

**FISMA**  
**CALIFORNIA STATE UNIVERSITY,**  
**NORTHRIDGE**

**Report Number 00-06**  
**December 7, 2000**

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**BOARD OF TRUSTEES**  
**THE CALIFORNIA STATE UNIVERSITY**

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## **ABBREVIATIONS**

COBIT	Control Objectives for Information Technology
CSU	California State University
FIPS	Federal Information Processing Standards
FISMA	Financial Integrity and State Manager's Accountability Act
IT	Information Technology
MOU	Memorandum of Understanding
NIST	National Institute of Standards and Technology
PFA	Plan of Financial Adjustment
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 1998-99 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 1999-00 year-to-date. 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;
- ▶ establishment of receivables and adequate segregation of duties regarding billing and payment of receivables;

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## INTRODUCTION

- ▶ 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. 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 state agencies to 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.

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## OPINION

We visited the CSU Northridge campus from April 17, 2000 through July 14, 2000 and made a study and evaluation of the accounting and administrative control in effect as of July 14, 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.

CSU Northridge's 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; and
- ▶ 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, which, 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, fixed assets, and trust funds.

These conditions, along with other weaknesses, are described in the Executive Summary below and in the body of the report.

In our opinion, except for the effect of the weaknesses described above, CSU Northridge's accounting and administrative controls in effect as of September 19, 2000, taken as a whole, were 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.

## **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]**

Housing revenues and the Daily Sundial advertising revenues were not independently reconciled and verified against activity reports. Reconciling revenues improves accountability and reduces the risk that funds will be misappropriated.

### **CASH DISBURSEMENTS [6]**

The campus did not have a standardized method for recording payment authorizations. Maintaining a methodology for authorizing payments reduces misinterpretations regarding authorization and misappropriation of funds.

### **FIXED ASSETS [7]**

#### **PHYSICAL INVENTORY [7]**

Documentation for the reconciliation between physical inventories and accounting records was incomplete. This is a repeat finding from the prior FISMA audit. Timely reconciliations reduce exposure to loss/misuse of fixed assets.

#### **PROPERTY SURVEY REPORTS [8]**

Property survey reports were not always fully executed before asset disposition. Proper completion of such reports strengthens accountability over disposal of state property.

### **FISCAL INFORMATION TECHNOLOGY [9]**

#### **DATA ACCESS SECURITY [9]**

Password controls in the setup configuration of access security were in need of improvement. Improvements in the configuration of system security software would help to prevent unauthorized users from gaining access to campus systems and confidential data.

## **IT SYSTEMS CONTINUITY PLAN [10]**

The IT systems' continuity plan needs improvement. A current plan would help ensure continuity of computing operations for support of critical applications, maximize the use of remaining resources, and achieve an orderly migration toward the resumption of all computing services.

## **TRUST FUNDS [11]**

General fund reimbursements were deposited in local trust funds. Use of a Plan of Financial Adjustment would reduce the accounting office workload and minimize the risk of fund misappropriation.

## **POLICIES AND PROCEDURES [12]**

Several financial and accounting services functions did not have formally documented policies and procedures. This is a repeat finding from our prior FISMA audit. Proper documentation and communication of policies and procedures decrease the risk that internal controls are compromised.

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

### **CASH RECEIPTS**

Housing revenues and the Daily Sundial advertising revenues were not independently reconciled and verified against activity reports.

Housing revenues were compared to occupancy reports but the results were not independently reviewed. Daily Sundial revenues were not reconciled to advertising orders and statistics maintained on column-inches published. Such reconciliations compare the accounting records with the revenues received.

SAM §20003 requires an effective system of internal control that would include regular reconciliations of control account totals to subsidiary accounting record totals.

The associate director of residential life and the administrative support coordinator of the Daily Sundial indicated that such reconciliations would be complex and require modeling that would consider varying rate structures and refund schedules. Therefore, they have not been completed as of this time.

Not reconciling revenues reduces accountability and increases the risk of misappropriation of funds.

#### **Recommendation 1**

We recommend that the campus:

- a. independently verify the reconciliation of housing revenue to occupancy reports; and
- b. reconcile and verify advertising revenue from the Daily Sundial.

#### **Campus Response**

Agree. The Daily Sundial and Housing have implemented appropriate reconciliation controls between amounts received, recorded, and deposited. Procedures will ensure timely reconciliations, independent verification, documentation of preparation and approval, and retention of support documents.

The necessary corrective action is implemented.

### **CASH DISBURSEMENTS**

The campus did not have a standardized method for recording payment authorizations.

The campus accounting office processes numerous invoices that circulate to the ordering department for authorization to pay. These invoices are returned with initials, signatures, and dates that sometimes

are unclear or illegible. This system makes it difficult to easily verify assertions associated with the authorization for disbursement of state funds.

SAM §20003 requires a system of authorization and record keeping procedures adequate to provide effective accounting control over assets.

The lack of specificity in the methodology for disbursement authorizations increases the possibility of misinterpretation of authorization and misappropriation of funds.

### **Recommendation 2**

We recommend that the campus implement a standard method of recording the department name, person's name, signature, account number, and date on invoices approved for payment.

### **Campus Response**

Agree. The campus designed and ordered an approval stamp specific for these types of invoices that includes space to provide pertinent information in a clear and legible manner. The stamp will be applied to invoices requiring department approval before the invoices are sent to the department.

The necessary corrective action is implemented.

## **FIXED ASSETS**

### **PHYSICAL INVENTORY**

Documentation for the reconciliation between physical inventories and accounting records was incomplete. This is a repeat finding from the prior FISMA audit.

A campus-wide inventory has been on-going since 1997. Documentation on the resolution of differences between the inventory count and records was inadequate. The inventory results and differences were reported to management in financial and accounting services and campus financial managers. However, there were inadequate explanation and resolution of the differences.

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

SAM §8652, in general, requires a physical count of all property, a reconciliation of the count to accounting records, and management oversight of resulting adjustments.

The manager of asset management indicated that reconciliations were on-going and reports were prepared for management review because asset management staff had been focusing their efforts on

converting the old system of property tags to the new bar-coded system for inventorying and scanning equipment.

Untimely reconciliations of physical inventories with accounting records increase exposure to loss/misuse of fixed assets.

### **Recommendation 3**

We recommend that the campus complete its physical inventory, reconcile the count to the accounting records, report the results to management, research and resolve the differences, and identify any other control weaknesses.

### **Campus Response**

Agree. The campus completed its physical inventory count of assets located at the campus in January 2001. The reconciliation of the confirmed count to the accounting records is scheduled for completion in February 2001. Differences between the inventory count and property records will be identified and reported to management for appropriate research and resolution. The campus continues to improve its processes and management controls to safeguard assets.

The necessary corrective action is implemented.

## **PROPERTY SURVEY REPORTS**

Property survey reports were not always fully executed before asset disposition.

Specifically, we found that the property survey board never met as a group. In lieu of such meetings, property survey reports were circulated through intra-campus mail for signature. Based upon our review of survey reports, we found that the property office experienced difficulties in obtaining required second signatures on these circulated reports, particularly where academic units were involved. The second signatures generally were not obtained until after items had been disposed.

SAM §3520.2 indicates that each agency will have a duly appointed property survey board responsible for determining whether the best interest of the state is served in disposing of state property. To the extent possible, there will be a sufficient number of members on the board to ensure that both business management and program responsibilities will be represented. At least two members of the property survey board will approve all property survey reports and any transfers of location of equipment.

SAM §3520.5 indicates, in part, that a properly executed property survey report must be completed when disposing of state-owned property.

The director of purchasing and logistical services indicated that, due to the volume of dispositions occurring after the January 1994 Northridge earthquake, the present system for property survey reports was adopted. Other systems were not considered feasible.

Incomplete property survey reports reduce accountability over disposal of state property.

#### **Recommendation 4**

We recommend that the campus evaluate and strengthen property survey procedures to ensure the property survey board meets regularly during the year, and survey reports are properly executed before asset disposition.

#### **Campus Response**

Agree. The campus has begun implementation and updated property survey procedures. The property survey board met in January 2001. Each board member reviewed appropriate property survey procedures and approved several property survey reports. Future property survey board meetings have been scheduled.

The necessary corrective action is implemented.

## **FISCAL INFORMATION TECHNOLOGY**

### **DATA ACCESS SECURITY**

Password controls in the setup configuration of access security were in need of improvement.

We found that the campus system does not in all instances:

- ▶ require a sufficient minimum password length based on the system and user; and
- ▶ lock out users after a specified number of unsuccessful password attempts.

Current practices for password management require a minimum number of password characters and revocation of user identification numbers after a predetermined number of failed password attempts. (See Department of Defense Password Management Guideline aka Greenbook) Additionally, Control Objectives for Information Technology (COBIT) and Federal Information Processing Standards Publication 112 (FIPS112 and 190) also recommend that guidelines be established for an appropriate minimum password length and an appropriate and enforced frequency of password changes. Furthermore, Section 3.11.3 of the Generally Accepted Principles and Practices for Securing Information Technology Systems SP 800-14 by the National Institute of Standards and Technology (NIST) states, if passwords are used for authentication, organizations should secure passwords with attributes such as a minimum character lengths.

The chief information officer stated that the configuration of the access security had not been recently reviewed. However, periodic reviews of current practices are performed.

Inadequate configurations of system security software could allow unauthorized users to gain access to

campus systems and confidential data.

### **Recommendation 5**

We recommend that the campus improve its data access systems by implementing:

- a. appropriate minimum password lengths based on the system and user;
- b. accounts to be locked after a specified number of unsuccessful password attempts; and
- c. a periodic review of data access security policy and configurations.

### **Campus Response**

Agree. The campus has implemented a computer account password policy that provides the most appropriate, timely, and feasible approach to ensure proper password security and controls. This policy includes minimum password length and account lock out after unsuccessful log-in attempts.

The campus continues to review security of information technology resources and will acquire applicable software to ensure control of user identification, authentication, and access. The periodic review of data access security policies will be undertaken by the new campus Information Security Officer.

The necessary corrective action is implemented.

## **IT SYSTEMS CONTINUITY PLAN**

The IT systems' continuity plan needs improvement.

We noted that the current plan had not been updated, is not stored offsite, and did not include information for remote site processing.

Effective risk management requires updates in business continuity planning. According to SAM §4843, identification and evaluation of alternative recovery strategies should be completed and an agency must maintain an operational recovery plan. The plan must be adjusted to changing circumstances such as equipment.

The chief information officer indicated that he had focused his priorities on preparing for the year 2000 date change and moving the IT units and other campus organizations into new buildings. It was decided to postpone a full update due to the moves and complete the full update afterwards.

Without a current plan, the campus cannot ensure continuity of computing operations for support of critical applications, maximize the use of remaining resources, or achieve an orderly migration toward the resumption of all computing services.

### **Recommendation 6**

We recommend that the campus update its IT systems continuity plan to include offsite backups and a remote site processing plan, and periodically perform and document a walk through test of the plan.

### **Campus Response**

Agree. The campus continues to manage and evaluate approaches to ensure our IT systems continuity plan is appropriate. In addition, we are working to ensure each system has sufficient contingency procedures including backups, offsite storage of backups, remote site processing capabilities, and periodic test of the plan. Our current backup procedure for main campus servers involves two full backups for all systems on a weekly basis that includes the removal of the backup to an off-site location by a data storage vendor.

The necessary corrective action is implemented.

## **TRUST FUNDS**

General fund reimbursements were deposited in local trust funds.

Several large trust fund accounts have been created to accommodate agreements or memorandums of understanding (MOUs) negotiated between various campus departments and recipients of services (e.g., campus auxiliaries). Significant amounts were reimbursed to/for purchasing, public safety, and financial and accounting services under these arrangements. These departments utilized resources budgeted through general fund appropriations, and a reimbursement was appropriately due back to the general fund. The campus disbursed reimbursements to these trust funds through checks drawn on the general fund. The objective was to subsequently return these funds to the general fund through accounting journal entries.

Education Code Sections 89721-89725 authorizes and defines trust funds but there is no specific authorization for general fund reimbursements. Government Code §16301 further provides, in part, as follows:

Except as otherwise provided by law, all money belonging to the State received from any source whatever by any state agency shall be ... paid into the Treasury and credited to the General Fund, provided that amounts received as partial or full reimbursement for services furnished shall be credited to the applicable appropriation.

SAM §8452 specifically establishes a Plan of Financial Adjustment for financial adjustments. It states as follows:

A Plan of Financial Adjustment (PFA) is a formal plan whereby any state agency, which is supported by more than one fund or appropriation, may make financial adjustments between funding sources for services rendered, supplies used, or for a proper portion of other expenses.

Pursuant to SAM provisions, the CSU has adopted a PFA through application to the State Controller and codification in coded memorandum AD 99-04.

The campus director of financial and accounting services indicated that the trust fund arrangements were used to more accurately reflect campus activities and permit carryover of funds.

The lack of a direct approach to reimbursing the general fund increases campus workload and creates an unnecessary risk exposure for misappropriation of funds through trust accounts.

### **Recommendation 7**

We recommend that the campus implement an action plan to:

- a. deposit and expend all general fund reimbursements within systemwide and state budgetary guidelines; and
- b. use the existing systemwide plan of financial adjustment where appropriate.

### **Campus Response**

Agree. The campus has discussed and will approve and implement an action plan related to reimbursements to the general fund within applicable guidelines including the plan of financial adjustment where appropriate. This plan includes the revision of current campus policies on State Trust Funds and The Management of Non-General Fund Resources to incorporate the FISMA findings. The action plan will specify that all revenues previously received as General Fund cost reimbursement must be expended for appropriate General Fund support purposes, and the trust fund accounts closed unless used for other activities.

The necessary corrective action is implemented.

## **POLICIES AND PROCEDURES**

Several financial and accounting services functions did not have formally documented policies and procedures. This is a repeat finding from our prior FISMA audit.

Since our last FISMA visit, the campus has implemented campus wide policies and financial and accounting services circulated references to other governing criterion to key positions on campus.

SAM §20003 states that there should be an established system of practices to be followed in the performance of duties and functions and that it represents a control weakness if policy and procedure manuals are either not up to date or do not exist.

The director of financial and accounting services indicated that the initiative to develop written desk procedures was delayed due to the need to align campus practices with the systemwide baseline version of PeopleSoft.

Internal controls of policies and procedures can be compromised if they are not properly documented and communicated.

**Recommendation 8**

We recommend that the campus implement and standardize written procedures for each accounting function as considered appropriate.

**Campus Response**

Agree. The campus continues to improve written procedures for each accounting function to ensure adequate, standardized, and understandable procedures are available as a reference resource. Written procedures for each accounting function have been completed and shared with the appropriate employees.

The necessary corrective action is implemented.

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Jolene Koester	President
Clarence Askew	Manager, Asset Management
Robert Barker	Director, Financial and Accounting Services
Erik Blaine	Associate Director, Residential Life
Spero Bowman	Associate Vice President, Academic Resources/Chief Information Officer
William Cooper	Director, Purchasing and Logistical Services
John Darakjy	Assistant Director, Financial Services
Peter Dinauer	University Internal Auditor
Fred Dukes	Executive Assistant, Administration and Finance
Nancy Edwards	Acting Manager, Payroll Services
Sherie Frame	Manager, Human Resources Systems
Rhonda Gershon	Human Resources Assistant
Diane Jansen	Manager, University Cash Services
Robert Kiddoo	(Former Assistant Vice President, Financial Affairs)
Tamara Kotyar	Accounts Payable System Technician
Stephanie Levy	Manager, General Accounting
Lourdes Lizarraga	Business Services Assistant, Residential Life
Paula Lumowa	Student Accounts Coordinator
Angela McHugh	Supervisor, Accounts Receivable
Willie Miranda	Manager, Financial Reporting and Compliance
Steve Montgomery	Director, Human Resources
Chea Perry	Coordinator, Cash Operations
Mohammad Qayoumi	Vice President, Administration & Finance and Chief Financial Officer
Tyra Rauch	Disbursement Technician
Judy Reyes	Manager, Accounts Payable
Laura Rosenberg	Manager, Compensation and Employment Programs
Mary Rueda	Assistant Director, Purchasing & Logistical Services
Linda Shackelford	Accounts Payable Coordinator
Janet Shannon	Buyer, Asset Management
Kimberly Sheldone	Trust Accounting and Investments Accountant
Bob Stark	Director, Application Development
Bruce Weinstein	Materials Manager
Elizabeth Whirlledge	Administrative Support Coordinator – Daily Sundial
Chris Xanthos	Director, Financial Affairs Systems and Technology
Linda Zeilinger	Accounts Payable Clerk

## **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.



Office of the Vice President  
Administration and Finance

February 1, 2001

Mr. Larry Mandel, University Auditor  
Office of the University Auditor  
The California State University  
401 Golden Shore, 4<sup>th</sup> Floor  
Long Beach, CA 90802

Subject: Campus Response to Recommendations of Audit Report 00-06  
FISMA at California State University, Northridge

Dear Mr. Mandel:

Attached is the California State University, Northridge (CSUN) response to the recommendations of the audit.

Corrective action has been implemented for all recommendations. By separate correspondence we will forward to Jim Usher the applicable documents evidencing completion of our implementation process and corrective action for each recommendation. Should there be questions regarding the contents of the response, they may be addressed to Howard Lutwak, Senior Internal Auditor at (818) 677-7647.

We appreciate the recommendations to improve CSUN's systems of internal control.

Sincerely,

A handwritten signature in cursive script that reads "Jolene Koester".

Jolene Koester  
President

JK:mh

Attachment

cc: Louanne Kennedy, Provost and Vice President for Academic Affairs  
Mohammad Qayoumi, Vice President for Administration and Finance  
and Chief Financial Officer  
Fred Strache, Interim Vice President for Student Affairs  
Howard Lutwak, Senior Internal Auditor

**California State University, Northridge  
Response to FISMA Audit Report 00-06**

**Audit Recommendation 1**

The campus:

- a. independently verify the reconciliation of housing revenue to occupancy reports; and
- b. reconcile and verify advertising revenue from the Daily Sundial.

**Campus Response 1:** Agree. The Daily Sundial and Housing have implemented appropriate reconciliation controls between amounts received, recorded, and deposited. Procedures will ensure timely reconciliations, independent verification, documentation of preparation and approval, and retention of support documents.

The necessary corrective action is implemented.

**Audit Recommendation 2**

The campus implement a standard method of recording the department name, person's name, signature, account number, and date on invoices approved for payment.

**Campus Response 2:** Agree. The campus designed and ordered an approval stamp specific for these types of invoices that includes space to provide pertinent information in a clear and legible manner. The stamp will be applied to invoices requiring department approval before the invoices are sent to the department.

The necessary corrective action is implemented.

**Audit Recommendation 3**

The campus complete its physical inventory, reconcile the count to the accounting records, report the results to management, research and resolve the differences, and identify any other control weaknesses.

**Campus Response 3:** Agree. The campus completed its physical inventory count of assets located at the campus in January 2001. The reconciliation of the confirmed count to the accounting records is scheduled for completion in February 2001. Differences between the inventory count and property records will be identified and reported to management for appropriate research and resolution. The campus continues to improve its processes and management controls to safeguard assets.

The necessary corrective action is implemented.

**California State University, Northridge  
Response to FISMA Audit Report 00-06**

**Audit Recommendation 4**

The campus evaluate and strengthen property survey procedures to ensure the property survey board meets regularly during the year, and surveys are properly executed before asset disposition.

**Campus Response 4:** Agree. The campus has begun implementation and updated property survey procedures. The property survey board met in January 2001. Each board member reviewed appropriate property survey procedures and approved several property survey reports. Future property survey board meetings have been scheduled.

The necessary corrective action is implemented.

**Audit Recommendation 5**

The campus improve its data access systems by implementing:

- a. appropriate minimum password lengths based on the system and user;
- b. accounts to be locked after a specified number of unsuccessful password attempts; and
- c. a periodic review of data access security policy and configurations.

**Campus Response 5:** Agree. The campus has implemented a computer account password policy that provides the most appropriate, timely, and feasible approach to ensure proper password security and controls. This policy includes minimum password length and account lock out after unsuccessful log-in attempts. The campus continues to review security of information technology resources and will acquire applicable software to ensure control of user identification, authentication, and access. The periodic review of data access security policies will be undertaken by the new campus Information Security Officer.

The necessary corrective action is implemented.

**Audit Recommendation 6**

The campus update its IT systems continuity plan to include offsite backups and a remote site processing plan, and periodically perform and document a walk through test of the plan.

**Campus Response 6:** Agree. The campus continues to manage and evaluate approaches to ensure our IT systems continuity plan is appropriate. In addition, we are working to ensure each system has sufficient contingency procedures including backups, offsite storage of backups, remote site processing capabilities, and periodic test of the plan. Our current backup procedure for main campus servers involves two full backups for all systems on a weekly basis that includes the removal of the backup to an off-site location by a data storage vendor.

The necessary corrective action is implemented.

**California State University, Northridge**  
**Response to FISMA Audit Report 00-06**

**Audit Recommendation 7**

The campus implement an action plan to:

- a. deposit and expend all general fund reimbursements within system-wide and state budgetary guidelines; and
- b. use the existing systemwide plan of financial adjustments where appropriate.

**Campus Response 7:** Agree. The campus has discussed and will approve and implement an action plan related to reimbursements to the general fund within applicable guidelines including the plan of financial adjustment where appropriate. This plan includes the revision of current campus policies on State Trust Funds and The Management of Non-General Fund Resources to incorporate the FISMA findings. The action plan will specify that all revenues previously received as General Fund cost reimbursement must be expended for appropriate General Fund support purposes, and the trust fund accounts closed unless used for other activities.

The necessary corrective action plan has been completed.

**Audit Recommendation 8**

The campus implement and standardize written procedures for each accounting function as considered appropriate.

**Campus Response 8:** Agree. The campus continues to improve written procedures for each accounting function to ensure adequate, standardized, and understandable procedures are available as a reference resource. Written procedures for each accounting function have been completed and shared with the appropriate employees.

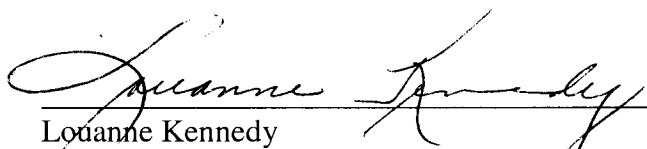
The necessary corrective action plan is implemented.

California State University, Northridge  
Response to FISMA Audit Report 00-06

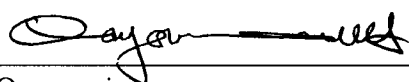
Commitment and approval of corrective action plan to continue and improve the adequacy and effectiveness of CSUN's system of internal control.

  
\_\_\_\_\_  
Jolene Koester  
President

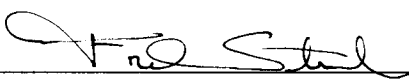
1/31/01  
Date

  
\_\_\_\_\_  
Louanne Kennedy  
Provost and Vice President for Academic Affairs

1/31/01  
Date

  
\_\_\_\_\_  
Mo Qayoumi  
Vice President for Administration and Finance  
and Chief Financial Officer

1/31/01  
Date

  
\_\_\_\_\_  
Fred Strache  
Interim Vice President for Student Affairs

1/31/01  
Date

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

February 21, 2001

CHICO

**MEMORANDUM**

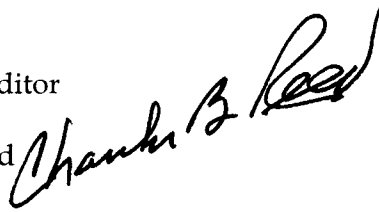
DOMINGUEZ HILLS

FRESNO

TO: Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor



HAYWARD

HUMBOLDT

SUBJECT: Draft Final Report Number 00-06 on *FISMA*,  
California State University, Northridge

LONG BEACH

LOS ANGELES

In response to your memorandum of February 20, 2001, I accept the response as submitted with the draft final report on *FISMA*, California State University, Northridge.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

CBR/nk

POMONA

Enclosure

SACRAMENTO

cc: Dr. Jolene Koester, President

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS