

**FISMA**  
**CALIFORNIA STATE UNIVERSITY,**  
**LONG BEACH**

**Report Number 99-10**  
**May 3, 2000**

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**BOARD OF TRUSTEES**  
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## **ABBREVIATIONS**

CSU	California State University
CSULB	California State University, Long Beach
FISMA	Financial Integrity and State Manager's Accountability Act
SAM	State Administrative Manual
SUAM	State University Administrative Manual

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## INTRODUCTION

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### 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.

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### 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 1998-1999 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 1997 through December 1999. Our primary focus was on internal controls, and we reviewed and tested:

- ▶ 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 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 addressed.

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## 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 such audits within the CSU. This report represents our biennial review.

## **OPINION**

We visited the CSU Long Beach campus from November 29, 1999 through January 18, 2000 and made a study and evaluation of the accounting and administrative control in effect as of January 18, 2000. Our study and evaluation was 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 campus' management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with Government Code, Sections 13402 et seq., includes documenting internal controls, communicating requirements to employees, and assuring that internal controls are 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 controls 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 did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on the accounting and administrative controls. However, we identified other reportable weaknesses that are described in the Executive Summary below and in the body of the report.

In our opinion, the accounting and administrative controls at CSU Long Beach in effect as of January 18, 2000, 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 cost effective; moreover, an audit may not always detect such limitations.

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## **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 - SATELLITE LOCATIONS [6]**

Internal controls at student health services and the performing arts center were in need of improvement. Properly securing cash receipts reduces the risk of loss.

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

Controls over accounts receivable from augmented health services and prescriptions provided by student health services need improvement. Adequate controls over receivables and fee waivers decrease the risk of lost funds.

### **PURCHASING [7]**

Controls related to campus procurement card purchases and statements need improvement. Adequate controls over credit card purchases and statement processing reduces the risk of inappropriate purchases.

### **EMPLOYEE SEPARATION PROCEDURES [8]**

Completed employee clearance forms did not document the return of procurement cards. Such documentation decreases the risk of loss of state resources.

### **FIXED ASSETS [9]**

#### **PROPERTY IDENTIFICATION [9]**

Controls over property identification were in need of improvement. The timely identification of property inventory decreases the risk that property will be lost or stolen.

#### **INVENTORY DELETIONS [10]**

Inventory deletions for stolen campus property were not occurring regularly. Removing stolen property from the inventory creates proper accounting records.

## **PROPERTY RECONCILIATIONS [11]**

Property reconciliations were not completed in a timely manner. Completing property reconciliations in a timely manner decreases the risk that errors and irregularities will not be detected.

## **FISCAL INFORMATION TECHNOLOGY [11]**

### **DATA SECURITY CONFIGURATION [11]**

System software configuration for passwords is not adequate. Adequate system security configurations decrease the risk that unauthorized users can deduce passwords and provide unauthorized access to CSU systems and confidential data.

### **FACILITIES [13]**

The roof structure for the data center may be in need of improvement. Adequate structural integrity from water damage decreases the risk of loss of electronic records, electrical shorts and fire, employee injuries, and noncompliance with occupational safety and health regulations.

## **TRUST FUND ADMINISTRATION [13]**

Administration of trust fund operations was inadequate. Maintaining current trust agreements reduces the risk of improper or unauthorized transactions.

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

### **CASH RECEIPTS - SATELLITE LOCATIONS**

Internal controls at student health services and the performing arts center were in need of improvement.

We noted that large deposits (over \$3,000) were transferred from the performing arts center and student health services without appropriate escort services.

SAM §8032.4 states that whenever coin and currency to be deposited exceeds \$3,000, 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.

The director of student health services stated that the department had been unclear regarding the specific requirements for transporting large deposits.

The ticket office manager of the performing arts center stated that the staffing level does not enable multiple employees to deliver large deposits. She indicated that the department did not use public safety as an escort because of the time involved in arranging the service.

When cash receipts are not properly secured, there is an increased risk of loss.

#### **Recommendation 1**

We recommend that the campus implement procedures to assign two employees or utilize an escort to deliver large deposits.

#### **Campus Response**

We concur. Standard practice at the student health center is to deliver receipts to the cashier's office daily. Current practice and now written policy require large deposits of \$3,000 or more to be delivered by two individuals, or by two or more deposits to reduce the amount of cash transported at one time. The ticket office at the performing arts center has also modified their procedures to require two employees to transport large deposits to the cashier's office. Corrective action on this recommendation is complete.

### **ACCOUNTS RECEIVABLE**

Controls over accounts receivable from augmented health services and prescriptions provided by student health services need improvement.

We noted that:

- ▶ promissory notes for unpaid health services were issued by personnel without fiscal authority;
- ▶ notes were not immediately recorded in the central campus system for student receivables; and
- ▶ procedures to waive receivables related to augmented health service fees were not documented.

Executive Order 648 states that the campus president may delegate fiscal authority and responsibility to selected executive officers.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control includes a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The director of student health services stated that, because the department did not have access to the campus cashing system, they were unable to promptly record promissory note balances. Additionally, the department had not considered documenting waiver procedures due to their infrequent nature.

When internal controls over receivables and waivers for augmented health services and prescriptions are inadequate, there is an increased risk for loss of funds from uncollected fees.

## **Recommendation 2**

We recommend that the campus:

- a. develop and document a policy and procedures for deferring/waiving payment of student fees related to augmented health services;
- b. request a legal opinion from General Counsel to clarify the specific authority for providing health services without collection of related fees at the time the service is rendered; and
- c. determine an appropriate method to record health center receivables in the central campus system for student receivables.

## **Campus Response**

We concur. The campus will establish a policy and procedures for deferring/waiving payment of student fees related to augmented health services, clarifying with General Counsel the specific authority for providing health services without collection of related fees at the time the service is rendered. We will then determine an appropriate method to record student health center receivables in the central campus system for student receivables. The estimated date of completion is October 31, 2000.

## **PURCHASING**

Controls related to campus procurement card purchases and statements need improvement.

We noted the following during our review of fourteen credit card statements:

- ▶ Two statements included non-business related purchases that were subsequently reimbursed by the cardholders;
- ▶ Ten statements did not report whether purchases were made from small, minority, women-owned, and disabled veteran business enterprises;
- ▶ Six statements did not include the initials of the approving officials and approval date on the bank statement; and
- ▶ Two statements did not include approval dates on the procurement credit card purchase reports.

CSULB Procurement Credit Card Handbook states that:

- ▶ Procurement credit cards are to be used to conduct CSU business only;
- ▶ Cardholders are required to report whether purchases were made from small, minority, women-owned, and disabled veteran business enterprises;
- ▶ Approving officials are required to initial and date the monthly bank statements; and
- ▶ Approving officials are required to date the monthly procurement credit card purchase reports.

The purchasing manager stated that cardholders and approving officials complete a training program on the campus procurement credit cards, and errors were due to unintentional oversights.

When credit card purchases and statement processing are not adequately controlled, there is an increased risk that inappropriate purchases will be made.

### **Recommendation 3**

We recommend that the campus strengthen controls to ensure compliance with policies and procedures described in the procurement credit card handbook.

### **Campus Response**

We concur. In recognition of the need for policy revision and enhanced controls, the University revised the Procurement Card Manual effective January 31, 2000. The new procedures, in conjunction with renewed emphasis on training and monitoring of accounts, should eliminate the noted procedural errors and will enhance overall controls. Corrective action on this item is complete.

## **EMPLOYEE SEPARATION PROCEDURES**

Completed employee clearance forms did not document the return of procurement cards.

SAM §8580.4 states that salary warrants will not be distributed to separating employees until the agency is assured that all outstanding travel and salary advances have been paid. This may be done by incorporating into a general "check-out" list the requirement that along with other acknowledgments for State-owned items such as credit cards, keys, all state records and equipment, that the revolving fund clerk's acknowledgment also be obtained prior to the release of the final warrant.

The director of payroll and benefit services stated that the campus verified the return of procurement cards from separating employees but did not document the procedure.

Failure to document the return of procurement cards increases the risk of loss of state resources.

#### **Recommendation 4**

We recommend that the return of procurement cards be documented on employee clearance forms.

#### **Campus Response**

We concur. The Employee Clearance Form has been revised to include a box to be checked upon the return of the procurement card. New procedures require the payroll employee receiving the clearance document to collect the procurement card and initial that this item has been checked for those terminating employees who had been issued procurement cards. Corrective action on this recommendation is complete.

## **FIXED ASSETS**

### **PROPERTY IDENTIFICATION**

Controls over property identification were in need of improvement.

During our review, we found that the most current property inventory update occurred in October 1999. This inventory listing did not include fifteen acquisitions valued over \$160,000. These assets were either not tagged or entered into the property inventory for up to six months after they were received.

SAM §8650 states that departments will record the following information when property is acquired: (a) date acquired; (b) property description; (c) property identification number; (d) cost or other basis of valuation; (e) owner fund; and (f) applicable rate of depreciation.

SAM §8651 states that all state property will be tagged after acquisition.

The property office manager stated that a significant amount of time is required to compile property inventory source documents to determine whether capitalization is appropriate.

When property is not tagged and entered on the property inventory in a timely manner, property records are understated and there is an increased risk that property will be lost or stolen.

#### **Recommendation 5**

We recommend that the campus strengthen controls over the identification of property inventory.

#### **Campus Response**

We concur and are committed to strengthening controls in this area. Although some of the identified items were not tagable equipment, we agree that state property must be tagged in a timely manner. All tagable items have now been tagged, and personnel have been trained on tagging requirements. The Property Office has been without a property clerk for several months, which has led to some backlog. With the filling of this position, delays in tagging should be eliminated. Corrective action on this item is complete.

### **INVENTORY DELETIONS**

Inventory deletions for stolen campus property were not occurring regularly.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control includes a system of authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues and expenditures.

The procedures for completing crime incident reports involving stolen campus equipment did not include forwarding the information to the department preparing property survey reports. The university police sergeant stated that crime incident reports are provided only upon request and to appropriate parties.

When stolen property is not removed from the inventory, both property and accounting records are misstated.

#### **Recommendation 6**

We recommend that the campus implement procedures to provide a copy of the completed crime incident report for stolen equipment to the property department.

#### **Campus Response**

We concur. The University Police Department has implemented procedures to automate the reporting of stolen property to the property department. On the first day of each month the computer program

will extract a detailed listing of all such losses, format it on a police report form and e-mail it to the property department. The programming is complete and the first report will be sent on June 1, 2000.

## **PROPERTY RECONCILIATIONS**

Property reconciliations were not completed in a timely manner.

During our January 2000 review, we found that the most recent property reconciliation was performed for August 1999.

SAM §7900 requires that reconciliations be prepared within thirty days of the preceding month.

The university assistant controller stated that a significant amount of time is required to compile source documents for property reconciliations.

When property reconciliations are not performed timely, there is an increased risk that errors and irregularities will not be detected.

### **Recommendation 7**

We recommend that the campus reconcile property records timely.

### **Campus Response**

We concur. Once we have filled the open positions in the department, we will ensure that property reconciliations are performed in a timely manner. We estimate that the current accounting system and procedures will require a sixty-day turnaround for completion of these property reconciliations. The estimated completion date for this recommendation is November 1, 2000.

## **FISCAL INFORMATION TECHNOLOGY**

### **DATA SECURITY CONFIGURATION**

System software configuration for passwords is not adequate.

We noted that:

- a. user identifications are not automatically revoked after unsuccessful password attempts;
- b. inactive user identifications have not been removed; and
- c. password minimum character length requirements are less than industry standards.

To ensure that passwords are not easily deduced, appropriate password configuration requires that they are of a minimum length , restricted to an acceptable number of unsuccessful attempts, and inactive user identifications are removed.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control includes a plan that limits access to state agency assets to authorized personnel who require these assets in the performance of their assigned duties.

The director of administrative computing stated that the configuration of the access security had not been periodically reviewed to ensure that current practices are met.

When the system security configurations are inadequate, there is an increased risk that unauthorized users can deduce passwords and provide unauthorized access to CSU systems and confidential data.

### **Recommendation 8**

We recommend that the campus:

- a. increase the password character requirement;
- b. revoke user identifications after a minimal number of failed attempts; and
- c. remove inactive user identifications.

### **Campus Response**

We concur with the recommendation and will implement the following:

- a. Increase the password character requirement. It had been determined that an increase in the minimum length of passwords from four characters to six at CSU Long Beach would be consistent with practices at a growing number of companies. An implementation plan for six character passwords was developed around the university calendar and department workload. The new policy of a minimum of six characters in the password will go into effect on Sunday, July 2, 2000.
- b. Revoke user identifications after a minimal number of failed attempts. The security team recognizes the need to tighten this area and has proposed a phased implementation of revoking user identifications after five failed attempts.

The phased implementation is as follows:

- May 7, revoke user identification after 7 failed attempts.
- June 4, revoke user identification after 6 failed attempts.
- July 2, revoke user identification after 5 failed attempts.

- c. Remove inactive user identifications. The administrative computing security team will begin revoking access to a user identification after 90 days of inactivity. (A user identification in a revoked state will not allow the user to sign on to any mainframe environment without intervention from Desktop and Telecommunications Support Services.) After a total of 180 days of inactivity for a given user identification, it will be removed from the system. This change will be effective in June 2000.

## **FACILITIES**

The roof structure for the data center may be in need of improvement.

We noted that the data center ceiling had various water spots. Additionally, we noted there is a large water fountain located directly above the data center.

SAM §4842.2 states that agency physical security measures must provide for prevention, detection, and minimization of water damage.

The director of administrative computing stated that the campus has been aware of the roof leaks and building management has taken measures to prevent further deterioration.

Water damage increases the risk of weakened structural integrity, loss of electronic records, electrical shorts and fire, employee injuries, and noncompliance with occupational safety and health regulations.

### **Recommendation 9**

We recommend that the campus determine the cost/benefits of structural improvements to the roof of the data center and implement feasible recommendations.

### **Campus Response**

We concur. The campus agrees to determine the cost/benefits of these structural improvements. We are seeking proposals from qualified water intrusion experts to review the conditions on the Brotman Hall deck to seek remedies to the leaks in areas under the deck. Once a firm is selected, the University will enter into an agreement with the firm for the required review. If determined to be cost effective, feasible recommendations will be implemented. The target date for completion of the review is December 2000.

## **TRUST FUND ADMINISTRATION**

Administration of trust fund operations was inadequate.

We noted the following during our review of 15 trust fund agreements and related expenditures:

- ▶ three agreements did not include time constraints.

- ▶ two agreements included personnel authorized to expend funds no longer with the campus.
- ▶ five agreements did not address an administrative overhead rate.
- ▶ eighteen of 25 expenditures were authorized by personnel not appearing on the trust agreement.

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.

SAM §20003 states that the elements of a satisfactory system of internal accounting and administrative control include authorization and record keeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The university controller stated that staffing shortages and turnover resulted in delays in updating trust fund agreements.

When trust agreements are not current, there is an increased risk of improper or unauthorized transactions.

### **Recommendation 10**

We recommend that the campus strengthen controls over trust fund administration to ensure that:

- a. trust agreements include time constraints;
- b. trust agreements be updated to identify currently authorized signatures;
- c. trust agreements include the administrative overhead rate; and
- d. expenditures are approved by authorized signatories.

### **Campus Response**

We concur. Plans are underway to revise the Trust Agreement Forms (for new requests to establish a trust fund account) and to update information as recommended for existing trusts. Target dates are as follows: May 31, 2000 - to revise agreement form and request updated information; August 31, 2000 - to receive feedback from trust administrators; and November 1, 2000 - to update trust account records at the Business Office. Additionally, procedures to ensure that expenditures on trust accounts are approved only by authorized signatories will be implemented by November 1, 2000.

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Dr. Robert Maxson	President
Thomas Angell	Director of Staff Personnel Services
Thomas Bass	Senior Director of Parking and Transportation Services
Elizabeth Beall	Purchasing Manager
Victor Cannon	Student Health Center Budget and Operations
Ignacio Carrillo	Associate Director of Parking and Transportation Services
Irene Cordoba	Senior Employee Relations Specialist
Lee Eames	Student Health Center Office Supervisor
Nancy Eckhous	Assistant University Controller
Robert Escalante	Property Office Manager
Bret Frawley	Parking Customer Service Supervisor
William Griffith	Vice President for Administration and Finance
Sandi Gunderson	Director of Payroll Services
LaTonyua Harden	Parking Cashier
Betty Harris	Supervisor of Self Supporting Operations
Doug Harris	Director of Budget and Human Resources for Student Services
Kathleen Hext	Director of Internal Auditing Services
Charles Hughes	Director of Purchasing
Joseph Latter	Associate Vice President for Financial Management
Robyn Mack	Director of Budget and Human Resources Management
Susan Mackay	Housing and Residential Life Cashier
Michael Markoski	Director of Administrative Computing
Virginia Martin	Financial Aid Business Officer
Marjorie Mashburn	Cashier Office Supervisor
Jill Mather	Ticket Office Manager
Natalie Nguyen	Property Office Technician
Mary Ann Odell	Purchasing Lease Coordinator
Stan Olin	Assoc. Dir. Financial Services for Housing and Residential Life
Greg Pascal	University Police Sergeant
Carol Revers	Assoc. Dir. Admin. Services for Housing and Residential Life
Ray Soliman	University Controller
Richard Timboe	Assistant Vice President for Information Technology Services
Renee Twigg	Director of Student Health Center
Lily Wang	Senior Financial Analyst
Leslie Wolbers	Student Accounts Service Manager

## **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.



## CALIFORNIA STATE UNIVERSITY, LONG BEACH

DIVISION OF ADMINISTRATION AND FINANCE

May 23, 2000

**RECEIVED**  
University Auditor

MAY 30 2000

The California State  
University

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

Re: FISMA Audit Report 99-10 – Campus Response

Dear Mr. Mandel:

On behalf of President Robert C. Maxson, I am providing the California State University, Long Beach, responses to the recommendations of Audit Report 99-10, FISMA, dated May 3, 2000.

### CASH RECEIPTS - SATELLITE LOCATIONS

#### Recommendation 1

We recommend that the campus implement procedures to assign two employees or utilize an escort to deliver large deposits.

**Campus Response:** We concur. Standard practice at the student health center is to deliver receipts to the cashier's office daily. Current practice and now written policy require large deposits of \$3,000 or more to be delivered by two individuals, or by two or more deposits to reduce the amount of cash transported at one time. The ticket office at the performing arts center has also modified their procedures to require two employees to transport large deposits to the cashier's office. Corrective action on this recommendation is complete.

### ACCOUNTS RECEIVABLE

#### Recommendation 2

We recommend that the campus:

- a. Develop and document a policy and procedures for deferring/waiving payment of student fees related to augmented health services;
- b. Request a legal opinion from General Counsel to clarify the specific authority for providing health services without collection of related fees at the time the service is rendered; and

- c. Determine an appropriate method to record health center receivables in the central campus system for student receivables.

**Campus Response:** We concur. The campus will establish a policy and procedures for deferring/waiving payment of student fees related to augmented health services, clarifying with General Counsel the specific authority for providing health services without collection of related fees at the time the service is rendered. We will then determine an appropriate method to record student health center receivables in the central campus system for student receivables. The estimated date of completion is October 31, 2000.

## **PURCHASING**

### **Recommendation 3**

We recommend that the campus strengthen controls to ensure compliance with policies and procedures described in the procurement credit card handbook.

**Campus Response:** We concur. In recognition of the need for policy revision and enhanced controls, the University revised the Procurement Card Manual effective January 31, 2000. The new procedures, in conjunction with renewed emphasis on training and monitoring of accounts, should eliminate the noted procedural errors and will enhance overall controls. Corrective action on this item is complete.

## **EMPLOYEE SEPARATION PROCEDURES**

### **Recommendation 4**

We recommend that the return of procurement cards be documented on employee clearance forms.

**Campus Response:** We concur. The Employee Clearance Form has been revised to include a box to be checked upon the return of the procurement card. New procedures require the payroll employee receiving the clearance document to collect the procurement card and initial that this item has been checked for those terminating employees who had been issued procurement cards. Corrective action on this recommendation is complete.

## **FIXED ASSETS - PROPERTY IDENTIFICATION**

### **Recommendation 5**

We recommend that the campus strengthen controls over the identification of property inventory.

**Campus Response:** We concur and are committed to strengthening controls in this area. Although some of the identified items were not tagable equipment, we agree that state property must be tagged in a timely manner. All tagable items have now been tagged, and personnel have been trained on tagging requirements. The Property Office has been without a property clerk for

several months, which has led to some backlog. With the filling of this position, delays in tagging should be eliminated. Corrective action on this item is complete.

## **FIXED ASSETS - INVENTORY DELETIONS**

### **Recommendation 6**

We recommend that the campus implement procedures to provide a copy of the completed crime incident report for stolen equipment to the property department.

**Campus Response:** We concur. The University Police Department has implemented procedures to automate the reporting of stolen property to the property department. On the first day of each month the computer program will extract a detailed listing of all such losses, format it on a police report form and e-mail it to the property department. The programming is complete and the first report will be sent on June 1, 2000.

## **PROPERTY RECONCILIATIONS**

### **Recommendation 7**

We recommend that the campus reconcile property records timely.

**Campus Response:** We concur. Once we have filled the open positions in the department, we will ensure that property reconciliations are performed in a timely manner. We estimate that the current accounting system and procedures will require a sixty-day turnaround for completion of these property reconciliations. The estimated completion date for this recommendation is November 1, 2000.

## **FISCAL INFORMATION TECHNOLOGY - DATA SECURITY CONFIGURATION**

### **Recommendation 8**

We recommend that the campus:

- a. Increase the password character requirement;
- b. Revoke user identifications after a minimal number of failed attempts; and
- c. Remove inactive user identifications.

**Campus Response:** We concur with the recommendation and will implement the following:

- a. Increase the password character requirement. It had been determined that an increase in the minimum length of passwords from four characters to six at CSU Long Beach would be consistent with practices at a growing number of companies. An implementation plan for six character passwords was developed around the university calendar and department workload. The new policy of a minimum of six characters in the password will go into effect on Sunday, July 2, 2000.

- b. Revoke user identifications after a minimal number of failed attempts. The security team recognizes the need to tighten this area and has proposed a phased implementation of revoking user identifications after five failed attempts.

The phased implementation is as follows:

- May 7, revoke user identification after 7 failed attempts.
  - June 4, revoke user identification after 6 failed attempts.
  - July 2, revoke user identification after 5 failed attempts.
- c. Remove inactive user identifications. The administrative computing security team will begin revoking access to a user identification after 90 days of inactivity. (A user identification in a revoked state will not allow the user to sign on to any mainframe environment without intervention from Desktop and Telecommunications Support Services.) After a total of 180 days of inactivity for a given user identification, it will be removed from the system. This change will be effective in June 2000.

## FACILITIES

### Recommendation 9

We recommend that the campus determine the cost/benefits of structural improvements to the roof of the data center and implement feasible recommendations.

**Campus Response:** We concur. The campus agrees to determine the cost/benefits of these structural improvements. We are seeking proposals from qualified water intrusion experts to review the conditions on the Brotman Hall deck to seek remedies to the leaks in areas under the deck. Once a firm is selected, the University will enter into an agreement with the firm for the required review. If determined to be cost effective, feasible recommendations will be implemented. The target date for completion of the review is December 2000.

## TRUST FUNDS ADMINISTRATION

### Recommendation 10

We recommend that the campus strengthen controls over trust fund administration to ensure that:

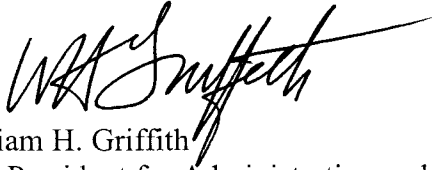
- a. Trust agreements include time constraints;
- b. Trust agreements are updated to identify currently authorized signatures;
- c. Trust agreements include the administrative overhead rate; and
- d. Expenditures are approved by authorized signatories.

**Campus Response:** We concur. Plans are underway to revise the Trust Agreement Forms (for new requests to establish a trust fund account) and to update information as recommended for existing trusts. Target dates are as follows: May 31, 2000 - to revise agreement form and request updated information; August 31, 2000 - to receive feedback from trust administrators; and November 1, 2000 - to update trust account records at the Business Office. Additionally,

procedures to ensure that expenditures on trust accounts are approved only by authorized signatories will be implemented by November 1, 2000.

We wish to take this opportunity to thank the Trustees Auditors who conducted this audit for their work on our behalf.

Sincerely,

A handwritten signature in black ink, appearing to read "W. H. Griffith", with a long horizontal flourish extending to the right.

William H. Griffith  
Vice President for Administration and Finance

cc: Robert C. Maxson, President  
Joseph A. Latter, Associate Vice President, Financial Management  
Kathleen Hext, Director of Internal Auditing Services

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

June 15, 2000

CHICO

MEMORANDUM

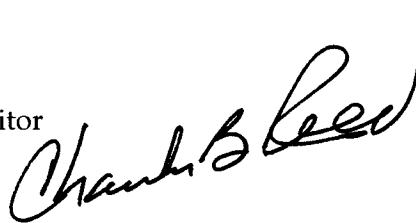
DOMINGUEZ HILLS

FRESNO

TO: Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed



HAYWARD

SUBJECT: Draft Final Report Number 99-10 on FISMA,  
California State University, Long Beach

HUMBOLDT

LONG BEACH

LOS ANGELES

In response to your memorandum of June 15, 2000, I accept the response as submitted with the draft final report on FISMA, California State University, Long Beach.

MARITIME ACADEMY

MONTEREY BAY

NORTHBRIDGE

CBR/cw

POMONA

Enclosure

SACRAMENTO

cc: Dr. Robert C. Maxson, President

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS