

FISMA
CALIFORNIA MARITIME ACADEMY

Report Number 00-07
April 25, 2001

Members, Committee on Audit

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BOARD OF TRUSTEES
THE CALIFORNIA STATE UNIVERSITY

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ABBREVIATIONS

CMA	California Maritime Academy
CSU	California State University
FISMA	Financial Integrity and State Manager's Accountability Act
IT	Information Technology
SAM	State Administrative Manual
TSGB	Training Ship Golden Bear

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

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 years 1998-99 and 1999-2000 were the primary periods reviewed. In certain instances, we were concerned with representations of the most current data—in such cases, the test period was through November 2000. 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 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.

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 California State University (CSU) is currently responsible for conducting such audits within the CSU. This report represents our biennial review.

OPINION

We visited the California Maritime Academy (CMA) from September 25, 2000, through November 10, 2000, and made a study and evaluation of the accounting and administrative control in effect as of November 10, 2000. 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 CMA's management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with Government Code §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 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 and fixed assets.

These conditions, along with other weaknesses, are described in the executive summary and in the body of the report.

In our opinion, except for the effect of the weaknesses described above, the CMA's accounting and administrative controls in effect as of November 10, 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 [7]

SAFE COMBINATIONS [7]

There was no record of who had the combination to the safe in the Training Ship Golden Bear's (TSGB) Pirates Cove Canteen. Security/internal control over cash is improved when access to safes is properly documented.

REVENUE RECONCILIATIONS [7]

Cruise fees, housing fees, and food service payments under meal plans were not formally reconciled to activity reports. Reconciling revenues improves accountability and reduces the risk that funds will be misappropriated.

PURCHASING [8]

LOW-DOLLAR-VALUE PURCHASES [8]

The campus inefficiently processed a large number of low-dollar-value purchases through the purchasing office. Reducing the purchasing office involvement in low-dollar-value transactions is more efficient and increases the time available for other priorities.

PROCUREMENT CARD LIMITS [9]

Procurement card limits appeared to be excessive in contrast to regular usage. Establishing limits commensurate with usage reduces the risk of misuse of procurement cards.

SOLE SOURCE JUSTIFICATION [10]

The campus was not documenting sole source justifications for procurements made in foreign ports. Closer scrutiny of transactions in foreign ports increases the level of institutional oversight and reduces the possibility of improprieties.

REVOLVING FUNDS [11]

Transfer accountability was not documented by signed receipts when TSGB's funds were passed between employees. Signed receipts decrease the risk of improprieties and improve the ability of the campus to localize accountability for lost funds.

FIXED ASSETS [12]

INVENTORY DATABASE [12]

The campus computerized fixed asset inventory system was not functioning properly. A properly functioning computerized fixed asset inventory system improves tracking of assets and decreases the possibility of asset loss/misuse.

PROPERTY TAGGING [12]

The campus was not tagging recent equipment acquisitions. When property is tagged timely, there is a decreased risk that property will be lost or stolen.

PHYSICAL INVENTORY [13]

A physical inventory count/verification had not been recently completed. Timely reconciliations of physical inventories with accounting records decrease exposure to loss/misuse of fixed assets.

FISCAL IT [14]

COMPUTER FACILITIES [14]

The computer room was not protected with a backup power generator nor configured with a raised floor. These additional measures would reduce the risk of damage to computer data.

DISASTER RECOVERY PLAN DISTRIBUTION [15]

The updated disaster recovery plan for the campus information technology environment had not been appropriately distributed. Dissemination of the disaster recovery plan would enable the campus to 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.

BACKUPS [15]

Weekly backup tapes were not stored off-site. An off-site location would be more secure for backup storage and recovery purposes.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH RECEIPTS

SAFE COMBINATIONS

There was no record of who had the combination to the safe in the Training Ship Golden Bear's (TSGB) Pirates Cove Canteen.

State Administrative Manual (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.

The director, food services, indicated that the Associated Students only recently purchased the canteen safe, and a written record was not maintained.

Security/internal control over cash is compromised when access to safes is not properly documented.

Recommendation 1

We recommend that the campus change the combination to the safe at the TSGB Pirates Cove Canteen and maintain a record of individuals who have the combination.

Campus Response

The campus will expand our current policy on the changing of safe combinations to include the safe in the Pirates Cove. The policy change will be completed by the end of June, and the combination on the safe in the Pirates Cove will be changed when the Training Ship returns to campus.

REVENUE RECONCILIATIONS

Cruise fees, housing fees, and food service payments under meal plans were not formally reconciled to activity reports.

Cruise fees were not formally reconciled to the number of participants; housing fees were not formally reconciled to occupancy reports; and food service payments were not formally reconciled to the number of meal plans sold. A formal reconciliation document would relate statistics to the amounts recorded in accounting records and include a signature and date for the preparer and reviewer.

SAM §20050 requires an effective system of internal control that would include regular reconciliations.

The accounting director indicated that these fees are not recognized as required reconciliations and that informal reconciliations were already done.

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

Recommendation 2

We recommend that the campus formally reconcile:

- a. Cruise fees to the number of participants.
- b. Housing revenue to occupancy reports.
- c. Food service payments to the number of meal plans sold.

Campus Response

The campus currently reconciles all revenue to source documents and makes adjustments accordingly. The campus will establish a more formal process for reconciliation of the three referenced fees and implement it effective fall 2001.

PURCHASING

LOW-DOLLAR-VALUE PURCHASES

The campus inefficiently processed a large number of low-dollar-value purchases through the purchasing office.

The California Maritime Academy's (CMA) purchasing office was staffed with one buyer. She maintained a log of purchase orders and service agreements. Based on this log of transactions for fiscal year 1999/2000, over 41 percent of the purchase orders processed by the campus were less than \$500, and more than 58 percent were less than \$1,000.

Recent California State University (CSU) initiatives, such as implementation of the ProCard, have been directed, in part, to relieving the purchasing office of involvement with low-dollar-value transactions. Section 205 of the CSU *Policy Manual for Contracting & Procurement* encourages delegations as follows:

The development of methods for reducing the costs of executing low-value purchases through expedited order processing, the use of procurement credit cards, and/or the issuance of low-value purchase authorizations shall be encouraged. A low-value purchase authorization may be granted by the president or designee to individuals in departments outside the purchasing department. It shall be the responsibility of the campus to determine appropriate levels of delegation based on internal policy and procedure. Each such delegation of authority shall be in writing and shall contain written procedures adequate to ensure observance of good business practices and compliance with CSU purchasing policy.

The buyer stated that there was a reluctance to combine orders or issue additional procurement cards when the volume of transactions would be minimal.

Involvement of the purchasing office in low-dollar-value transactions is inefficient and decreases the time available for other priorities.

Recommendation 3

We recommend that the campus review purchasing practices with the intent of reducing the quantity of low-dollar-value purchase orders processed by the purchasing office.

Campus Response

The campus has reviewed our purchasing practices and will take the necessary steps to reduce the quantity of low-dollar-value purchase orders processed by the purchasing office. Primary among the steps will be the distribution of more purchasing cards and insistence that they be used in lieu of departmental requisitions.

PROCUREMENT CARD LIMITS

Procurement card limits appeared to be excessive in contrast to regular usage.

The prevailing card limits at CMA were \$5,000 per transaction and \$15,000 per month for each procurement cardholder.

These limits contrast with actual monthly usage as follows:

RANGE	Jul-00	Oct-00
\$0	22	10
< \$500	10	12
\$500 - \$999	4	7
\$1,000 - \$1,999	7	6
\$2,000 - \$2,999	2	5
\$3,000 - \$3,999	3	6
> \$4,000	2	4
TOTAL	50	50
Highest	\$6,610.44	\$8,048.94

Executive Order No. 760 requires campuses to establish procurement card practices that insure strong internal controls that mitigate abuses, observe good business practices, and provide appropriate checks and balances. The expectation is that practices will also be monitored.

The buyer indicated that procurement cards are still relatively new, and an evaluation of limits had not yet occurred.

Not establishing limits commensurate with usage increases the risk of misuse of procurement cards.

Recommendation 4

We recommend that the campus analyze procurement card limits and reduce them commensurate with usage.

Campus Response

The campus has reviewed procurement card limits and will reduce them commensurate with usage. The review and action will be taken by September 2001.

SOLE SOURCE JUSTIFICATION

The campus was not documenting sole source justifications for procurements made in foreign ports.

A significant number of transactions were completed in foreign ports with agents and other service providers established by local U.S. embassies. CMA officials transmitted a "Log Reg" via email or facsimile, which was then assigned to a provider servicing U.S. flagships. There were no negotiations by CMA officials. Typically, this approach is the third option after eliminating the availability of U.S. Navy docks/services and packaging of multiple port services through a U.S. based agent.

Section 206.02 of the *CSU Policy Manual for Contracting & Procurement* states, in part, as follows:

A sole source procurement is permissible only when a determination has been made and approved in writing, that only one source exists for the required product or service.

The determination as to whether a procurement has been adequately justified in writing for a sole source award shall be made by the designated authority.

A request for a sole source acquisition must include a written justification explaining why the sole source is necessary to satisfy the needs of the requester. The justification shall include the following information:

1. The unique performance factors required.
2. Why these factors are required.
3. What other sources have been considered, rejected, and why.

The vice president, marine operations, indicated that he had never been requested to document sole source justifications.

Insufficient scrutiny of transactions in foreign ports decreases the level of institutional oversight and increases the possibility of improprieties.

Recommendation 5

We recommend that the campus document sole source justifications for transactions in foreign ports.

Campus Response

The campus will document sole source justifications for transactions in foreign ports beginning with the purchases made on the cruises of summer 2001.

REVOLVING FUNDS

Transfer accountability was not documented by signed receipts when TSGB's funds were passed between employees.

When TSGB left Vallejo in Summer 2000, \$70,000, separated in two \$35,000 bags, was signed out to the captain of cruise number one. At the turnaround point in New Orleans, one \$35,000 bag was transferred to the captain of cruise number two. During the course of the cruise, cash from the Pirates Cove Galley was transferred to the captain for safekeeping until TSGB returned to Vallejo. These transfers were not documented with signed receipts.

SAM §8021 and §8111.2 require, in part, 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.

The vice president, marine operations, and commanding officer indicated that the contents of these bags were not audited because they were sealed, and no one had communicated the requirement for signed receipts.

The absence of signed receipts increases the risk of improprieties and compromises the ability of the campus to localize accountability for lost funds.

Recommendation 6

We recommend that the campus require transfer accountability be established by signed receipts when funds are passed between employees.

Campus Response

In April 2001, the campus established a policy requiring signed receipts when funds are passed between employees.

FIXED ASSETS

INVENTORY DATABASE

The campus computerized fixed asset inventory system was not functioning properly.

The information in the campus inventory system (IntelliTrack) was not current. Specifically, the system would not accept inventory additions; the database contained many erroneous records; and the handheld scanner for reading bar-coded labels could not be connected to the system.

SAM §8650 requires departments to record assets in an automated system if one is used.

The buyer in purchasing indicated that she has not had sufficient time to research and fix the IntelliTrack records.

An improperly functioning fixed asset inventory system results in inefficiencies in tracking assets and increases the possibility of asset loss/misuse.

Recommendation 7

We recommend that the campus either repair its IntelliTrack system or obtain an alternative inventory system.

Campus Response

The campus has purchased a new inventory system to replace IntelliTrack, and it will be in full operation following completion of this year's physical inventory.

PROPERTY TAGGING

The campus was not tagging recent equipment acquisitions.

At the time of our visit, the receiving department at the dockside warehouse had not tagged several assets.

SAM §8651 requires the tagging of all state property as soon as practical.

The receiving skilled laborer indicated that equipment had not been tagged because the order for new tags had not yet arrived.

Delays in the tagging and recording process increase the possibility of theft or loss. Further, untagged and unrecorded property can misstate inventory and accounting records.

Recommendation 8

We recommend that the campus apply property tags timely.

Campus Response

Following completion of the inventory referenced in response to recommendation 9, the campus will apply property tags to all necessary equipment. In addition, the campus will adopt a policy for applying property tags in a timely manner.

PHYSICAL INVENTORY

A physical inventory count/verification had not been recently completed.

The campus estimates that the last physical inventory verification/count occurred approximately four years ago.

SAM §8652 requires departments to physically count all property and reconcile the count to accounting records at least once every three years.

The buyer responsible for the inventory indicated that due to staff turnover, it would be easier to conduct inventory with an operable scanning device that reads bar-coded labels and can be downloaded into desktop systems running the software.

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

Recommendation 9

We recommend that the campus complete its physical inventory and report the results to management.

Campus Response

The physical inventory will be complete prior to the end of October, and the results will be reported to management.

FISCAL IT

COMPUTER FACILITIES

The computer room was not protected with a backup power generator nor configured with a raised floor.

The current electrical power backup for the computers is a 20-minute UPS (uninterruptible power supply) system used only for power-down activities. Additionally, a raised floor had not been installed to protect wiring or prevent damage from water.

Current and increasing computer resources require the need for a continuous power supply during power outages caused by extreme weather conditions and brownouts. Additionally, a continuous power supply would ensure that compliance is met with existing disaster recover planning policies, as outlined in SAM §4843.

Power fluctuations or flooding can disrupt computer operations and damage computer data.

Recommendation 10

We recommend that the campus:

- a. Raise computer equipment above ground level to protect against flooding in the computer room.
- b. Obtain a backup power generator and wire it to the data centers computer, air conditioning, and fire systems.

Campus Response

- a. The campus will take the necessary steps to raise computer equipment above ground level. This will be accomplished by January 2002.
- b. The campus agrees that the availability of a backup generator for the computer center is an ideal solution to the very real problem noted in the audit report. The campus does have an uninterruptible power supply that, in the event of a loss of power, allows the powering down of the computer servers.

However, the campus does not have the estimated \$175,000 required to provide a backup generator. Even if the campus had the \$175,000, there are many projects with a higher priority.

I will submit a separate letter indicating the above and my willingness to accept responsibility for the decision not to pursue funding for this recommendation.

DISASTER RECOVERY PLAN DISTRIBUTION

The updated disaster recovery plan for the campus information technology environment had not been appropriately distributed.

Effective risk management requires the development and implementation of a disaster recovery plan.

Without appropriate distribution of the disaster recovery 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 11

We recommend that the campus distribute updated disaster recovery plan information for its information technology environment.

Campus Response

The campus has distributed the Disaster Recovery plan to all senior staff and departmental managers.

BACKUPS

Weekly backup tapes were not stored off-site.

Backup media should be sent periodically to a location that is not located within the same vicinity that could be subject to a concurrent disaster. At present, the campus keeps weekly backup tapes in the information systems office. Monthly backup tapes are express mailed to Sonoma State University.

The chief information officer indicated that due to costs, a local file cabinet site was selected.

With the continued growth of data files and technology, an off-site location would be more secure for backup storage and recovery purposes.

Recommendation 12

We recommend that the campus store weekly backup tapes in a different building on campus, physically separate from the computer center.

Campus Response

The campus will develop a policy requiring that backup tapes be stored in a different building on campus, physically separate from the computer center. This policy will be effective this summer.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Jerry Aspland	President
Lee Allen	Director, Facilities Management
Lee Bateman	Chief Financial Officer
Janice Beitler	Accountant II
Jay Christofferson	Vice President for Academic Affairs
Marjo Crowley	Director, Human Resources
Vineeta Dhillon	Buyer
Mike Dutkiewicz	Chief Engineer
Ed Gerry	Skilled Laborer - Receiving
Gale Gomez	Accounting Technician-Cashier
Eric Heuer	Director, Food Services
Jill Johns	Director of Business Services
Susan Johnson	Accounts Payable Lead
John Keever	Vice President, Marine Operations and Commanding Officer, Training Ship Golden Bear
Sylvester Morris	Director, Public Safety
Christy Redford	Accounting Manager
Cheri Sims	Payroll Technician
Earl Summers	Chief Information Officer

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.



Date: May 30, 2001

To: Mr. Larry Mandel
University Auditor

From: Jerry Aspland, President

Subject: Campus Response to Audit Report 00-07, FISMA

RECEIVED
University Auditor

JUN 11 2001

The California State
University

Attached please find my response to your letter of April 25, 2001 regarding Audit Report 00-07, FISMA at The California Maritime Academy.

I appreciate the professionalism of the audit staff and their assistance in helping to make CMA a more effective organization. All of the recommendations, except 10 b, will assist the campus with practical improvements or workable responses to the audit findings. We have noted in the attached that the recommendation to install a backup generator for the computer center is financially impractical. The possible benefits are far outweighed by the costs, in particular if they are expressed as a percentage of our general fund appropriation.

Cc: Mr. Lee Bateman

A CAMPUS OF THE CALIFORNIA STATE UNIVERSITY

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California Maritime Academy
FISMA
Audit Report 00-07
Campus Response
May 2001

Recommendation 1

We recommend that the campus change the combination to the safe at the TSGB Pirates Cove Canteen and maintain a record of individuals who have the combination.

Campus Response:

The campus will expand our current policy on the changing of safe combinations to include the safe in the Pirates Cove. The policy change will be completed by the end of June and the combination on the safe in the Pirates Cove will be changed when the Training Ship returns to campus.

Recommendation 2

We recommend that the campus formally reconcile:

- a. Cruise fees to the number of participants
- b. Housing revenue to occupancy reports
- c. Food service payments to the number of meal plans sold.

Campus Response:

The campus currently reconciles all revenue to source documents and makes adjustments accordingly. The campus will establish a more formal process for reconciliation of the three referenced fees and implement it effective fall 2001.

Recommendation 3

We recommend that the campus review purchasing practices with the intent of reducing the quantity of low dollar value purchase orders processed by the purchasing office.

Campus Response:

The campus has reviewed our purchasing practices and will take the necessary steps to reduce the quantity of low dollar value purchase orders processed by the purchasing office. Primary among the steps will be the distribution of more purchasing cards and insistence that they be used in lieu of departmental requisitions.

Recommendation 4

We recommend that the campus analyze procurement card limits and reduce them commensurate with usage.

Campus Response:

The campus has reviewed procurement card limits and will reduce them commensurate with usage. The review and action will be taken by September 2001.

Recommendation 5

We recommend that the campus document sole source justifications for transactions in foreign ports.

Campus Response

The campus will document sole source justifications for transactions in foreign ports beginning with the purchases made on the cruises of summer 2001.

Recommendation 6

We recommend that the campus require transfer accountability be established by signed receipts when funds are passed between employees.

Campus Response:

In April 2001 the campus established a policy requiring signed receipts when funds are passed between employees.

Recommendation 7

We recommend that the campus either repair its IntelliTrack system or obtain an alternative inventory system.

Campus Response:

The campus has purchased a new inventory system to replace IntelliTrack and it will be in full operation following completion of this year's physical inventory.

Recommendation 8

We recommend that the campus apply property tags timely.

Campus Response:

Following completion of the inventory referenced in response to recommendation 9 the campus will apply property tags to all necessary equipment. In addition, the campus will adopt a policy for applying property tags in a timely manner.

Recommendation 9

We recommend that the campus complete its physical inventory and report the results to management.

Campus Response:

The physical inventory will be complete prior to the end of October and the results will be reported to management.

Recommendation 10

We recommend that the campus:

- a. Raise computer equipment above ground level to protect against flooding in the computer room.
- b. Obtain a backup power generator and wire it to the data centers computer, air conditioning, and fire systems.

Campus Response:

- a. The campus will take the necessary steps to raise computer equipment above ground level. This will be accomplished by Jan 2002.
- b. The campus agrees that the availability of a backup generator for the computer center is an ideal solution to the very real problem noted in the audit report. The campus does have an uninterruptible power supply that, in the event of a loss of power, allows the powering down of the computer servers.

However, the campus does not have the estimated \$175,000 required to provide a backup generator. Even if the campus had the \$175,000, there are many projects with a higher priority.

I will submit a separate letter indicating the above and my willingness to accept responsibility for the decision not to pursue funding for this recommendation.

Recommendation 11

We recommend that the campus distribute update disaster recovery plan information for its information technology environment.

Campus Response:

The campus has distributed the Disaster Recovery plan to all senior staff and departmental managers.

Recommendation 12

We recommend that the campus store weekly backup tapes in a different building on campus physically separate from the computer center.

Campus Response:

The campus will develop a policy requiring that backup tapes be stored in a different building on campus physically separate from the computer center. This policy will be effective this summer.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

June 22, 2001

CHICO

MEMORANDUM

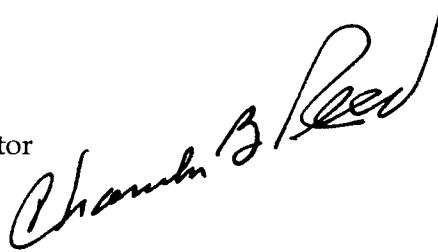
DOMINGUEZ HILLS

TO: Larry Mandel
University Auditor

FRESNO

FULLERTON

FROM: Charles B. Reed
Chancellor



HAYWARD

HUMBOLDT

SUBJECT: Draft Final Report Number 00-07 on *FISMA*,
California Maritime Academy

LONG BEACH

LOS ANGELES

In response to your memorandum of June 22, 2001, I accept the response as submitted with the draft final report on *FISMA*, California Maritime Academy.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

LM:amd

POMONA

Enclosure

SACRAMENTO

cc: Mr. Jerry A. Aspland, President

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS