

FISMA

San Diego State University

Report Number 99-02

June 17, 1999

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ABBREVIATIONS

CBRS	Cash Net Billing and Receivable System
CSU	California State University
FISMA	Financial Integrity and State Manager's Accountability Act
FY	Fiscal Year
IT	Information Technology
SAM	State Administrative Manual
SCO	State Controllers Office
SDSU	San Diego State University
SUAM	State University Administrative Manual

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;
- ▶ physical computer controls are in place and functioning;
- ▶ investments are adequately controlled and securities are safeguarded; and
- ▶ trust funds are established in accordance with SUAM guidelines.

SCOPE AND METHODOLOGY

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 1997/98 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 November 1998 to January 1999. 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 over the establishment of billing for 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 automated accounting systems and proper documentation of the systems;
- ▶ procedures for initiating, evaluating, and accounting for investments; and
- ▶ establishment of trust funds, separate accounting, adequate agreements, and annual budgets.

We have not performed any auditing procedures beyond the date of our report. Accordingly, our comments are based on our knowledge as of that date and should be read with that understanding. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not discussed.

BACKGROUND

In 1983, the California Legislature passed the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA). This act required that state agencies establish and maintain a system of internal accounting and administrative control. To ensure that the requirements are fully complied with, the head of each agency is required to prepare and submit a report on the adequacy of the system of internal accounting and administrative control following the end of each odd-numbered fiscal year. The Office of the University Auditor of the CSU is currently responsible for conducting the audits of internal accounting and administrative control within the CSU. This report represents our biennial review.

OPINION

We visited the CSU campus from February 1, 1999 through March 23, 1999 and audited the internal control structure in effect at that time.

In accordance with the Government Code Section 13402, et seq., state agency heads are responsible for establishing and maintaining systems of internal accounting control. The broad objectives of control systems for state agencies are to provide management with reasonable, but not absolute, assurance that:

- ▶ assets are safeguarded from unauthorized use or disposition; and
- ▶ transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of financial reports in accordance with the State Administrative Manual.

Because of inherent limitations in control systems, errors or irregularities may occur and not be detected. In addition, projection of any evaluation of systems to future periods is subject to risk, inasmuch as procedures may become inadequate as a result of changes in conditions, or the degree of compliance with the procedures may deteriorate. (See Appendix B, *Statement of Internal Controls*.)

Our audit disclosed conditions which, in our opinion, if not corrected would result in significant errors and irregularities. Areas requiring improvement are found in the Executive Summary.

EXECUTIVE SUMMARY

The purpose of this section is to provide 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]

SATELLITE CASHIERING [6]

Cash controls at the library and health services needs improvement. Adequate controls over cash collections and safekeeping facilities decrease the risk that misappropriation of funds will not be detected.

ACCOUNTS RECEIVABLE [7]

COLLECTION PROCEDURES [7]

Campus collection procedures and internal controls for foundation, student, and payroll receivables were unsatisfactory. The issue involving payroll receivables is a repeat finding from two prior FISMA audits. Maintaining adequate procedures and controls over receivables increases the likelihood that monies owed will be collected.

LIBRARY OBLIGATIONS [9]

Administration of library obligations requires improvement. Proper controls over library obligations increase the likelihood that monies owed will be collected.

LOCAL WRITE-OFFS [11]

Local write-offs of student accounts were not adequately documented or analyzed. Strengthening procedures and controls over local accounts receivable write-offs will increase accountability and document write-off authority.

REVOLVING FUND [12]

PAYROLL TRANSACTIONS [12]

Payroll transactions were not always properly supported or collected in a timely manner. Strengthening controls over payroll transactions increases working capital and the likelihood that amounts owed will be collected.

CASH DISBURSEMENTS [13]

UNIVERSITY BANKING ACCOUNTS [13]

Separation of duties and administration related to university banking accounts requires improvement. Adequate separation of duties and administration over university banking accounts decrease the risk that errors and irregularities will not be detected.

RECONCILIATIONS OF EXPENDITURES WITH PROPERTY RECORDS [14]

Reconciliations between property records and the general ledger were not completed timely. Timely reconciliations decrease the risk that errors and irregularities will not be detected.

FISCAL INFORMATION TECHNOLOGY [15]

ACCESS SECURITY [15]

Access security for the new Oracle financial system requires improvement. Access security controls decrease the risk of unauthorized access to CSU systems and confidential data.

SOFTWARE VERSION CONTROL [16]

The new Oracle financial system was not equipped with an adequate software version control. Implementation of software version controls decreases the risk of system failure due to unsynchronized installation patches or system setups.

DISASTER RECOVERY PLAN [16]

A disaster recovery plan has not been developed for the new Oracle financial system. Establishing a disaster recovery plan and ensuring an uninterrupted continuance of emergency back up support reduces the risk of a data systems breakdown in the event of a power failure or natural disaster.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH RECEIPTS

SATELLITE CASHIERING

Cash controls at the library and health services needs improvement.

We found that:

- the inter-library loan department did not restrictively endorse checks on the day of receipt;
- the inter-library loan department maintained checks held for deposit in an unsecured drawer during non-business hours;
- the inter-library loan department deposits were not verified to ensure receipts were deposited intact; and
- the library circulation area and health services did not have a listing of employees with access to the vault/safe. By the conclusion of the audit, both offices had updated their records indicating those employees with current access to their safes and the dates the combinations were last changed.

SAM §8034 requires checks and other negotiable instruments to be endorsed on the day they are received. SAM §8032.1 requires that funds be afforded adequate safekeeping when they are not in use. SAM §8032.2 requires a supervising employee to verify that receipts are deposited intact and in accordance with SAM requirements. SAM §8024 states that records should be maintained indicating the date the combination was last changed and names of persons having knowledge of the combination.

The inter-library loan supervisor indicated that she was unaware of the endorsement, safekeeping, and deposit verification requirements. The circulation desk supervisor and head cashier, health center, indicated they were unaware of the access record requirements.

Inadequate controls over cash collections and safekeeping facilities increase the risk of loss due to inappropriate activities.

Recommendation 1

We recommend the campus strengthen satellite cashiering controls to ensure that:

- a. checks received by the inter-library loan are restrictively endorsed on the day of receipt;
- b. inter-library loan provides adequate safekeeping over checks held for deposit;
- c. the inter-library loan supervisor or designee performs verification of deposit procedures, and;
- d. records are maintained documenting the names of persons currently having access to safekeeping facilities and the dates the combinations were last changed.

Campus Response

We concur and corrective action has been completed.

- Checks received by the inter-library loan are now restrictively endorsed on the day of receipt.
- Checks held for deposit are kept in a locked cabinet.
- Deposit responsibilities have been segregated such that a designee of the supervisor performs an independent verification of the deposit prepared by library administration staff.
- A list has been created of all employees who have access to the safe. The combination is changed whenever there is a change in personnel authorized to access the safe.

ACCOUNTS RECEIVABLE

COLLECTION PROCEDURES

Collection procedures and internal controls for foundation, student, and payroll receivables were unsatisfactory. The issue involving payroll receivables is a repeat finding from our two prior FISMA audits.

Foundation

From a sample of ten foundation receivables, three items totaling \$17,000 were outstanding over 180 days, the oldest of which dated back to September 1997. Although the campus made numerous requests for payment, the foundation did not respond.

SUAM §3822 requires each campus to establish procedures that provide prompt follow-up of accounts receivable.

The associate manager of accounting services indicated that regular collection efforts are made on older accounts, including monthly invoices of all outstanding receivables. The associate manager of accounting services indicated that delays were due to foundation inquiries and research performed.

Student

A sample review of fifteen student receivables over ninety days old revealed the following:

- Collection efforts were not consistently performed for student receivable accounts. The university collections department performs extensive collection efforts including: collection letters, phone calls, financial/records holds, franchise tax board offsets, and use of two collection agencies. However, accounts processed by the university cashier's office, student financial services, and extended education, do not provide for follow-up letters, phone calls, or the use of collection agencies.

- Twelve of the fifteen accounts, totaling \$54,258, were not provided adequate follow-up in the form of collection letters, phone calls, or collection agencies.
- One of the accounts, totaling \$14,800, did not have a financial/record hold placed in a timely manner, resulting in additional services provided to the student.
- The student receivable aging schedule indicated that approximately \$895,000 (or 69% of the total student receivables) was over ninety days old.

SUAM §3822 requires each campus to establish procedures that provide prompt follow-up of accounts receivable, including preparation and issuance of follow-up letters and/or phone calls.

The manager of university cashiers and manager of student financial services indicated that staffing resources did not allow for follow-up letters or calls to students.

Payroll

A review of the payroll receivables and a sample of five payroll accounts, over ninety days old, revealed the following:

- Payroll receivables are not recorded in the campus “system of record” for receivables (Cash Net Billing and Receivable System – CBRs).
- Approximately \$61,000 or 50% of the payroll receivables (excluding \$101,900 in uncollectable accounts sent to SCO for relief from accountability) are older than June 1998 or over 180 days.
- Four of the five payroll receivable files reviewed, totaling \$31,800, did not have documentation indicating timely follow-up or research.
- One of the five account files, totaling \$5,046, did not contain any documentation to support the charges, and the source of the charges could not be determined.
- One of the five accounts, totaling \$10,590, was identified as a payroll error and had not been reviewed or researched until selected for our review.
- Two of the five accounts selected did not have proper account agings and were older than the aging scheduled indicated.
- The campus currently has approximately \$101,900 in uncollectable payroll accounts which have been rejected twice (August 1998 and February 1999) for relief from accountability by the SCO. The SCO indicated that the request for relief from accountability did not include history information or collection efforts taken.

SUAM §3822 requires that each campus establish procedures which provide prompt follow-up or accounts receivable, including preparation and issuance of follow-up letters and/or calls.

The university controller indicated that many improvements have been made since our last FISMA audit, however due to the current system conversion project and staffing resource limitations,

receivables have not been recorded within CBRs. The payroll manager indicated that staffing resource limitations did not allow for research or adequate follow-up for payroll accounts receivable. Failure to properly manage receivables reduces the likelihood that all monies owed will be collected.

Recommendation 2

We recommend that the campus:

- a. Perform periodic self-assessments of collection activities. Attention should be focused on accounts that have remained open for extended periods of time;
- b. strengthen collection efforts over foundation accounts including escalation guidelines, which (1) inform senior managers of the campus and foundation as to when accounts become overdue and (2) distinguish between those that have been overdue for extensive periods;
- c. ensure collection efforts are consistently performed for all student accounts and include follow-up letters, phone calls, and use of collection agencies if appropriate;
- d. review each payroll receivable account in detail to ensure that accounts are properly supported, erroneous accounts are corrected, and accounts are properly aged;
- e. account for true and supported payroll receivables within the CBRs;
- f. develop payroll collection procedures and provide adequate resources to ensure that collection efforts are performed and supported;
- g. document collection efforts for payroll receivables submitted to the SCO for relief from accountability. If collection efforts cannot be documented, the campus should perform and document collection procedures including collection letters, phone calls, State Franchise Tax Board offsets, or use of collection agencies.

Campus Response

- We concur and corrective action has been completed for student receivables. New formalized procedures are attached.
- We are in the process of developing procedures for payroll and Foundation receivables. (1) For payroll receivables and for revolving fund payroll-related receivables (see Recommendation 5), those procedures will involve identifying old receivables for which the campus has executed all avenues of research and collection that it can, but due to the age of the receivables cannot reach relief and/or collection. Those receivables will be set aside and efforts put into current receivables, including developing documentation of collection procedures. Toward that goal, an accounting clerk has been hired to concentrate on payroll and revolving fund payroll-related receivables. (2) For Foundation receivables, those procedures will involve escalation of overdue or disputed receivables, and regular meetings between the campus Accounting Manager and her counterpart at the Foundation. Approved procedures will be in place no later than November 1, 1999.

LIBRARY OBLIGATIONS

Administration of library obligations requires improvement.

For example:

- The library was not maintaining an aging schedule that provided the total amount owed the campus and the length of time individual obligations were outstanding;
- The library system database indicated that, as of January 1999, there were library obligations totaling \$ 144,613. Upon our request, the campus provided the following aging schedule (by date of last student attendance) of library obligations.

Age of Obligation	Amount
Under 90 days	\$3,752
90 days to 1 year old	\$25,879
1 year to 5 years old	\$70,235
5 years to 7 years old	\$3,448
7 years to 12 years old	\$41,298
Total Obligations	\$144,613

- Material library obligations are not recorded within the campus system of record (CBRS).
- Collection procedures for inter-library loan obligations did not include follow-up requirements. The inter-library loan department maintained approximately \$600 in outstanding inter-library loan obligations.

The searching, holds and fees supervisor and university controller indicated that, because the library had always been responsible for their own collections, the coordination of library obligations with the campus accounting office had not occurred.

Failure to follow-up timely on library obligations increases the risk of lost revenues and provides campus administration with an inaccurate view of total outstanding accounts.

Recommendation 3

We recommend that the campus strengthen administrative procedures over library obligations to ensure that:

- a. there is an aging of library obligations;

- b. collection efforts are performed for inter-library loan accounts; and
- c. material library obligations are included within the campus system of record (CBRS) for receivables.

Campus Response

We concur and corrective action has been taken. New procedures specifically in line with the recommendation points have been developed and communicated to library administration (response from library attached).

LOCAL WRITE-OFFS

Local write-offs of student accounts were not adequately documented or analyzed.

Write-off approval authorizations were not being documented and the campus did not perform an analysis of collection efforts prior to the local write-off of student accounts. During fiscal year 1997/98, the campus performed local write-offs in the amount of approximately \$73,649 in student accounts.

Executive Order 616 delegates to the campus the authority to write-off (discharge) debts of \$1,000 or less which are either uncollectable, or the amount(s) involved do not justify the cost of collections.

The associate manager of accounting services indicated that a general review of local write-offs is performed; however, a detailed review of each charge is not performed due to staffing limitations. The associate manager of accounting services also indicated that a formalized approval procedure for local write-off has never been performed.

Internal control over local write-offs is compromised when analysis of collection efforts is either not performed or not documented.

Recommendation 4

We recommend that the campus:

- a. perform an analysis of collection efforts prior to write-offs to ensure all possible collections efforts have been attempted prior to the requested adjustment; and
- b. formalize local write-off procedures to include a documented write-off approval process.

Campus Response

We concur and corrective action has been completed. Formalized procedure memo is attached as a part of the response to Recommendation 2.

REVOLVING FUND

PAYROLL TRANSACTIONS

Payroll revolving fund transactions were not always properly supported or collected in a timely manner.

The January 1999 payroll revolving fund balances indicated that approximately \$142,463 had been outstanding longer than 180 days with transactions dating back sixteen years. The following aging schedule was obtained from the campus:

Age of Payroll Transactions	Amounts
Under 60 days old	\$43,798
60 days to 180 days old	\$4,392
180 days to 2 years old	\$40,450
2 years to 5 years old	\$30,011
5 years to 10 years old	\$48,827
10 years to 16 years old	\$23,175
Total	\$190,653

A sample of ten older transactions was reviewed for supporting documentation and collection efforts. Eight of the ten transactions reviewed did not have documented collection efforts, and the payroll department could not support seven of the ten transactions.

SUAM §3813 requires prompt clearance of revolving fund payroll transactions. Generally, the time period for recovery of salary advances should not exceed sixty days.

In addition, SAM §8595 and SAM §8776.6 require the clearance of revolving fund payroll transactions through offset against subsequent payroll warrants or use of relief from accountability.

The payroll manager indicated that many revolving fund payroll transactions have been outstanding for several years and older accounts were not always adequately documented. The university controller and payroll manager indicated that, due to limited staffing resources, only current revolving fund transactions are regularly processed.

Not strengthening procedures related to payroll advances increases the risk that monies owed will not be collected.

Recommendation 5

We recommend that the campus:

- a. research and document transaction purpose and prior collection efforts for each of the outstanding revolving fund payroll transactions;
- b. perform additional collection efforts on open payroll transaction accounts; and
- c. identify accounts deemed to be uncollectable and request “claim for reimbursement” from the State Controllers Office.

Campus Response

We concur and will comply. As this issue will be incorporated by the campus into its handling of payroll receivables, please refer to the response to Recommendation 2.

CASH DISBURSEMENTS

UNIVERSITY BANKING ACCOUNTS

Separation of duties and administration related to university banking accounts requires improvement.

For example:

- Employees, who were both authorized signers and performed transactions on the accounts, also reconciled seven of the nine accounts reviewed.
- Bank reconciliations were not signed and dated by the preparer and reviewer.
- Two of the nine university banking accounts continued to provide signatory authority to long separated employees.

SAM §8080 indicates that no one person will have the ability to authorize transactions and reconcile bank statements.

SAM §7908 requires that reconcilements show the names of the preparer and the reviewer and the dates the reconciliation was prepared and reviewed.

SAM §8002 indicates that it is the agency's responsibility to ensure that adequate safeguards are taken to preclude improper or unauthorized use of accounts held outside the centralized treasury system.

The university controller and tax and audit coordinator indicated that the above issues regarding university banking accounts were due to an oversight.

Lack of proper administration of bank accounts increases the risk that errors and irregularities will not be detected.

Recommendation 6

We recommend that the campus:

- a. ensure that all bank accounts are reconciled monthly by an employee who is not directly involved with the transactions of the account.
- b. ensure that university bank account reconcilements are signed and dated by the preparer and reviewer.
- c. maintain current bank account signature cards.

Campus Response

We concur and have complied as to points (a) and (b). Supporting documentation is attached. Bank account signature cards will be updated by November 1, 1999.

RECONCILIATION OF EXPENDITURES WITH PROPERTY RECORDS

Reconciliations between property records and the general ledger were not completed timely.

Our review of the most current property reconciliations (May 1998, June 1998, and January 1999), indicated delays of up to six months. As a result, three of fifteen acquisitions reviewed were not added to the general ledger in a timely manner.

SAM §7969 requires that, at the end of each month or quarter, agencies will reconcile the equipment expenditures from the current year's state operations appropriations with accretions of major property to the property ledger.

The financial reporting administrator and property clerk stated that, due to the recent system conversion project and limited staffing resources, property reconcilements for July through November 1998 were not completed timely.

Not completing property reconciliations in a timely manner increases the risk that errors and irregularities will not be detected.

Recommendation 7

We recommend that the campus complete timely reconciliations of property records to the appropriate general ledger accounts.

Campus Response

We concur and corrective action has been completed. All asset records maintained in the old property databases have been converted to Oracle assets. Balances in the Oracle assets records have been reconciled to FAS account balances. Accounting Services has been doing a monthly reconciliation since conversion was complete and will continue to do so.

FISCAL INFORMATION TECHNOLOGY

ACCESS SECURITY

Access security for the new Oracle financial system requires improvement.

For example:

- computer terminals do not automatically log off after periods of inactivity;
- access security and audit logs have not been enabled on the new financial system; and
- a policy on Internet access has not been established.

SAM §20003 requires, in part, that there be a plan that limits access to State agency assets to authorized personnel who required these assets in the performance of their assigned duties.

The director of university computer operations indicated that security technology has not been thoroughly reviewed for the new system to ensure that access security configurations and policies are adequate.

Not maintaining appropriate access security controls increases the risk of unauthorized access to campus systems and confidential data.

Recommendation 8

We recommend that the campus review access security for the new Oracle financial system and, at a minimum, implement:

- a. provisions for automatic log off;
- b. audit trails;
- c. database system security and;
- d. an internet policy.

Campus Response

We concur and corrective action has been taken. Responsibility for user access rights to the applications has been assigned to an individual (with back up) in Business Information Systems, that is, outside of the functional areas. That individual monitors access rights for gaps in security, such as both creation and approval rights. All access rights require multiple approvals. An audit trail has been established as this individual also maintains a record of all application configuration changes and generates system reports to monitor access and use at both application and forms levels. Access to all applications requires user name and password. Because the applications are web-based, a general campus Internet policy would not be sufficient. Therefore, as of May 14, University Computer Operations blocked telnet access into the Oracle environments except for those going through Secure Shell client. Automatic log offs are not supported in the current release. If and when supported, auto log off will be set up.

SOFTWARE VERSION CONTROL

The new Oracle financial system was not equipped with an adequate software version control.

Changes to complex systems need to be controlled through software version control.

The director of university computer operations stated that the new system does not come with an adequate software version control for the entire system.

Without software version controls, the risk of system failure is increased due to unsynchronized system setups and installation patches.

Subsequent to our audit fieldwork, the campus purchased a software version control application for the new Oracle financial system.

DISASTER RECOVERY

A disaster recovery plan has not been developed for the new Oracle financial system.

SAM §4843.1 requires each state agency to establish and maintain both an operational recovery plan to protect its information assets in the event of a disaster or serious disruption to its operations, and the agency's plans for resuming operation following a disaster affecting those applications.

The director of university computer operations indicated that the disaster recovery plan for the new Oracle had not yet been developed.

The lack of a disaster recovery plan increases the risk of a data systems breakdown in the event of a power failure or natural disaster.

Recommendation 9

We recommend that the campus develop a disaster recovery plan for the new Oracle financial system.

Campus Response

We concur and corrective action has been taken, with recovery supported by three approaches: (1) UCO has enabled backup policies and procedures such that the database can be restored from any point, including the current day's transactions entered up to the failure point. (2) With the acquisition of the Sun multi-domain server, an instance in one domain can be reinstalled and reconfigured to another domain (the Oracle production database would be moved to either the test or "spare" domain). (3) An agreement with Sun Microsystems provides that they will loan us hardware until we have worked out a disaster reciprocity agreement with another university running Oracle applications on a Sun platform (see attachments).

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Stephen Weber	President
Cindy Batzler	Accounting Technician
Donna Bell	Business Manager, Athletics – Business Affairs
Linda Beum	Accounting Technician
Sue Blair	Director, Personnel Services
Leslie Chase	Financial Reporting Manager
Peggy Daulton	Records Clerk, Public Safety
Kathleen Deaver	Student Services Coordinator, Adm. & and Records
Ronald Dinelli	Payroll Manager
Linda Dotson	Manager, University Collections
Cathy Garcia	Assistant Director, Procurement Services
Ellene Gibbs	Director, Business Information Management
Dan Gilbreath	University Controller
Alison Hunter	Tax and Audit Coordinator
Loretta Leavitt	Manager, Accounting Services
Janifer Leung-Lau	Associate Manager, Accounting Services
Virginia Litonjua	Assistant to the University Controller
Edmund Lucas	Property Clerk, Material Management
Kelley Martin	Inter-Library Loan Supervisor
Kay Messinger	Operations Director, Business Information Systems
Robert Newhouse	Director, University Computer Operations
Cindy Ormsby	Accounting Technician
Mary Ann Patty	Manager, University Cashiers
Lawrence Peralez	Director, Business Services
Kenneth Perry	Associate Vice President, Financial Management
Deborah Quiett	Manager, Student Financial Services
Sally Roush	Vice President, Business and Financial Affairs
Daniel Rivera	Searching, Holds, and Fees Supervisor
Richard Scharff	Director, Procurement Services
Wendy Schmidt	Circulation Desk Supervisor
John Skaggs	Accounting Technician
April Stammerjohn	Accounts Payable Manager
Michael Smoger	Law Enforcement Support Services Manager
Joseph Vasquez	Associate Vice President, Business Enterprises
Sherry Velthuysen	Head Cashier Student Health Service

STATEMENT OF INTERNAL CONTROLS

A. INTRODUCTION

Internal accounting and related operational controls established by the State of California, the CSU 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 which 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 record keeping 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.