Mr. William H. Griffith, Vice President for Administration and Finance

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS