

FISMA

**CALIFORNIA STATE UNIVERSITY,
LOS ANGELES**

**Report Number 04-02
July 15, 2004**

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THE CALIFORNIA STATE UNIVERSITY

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ABBREVIATIONS

CSU	California State University
CSULA	California State University, Los Angeles
FISMA	Financial Integrity and State Manager's Accountability Act
SAM	State Administrative Manual

EXECUTIVE SUMMARY

In 1983, the California Legislature passed the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA). 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 internal control audits (covering accounting and fiscal compliance practices) in accordance with the *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.

We visited the California State University, Los Angeles (CSULA) campus from February 16, 2004, through March 26, 2004, and made a study and evaluation of the accounting and administrative control in effect as of March 26, 2004. This report represents our biennial review.

CSULA 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.

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 control over the following areas: cash receipts and fiscal information technology. 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, CSULA's accounting and administrative control in effect as of March 26, 2004, 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 change 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 [5]

Certain activities that impact the control environment for cash receipts needed improvement. None of the three satellite cashiering areas visited prepared daily reconciliations to show that the day's receipts were reconciled and agreed to supporting records; two of the locations did not maintain an adequate segregation of duties over cash receipts; and one location did not utilize separate cash drawers and transfer receipts to localize accountability, and allowed the day's deposit to be transported by only one individual. Further, there were no written records of individuals with the combination to the safes at main cashiering and two of three satellite cashiering locations visited, and no written records of the date the combination was last changed at the same two satellite cashiering locations. In addition, the campus had not established procedures to periodically request local banks to search for unauthorized bank accounts.

PURCHASING [9]

Procurement card controls did not ensure that prior written approval was obtained for the purchase of prohibited items and the timely submission of procurement card statements. A review of 11 procurement card statements showed that two cardholders purchased prohibited items without prior written approval, and one procurement card statement was not submitted in a timely manner.

REVOLVING FUND [10]

Controls over travel expense claims did not always ensure that travel expenses paid were actually incurred. A review of ten travel expense claims disclosed that, in two instances, travel expenses (hotel and air fare) were paid in advance of the trip without any subsequent documentation to show that the travel expenses were actually incurred by the claimant.

FISCAL INFORMATION TECHNOLOGY [10]

Control over the integrity of data files was not adequate. Password controls for accounts on the PeopleSoft financial system were not set to effectively deter unauthorized access because password history, expiration, and aging rules were not active; and certain individuals had been assigned Oracle IDs that could have allowed them to modify production PeopleSoft data. In addition, access privileges to the PeopleSoft financial system were not effectively assigned to prevent unauthorized access and data modification.

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.
- ▶ 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 *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 2002/03 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 2003 to March 2004. Our primary focus was on internal controls. Specifically, we reviewed and tested:

- ▶ Procedures for receipting and storing cash, segregation of duties involving cash receipting, and recording of cash receipts.

INTRODUCTION

- ▶ 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 automated accounting systems and proper documentation of the systems.
- ▶ 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 March 26, 2004. 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

MAIN AND SATELLITE CASHIERING

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

Main Cashiering

There was no written record of individuals with the combination to the safe.

The director of student financial services stated that, while it was not formally documented, the director and supervisors within the cashier's office had knowledge of the combinations to the safe, as required by their job duties.

Parking Services

- ▶ Separate cash drawers and transfer receipts were not utilized to localize accountability to a specific employee from receipt to deposit.
- ▶ Daily cash reconciliations were not formally prepared to show that the day's receipts were reconciled and agreed to supporting records.
- ▶ Monthly reconciliations for parking citations did not show the name of the preparer and the reviewer and the date prepared and reviewed to provide accountability and evidence of the timeliness of reconciliations.
- ▶ An adequate separation of duties over cash receipts had not been established. A single staff member was responsible for the receipt, deposit, and reconciliation of cash transactions.
- ▶ Only one individual transported the day's deposit from the commuter office to main cashiering.
- ▶ There was no written record of individuals with the combination to the safe and/or access to the locked cabinet and the date the combination was last changed.

The director of public safety stated that the noted conditions were due to the recent assumption of responsibilities for this function in July 2003, maintaining ongoing operations with reduced staffing resources, and unintentional oversight.

Housing Services

- ▶ Daily reconciliations were not formally prepared to show that the day's receipts were reconciled and agreed to supporting records.
- ▶ There was no written record of individuals with the combination to the safe and the date the combination was last changed.

The business manager for housing services stated that management had not been aware that a daily reconciliation of cash receipts should be done, and that due to staff turnover, a new memo regarding safe access was unintentionally overlooked.

Extended Education

- ▶ Daily reconciliations were not formally prepared to show that the day's receipts were reconciled and agreed to supporting records.
- ▶ An adequate separation of duties over cash receipts had not been established. A single staff member was responsible for the receipt, deposit, and reconciliation of transactions.

The registration supervisor of extended education stated that management was unaware that daily reconciliations needed to be done and that an adequate separation of duties needed to be established.

State Administrative Manual (SAM) §8021 requires that a separate series of transfer receipts be used to localize accountability for cash or negotiable instruments to a specific employee from the time of its receipt to its deposit.

SAM §7908 states that all reconciliations will show the preparer's name, reviewer's name, date prepared, and date reviewed.

SAM §8080 requires that no one person will receive and deposit remittances along with reconciling cash transactions.

SAM §8024 requires changing safe combinations when employees leave a department and retaining a record listing the names of individuals with knowledge of a department's safe combination and the date the combination was last changed.

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.

Inadequate controls and segregation of duties over cash receipts increase campus exposure to loss from inappropriate acts.

Recommendation 1

We recommend that the campus:

- a. Maintain a written record of the individuals with the combination to the safe at main cashiering, parking services, and housing services; and a written record of the date the combination was last changed at parking and housing services.
- b. Implement the use of transfer receipts at parking services to localize accountability over checks received through the mail and cash received.
- c. Establish procedures to ensure that monthly reconciliations prepared by parking services are signed and dated by the preparer and reviewer.
- d. Establish procedures to ensure that daily reconciliations are formally prepared by parking services, housing services, and extended education to show that the day's receipts were reconciled and agreed to supporting records.
- e. Review the cashiering activities at parking services and extended education and take action to appropriately segregate the duties or establish effective mitigating controls.
- f. Establish procedures to ensure that the transfer of cash receipts from the commuter office to main cashiering is performed by at least two individuals.

Campus Response

- a. For the safe at main cashiering, a written record identifying the individuals having the combination has been established. For the safe at parking services, a written record of the individuals with the combination to the safe and the date the combination was last changed will be established by October 15, 2004. For the safe in housing services, a written record has been established identifying the individuals having the combination and the date the combination was last changed.
- b. Transfer receipts will be implemented at parking services to localize accountability over checks received through the mail and cash received. This will be completed by October 15, 2004.
- c. Procedures will be established to ensure that monthly reconciliations prepared by parking services are signed and dated by the preparer and reviewer. This will be completed by October 15, 2004.
- d. In parking services, procedures will be established to ensure the formal preparation of daily reconciliations to show that the day's receipts are agreed to supporting records; these will be implemented by October 15, 2004. Procedures were implemented in housing services to establish daily reconciliations by the staff, showing the day's receipts agree with supporting records. In extended education, procedures have been implemented to establish consistent recording of daily cashiering activity and performance of the recommended reconciliations.

- e. At parking services, procedures to appropriately segregate the duties, or to establish effective mitigating controls, will be implemented by October 15, 2004. In extended education, procedures have been implemented to appropriately segregate the cashiering duties performed there.
- f. At parking services, procedures will be established to ensure that the transfer of cash receipts from the commuter office to main cashiering is performed by at least two individuals; these will be implemented by October 15, 2004.

BANK SURVEYS

The campus did not have a procedure to periodically request local banks to search for unauthorized bank accounts that use the campus name, address, and federal identification number.

Government Code §13401(b)(3) states that all levels of management of state agencies must be involved in assessing and strengthening the systems of internal accounting and administrative control to minimize fraud, errors, abuse, and waste of government funds.

The assistant vice president of administration and finance stated that the campus had surveyed local banks in response to a prior Financial Integrity and State Manager's Accountability Act (FISMA) audit, but banks with which the campus did not do business did not respond. He further stated his belief that surveying local banks and receiving no responses was not an acceptable use of campus resources. He added that the most effective control was to ensure ongoing fiscal integrity of authorized accounts and to maintain due diligence with area banks where the university has an established relationship.

The lack of process to periodically search for unauthorized bank accounts increases the risk of the campus being associated with improper bank accounts.

Recommendation 2

We recommend that the campus establish and implement procedures to periodically request local banks to search for unauthorized bank accounts that use the university's name, address, or federal identification number.

Campus Response

The described requests have been sent to local banks. The decision to continue the procedure will be based on the level of responses received from the banks.

PURCHASING

Procurement card controls did not ensure that prior written approval was obtained for the purchase of prohibited items and the timely submission of procurement card statements.

Our review of 11 procurement card statements from December 2003 disclosed that two cardholders purchased prohibited items for the Educational Participation in Communities program without prior written approval, and one procurement card statement was submitted 12 days after the 30th of the month.

The California State University, Los Angeles *Procurement Card Manual*, dated October 2002, states that use of the procurement card for food items and personal purchases are prohibited and that exceptions may only be made with prior written approval from the director of procurement and contracts. It also states that card statements must be in the accounts payable office by the 30th of the month.

The director of procurement and contracts stated that due to personnel turnover, the procurement card program was reassigned to a new buyer. He further stated that during the transition, the cardholder file for the Educational Participation in Communities program was misfiled and could not be located during the audit.

Non-compliance with campus procurement card policies and procedures increases the risk of loss from inappropriate acts.

Recommendation 3

We recommend that the campus remind the campus community that procurement cards cannot be used to purchase restricted items unless prior approval is obtained, and strengthen controls to ensure the timely submission of procurement card statements.

Campus Response

The campus procurement and contracts department conducted seven procurement card refresher training sessions for campus personnel from February 4, 2004, to April 1, 2004. These sessions included a reminder for the campus community that procurement cards cannot be used to purchase restricted items unless prior approval is obtained, and reviewed strengthened controls to ensure the timely submission of procurement card statements.

REVOLVING FUND

Controls over travel expense claims did not always ensure that travel expenses paid were actually incurred.

Our review of ten travel expense claims reimbursed between July 2002 and October 2003 disclosed that, in two instances, travel expenses (hotel and air fare) were paid in advance of the trip without any subsequent documentation to show that the travel expenses were actually incurred by the claimant.

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

SAM §8711.3 states that it is the responsibility of the agency accounting office to verify invoices from transportation companies to determine that the transportation service was furnished and the rate charged is correct. Verification that the service was furnished can be determined by comparing the transportation invoice with the passenger coupons received by the traveler and attached to his/her travel expense claim.

The university controller stated that the acceptance of travel expense claims without the appropriate receipts was due to oversight.

Inadequate oversight of travel expense claims increases the risk that funds will be lost and inappropriate reimbursements will be made.

Recommendation 4

We recommend that the campus strengthen controls over the substantiation of travel expenses.

Campus Response

The travel department will follow all established travel procedures, including substantiation of travel expenses.

FISCAL INFORMATION TECHNOLOGY

PASSWORD CONTROLS

Passwords controls for accounts on the PeopleSoft financial system were not set to effectively deter unauthorized access.

Specifically, password history, expiration, and aging rules were not active.

SAM §4841 requires state agencies to provide for the proper use and protection of its information assets by establishing appropriate policies and procedures for preserving the integrity and security of automated files and databases.

The director of administrative technology stated that the existing parameter settings had been in place to facilitate implementation and to accommodate the varying needs of the campus users, but the requirements for those settings no longer existed due to architectural changes in the systems.

Ineffective password settings increase the likelihood that password confidentiality could become compromised and result in unauthorized access.

Recommendation 5

We recommend that password settings for all computer authentication be changed to minimize the risk of disclosure and unauthorized system access.

Campus Response

The version of the PeopleSoft system currently in place at the campus does not support system enforced password changes at specified intervals. The campus will upgrade to a more current version of CMS PeopleSoft Financials software, where this level of security will be implemented and enforced. The software upgrade is scheduled for December 2004.

PRODUCTION DATA ACCESS

Certain individuals had been assigned Oracle IDs that could have allowed them to modify production PeopleSoft data.

SAM §4842.2 states that appropriate risk management procedures should be implemented to safeguard the integrity of data files, which includes effective account management. Effective account management is considered to include an appropriate authorization and monitoring of accounts that have access to production data files.

The director of information technology security and compliance stated that the campus did not monitor and restrict full access to production Oracle accounts to two previously identified information technology services database administrators, and that written procedures to document that process were being finalized.

Inadequate control over the use and monitoring of accounts with access to production data increases the risk of unauthorized and undetected modification of production data.

Recommendation 6

We recommend that the campus implement a process for authorizing and monitoring the use of IDs with access to production data to ensure that all such access is authorized.

Campus Response

The campus will publish a procedure identifying its criteria for granting and removing access to production data. In addition, the campus will develop and implement the use of an access request form to document the process of approving access to production data; requestors will be required to obtain appropriate signature approval before being granted such access. The anticipated implementation date for the procedure and the access request form is November 1, 2004.

PEOPLESOFT ACCESS PRIVILEGES

Access privileges to the PeopleSoft financial system were not effectively assigned to prevent unauthorized access and data modification.

We found that:

- ▶ Nine individuals had been granted “all panels” privileges.
- ▶ Unused classes had not been removed.
- ▶ Some individuals had been given “Super” privileges to the purchasing, general ledger, and accounts payable modules, which was not compatible with their assigned duties.
- ▶ Seven user IDs had update access to vendor information, which included staff members from purchasing and accounting.
- ▶ Job classes had extensive correction mode access to many fields.
- ▶ Correction mode access to critical fields was not sufficiently restricted to only certain individuals.
- ▶ Management did not specifically approve correction mode modifications made to critical fields.

SAM §8080.1 requires each state agency to establish and maintain an adequate system of internal control, and states that a key element in a system of internal control is separation of duties. Further, “No one person shall perform more than one of the following (11) types of duties: (3) Maintaining records file and operating mechanized equipment ... (4) Initiating disbursement document ... (5) Approving disbursement document ... (6) Inputting disbursement information.”

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

The director of administrative technology stated that several organizational and system changes had occurred since access had been reviewed, and that security privileges and correction mode access were under review in preparation for the upcoming software upgrade.

Not properly limiting access privileges increases the risk of fraudulent or unauthorized activities.

Recommendation 7

We recommend that the campus review access privileges and take appropriate action to segregate duties and restrict update responsibilities. Specifically:

- a. Reduce the number of individuals granted “all panels” privileges.
- b. Remove unused classes.
- c. Remove individual “Super” privileges to multiple application modules.
- d. Restrict update access to vendor information.
- e. Remove correction mode access from those classes that do not require such access to perform normal job duties.
- f. Restrict correction mode access to critical fields to only certain classes.
- g. Implement procedures to require management authorization for using correction mode on certain critical fields.

Campus Response

The campus has begun a review of current user access privileges. The recommendations from this appraisal will be submitted to the data custodian, the associate vice president for administration and finance/financial services, for his review and approval; implementation of the approved recommendations will follow. This process will be completed by November 1, 2004.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
James M. Rosser	President
Erika Alvarez	Assistant to the Controller
Ellen Benson	Assistant Director, Human Resources Management
Cynthia Burks	General Accounting Supervisor
Fausto Caceres	Administrative Analyst and Lead, Payroll Services
Linda Chow	Accounts Payable Supervisor
Sharon Concepcion	Business Manager, Housing Services
Jo Anne Disney	Parking Manager, Parking Services
Annie Ekshian	Information Technology Consultant, Materials Management
Ed Feighery	Director of Student Financial Services
Annette Felix	Parking Accountant, Parking Services
Carmen Gachupia	Transportation Program Manager, Commuter Services
Steven Garcia	Vice President, Administration and Finance
Betina Gomez	Records Clerk, University Police
Ann Harris	Assistant Controller
Patty Higuchi	Director, Administrative Technology
Bob Hoffmann	Manager, Data Center Operations
Thomas Johnson	Director, Procurement and Contracts
Elizabeth Kent	Travel Coordinator
Greg King	Director of Public Safety
Yuet Lee	Assistant Vice President, Administration and Finance
Thomas Leung	University Controller
Ana Martinez	Employment Service Manager, Human Resources
Rosa Mejia	Records/Dispatch Supervisor, University Police
Carol Milton	Systems Analyst, Information Technology Security Management and Compliance
Joseph Mitchell	Manager, Materials Management
Bev Mitchum	Director, Information Technology Security and Compliance
Mitra Nasri	Supervisor, Property Management
Michael Perry	Senior Internal Auditor
Blanca Rodriguez	Payroll Manager
Mae Santos	Budget Manager
Linda Shaffer	University Internal Auditor
Christine Soto	Receptionist, Business Financial Services
Henry Soto	Director of Budget Administration
Dennis Sotomayor	Facility II Worker, Parking Services
Lisette Valdivia	Administrative Analyst/Specialist
Julie Vu	Property Clerk II
Bryon Wada	Registration Supervisor, Extended Education
Ronnie Wills	Operations Supervisor, Cashier's Office
Joanne Woosley	Director, Admissions and University Registrar

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 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, LOS ANGELES

OFFICE OF THE PRESIDENT

RECEIVED
UNIVERSITY AUDITOR

AUG 24 2004

THE CALIFORNIA STATE
UNIVERSITY

August 24, 2004

Mr. Larry Mandel, University Auditor
Office of the University Auditor
Office of the Chancellor – The California State University
401 Golden Shore, 4th Floor
Long Beach, CA 90802-4210

Re: University's Response to Recommendations Contained in Report Number 04-02

Dear Mr. Mandel

Attached are the University's responses to recommendations contained in Report Number 04-02, *FISMA*

Please contact Mr. Michael Perry, Senior Internal Auditor, at (323) 343-5105 if you wish to discuss any matter contained herein.

Sincerely,

A handwritten signature in blue ink that reads "James M. Rosser".

James M. Rosser
President

Attachment

cc Steven N. Garcia, Campus CFO/Vice President for Administration
Herman D. Lujan, Provost/Vice President for Academic Affairs
Michael Perry, Senior Internal Auditor
Peter Quan, Campus CIO /Vice President for Information Resource Management
Anthony R. Ross, Vice President for Student Affairs

**CALIFORNIA STATE UNIVERSITY,
LOS ANGELES**

**FISMA
AUDIT REPORT NO. 04-02**

CASH RECEIPTS

MAIN AND SATELLITE CASHIERING

Recommendation 1

We recommend that the campus:

- a. Maintain a written record of the individuals with the combination to the safe at main cashiering, parking services, and housing services; and a written record of the date the combination was last changed at parking and housing services.
- b. Implement the use of transfer receipts at parking services to localize accountability over checks received through the mail and cash received.
- c. Establish procedures to ensure monthly reconciliations prepared by parking services are signed and dated by the preparer and reviewer.
- d. Establish procedures to ensure daily reconciliations are formally prepared by parking services, housing services, and extended education to show that the day's receipts were reconciled and agreed to supporting records.
- e. Review the cashiering activities at parking services and extended education and take action to appropriately segregate the duties or establish effective mitigating controls.
- f. Establish procedures to ensure that the transfer of cash receipts from the commuter office to main cashiering is performed by at least two individuals.

Campus Response

- a. For the safe at main cashiering, a written record identifying the individuals having the combination has been established. For the safe at parking services, a written record of the individuals with the combination to the safe and the date the combination was last changed will be established by October 15, 2004. For the safe in housing services, a written record has been established, identifying the individuals having the combination and the date the combination was last changed.
- b. Transfer receipts will be implemented at parking services to localize accountability over checks received through the mail and cash received. This will be completed by October 15, 2004.
- c. Procedures will be established to ensure that monthly reconciliations prepared by parking services are signed and dated by the preparer and reviewer. This will be completed by October 15, 2004.

- d. In parking services, procedures will be established to ensure the formal preparation of daily reconciliations to show that the day's receipts are agreed to supporting records; these will be implemented by October 15, 2004. Procedures were implemented in housing services to establish daily reconciliations by the staff, showing the day's receipts agree with supporting records. In extended education, procedures have been implemented to establish consistent recording of daily cashing activity and performance of the recommended reconciliations.
- e. At parking services, procedures to appropriately segregate the duties, or to establish effective mitigating controls, will be implemented by October 15, 2004. In extended education, procedures have been implemented to appropriately segregate the cashing duties performed there.
- f. At parking services, procedures will be established to ensure the transfer of cash receipts from the commuter office to main cashing is performed by at least two individuals; these will be implemented by October 15, 2004.

BANK SURVEYS

Recommendation 2

We recommend that the campus establish and implement procedures to periodically request local banks to search for unauthorized bank accounts that use the university's name, address, or federal identification number.

Campus Response

The described requests have been sent to local banks. The decision to continue the procedure will be based on the level of responses received from the banks.

PURCHASING

Recommendation 3

We recommend that the campus remind the campus community that procurement cards cannot be used to purchase restricted items unless prior approval is obtained and strengthen controls to ensure the timely submission of procurement card statements.

Campus Response

The campus procurement and contracts department conducted seven procurement card refresher training sessions for campus personnel from February 4, 2004 to April 1, 2004. These sessions included a reminder for the campus community that procurement cards cannot be used to purchase restricted items unless prior approval is obtained, and reviewed strengthened controls to ensure the timely submission of procurement card statements.

REVOLVING FUND

Recommendation 4

We recommend that the campus strengthen controls over the substantiation of travel expenses.

Campus Response

The travel department will follow all established travel procedures, including substantiation of travel expenses.

FISCAL INFORMATION TECHNOLOGY

PASSWORD CONTROLS

Recommendation 5

We recommend that password settings for all computer authentication be changed to minimize the risk of disclosure and unauthorized system access.

Campus Response

The version of the PeopleSoft system currently in place at the campus does not support system enforced password changes at specified intervals. The campus will upgrade to a more current version of CMS PeopleSoft Financials software, where this level of security will be implemented and enforced. The software upgrade is scheduled for December 2004.

PRODUCTION DATA ACCESS

Recommendation 6

We recommend that the campus implement a process for authorizing and monitoring the use of IDs with access to production data to ensure that all such access is authorized.

Campus Response

The campus will publish a procedure identifying its criteria for granting and removing access to production data. In addition, the campus will develop and implement the use of an access request form to document the process of approving access to production data; requestors will be required to obtain appropriate signature approval before being granted such access. The anticipated implementation date for the procedure and the access request form is November 1, 2004.

PEOPLESOFT ACCESS PRIVILEGES

Recommendation 7

We recommend that the campus review access privileges and take appropriate action to segregate duties and restrict update responsibilities. Specifically,

- a. Reduce the number of individuals granted “all panels” privileges.
- b. Remove unused classes.
- c. Remove individual “Super” privileges to multiple application modules.
- d. Restrict update access to vendor information.
- e. Remove correction mode access from those classes that do not require such access to perform normal job duties.
- f. Restrict correction mode access to critical fields to only certain classes.
- g. Implement procedures to require management authorization for using correction mode on certain critical fields.

Campus Response

The campus has begun a review of current user access privileges. The recommendations from this appraisal will be submitted to the data custodian, the associate vice president for administration and finance/financial services, for his review and approval; implementation of the approved recommendations will follow. This process will be completed by November 1, 2004.



THE CALIFORNIA STATE UNIVERSITY
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

September 8, 2004

CHANNEL ISLANDS

CHICO

DOMINGUEZ HILLS

MEMORANDUM

FRESNO

FULLERTON

TO: Mr. Larry Mandel
University Auditor

HAYWARD

FROM: Charles B. Reed
Chancellor

HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 04-02 on *FISMA*,
California State University, Los Angeles

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of September 8, 2004, I accept the response as submitted with the draft final report on *FISMA*, California State University, Los Angeles.

NORTHRIDGE

POMONA

SACRAMENTO

CBR/al

SAN BERNARDINO

Enclosure

SAN DIEGO

cc: Dr. James M. Rosser, President

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS