

FISMA

SONOMA STATE UNIVERSITY

Report Number 01-03

August 15, 2001

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ABBREVIATIONS

CSU	California State University
DRP	Disaster Recovery Plan
IT	Information Technology
SAM	State Administrative Manual
SUAM	State University Administrative Manual
VMS	Virtual Memory System

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 year 1999-2000 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 2000-01 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.

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 Sonoma State University campus from February 26, 2001, through April 24, 2001, and made a study and evaluation of the accounting and administrative control in effect as of April 24, 2001. 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.

Sonoma State University'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.
- ▶ 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 disclosed 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: property, fiscal information technology, and trust accounts. 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 accounting and administrative control at Sonoma State University in effect as of April 24, 2001, taken as a whole, was sufficient to meet the objectives stated above.

As a result of changing conditions and the degree of compliance with procedures, the effectiveness of controls change over time. Specific limitations that may hinder the effectiveness of an otherwise adequate system of controls include, but are not limited to: resource constraints, faulty judgments, unintentional errors, circumvention by collusion, and management overrides. Establishing controls that would prevent all these limitations would not be cost-effective; moreover, an audit may not always detect these limitations.

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.

ACCOUNTS RECEIVABLE [6]

Payroll overpayments were not followed up in a timely manner. Ensuring timely follow-up of employee receivables not only limits the potential for loss of revenue from uncollectible accounts and increases working capital, but will help in the determination of collectible and uncollectible accounts to be written off.

REVOLVING FUND [7]

Outstanding salary advances were not always properly coded in the campus accounting records. Properly recording salary advances in the accounting records helps to prevent errors and omissions from going undetected and the potential loss of funds.

PAYROLL/PERSONNEL [7]

Undelivered salary warrants for two part-time faculty members were maintained in the payroll office for over a year and were not remitted to the Special Deposit Fund. Assuring that undelivered salary warrants are returned to the State Treasury in the manner prescribed in the State Administrative Manual regulations reduces the potential for theft.

FIXED ASSETS [8]

OFF-CAMPUS USE [8]

Certain campus departments did not follow existing campus control procedures for loaning university property to employees for off-campus use. Obtaining appropriate authorization, approval, and notification from the property office provides greater accountability and reduces the risk of theft.

PROPERTY SURVEYS [9]

Property survey reports were not processed on a timely basis. An adequate survey process increases accountability over disposal of property.

INFORMATION TECHNOLOGY [10]

DISASTER RECOVERY PLAN [10]

The information technology (IT) department has taken initial steps to develop an IT disaster recovery plan (DRP) and to ensure that data will be available for recovery; however, the existing plan does not appear to contain sufficient information to ensure that data processing services can be recovered in a timely manner. A detailed plan would better enable the campus to restore data processing services within a reasonable period.

DATA CENTER ACCESS [11]

More restrictive access to the Jean and Charles Schulz Information Center is needed. Many people that do not have responsibility for maintaining the computer systems have been inadvertently provided keys to the data center. Restricting access improves security.

USER ACCOUNT REMOVAL [12]

Identifications for the virtual memory system (VMS) computer have not been deleted from the system in a timely manner. Strengthening control over account deletions reduces the risk of inappropriate system access.

TRUST FUNDS [13]

TRUST EXPENDITURES [13]

Trust fund expenditures did not always comply with appropriate trust fund expenditure criteria. Assuring all expenditures are supported by an authorized signature increases accountability and internal control.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

ACCOUNTS RECEIVABLE

Payroll overpayments were not followed up in a timely manner.

A sample selection of 10 outstanding receivables during 1999-2000 disclosed, in three instances, that the campus did not appropriately research/review and follow up with collection activity as described in the State Administrative Manual (SAM) requirements.

SAM §8776.6 established procedures for the collection of outstanding accounts receivable. If all reasonable collection efforts do not result in payment, the campus may request relief from accountability of uncollectible amounts from the State Board of Control. This regulation also suggests criteria for use of collection agencies. An aging schedule should be prepared to provide information on outstanding accounts receivable, including the length of time items have been outstanding.

State University Administrative Manual (SUAM) §3822 also requires each campus to establish procedures that provide prompt follow-up of accounts receivable.

The director of compensation/benefits indicated that this was an oversight that occurred during a period when the payroll office was exceptionally busy.

Not properly following up on employee receivables reduces the likelihood that all amounts owed will be collected.

Recommendation 1

We recommend that the campus strengthen accounts receivable procedures to ensure that follow-up on outstanding employee receivables is performed promptly.

Campus Response

Sonoma State University agrees with the recommendation. The university has existing procedures that have been used to follow through on agency collections. The director of payroll/benefits has reviewed and updated them to meet the audit requirements.

Sonoma State University has completed all necessary actions to close out this recommendation.

REVOLVING FUND

Outstanding salary advances were not always properly coded in the campus accounting records.

A sample selection of 10 salary advances issued during 1999-2000 disclosed that five transactions were improperly coded on the December 31, 2000, revolving fund reconciliation.

SAM §8193 requires an accurate accounting of revolving fund resources in the monthly reconciliations.

SAM §20050 states that the elements of a satisfactory system of internal administrative control include, but are not limited to, an effective system of internal review and record-keeping procedures adequate to provide effective control over assets, liabilities, revenues, and expenditures. The elements are expected to provide internal checks and balances.

The campus controller indicated that additional training for coding transactions was needed.

Not properly accounting for outstanding salary advances could result in errors and omissions going undetected and the potential loss of funds.

Recommendation 2

We recommend that the campus improve accounting procedures to ensure that salary advances are accurately recorded in the accounting records.

Campus Response

Sonoma State University agrees with the recommendation. The university has implemented a process to record salary advances in a salary advance account. This account will be reviewed on a regular basis to ensure that the procedures are followed.

Sonoma State University has completed all necessary actions to close out this recommendation.

PAYROLL/PERSONNEL

Undelivered salary warrants for two part-time faculty members were maintained in the payroll office for over a year and were not remitted to the Special Deposit Fund.

SAM §8580.5 requires that salary warrants not delivered within 90 calendar days of receipt must be returned to the State Controller's Office for monthly deposit in the Special Deposit Fund.

The director of compensation/benefits indicated that she held on to the funds because she believed these instructors were going to teach the next term.

The potential for theft increases if undeliverable salary warrants continue to remain outstanding.

Recommendation 3

We recommend that the campus improve procedures to ensure that undelivered salary warrants are returned to the State Treasury in compliance timely.

Campus Response

Sonoma State University agrees with the recommendation. This recommendation has been followed as of January 2001. Since effective January 1, 2001, the university is required to pay an employee within 72 hours of the last day on the payroll. The payroll office no longer puts a hold on employees' warrants for campus clearance. All warrants are mailed out if not picked up within 30 days or immediately if an employee is no longer employed on campus. Any warrants that are returned as undeliverable are remitted in a timely manner to the State Controller's Office for deposit in the Special Deposit Fund.

Sonoma State University has completed all necessary actions to close out this recommendation.

FIXED ASSETS

OFF-CAMPUS USE

Certain campus departments did not follow existing campus control procedures for loaning university property to employees for off-campus use.

A site visit to various campus department locations to follow up on a sample selection of 23 acquisitions during 1999-2000 disclosed that 7 of the 23 property items were loaned to staff for off-campus use without first receiving proper authorization and approval.

The campus's *Policy and Procedures for Recording, Security and Protection of Capitalized and Non-Capitalized University Property* requires that property items taken off campus must be checked out through completion of a university property check-out request form. These forms are approved in the department and must be retained for review by the property office during the regular inventory cycle.

The fixed asset accountant indicated that he has tried to follow up with the campus departments on the importance of this requirement, but has found it difficult to enforce.

Not providing the property office with proper authorization, approval, and notification for off-campus use of property items increases the risk of theft and inadequate accountability.

Recommendation 4

We recommend that prior to loaning university property to campus staff for off-campus use, all campus departments ensure that the property office receives proper authorization, approval, and notification.

Campus Response

Sonoma State University agrees with the recommendation. A memorandum has been issued to the responsible administrator to ensure that the existing policy on university property is enforced. Accordingly, property custodians must verify that university equipment on loan for off-campus use is properly authorized, approved, and signed out on the University Property Check Out Request Form.

Sonoma State University has completed all necessary actions to close out this recommendation.

PROPERTY SURVEYS

Property survey reports were not processed on a timely basis.

The survey board approved 19 of the 21 survey reports tested after the asset disposition had occurred.

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.

SAM §8643 requires the preparation of a property survey report whenever property is lost, stolen, or destroyed and an adjustment to the property accounting records.

The fixed asset accountant indicated that the survey reports were untimely because of the current survey board membership and the desire to keep items cleared out of the campus warehouse.

An inadequate property survey process reduces accountability over disposal of state property.

Recommendation 5

We recommend that the campus evaluate and strengthen property survey procedures to ensure that survey reports are properly executed before asset disposition.

Campus Response

Sonoma State University agrees with the recommendation. A memorandum has been issued to ensure that the property fixed asset accountant only signs off on the asset disposition after two members of the survey board have approved a property survey report.

Sonoma State University has completed all necessary actions to close out this recommendation.

INFORMATION TECHNOLOGY

DISASTER RECOVERY PLAN

The information technology (IT) department has taken initial steps to develop an IT disaster recovery plan (DRP) and to ensure that data will be available for recovery; however, the existing plan does not appear to contain sufficient information to ensure that data processing services can be recovered in a timely manner.

Specifically, we noted that a written data processing DRP exists, but it does not currently address all of the areas required by SAM §4843.1. For example, contractual agreements or other alternate facility provisions have not been secured, the plan has not been tested, end-user recovery procedures have not been developed, and the backup tapes are only sent off-site on a monthly basis.

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

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

Executive Order No. 524 states, in part, that each campus president is delegated the responsibility for the implementation of a multihazard emergency program on campus and shall ensure that management activities, including, but not limited to, maintenance and regular updating of the institutional multihazard emergency plan and determination, acquisition, and maintenance of facilities, equipment, and related supplies required for emergency preparedness are accomplished.

The director of systems services stated that plans were in place to acquire the necessary hardware. He indicated that data recovery procedures were documented, but comprehensive, detailed recovery policies and procedures had not been completed.

Without a detailed IT DRP and corresponding business continuation procedures, the campus may not be able to restore computer operations within a reasonable time frame. This would severely impact the

ability of the campus to conduct normal business operations. If backup tapes are not sent to a remote location on a frequent basis, then the campus could lose the ability to recover some critical information.

Recommendation 6

We recommend that the campus:

- a. Enhance the IT DRP by adding detailed procedures for all sections outlined in SAM; develop campus business continuity plans to sustain operations during an extended outage of data processing services; and add an assumptions list that should be shared with the business users to enhance their understanding of what services will and will not be restored as part of the IT recovery plan. The assumptions list should also reflect the status of data files at the time of restoration.
- b. Conduct a business impact assessment to determine the maximum length of time that the departments could operate without data processing services and identify the equipment and information that would be needed to sustain operations during an outage of data processing services.
- c. Develop written manual operating and recovery procedures for business units to assist operations during an extended outage of data processing services, such as manual recovery of up to one month of lost data, and procedures for entering data collected manually during a prolonged system outage.
- d. Determine if only monthly off-site storage of tapes, which represents a potential loss of up to one month's worth of data, is sufficient to adequately recover campus business operations. Consider more frequent off-site storage during critical processing times, such as online registration.

Campus Response

Sonoma State University agrees with the recommendation. The Information Technology Department is in the process of updating the IT disaster recovery plan to respond to the specific recommendations outlined in the audit report. The final plan is expected to be approved by senior management by November 30, 2001.

Timeline for completion: November 30, 2001

DATA CENTER ACCESS

More restrictive access to the Jean and Charles Schulz Information Center is needed. Many people that do not have responsibility for maintaining the computer systems have been inadvertently provided keys to the data center.

SAM §4842.2 requires each state agency to establish and maintain physical security measures which must provide for management control of physical access to information assets. Physical security practices for each facility must be adequate to protect the most sensitive IT application housed in that facility.

The chief information officer stated that a card-key security system had been included in the building design master plan, but that it had been omitted during construction due to cost constraints.

The data center houses equipment and data that is essential to the continued operation of the campus. Accordingly, access to the data center should be appropriately restricted to minimize the risk of accidental or intentional damage or theft. Accidental damage to the data center equipment could occur when personnel who do not understand the nature of the environment or the importance of the security are allowed access.

Recommendation 7

We recommend that the campus install a more restrictive physical security mechanism that will allow the IT department to appropriately restrict data center access to only authorized personnel. Access should be limited to the operators and key personnel. If other personnel require access, then they should be escorted while in the facility.

Campus Response

Sonoma State University agrees with the recommendation. A budget allocation has been provided to Information Technology to implement a card lock system, which allows access to be limited to operators and key personnel as requested. Bids for the installation have been solicited. Installation of the card lock system is to be completed by the end of the calendar year.

Timeline for completion: December 31, 2001

USER ACCOUNT REMOVAL

Identifications for the virtual memory system (VMS) computer have not been deleted from the system in a timely manner.

SAM §8580.4 describes the need for adequate separation procedures, including preparation of a clearance form that includes clearance of revolving fund advances, return of keys, equipment, credit cards, etc.

The director of computer operations stated that the campus had recently changed the process for removing unneeded identifications from the system, but that a clean-up process should be performed to remove unused identifications that existed prior to implementation of the new procedure.

Leaving unused accounts on the system could inadvertently lead to personnel being granted inappropriate access and creates a security exposure of potential unauthorized access to stale accounts.

Recommendation 8

We recommend that the campus delete all identifications that are no longer used or that have not been accessed for an extended period.

Campus Response

Sonoma State University agrees with the recommendation. The Information Technology Department has developed a plan to remove all unused identifications from the VMS computer systems. The procedure requires that unused accounts be removed periodically.

Timeline for completion: November 30, 2001

TRUST FUNDS

TRUST EXPENDITURES

Trust fund expenditures did not always comply with appropriate trust fund expenditure criteria.

A sample selection of 34 trust expenditures indicated that, in four instances, the expenditures were approved by staff members who were not authorized signatories on the trust agreements retained in the accounting office.

Education Code §89721(g) restricts trust fund disbursement of trust fund resources to purposes authorized in the trust fund agreements. SAM §19440.1 requires that only those persons whose signatures appear on the trust agreement make expenditures from trust accounts.

The controller indicated that the accounting office had notified the departments several times regarding the need to update their trust agreement documentation.

Failure to assure that all expenditures are supported by authorized signatures increases the risk of loss from inappropriate approvals.

Recommendation 9

We recommend that the campus strengthen procedures to assure that only authorized signatures are accepted for expenditure of trust funds.

Campus Response

Sonoma State University agrees with the recommendation. The University has developed a procedure to enforce existing procedures and to remind departments to update their trust agreement documentation and signature authority. A memorandum has been prepared to be sent out to all impacted departments informing them that trust account transactions will be held in abeyance until necessary signature authority verification has been provided to Financial Services.

Sonoma State University has completed all necessary actions to close out this recommendation.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Ruben Armiñana	President
Marlene Bles	Administrative Assistant, Athletics
Letitia Coate	Controller
Mitch Cox	Assistant Athletic Director/Sports Information Director
George Ellington	Sergeant, Public Safety
Larry Furukawa-Schlereth	Vice President, Administration and Finance
Bill Fusco	Director of Athletics
William Ingles	Associate Controller/Treasurer
Kurt Koehle	Director, Internal Operations, Analysis and Review
Linda Mikowicz	Buyer
Cindy Miller	Accounts Payable Supervisor
Jerry Norris	Fixed Assets Accountant
Gloria Ogg	Senior Director, Customer Service
Floyd Ross	Managing Director, Center for Performing Arts
Paul Santini	Assistant Controller
Sam Scalise	Chief Information Officer and Senior Director, Information Technology
Lou Ann Seasman	Director, Administrative Information Systems
Jean Snyder	Accounts Receivable Accountant
Mary Trimble	Cashier
Angelo Vera	Vendor Payment Representative
Steve Wilson	Associate Vice President, Administration and Finance
Mary Wood	Director of Compensation
Beverly Yahn	Registrar, Extended Education

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.



SONOMA STATE UNIVERSITY

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Chief Financial Officer and
Vice President for Administration and Finance
Tel: 707 664-2035
Fax: 707 664-2080

Date: September 7, 2001

To: Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore, 4th Floor
Long Beach, California 90802-4210

From: Laurence Furukawa-Schlereth
Chief Financial Officer and
Vice President for Administration and Finance

Subject: **Sonoma State University Response to Audit Recommendations of
FISMA Audit Report Number 01-03**

RECEIVED
University Auditor

SEP 17 2001

The California State
University

On behalf of President Armiñana, I am forwarding the Sonoma State University response to *FISMA Audit Report Number 01-03*, as requested in your letter of August 29, 2001. We appreciate the effort you and your staff have made to indicate where our procedures of internal controls could be strengthened. We will take the necessary actions to address the findings of the report. Relevant supporting materials are attached.

Please contact Kurt Koehle (Kurt.Koehle@Sonoma.edu) on my staff for additional information and follow up.

Enclosures

cc: President Ruben Armiñana
Steve Wilson, Associate Vice President, Administration and Finance
Letitia Coate, Controller
Sam Scalise, Senior Director and CIO, Information Technology
Kurt Koehle, Director, Internal Operations

SONOMA STATE UNIVERSITY
Management Response to FISMA Audit Report Number 01-03
September 7, 2001

ACCOUNTS RECEIVABLE

Recommendation 1

We recommend that the campus strengthen accounts receivable procedures to ensure that follow-up on outstanding employee receivables is performed promptly.

Campus Response: Sonoma State University agrees with the recommendation. The university has existing procedures that have been used to follow through on agency collections. The director of payroll/benefits has reviewed and updated them to meet the audit requirements.

Sonoma State University has completed all necessary actions to close out this recommendation.

REVOLVING FUND

Recommendation 2

We recommend that the campus improve accounting procedures to ensure that salary advances are accurately recorded in the accounting records.

Campus Response: Sonoma State University agrees with the recommendation. The university has implemented a process to record salary advances in a salary advance account. This account will be reviewed on a regular basis to ensure that the procedures are followed.

Sonoma State University has completed all necessary actions to close out this recommendation.

SONOMA STATE UNIVERSITY
Management Response to FISMA Audit Report Number 01-03
September 7, 2001

PAYROLL/PERSONNEL

Recommendation 3

We recommend that the campus improve procedures to ensure that undelivered warrants are returned to the State Treasury in compliance timely.

Campus Response: Sonoma State University agrees with the recommendation.

This recommendation has been followed as of January 2001 since effective January 1, 2001 the university is required to pay an employee within 72 hours of the last day on the payroll. The payroll office no longer puts a hold on employees' warrants for campus clearance. All warrants are mailed out if not picked up within 30 days, or, immediately, if an employee is no longer employed on campus. Any warrants that are returned as undeliverable are remitted in a timely manner to the State Controller's Office for deposit in the Special Deposit Fund.

Sonoma State University has completed all necessary actions to close out this recommendation.

FIXED ASSETS

OFF-CAMPUS USE

Recommendation 4

We recommend that prior to loaning university property to campus staff for off campus use, all departments ensure that the property office receives proper authorization, approval, and notification.

Campus Response: Sonoma State University agrees with the recommendation. A memorandum has been issued to the responsible administrator to ensure that the existing policy on university property is enforced. Accordingly, property custodians must verify that university equipment on loan for off-campus use is properly authorized, approved and signed out on the University Property Check Out Request Form.

Sonoma State University has completed all necessary actions to close out this recommendation.

SONOMA STATE UNIVERSITY
Management Response to FISMA Audit Report Number 01-03
September 7, 2001

PROPERTY SURVEYS

Recommendation 5

We recommend that the campus evaluate and strengthen property survey procedures to ensure that survey reports are properly executed before asset disposition.

Campus Response: Sonoma State University agrees with the recommendation. A memorandum has been issued to ensure that the property fixed asset accountant only signs off on the asset disposition after two members of the survey board have approved a property survey report.

Sonoma State University has completed all necessary actions to close out this recommendation.

INFORMATION TECHNOLOGY

DISASTER RECOVERY PLAN

Recommendation 6

We recommend that the campus:

- a. Enhance the IT DRP by adding detailed procedures for all sections outlined in SAM; develop campus business continuity plans to sustain operations during an extended outage of data processing services; and add and assumption list that should be shared with the business users to enhance their understanding of what services will and will not be restored as part of the IT recovery plan. The assumptions list should also reflect the status of data files at the time of restoration.
- b. Conduct a business impact assessment to determine the maximum length of time that the departments could operate without data processing services, and identify the equipment and information that would be needed to sustain operations during an outage of data processing services.

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- c. Develop written manual operating and recovery procedures for business units to assist operations during an extended outage of data processing services, such as manual recovery of up to one month of lost data, and procedures for entering data collected manually during a prolonged system outage.
- d. Determine if monthly off-site storage of tapes, which represent a potential loss of up to one month's worth of data, is sufficient to adequately recover campus business operations. Consider more frequent off-site storage during critical processing times, such as online registration.

Campus Response: Sonoma State University agrees with the recommendation.

The Information Technology Department is in the process of updating the IT disaster recovery plan to respond to the specific recommendations outlined in the audit report. The final plan is expected to be approved by senior management by November 30, 2001.

Timeline for completion: November 30, 2001

DATA CENTER ACCESS

Recommendation 7

We recommend that the campus install a more restrictive physical security mechanism that will allow the IT department to appropriately restrict data center access to only authorized personnel. Access should be limited to the operators and key personnel. If other personnel require access, then they should be escorted while in the facility.

Campus Response: Sonoma State University agrees with the recommendation.

A budget allocation has been provided to Information Technology to implement a card lock system, which allows access to be limited to operators and key personnel as requested. Bids for the installation have been solicited. Installation of the card lock system is to be completed by the end of the calendar year.

Timeline for completion: December 31, 2001

SONOMA STATE UNIVERSITY
Management Response to FISMA Audit Report Number 01-03
September 7, 2001

USER ACCOUNT REMOVAL

Recommendation 8

We recommend that the campus delete all identifications that are no longer used or that have not been accessed for an extended period.

Campus Response: Sonoma State University agrees with the recommendation.

The Information Technology Department has developed a plan to remove all unused identifications from the VMS computer systems. The procedure requires that unused accounts be removed periodically.

Timeline for completion: November 30, 2001

TRUST EXPENDITURES

Recommendation 9

We recommend that the campus strengthen procedures to assure that only authorized signatures are accepted for expenditures of trust funds.

Campus Response: Sonoma State University agrees with the recommendation. The University has developed a procedure to enforce existing procedures and to remind departments to update their trust agreement documentation and signature authority. A memorandum has been prepared to be sent out to all impacted departments informing them that trust account transactions will be held in abeyance until necessary signature authority verification has been provided to Financial Services.

Sonoma State University has completed all necessary actions to close out this recommendation.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

CHANNEL ISLANDS

November 7, 2001

FULLERTON

MEMORANDUM

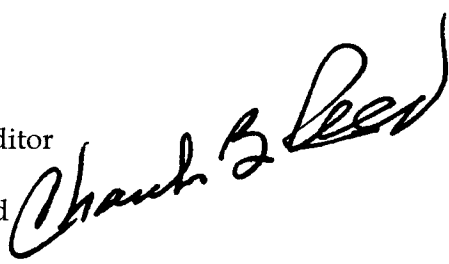
DOMINGUEZ HILLS

FRESNO

TO: Larry Mandel
University Auditor

FULLERTON

FROM: Charles B. Reed
Chancellor



HAYWARD

HUMBOLDT

SUBJECT: Draft Final Report Number 01-03 on *FISMA* at
Sonoma State University

LONG BEACH

LOS ANGELES

In response to your memorandum of November 7, 2001, I accept the
response as submitted with the draft final report on *FISMA* at Sonoma
State University.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

CBR:amd

POMONA

Enclosure

SACRAMENTO

cc: Dr. Ruben Armiñana, President

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS