

FISMA

SAN FRANCISCO STATE UNIVERSITY

Report Number 03-03

September 22, 2003

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BOARD OF TRUSTEES

THE CALIFORNIA STATE UNIVERSITY

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ABBREVIATIONS

CSU	California State University
DoIT	Division of Information Technology
EO	Executive Order
FISMA	Financial Integrity and State Manager's Accountability Act
IT	Information Technology
SAM	State Administrative Manual
SFSU	San Francisco State University
SUAM	State University Administrative Manual

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 (SUAM) 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 2001-2002 was the primary period reviewed. In certain instances, we were concerned with representations of the most current data—in such cases, the test period was July 2002 to March 2003. 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 requires state agencies to establish and maintain a system of internal accounting and administrative control. To ensure that the requirements of this act are fully complied with, state entities with internal audit units are to complete internal control audits (covering accounting and fiscal compliance practices) in accordance with *Standards for the Professional Practice of Internal Auditing* (Institute of Internal Auditors) as required by Government Code section 1236. The Office of the University Auditor of the California State University (CSU) is currently responsible for conducting such audits within the CSU.

This report represents our biennial review.

OPINION

We visited the San Francisco State University (SFSU) campus from March 3, 2003, through May 2, 2003, and made a study and evaluation of the accounting and administrative control in effect as of May 2, 2003. 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.

SFSU management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with Government Code, Sections 13402 et seq., includes documenting internal control, communicating requirements to employees, and assuring that internal control is functioning as prescribed. In fulfilling this responsibility, estimates and judgments by management are required to assess the expected benefits and related costs of control procedures.

The objectives of accounting and administrative control are to provide management with reasonable, but not absolute, assurance that:

- ▶ Assets are safeguarded against loss from unauthorized use or disposition.
- ▶ Transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of reliable financial statements.
- ▶ Financial operations are conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and Trustee policy.

Our study and evaluation revealed certain conditions, which, in our opinion, could result in errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal controls over the following areas: payroll receivables, fixed assets, and information technology. These conditions, along with other weaknesses, are described in the executive summary and body of this report.

In our opinion, except for the effect of the weaknesses described above, the SFSU accounting and administrative control in effect as of May 2, 2003, 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.

CASH RECEIPTS [6]

An increase to the Freshman Orientation Training fee was neither approved by the president nor presented to the campus fee advisory committee. Appropriate review and approval of student fee adjustments ensures fees are proper and in compliance with California State University (CSU) policy.

ACCOUNTS RECEIVABLE [6]

The campus had not conducted a review to determine the amount of General Fund costs incurred on behalf of housing and residential services. Adequate control over the cost allocation process complies with CSU policy and improves working capital.

REVOLVING FUND [7]

Controls over payroll receivables did not ensure timely recovery. Sufficient control over payroll receivables increases the likelihood of collection and improves cash flow.

FIXED ASSETS [8]

Fixed assets were not always properly tracked. Adequate control over campus property reduces the risk of unauthorized use and/or loss of state property.

TRUST FUNDS [9]

Investment earnings were not allocated to health center trust accounts. Allocation of investment earnings to health center trust account complies with CSU policy.

INFORMATION TECHNOLOGY [10]

DISASTER RECOVERY PLAN [10]

Written plans for identification and recovery of lost data were inadequate for critical systems in two areas. With a detailed IT disaster recovery plan, corresponding business continuation procedures, and documented data recovery alternatives, the campus would be better able to restore computer operations and critical information within the expected time frame, thereby reducing the impact of a disaster on normal business operations.

DATA CENTER ACCESS [11]

Access to the data center was not restricted to only those persons with responsibility for maintaining the computer systems. Reducing access to the data center minimizes the risk of accidental or intentional damage or theft of equipment or data that is essential to continued campus operations.

USER ACCESS PRIVILEGES [12]

Security administration procedures did not provide for the timely deletion of revoked computer IDs. Adequate controls over account expiration and removal reduce the risk of unauthorized users gaining access to campus systems.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH RECEIPTS

An increase to the Freshman Orientation Training fee was neither approved by the president nor presented to the campus fee advisory committee.

Executive Order (EO) No. 740, *The California State University Student Fee Policy*, dated April 13, 2000, states, in part, that delegated authority is given to the president to adjust or abolish campus fees. Further, appropriate and meaningful consultation must occur before increasing campus fees, which includes consultation with the campus fee advisory committee. The campus president may use alternative consultation mechanisms if they can be demonstrated to be more effective in achieving appropriate and meaningful consultation.

The director of orientation and retention stated that she was unaware of the systemwide policy concerning the review and approval of fee adjustments and that the dean of undergraduate studies approved the fee increase upon her recommendation. The bursar stated that she reluctantly agreed to collect the new fee upon learning that printed and distributed material contained the increased amount.

Improper fees could be assessed if the required consultation and authorization are not performed.

Recommendation 1

We recommend that the campus perform the appropriate consultation for the Freshman Orientation Training fee increase, obtain the required approval, and strengthen procedures to ensure that all future fee adjustments are properly reviewed and approved.

Campus Response

We concur. The campus will perform the appropriate consultation for the Freshman Orientation Training fee increase, obtain the required approval, and strengthen procedures to ensure that all future fee adjustments are properly reviewed and approved.

Expected completion date: February 2004.

ACCOUNTS RECEIVABLE

The campus had not conducted a review to determine the amount of General Fund costs incurred on behalf of housing and residential services.

EO No. 753, *Allocation of Costs to Auxiliary Enterprises*, dated July 28, 2000, states, in part, that auxiliary enterprises shall be charged the allowable direct cost plus an allocable portion of indirect costs associated with facilities, goods, and services provided by the university funded from the

General Fund. Cost allocations shall be determined in accordance with a written cost allocation plan approved annually by the campus chief financial officer.

The campus internal auditor, who was responsible for conducting cost allocation reviews, stated that conducting such a review was a low priority and would have been a meaningless exercise since housing and residential services was and still is operating at a deficit and has been subsidized by the General Fund, so any costs identified would not be recovered.

Inadequate control over the cost allocation process increases the risk of non-compliance with California State University (CSU) policy and reduced working capital.

Recommendation 2

We recommend that the campus conduct and document a cost allocation review for housing and residential services and consider recovery of the costs when housing and residential services is no longer operating at a deficit.

Campus Response

We concur. The campus is conducting and documenting a cost allocation plan for housing and residential services, and will consider recovery of the costs when housing and residential services is no longer operating at a deficit.

Expected completion date: February 2004.

REVOLVING FUND

Controls over payroll receivables did not ensure timely recovery.

Our review of 13 salary advances and 15 payroll receivables disclosed that:

- ▶ Eleven salary advances totaling \$13,869 were outstanding from five months up to more than ten years.
- ▶ Eight payroll receivables totaling \$7,852 were outstanding from 60 days up to more than six years.

State Administrative Manual (SAM) §8776.7 requires reimbursement to the state of overpayments made to employees. It further provides that any amount owed to the state by an employee is the equivalent of an overpayment and prescribes policies and procedures to be followed when collecting employee overpayments, including written notices.

State University Administrative Manual (SUAM) §3813 indicates that salary advances to employees should be collected when a corrected or delayed warrant for the pay period involved is received with the time period for recovery of salary advances not to exceed 60 days.

The payroll manager stated that many of the receivables reviewed had been assigned to two former payroll technicians who had not diligently performed their duties to clear them. Additionally, she noted that some of the payroll receivables involved benefit payments, and the payroll staff lacked the knowledge to resolve such items.

Insufficient control over salary advances and payroll receivables reduces the likelihood of collection and negatively impacts cash flow.

Recommendation 3

We recommend that the campus investigate and take steps to resolve old outstanding advances and receivables, including write-offs of uncollectible amounts, and strengthen controls over the ongoing recovery of advances and payroll receivables.

Campus Response

We concur. The payroll unit, in collaboration with fiscal affairs, has clarified the regulations concerning write-offs, and we have written off uncollectibles totaling \$16,271.88. Since the conclusion of the FISMA audit, we have collected over \$21,000.00 from debts that were over 90 days old. We are revising collection procedures related to receivables that have been in the accounts receivable module collection system for more than five years. If payment has not been achieved within the five years through our graduated notification process and/or we have been unsuccessful collecting partial or full payment through the Franchise Tax Board, we will request the debt be written off. We also recognized the need to adequately address benefit-related receivables, and we have identified an employee in our benefits unit to act as a liaison with the payroll unit to ensure timely collection of benefit related receivables. Finally, we are strengthening our reporting practices. A report will be prepared on a monthly basis listing the status of collections by type, i.e., pay or benefit, and the information will be given to the vice president for administration and finance and president in the regular cabinet monthly briefing.

Expected completion date: December 15, 2003.

FIXED ASSETS

Fixed assets were not always properly tracked.

Our review of 24 fixed assets disclosed that the campus was unable to locate 21 of the items selected. In addition, the campus could not provide documentation confirming the transfer of one item that had been transferred to a local community college.

SAM §8650 states that departments will keep track of state property, whether capitalized or not, in an automated property accounting system or on property record cards.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls shall include a system of authorization and record-keeping procedures adequate to provide effective accounting control over assets.

The director of procurement and contracts and the property clerk stated their belief that the items were on the campus but were moved without providing notification to the property office.

Inadequate control over campus property increases the risk of unauthorized use and/or loss of state property.

Recommendation 4

We recommend that the campus:

- a. Locate or write-off the 21 property items not found during our review.
- b. Strengthen property transfer accountability procedures to include written transfer confirmation.

Campus Response

- a. The 21 property items will either be found or written-off. This effort will be led by the director of procurement services.

Expected completion date: November 15, 2003.

- b. The campus property procedures will be reviewed with the purpose of identifying areas that can be improved. A written confirmation provision to improve accountability will be added to the transfer procedures. Notification to the campus will be made via written memo and through the fiscal affairs website by the associate vice president for fiscal affairs.

Expected completion date: December 15, 2003.

TRUST FUNDS

Investment earnings were not allocated to health center trust accounts.

EO No. 814, *Policy on University Health Services*, effective July 1, 2002, states, in part, that all proceeds of fees for augmented health services, both revenue and interest earned shall be used to support student health center operations.

The associate controller for trust and project accounting stated that the campus policy is to allocate earnings to only certain trust accounts due to the large number of trust and project accounts and the volume of activity.

Withholding investment earnings from health center trust account results in non-compliance with CSU policy.

Recommendation 5

We recommend that the campus take immediate action to ensure that interest earned on the investment of health center trust funds is credited to the appropriate health center trust accounts.

Campus Response

We concur. The associate controller of trust and project accounting will ensure that appropriate health center trust accounts are credited with interest earned.

Expected completion date: November 15, 2003.

INFORMATION TECHNOLOGY

DISASTER RECOVERY PLAN

Written plans for identification and recovery of lost data were inadequate for critical systems in two areas.

Manual end-user procedures did not include steps for the identification and recovery of lost data, and subsequent entry of the recovered transactions and any activity that occurred during an outage of data processing services. In addition, although the information technology (IT) and fiscal affairs departments had procedures for backing up data in other systems and at off-site locations, the documented recovery process did not clearly specify a recovery strategy that would take advantage of the most current data.

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.

EO No. 696, *Implementation of The California State University Emergency Preparedness Program*, dated January 29, 1999, states, in part, that each campus president is delegated the responsibility for the implementation of an emergency management system program on campus, and shall ensure that management activities, including, but not limited to, maintenance and regular updating of the institutional emergency management system plan, and determination, acquisition, and maintenance of facilities, equipment, and related supplies required for emergency preparedness are accomplished.

The associate vice president/controller for fiscal affairs stated that there were established procedures in place to handle daily operations when systems are inoperable and to enter data once the system becomes operational again; however, these procedures have not been fully documented.

Without both a detailed information technology disaster recovery plan that addresses all critical systems and corresponding business continuation procedures, the campus may not be able to restore computer operations within the expected time frame.

Recommendation 6

We recommend that the campus:

- a. Coordinate and document the most effective means to recover data and the procedures for the identification, recovery, and subsequent entry of lost data.
- b. Consider enhancing the recovery process to take advantage of the most current data available.

Campus Response

- a. We concur. The associate vice president for fiscal affairs will lead the effort to document the most effective means to identify, recover, and enter into the business applications lost data after a business disruption. The procedure will be incorporated into the unit's information technology disaster recovery plan.

Expected completion date: December 15, 2003.

- b. We concur. DoIT and fiscal affairs will jointly review procedures for backing up data and make any appropriate revisions to the documented recovery process.

Expected completion date: February 2004.

DATA CENTER ACCESS

Access to the data center was not restricted to only those persons with responsibility for maintaining the computer systems.

We noted 93 access cards that allowed access to the data center, which consisted of 31 assigned to DoIT employees and 62 with "global" access that had been granted by the department of public safety.

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

The director of network and operations services stated that access card assignments had not been recently examined, that the existing access had been authorized, and that it may be possible to further restrict access to the data center.

Inappropriate access to the data center increases the risk of accidental or malicious damage or theft to equipment or data that is essential to the continued operation of the campus.

Recommendation 7

We recommend that the campus reevaluate the criteria for access to the data center and appropriately restrict access to only those persons with responsibility for maintaining the campus systems, including those responding to facility emergencies or maintenance problems.

Campus Response

We concur. We have taken steps necessary to restrict access to the data center to appropriate DoIT personnel and essential maintenance and public safety personnel.

USER ACCESS PRIVILEGES

Security administration procedures did not provide for the timely deletion of revoked computer IDs.

Our review disclosed 629 MVS IDs that existed on the system in a revoked status. We also noted that application security administrators were not notified of employee terminations and transfers on a consistent basis.

SAM §4842.2 states that appropriate risk management procedures should be implemented to safeguard the integrity of data files, which includes effective account and password management. Effective account management is considered to include an appropriate and enforced frequency of password changes and automatic disabling of inactive accounts.

The director of network and operations services stated that the campus practice was to deactivate IDs rather than delete them to simplify the process of assigning access to new employees. He also stated that the ID removal process involved notification from human resources to the mainframe security administrator, but that the application security administrators were not consistently notified to also remove application level access.

Inadequate control over account deletion increases the risk of unauthorized and undetected access to campus systems and confidential data.

Recommendation 8

We recommend that the campus:

- a. Implement a process to periodically remove accounts that have been revoked and are not needed.

- b. Reexamine the process for notifying security administrators to ensure that all persons responsible for administering information security are notified of employee terminations and transfers in a timely manner.

Campus Response

- a. We concur. DoIT already has deleted the revoked accounts no longer required and has modified the procedures to examine revoked accounts on a regular basis and to take appropriate action.
- b. We concur. Human resources will notify application owners and DoIT daily when an employee terminates or transfers within the university. DoIT then revokes access to the account and the application owner removes access to the related application(s).

Expected completion date: December 15, 2003.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Robert A. Corrigan	President
Aludia Artiga	Property Accountant
Edward Baumgarten	Property Clerk
David Chelliah	Fiscal Services Supervisor, Accounts Payable and Collections
Richard Chen	Senior Accountant, Trust and Project Accounting
Cathy Cheng	Accounting Analyst, Fiscal Affairs
Karen Flynn	Cashiering Supervisor, Student Health Services
Denise Fox	Associate Vice President, Human Resources
Lily Gee	Parking Coordinator, Parking and Transportation Services
Wanda Humphrey	Manager, Payroll
Karen Kingsbury	Director of Orientation and Retention
Wayne Kuhaupt	Manager, Accounts Payable and Collections
Phoebe Kwan	Executive Director, Division of Information Technology
Franz Lozano	Associate Internal Auditor
Sam Moriana	Compliance Analyst, Internal Audit
Leroy Morishita	Vice President for Administration and Finance
Claudette Neveu	Bursar
Vicky Nguyen	Accounting Analyst, Trust and Project Accounting
Juliet Olson	Business Manager, Student Health Services
Song Park	Procurement Card Coordinator
Armen Perez	Housing Financial Information Coordinator
Jonathan Rood	Associate Vice President, Division of Information Technology
Joe Sampang	Senior Accountant, Governmental Accounting
Julie Savignano	Supervisor, Accounts Payable
Stephen Smith	Director, Procurement and Contracts
Jack Tse	Director, Network and Operations Services
Gloria Tseung	Senior Accountant, Governmental Accounting
Jim Van Ness	Internal Auditor
Larry Ware	Associate Vice President/Controller, Fiscal Affairs
Burkland Wong	Associate Controller, Trust and Project Accounting
Cora Wong	Director, Student Financial Operations/Business Systems
Armando Ysip	Associate Controller, Governmental Accounting

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.



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State University**

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October 30, 2003

**RECEIVED
UNIVERSITY AUDITOR**

NOV - 5 2003

**THE CALIFORNIA STATE
UNIVERSITY**

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, California 90802-4210

Dear Mr. Mandel:

We have carefully reviewed Office of the University Auditor Report #03-03 on FISMA at San Francisco State University. The report identified areas where additional efforts are needed, and we are taking actions to implement the recommendations.

Our responses to the recommendations are attached. Questions regarding the responses may be directed to Leroy Morishita, Vice President for Administration and Finance, at 415/338-2521 or Jim Van Ness, Internal Auditor, at 415/338-7183.

Sincerely,

for 
Robert A. Corrigan
President

JVN/id

Attachments

cc: Leroy Morishita, Vice President for Administration and Finance
Larry Ware, Associate Vice President/Controller, Fiscal Affairs
Denise Fox, Associate Vice President, Human Resources, Safety & Risk Management
Jonathan Rood, Associate Vice President, Division of Information Technology
Jim Van Ness, Internal Auditor
Franz Lozano, Associate Internal Auditor

SAN FRANCISCO STATE UNIVERSITY

FISMA
AUDIT REPORT NO. 03-03**CASH RECEIPTS (Fee Approval)****Recommendation 1**

We recommend that the campus perform the appropriate consultation for the Freshman Orientation Training fee increase, obtain the required approval, and strengthen procedures to ensure that all future fee adjustments are properly reviewed and approved.

Campus Response

We concur. The campus will perform the appropriate consultation for the Freshman Orientation Training fee increase, obtain the required approval, and strengthen procedures to ensure that all future fee adjustments are properly reviewed and approved. Expected completion date: February 2004.

ACCOUNTS RECEIVABLE (Housing Cost Allocation Plan)**Recommendation 2**

We recommend that the campus conduct and document a cost allocation review for housing and residential services and consider recovery of the costs when housing and residential services is no longer operating at a deficit.

Campus Response

We concur. The campus is conducting and documenting a cost allocation plan for housing and residential services, and will consider recovery of the costs when housing and residential services is no longer operating at a deficit. Expected completion date: February, 2004.

REVOLVING FUND (Payroll Receivables)**Recommendation 3**

We recommend that the campus investigate and take steps to resolve old outstanding advances and receivables, including write-offs of uncollectible amounts, and strengthen controls over the ongoing recovery of advances and payroll receivables.

Campus Response

We concur. The Payroll Unit, in collaboration with Fiscal Affairs, has clarified the regulations concerning write-offs, and we have written-off uncollectibles totaling \$16,271.88. Since the conclusion of the FISMA Audit, we have collected over \$21,000.00 from debts that were over 90 days old. We are revising collection procedures related to receivables that have been in the ARM

collection system for more than five years. If payment has not been achieved within the five years through our graduated notification process and/or we have been unsuccessful collecting partial or full payment through the Franchise Tax Board, we will request the debt be written off. We also recognized the need to adequately address benefit-related receivables, and we have identified an employee in our Benefits Unit to act as a liaison with the Payroll Unit to ensure timely collection of benefit related receivables. Finally, we are strengthening our reporting practices. A report will be prepared on a monthly basis listing the status of collections by type, i.e., pay or benefit, and the information will be given to the Vice President for Administration and Finance and President in the regular Cabinet Monthly Briefing. Expected completion date: December 15, 2003.

FIXED ASSETS (Property)

Recommendation 4

We recommend that the campus:

- a. Locate or write-off the 21 property items not found during our review.
- b. Strengthen property transfer accountability procedures to include written transfer confirmation.

Campus Response

We concur.

- a. The 21 property items will either be found or written-off. This effort will be led by the Director of Procurement Services. Expected completion date: November 15, 2003.
- b. The campus property procedures will be reviewed with the purpose of identifying areas that can be improved. A written confirmation provision to improve accountability will be added to the transfer procedures. Notification to the campus will be made via written memo and through the Fiscal Affairs Website by the Associate Vice President for Fiscal Affairs. Expected completion date: December 15, 2003.

TRUST FUNDS (Health Center Interest Earnings)

Recommendation 5

We recommend that the campus take immediate action to ensure that interest earned on the investment of health center trust funds is credited to the appropriate health center trust accounts.

Campus Response

We concur. The Associate Controller of Trust and Project Accounting will ensure that appropriate health center trust accounts are credited with interest earned. Expected completion date: November 15, 2003.

INFORMATION TECHNOLOGY**DISASTER RECOVERY PLAN (Lost Data)****Recommendation 6**

We recommend that the campus:

- a. Coordinate and document the most effective means to recover data and the procedures for the identification, recovery, and subsequent entry of lost data.
- b. Consider enhancing the recovery process to take advantage of the most current data available.

Campus Response

- a. We concur. The Associate Vice President for Fiscal Affairs will lead the effort to document the most effective means to identify, recover, and enter into the business applications lost data after a business disruption. The procedure will be incorporated into the unit's information technology disaster recovery plan. Expected completion date: December 15, 2003.
- b. We concur. DoIT and Fiscal Affairs will jointly review procedures for backing up data and make any appropriate revisions to the documented recovery process. Expected completion date: February 2004.

DATA CENTER ACCESS (Reevaluate and Restrict)**Recommendation 7**

We recommend that the campus reevaluate the criteria for access to the data center and appropriately restrict access to only those persons with responsibility for maintaining the campus systems, including those responding to facility emergencies or maintenance problems.

Campus Response

We concur. We have taken steps necessary to restrict access to the Data Center to appropriate DoIT personnel and essential maintenance and public safety personnel.

USER ACCESS PRIVILEGES (Delete Revoked ID's)**Recommendation 8**

We recommend that the campus:

- a. Implement a process to periodically remove accounts that have been revoked and are not needed.

- b. Reexamine the process for notifying security administrators to ensure that all persons responsible for administering information security are notified of employee terminations and transfers in a timely manner.

Campus Response

- a. We concur. DoIT already has deleted the revoked accounts no longer required and has modified the procedures to examine revoked accounts on a regular basis and to take appropriate action.
- b. We concur. Human Resources will notify application owners and DoIT daily when an employee terminates or transfers within the University. DoIT then revokes access to the account and the application owner removes access to the related application(s). Expected completion date: December 15, 2003.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR

BAKERSFIELD

December 4, 2003

CHANNEL ISLANDS

CHICO

MEMORANDUM

DOMINGUEZ HIL

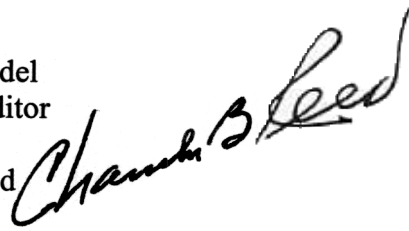
FRESNO

TO: Mr. Larry Mandel
University Auditor

FULLERTON

HAYWARD

FROM: Charles B. Reed
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report Number 03-03 on *FISMA*,
San Francisco State University

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of December 4, 2003, I accept the response as submitted with the draft final report on *FISMA*, San Francisco State University.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/bth

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Robert A. Corrigan, President
Mr. Jim Van Ness, Internal Auditor

SAN DIEGO

SAN FRANCISCO

SAN JOSE

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS