

**FISMA**  
**SAN JOSÉ STATE UNIVERSITY**

**Report Number 04-11**  
**August 8, 2005**

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## **ABBREVIATIONS**

|       |  |
|-------|--|
| ATM   | Automatic Teller Machine                                   |
| BSA   | Bureau of State Audits                                     |
| CB    | College of Business  |
| CSU   | California State University                                |
| EO    | Executive Order  |
| FISMA | Financial Integrity and State Manager's Accountability Act |
| GAAP  | Generally Accepted Accounting Practices                    |
| GC    | Government Code  |
| HR    | Human Resources  |
| IA    | Intercollegiate Athletics                                  |
| ISO   | Information Security Officer                               |
| OSAE  | Office of State Audits and Evaluations                     |
| SAM   | State Administrative Manual                                |
| SCO   | State Controller's Office                                  |
| SHS   | Student Health Services                                    |
| SJSU  | San José State University                                  |
| SUAM  | State University Administrative Manual                     |
| UA    | University Advancement                                     |

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## EXECUTIVE SUMMARY

The California Legislature passed the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983. 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 biennial internal control audits (covering accounting and fiscal compliance practices) in accordance with the *International 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.

San José State University (SJSU) 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.

We visited the SJSU campus from January 10, 2005, through March 11, 2005, and made a study and evaluation of the accounting and administrative control in effect as of March 11, 2005. This report represents our biennial review.

Our study and evaluation revealed certain conditions that, in our opinion, could result in errors and irregularities if not corrected. Specifically, the campus did not maintain adequate internal control over the following areas: cash receipts, accounts receivable, purchasing, payroll and personnel, fiscal information technology, and reconciliations. 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, SJSU's accounting and administrative control in effect as of March 11, 2005, 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 changes 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.

The following summary provides 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]**

Certain activities that impact the control environment for cash receipts needed improvement. The person responsible for opening incoming mail at the bursar's office did not prepare a prelisting of cash and checks received not payable to the university. At the College of Business (CB), checks were transferred to the bursar's office via campus mail for deposit. Duties and responsibilities related to cashiering and the reconciliation/deposit of cash receipts were not properly segregated at university advancement and student health services (SHS). Checks were not always restrictively endorsed on the day of receipt at intercollegiate athletics and the CB. Further, funds were not properly safeguarded and copies of receipts were not maintained at SHS. In addition, student university fee reconciliations were not prepared and bank surveys were not conducted to search for unauthorized bank accounts that use the campus name, address, and federal identification number.

### **ACCOUNTS RECEIVABLE [10]**

Pursuit of delinquent accounts receivable and requests for discharge of accountability needed improvement. The goal of the collection department was to follow up on delinquent accounts only once every 90 days, which did not promote timely collection of outstanding student and third-party receivables. Additionally, a series of three collection letters and/or telephone calls were not sent at 30-day intervals to delinquent student and non-student accounts receivable, and long-outstanding third-party accounts over two years old were not timely written-off. Our review of the 12 oldest auxiliary receivables as of December 2004 disclosed that seven were between two to four years outstanding.

### **PURCHASING [12]**

Campus policies and procedures for its procurement card and intercollegiate athletics Diners Club programs were not being enforced or were incomplete. Although the procurement card manual only permitted per transaction limits up to \$5,000 and daily/monthly limits up to \$10,000, current practice permitted higher limits. Ten and eight instances were noted, respectfully, where single and daily/monthly transaction limits exceeded the prescribed maximums. Policies and procedures for the intercollegiate athletics Diners Club program were in draft form and did not include significant provisions such as, but not limited to, automatic teller machine (ATM) withdrawals, distribution of advanced funds, reimbursement to the university for unused advances, penalties/restricted uses, and preference for use of the card versus campus-issued travel advances that had no transaction fees. A review of the Diners Club billing statement dated May 27, 2004, disclosed that four of ten cardholders made ATM withdrawals that exceeded the \$500/day advance limit as per the card agreement. Three of these cardholders also exceeded the \$1,000 weekly limit.

## **CASH DISBURSEMENTS [13]**

Sealed checks were not maintained in a locked and secured area prior to them being picked up for distribution.

## **PAYROLL AND PERSONNEL [14]**

Federal Form I-9, Employment Eligibility Verification, was not always timely completed. Our review of 12 new hires disclosed seven instances in which the campus completed employment eligibility verification from 6 to 75 days following the effective hire date. Employee separation procedures did not ensure timely payment of wages due. A review of 11 employee separations disclosed six instances in which the final salary payment was not completed within 72 hours after the effective separation date. In addition, the delegation of authority on file with the State Controller's Office (SCO) to authorize personnel and payroll transactions was not kept current. A review of the list of current personnel/payroll document signature card authorizations disclosed that corresponding signature cards were not maintained on file for 5 of the 12 authorized employees listed, and one listed individual needed to be deleted.

## **FIXED ASSETS [16]**

The campus did not report the theft of state funds as required by state and CSU policies. A property theft of parking permits totaling \$13,976 was not reported to the chancellor's office, Bureau of State Audits, and the Office of State Audits and Evaluations.

## **FISCAL INFORMATION TECHNOLOGY [17]**

There were no authorization or monitoring controls over the use of Oracle IDs that allowed modification of production PeopleSoft data. Security parameters for the CashNet system were not set within the operating system to effectively deter unauthorized access. The computer room used by administration and finance to house certain production equipment was insufficient to ensure the physical security and environmental protection of a production-computing environment. In addition, information policies and procedures did not ensure that all systems and sensitive information were properly secured. There was no campuswide information security process and no individual assigned to ensure that appropriate security practices were being applied to all systems connected to the campus network. The campus did not have policies or procedures for identifying or controlling the copying of sensitive information stored by the university. Specifically, all downloads of production data, either through production processes or departmental downloads to Excel files, were not being stored on an appropriately protected server.

## **RECONCILIATIONS [20]**

Accounts receivable, revolving fund, bank/SCO expense, and fixed assets reconciliations were not timely completed. In addition, the accounts receivable aging report for third-party receivables did not provide adequate detail, and bank/SCO expense reconciliations showed an excessive number of reconciling items that were not always adequately explained, and dated back to December 2001.

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## 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.
- ▶ Fiscal information systems are adequately controlled and safeguarded, and adequate segregation of duties exists.
- ▶ Investments are adequately controlled and securities are safeguarded.
- ▶ Trust funds are established in accordance with State University Administrative Manual guidelines.

### **SCOPE AND METHODOLOGY**

Our study and evaluation were conducted in accordance with the *International 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 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 2003/04 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 2004 to December 2004. 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.

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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 accounting systems and related computer facilities/equipment, and administration of information technology operations.
- ▶ 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 March 11, 2005. Accordingly, our comments are based on our knowledge as of that date. Since the purpose of our comments is to suggest areas for improvement, comments on favorable matters are not addressed.

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# OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

## CASH RECEIPTS

### MAIN AND SATELLITE CASHIERING

Cash control weaknesses were found at the bursar's office and four of the five satellite cashiering areas visited.

The satellite cashiering locations reviewed included student health services (SHS), Spartan Daily, intercollegiate athletics (IA), College of Business (CB), and university advancement (UA).

#### **Accountability**

The person responsible for opening incoming mail at the bursar's office did not prepare a prelisting of cash and checks received not payable to the university. In addition, checks received at the CB were transferred to the bursar's office via campus mail and without the use of transfer receipts.

State Administrative Manual (SAM) §8020.1 states that all incoming mail receipts consisting of cash and negotiable instruments not payable to the state agency will be prelisted by the person opening the mail to localize accountability of these assets.

SAM §8021 requires that a 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 to its deposit.

The interim associate vice president of administrative systems and finance stated his belief that the person opening the mail was automatically held accountable for all mail received until it was forwarded directly to the addressee. He also stated that there was no need for a list to be made to establish accountability. He further stated that the checks being sent through campus mail and the lack of transfer receipts at the CB was due to the failure to communicate and execute campus policy at satellite cashiering locations.

#### **Segregation of Duties**

Duties and responsibilities related to cashiering and the reconciliation/deposit of cash receipts were not properly segregated at UA and SHS.

We found that:

- ▶ At UA, the gift-processing supervisor received and processed receipts into the benefactor database, reconciled her entries when preparing the funds for deposit, and prepared the deposit to the bursar's office.
- ▶ At SHS, the accounting technician II reconciled her own cashiering session and prepared the deposit to the bursar's office.

SAM §8080, §8080.1, and §8080.2 state, in part, that no one person will perform more than one of the following types of duties: maintaining books of original entry, receiving and depositing remittances, inputting receipts information, and reconciling input to output.

SAM §8032.3 states that except where the supervisor and the person depositing cash are not at the same location, the person supervising the person depositing cash will verify that receipts have been deposited intact and in accordance with SAM §8032.1.

The director of gift processing stated that the staffing level at UA limited its ability to adequately segregate each of the functions on a consistent basis. The interim associate vice president of administrative systems and finance stated his belief that the current staffing level at SHS was not adequate during times of high volume, which required the accounting technician II's assistance with cashiering.

### **Restrictive Endorsement of Checks**

Checks received were not always restrictively endorsed on the day of receipt at IA and CB.

We noted that:

- ▶ At IA, the student assistant did not endorse checks received after the daily deposit had been made to the bursar's office. Any such checks were stored in the safe and endorsed when the next day's deposit was prepared.
- ▶ At the CB, checks were not endorsed before being sent to the bursar's office for deposit.

SAM §8034.1 requires checks and other negotiable instruments to be endorsed on the day they are received.

The interim associate vice president of administrative systems and finance stated his belief that the failure to ensure correct restrictive endorsement was due to the failure to communicate and enforce campus policy at satellite cashiering locations.

### **Record Retention**

Copies of customer receipts were not maintained on file at SHS.

SAM §8020 states that campuses should save a numeric file of copies of receipts and voided receipts for audit purposes.

The interim associate vice president of administrative systems and finance stated his belief that the failure to maintain file copies of receipts and voided receipts was due to the failure to communicate and enforce campus policy at satellite cashiering locations.

### **Safety of Funds**

At SHS, the safe was maintained in an unlocked cabinet in a locked room that was shared by the main server and the technicians who managed it. In addition, there were no locks on the cash bags used to transport and deposit receipts to the main SHS cashier and to the bursar's office.

SAM §20050 states that the elements of a satisfactory system of accounting and administrative control shall include, in part, a plan that limits access to state assets to authorized personnel who require these assets in the performance of assigned duties. Further, internal accounting controls comprise the methods and procedures directly associated with safeguarding assets.

The interim associate vice president of administrative systems and finance stated his belief that the safe was initially placed in the room with the server because that was perceived to be the most secure alternative. He further stated his belief that the location was one of the more safe alternatives. In addition, he stated his belief that SHS was using unlocked bags because management assumed they were using the locked bags issued by the bank as other departments had been using.

Inadequate control over cash receipts increases campus exposure to loss from inappropriate acts.

### **Recommendation 1**

We recommend that the campus:

- a. Establish procedures to prepare a prelisting of cash and checks received not payable to the university at the bursar's office.
- b. Require that checks received at the CB be personally delivered to the bursar's office and implement the use of transfer receipts.
- c. Review cashiering activities at UA and SHS and take appropriate action to either segregate duties or establish effective mitigating controls.
- d. Ensure that all checks received at IA and CB are restrictively endorsed by the end of the day.
- e. Establish and implement appropriate procedures to retain copies of receipts at SHS.
- f. Relocate the SHS safe to a more functional space with limited access and implement the use of locked cash bags.

### **Campus Response**

We concur. We will:

- a. Establish procedures to prelisting of cash and checks received not payable to the university by October 31, 2005.

- b. Ensure that checks received at the CB will be personally delivered to the bursar with transfer receipts by October 31, 2005.
- c. Review cashiering activities at UA and SHS and either segregate duties or establish mitigating controls by October 31, 2005.
- d. Ensure that all checks received at IA and CB are restrictively endorsed by the end of the day by October 31, 2005.
- e. Initiate procedures to retain copies of receipts at SHS by October 31, 2005.
- f. Relocate the SHS safe to a more functional space with limited access; and implement the use of locked cash bags by December 31, 2005.

## **FEE RECONCILIATIONS**

Student university fee reconciliations were not prepared.

State University Administrative Manual (SUAM) §3825.02 requires that a reconciliation of state university fees to the census date report relative to the number of students accounted for on the census date be prepared for each academic term.

The interim associate vice president of administrative systems and finance stated his belief that the census information was inaccurate and that a reconciliation using that information source would also have been inaccurate.

Failure to reconcile fees increases the risk that errors and irregularities will not be detected.

### **Recommendation 2**

We recommend that the campus reconcile state university fees to the census date report relative to the number of students accounted for on the census date within one month after the end of the academic term being reconciled.

### **Campus Response**

We concur. We will reconcile state university fees to the census date report relative to the number of students accounted for on the census date within one month after the end of the academic term being reconciled by April 30, 2006.

## **BANK SURVEYS**

The campus did not have a procedure to periodically request local banks to search for unauthorized bank accounts that use the campus name, address, and federal identification number.

Government Code (GC) §13401(b)(3) states that all levels of management of state agencies must be involved in assessing and strengthening the systems of internal accounting and administrative control to minimize fraud, errors, abuse, and waste of government funds.

The interim associate vice president of administrative systems and finance stated that prior efforts to search for unauthorized bank accounts resulted in no response or cooperation from banks. He further stated his belief that there were no specific criteria or significant risks that required this control.

The lack of a process to periodically search for unauthorized bank accounts increases the risk of the campus being associated with improper bank accounts.

**Recommendation 3**

We recommend that the campus establish and implement procedures to periodically request local banks to search for unauthorized bank accounts that use the university’s name, address, and federal identification number.

**Campus Response**

We concur. We will periodically request local banks to search for unauthorized bank accounts that use the university’s name, address, and federal identification number by February 28, 2006.

**ACCOUNTS RECEIVABLE**

Pursuit of delinquent accounts receivable and requests for discharge of accountability needed improvement.

Our review of student and third-party accounts receivable as of December 31, 2004, disclosed that:

- ▶ The goal of the collection department was to follow up on delinquent accounts only once every 90 days. This did not promote timely collection of outstanding student and third-party receivables.
- ▶ A series of three collection letters and/or telephone calls were not sent at 30-day intervals to delinquent student and non-student accounts receivable.
- ▶ Long-outstanding third-party accounts over two years old were not timely written-off. Our review of the 12 oldest auxiliary receivables as of December 2004 disclosed that seven were between two to four years outstanding.

| <b>Aging</b>     | <b>Total</b> |
|------------------|--------------|
| 2 to 3 years old | \$ 2,631     |
| 3 to 4 years old | 3,879        |
| Over 4 years old | 1,528        |

SUAM §3822 requires each campus to establish procedures that provide for prompt follow-up of accounts receivable, including preparation and issuance of follow-up letters and/or calls, utilization of the offset claim procedures for accounts greater than \$10, and withholding of services such as transcripts, grade reports, and future enrollments.

SAM §8776.6 requires that each department develop collection procedures that will assure prompt follow-up on receivables. Further, once the address of the debtor is known, the accounting office will send a sequence of three collection letters at 30-day intervals; if the collection letters are unsuccessful, an analysis should be prepared with additional collection efforts to include contracting with a collection agency. Further, if all reasonable collection procedures do not result in payment, departments should initiate one or more actions including, but not limited to, discharge from accountability of uncollectible amounts due from private entities.

Executive Order (EO) 616, *Discharge of Accountability*, dated April 19, 1994, delegates authority to the campus for local adjustments of up to \$1,000 that are determined to be uncollectible or where the amount does not justify the collection costs. Discharge of accountability does not release the debtor from their obligation to the campus.

The bursar stated her belief that the volume of accounts that the collection department must manage made it difficult to institute a more aggressive collection plan.

Inadequate control over accounts receivable reduces the likelihood of collection, increases the amount of resources expended on collection efforts, negatively impacts cash flow, and increases the risk that receivables will not be properly reflected in the campus financial statements.

#### **Recommendation 4**

We recommend that the campus:

- a. Initiate a more timely collection process.
- b. Enforce the use of three progressive collection letters sent at 30-day intervals and standards for the documentation of collection efforts and write-offs.
- c. Monitor and write-off long-outstanding receivables.

#### **Campus Response**

We concur. We will:

- a. Implement a timely collection process by November 30, 2005.
- b. Use three progressive collection letters sent at 30-day intervals and standards for the documentation of collection efforts and write-offs by November 30, 2005.
- c. Monitor and write-off long-outstanding receivables by November 30, 2005.

## PURCHASING

Campus policies and procedures for its procurement card and intercollegiate athletics Diners Club programs were not being enforced or were incomplete.

We found that:

- ▶ Although the procurement card manual only permitted per transaction limits up to \$5,000 and daily/monthly limits up to \$10,000, current practice permitted higher limits. Our review disclosed ten instances where single transaction limits exceeded the prescribed maximum by \$5,000 or \$15,000, and eight instances where daily/monthly limits exceeded the prescribed maximum by \$10,000 or \$20,000. Although most of these exceptions pertained to buyers, the procurement card manual did not include a provision for exceptions for buyers.
- ▶ Policies and procedures for the intercollegiate athletics Diners Club program were in draft form and did not include significant provisions such as, but not limited to, automatic teller machine (ATM) withdrawals, distribution of advanced funds, reimbursement to the university for unused advances, penalties/restricted uses, and preference for use of the card versus campus-issued travel advances that had no transaction fees. In addition, our review of the Diners Club billing statement dated May 27, 2004, disclosed that four of ten cardholders made ATM withdrawals that exceeded the \$500/day advance limit as per the card agreement. Three of these cardholders also exceeded the \$1,000 weekly limit.

SAM §20050 states that the existence of one or more of the following danger signals will usually be indicative of a poorly maintained or vulnerable control system. These danger signals include, in part, policy and procedural or operational manuals that are either not currently maintained or are non-existent.

The San José State University (SJSU) *Procurement Card Manual* indicates that individual cardholder and/or department card privileges will be revoked for failure to comply with program policies and procedures (under *Consequences for Failure to Comply with Program Policy and Procedures*).

The SJSU *Procurement Card Manual* indicates that the maximum cannot exceed \$5,000 per transaction (\$10,000 per day/month) and such a maximum includes shipping, handling, and freight (under *Credit Card Controls*). Should a transaction (purchase) exceed the allowed maximum for the cardholder, it will be denied when the merchant processes the charge.

The SJSU *Procurement and Public Works Manual* §1.06 states that any request for delegation of authority (for procurement card purchases) that would exceed \$5,000 must be submitted to the director of procurement services.

The Diners Club *Corporate Card System, Individually Billed, Club Cash Program Agreement* lists the ATM withdrawal limits as: a maximum of \$500 per 24-hour period; a maximum of five transactions per 24-hour period; and a maximum of \$1,000 during any 7-day period.

The director of procurement and support services stated that the procurement card and procurement and public works manuals needed to be updated to reflect current practice and had not been due to oversight during the most recent update(s). The interim associate vice president of administrative systems and finance stated that when the Diners Club program was being developed, it was the responsibility of the purchasing program to create a policies and procedure manual specific to that card and program.

Failure to establish and enforce complete procurement card and Diners Club program policies and procedures increase the risk of loss from inappropriate acts.

### **Recommendation 5**

We recommend that the campus:

- a. Update policies and procedures to reflect current practice.
- b. Develop and implement comprehensive policies and procedures for the intercollegiate athletics Diners Club program, including specific controls over ATM withdrawals.

### **Campus Response**

We concur. We will:

- a. Update the manual of policies and procedures by November 30, 2005.
- b. Develop and implement comprehensive policies and procedures for the intercollegiate athletics Diners Club program, including specific controls over ATM withdrawals by November 30, 2005.

## **CASH DISBURSEMENTS**

Sealed checks were not maintained in a locked and secured area prior to being picked up for distribution.

SAM §8041 states that agencies will keep check stock under strict control at all times.

GC §13401(b)(3) states that all levels of management of state agencies must be involved in assessing and strengthening the systems of internal accounting and administrative control to minimize fraud, errors, abuse, and waste of government funds.

The accounts payable manager stated her belief that checks were not being left unattended or kept in an unlocked area.

Failure to safeguard checks increases the risk of fraud.

**Recommendation 6**

We recommend that the campus fully develop and implement procedures to ensure adequate security of checks.

**Campus Response**

We concur. We will strengthen procedures to ensure security of checks by November 30, 2005.

**PAYROLL AND PERSONNEL**

**EMPLOYMENT ELIGIBILITY VERIFICATION**

Federal Form I-9, Employment Eligibility Verification, was not always timely completed.

Our review of 12 new hires between August 2003 and June 2004 disclosed that the campus completed employment eligibility verification from 6 to 75 days following the effective hire date in seven instances.

The Immigration Reform and Control Act of 1986 states that all employees, citizens, and non-citizens are required to complete Form I-9, Employment Eligibility Verification, at the time of hire, which is the actual beginning of employment. The act requires employers to examine evidence of identity and employment eligibility within three business days of the date employment begins.

The payroll and human resources administrative services manager stated that new hires did not always complete the required documentation at the beginning of employment. She further stated the payroll services department did not always receive notification of appointments, and departments did not communicate appropriately or submit paperwork in a timely manner.

Untimely completion of employment eligibility verification increases the risk of non-compliance with federal employment regulations.

**Recommendation 7**

We recommend that the campus strengthen procedures to ensure that I-9 forms are completed within three business days of the date of employment.

**Campus Response**

We concur. We will strengthen procedures to ensure that I-9 forms are completed within three business days of the date of employment by October 31, 2005.

## **EMPLOYEE SEPARATION**

Employee separation procedures did not ensure timely payment of wages due.

Our review of 11 employee separations between September 2003 and August 2004 disclosed that the final salary payment was not completed within 72 hours after the effective separation date in six instances.

California State University (CSU) directive HR 2003-15, Attachment B, states that Labor Code §201 and §202 require the CSU to pay separating employees in a specified time frame. Payment of owed wages to discharged and resigned employees is treated differently in the Labor Code. An employee who is discharged must immediately be paid wages earned. An employee who resigns from employment must be paid wages earned no later than 72 hours from the date of separation. However, if the employee provides the employer at least 72 hours notice of his/her impending separation, he/she is entitled to wages owed at the time of separation.

The payroll and human resources administrative services manager stated that the payroll services department did not always receive notification of an employee separation in a timely manner. She further stated that the campus did not have recourse with the separating employee, due to the inability to withhold payment.

Insufficient administration of employee separations increases the risk of late wage payments and violations of the Labor Code, resulting in penalties to the CSU.

### **Recommendation 8**

We recommend that the campus strengthen employee separation procedures to ensure timely payment of wages.

### **Campus Response**

We concur. We will strengthen employee separation procedures to ensure timely payment of wages by October 31, 2005.

## **AUTHORIZATION OF TRANSACTIONS**

The delegation of authority on file with the State Controller's Office (SCO) to authorize personnel and payroll transactions was not kept current.

Our review of the list of current personnel/payroll document signature card authorizations as of January 2005 disclosed that corresponding signature cards were not maintained on file for 5 of the 12 authorized employees listed. In addition, one listed individual needed to be deleted.

The SCO, Personnel/Payroll Services Division Payroll Procedures Manual requires an authorized signature certifying that the information on the payroll document is correct. It is the responsibility of each campus to ensure that the signature card file of employees authorized to sign various payroll

documents maintained by the SCO, Personnel/Payroll Services Division is accurate (under *Introduction §1500 and Agency/Campus Responsibility §1501*).

The payroll and human resources administrative services manager stated that the outdated delegation of authority and missing signature cards were an oversight.

Failure to maintain current delegations on file with the SCO and on campus increases the risk of inappropriate or unauthorized transactions.

### **Recommendation 9**

We recommend that the campus update the delegation of authority on file with the SCO and strengthen controls to ensure that such delegation remains current and signature cards are kept on file.

### **Campus Response**

We concur. We will update the delegation of authority on file with the SCO and strengthen controls to ensure that such delegation remains current and signature cards are kept on file by November 30, 2005.

## **FIXED ASSETS**

The campus did not report the theft of state funds as required by state and CSU policies.

Our review of a property theft of parking permits totaling \$13,976 that involved a former cashier in October 2003 disclosed that the theft was not reported to the chancellor's office, Bureau of State Audits (BSA), and the Office of State Audits and Evaluations (OSAE) in accordance with SAM §20080 and EO 813.

SAM §20080 states that an entity will notify the OSAE and the BSA of all cases of actual or suspected fraud, defalcation, theft, or other irregularities it has become aware of either internally or by referral. This requirement applies to all incidents involving state assets, whether alleged against state employees or others. Notification will be made to the OSAE and the BSA in writing not later than the first business day following the actual or suspected fraud, theft, or irregularity.

EO 813, *Reporting of Fiscal Improprieties*, dated March 22, 2002, states that as a matter of policy, the CSU follows the reporting requirements of SAM §20080 as it relates to campus activities involving state funds. In addition to these reporting requirements, campuses are also required to notify the chancellor as well as the executive vice chancellor/chief financial officer, the university auditor, and the chair of the Trustees' Committee on Audit.

The director of internal control stated that the campus had previously adjusted its policies and procedures for handling such instances but had not ensured that policies were in accordance with SAM.

Failure to appropriately report cases of actual or suspected fraud, defalcation, or other irregularities involving state funds increases the risk of non-compliance with state regulations and may compromise the investigation of missing assets.

**Recommendation 10**

We recommend that the campus strengthen procedures to ensure that actual or suspected cases of fraud, defalcation, or other irregularities involving state funds are reported to the appropriate authorities in a timely manner.

**Campus Response**

We concur. We will strengthen procedures to ensure that actual or suspected cases of fraud, defalcation, or other irregularities involving state funds are reported to the appropriate authorities in a timely manner by December 31, 2005.

**FISCAL INFORMATION TECHNOLOGY**

**PRODUCTION DATA ACCESS**

There were no authorization or monitoring controls over the use of Oracle IDs that allowed modification of production PeopleSoft data.

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 authorization and monitoring of accounts that have access to production data files.

The senior director of administrative technology stated that guidelines had not yet been established for monitoring the use of production Oracle accounts.

Inadequate control over the use and monitoring of accounts with access to production data increases the risk of unauthorized and undetected modification of production data.

**Recommendation 11**

We recommend that the campus implement a process for authorizing and monitoring the use of Oracle IDs with access to production data to ensure that all such access is authorized and appropriate.

**Campus Response**

We concur. We will implement a process for authorizing and monitoring the use of Oracle IDs with access to production data to ensure that all such access is authorized and appropriate by February 28, 2006.

## **CASHNET SECURITY CONTROLS**

Security parameters for the CashNet system were not set within the operating system to effectively deter unauthorized access.

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.

The senior director of administrative technology stated that the existing parameter settings had been established by the application software vendor and had been in place for several years.

Ineffective security settings increase the likelihood that the CashNet system could become compromised and could result in unauthorized access.

### **Recommendation 12**

We recommend that security parameters for the CashNet system be changed to minimize the risk of unauthorized system access.

### **Campus Response**

We concur. We will implement procedures to change the security parameters of CashNet to minimize the risk of unauthorized system access by February 28, 2006.

## **DATA CENTER PHYSICAL SECURITY**

The computer room used by administration and finance to house certain production equipment was insufficient to ensure the physical security and environmental protection of a production-computing environment.

We found that production-computing equipment was housed in a wooden modular building, which did not provide effective physical security or environmental protection against humidity and fire suppression.

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 senior director of administrative technology stated that a new facility was being planned.

Ineffective security controls over access to the data center increase the risk of accidental or malicious damage or theft to equipment, while ineffective environmental controls increase the risk of damage from heat, dust, and humidity.

### **Recommendation 13**

We recommend that the campus immediately move all administration and finance production-computing equipment into the existing campus data center to provide adequate protection of production processing equipment and services.

#### **Campus Response**

We concur. Production processing equipment and services will be provided stronger protection as we are moving all Admin Systems and Finance Service Group into the refurbished Administration and Finance Building (5th floor of Clark Building) by April 30, 2006.

### **INFORMATION SECURITY POLICIES AND PROCEDURES**

Information policies and procedures did not ensure that all systems and sensitive information were properly secured.

We found that:

- ▶ There was no campuswide information security process and no individual assigned to ensure that appropriate security practices were being applied to all systems connected to the campus network.
- ▶ The campus did not have policies or procedures for identifying or controlling the copying of sensitive information stored by the university. Specifically, all downloads of production data, either through production processes or departmental downloads to Excel files, were not being stored on an appropriately protected server.

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.

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.

The senior director of network services stated that an information security officer (ISO) position had been created and that campuswide security policies and procedures would be addressed when that position was filled. The senior director of administrative technology stated that the security policies had not been updated since recent laws were passed regarding the safeguarding of sensitive information.

Inadequate campuswide security practices increase the risk that all systems will not be properly secured and expose sensitive information to accidental or malicious damage or theft.

### **Recommendation 14**

We recommend that the campus:

- a. Create a campuswide information security process and assign an individual to ensure appropriate security practices on a campuswide basis.
- b. Develop and implement policies and procedures for identifying and controlling the copying of sensitive information stored by the university and house all departmental servers that contain sensitive information in the data center.

### **Campus Response**

We concur.

- a. We have assigned an individual ISO to ensure appropriate security practices on a campuswide basis; and we are in the process of creating a campuswide information security process by April 30, 2006.
- b. We will develop and implement policies and procedures for identifying and controlling the copying of sensitive information stored by the university and make sure that all departmental servers that contain sensitive information are housed in the data center by April 30, 2006.

## **RECONCILIATIONS**

### **ACCOUNTS RECEIVABLE**

Accounts receivable reconciliations were not timely completed, and the accounts receivable aging report for third-party receivables did not provide adequate detail.

- ▶ Prior to December 2004, the accounts receivable subsidiary ledger had not been reconciled to the general ledger since June 2004.
- ▶ Student receivables were not included in the accounts receivable reconciliation until December 2004, which had not been completed until March 2005.
- ▶ The aged accounts receivable report for third-party accounts did not provide the age of third-party receivable balances at various points in time. As a result, we were unable to determine the exact age of such receivables.

SAM §7800 requires that subsidiary records be reconciled to the general ledger monthly.

SAM §7920 states that each agency is responsible to complete any reconciliation necessary to safeguard state assets and ensure reliable financial data.

The director of accounting and financial systems stated that in anticipation of the upcoming upgrade to a higher level of PeopleSoft, the department had been using QuickBooks in the interim. He further stated that the system was not compatible to the existing version of PeopleSoft, which required many reporting functions to be done manually and negatively impacted the reconciliation process.

Failure to complete accounts receivable reconciliations in a complete and timely manner and provide sufficient accounts receivable aging information increases the risk of undetected errors and negatively impacts the collection process.

### **Recommendation 15**

We recommend that the campus:

- a. Strengthen procedures to ensure that accounts receivable reconciliations are prepared in a complete and timely manner.
- b. Explore the feasibility of obtaining better aging data for third-party accounts to facilitate collection activity.

### **Campus Response**

We concur. We will:

- a. Strengthen procedures to ensure that accounts receivable reconciliations are prepared in a complete and timely manner by December 31, 2005.
- b. Explore the feasibility of obtaining better aging data for third-party accounts to facilitate collection activity by December 31, 2005.

## **REVOLVING FUND, BANK, AND FIXED ASSETS**

Certain reconciliations were not timely prepared and/or complete.

During our review of various reconciliations in January 2005, we noted that:

- ▶ Revolving fund reconciliations had not been timely since June 2004. We specifically noted that revolving fund reconciliations for the months of September, October, and November 2004 were not completed until January 2005.
- ▶ The three most recent bank/SCO expense reconciliations for September, October, and November 2004 were not prepared and reviewed until January and February 2005, respectively.
- ▶ Reconciling items on bank reconciliations appeared excessive, were not always adequately explained, and dated back to December 2001.

| <b>Month</b> | <b>Total Reconciling Items</b> |
|--------------|--------------------------------|
| September    | \$441,618.81                   |
| October      | \$346,663.19                   |
| November     | \$579,203.83                   |

- ▶ Fixed assets reconciliations for July 2004 through December 2004 were not completed until January 10, 2005.

SAM §7920 requires a reconciliation of two or more accounts or other record kept by an agency such as reconciliation of office revolving fund assets to the amount withdrawn.

SAM §7901 requires monthly preparation of all reconciliations within 30 days of the preceding month.

SAM §7923 requires that departments reconcile their end-of-the-month bank and centralized State Treasury system account balances monthly showing fund's share on the bank reconciliation and an explanation on the reconciliation of every reconciling item between the bank and the department's records. Errors on the bank statement will be corrected as provided in SAM §8060. The person reconciling the bank statement will trace every reconciling item between the bank and the agency's records and include an explanation on the reconciliation.

SAM §7924 requires that departments reconcile property at least quarterly or monthly, depending upon the volume of property transactions. Agencies will reconcile the acquisitions and dispositions of capitalized property with the amounts recorded into the property ledger.

SAM §20500 states that the elements of a satisfactory system of internal accounting and administrative control include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

The director of accounting and financial systems stated that campus practice had been to analyze employee advances from the revolving fund on a monthly basis but only to perform reconciliations on an annual basis. He further stated that the introduction of new student payment options had been difficult to reconcile to the bank's records, which resulted in delays in bank reconciliation and resolution of reconciling items. He added that fixed asset reconciliations were delayed because one accountant was responsible for preparing the reconciliations and the GAAP financial statement.

Untimely reconciliations limit the campus' ability to detect errors and irregularities.

### **Recommendation 16**

We recommend that the campus strengthen procedures to ensure that revolving fund, bank, and fixed assets reconciliations are timely completed and all reconciling items are adequately identified, supported, and promptly resolved.

**Campus Response**

We concur. We will strengthen procedures to ensure that revolving fund, bank, and fixed assets reconciliations are timely completed and all reconciling items are adequately identified, supported, and promptly resolved by December 31, 2005.

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## APPENDIX A: PERSONNEL CONTACTED

| <u>Name</u>        | <u>Title</u>   |
|--------------------|--|
| Don W. Kassing     | President  |
| Becky Adams        | Analyst/Programmer   |
| Marlene Anderson   | Bursar   |
| Paula Aquino       | Production Analyst, Administrative Databases                         |
| Ruben Araiza       | Property Officer   |
| Wilma Babayan      | Accountant, Accounting and Financial Systems                         |
| Shawn Bibb         | Interim Associate Vice President, Administrative Systems and Finance |
| Sal Campos         | Expeditor, Receiving   |
| Debbie Catafi      | Administrative Analyst/Specialist, Accounts Payable                  |
| Amy Chan           | Accounting Technician  |
| Jenny Chang        | Accountant, Accounting and Financial Systems                         |
| Mike Dunefsky      | Senior Director, Administrative Technology                           |
| Ben Fernandes      | Director of Gift Processing  |
| Lyle Fifield       | Manager, Shipping and Receiving                                      |
| Jean Fong          | Manager, Accounts Payable  |
| Linda Fuentes      | Accounting Technician II, Student Health Services                    |
| Deana Gerhard      | Manager, Collections   |
| Ana Gonzalez       | Lead Accounts Payable Technician, Accounts Payable                   |
| Gloria Gutierrez   | Personnel Services Specialist  |
| Cynthia Haliasz    | Director, Budget Management  |
| Tim Hendrick       | Faculty Advisor, Business Operations and Ad Sales, Spartan Daily     |
| Tuan Ho            | Accounting Technician, Accounting and Financial Systems              |
| Cecilia Hoang      | Procurement Analyst, Procurement Services                            |
| Marija Jakovcevic  | Operations Coordinator, Bursar's Office                              |
| Barbara Keltner    | Contract Analyst, Purchasing   |
| Alex Lebedeff      | Lead Buyer, Purchasing   |
| Elaine Lee         | Accountant, Accounting and Financial Systems                         |
| Rose Lee           | Interim Vice President, Administrative Systems and Finance           |
| Norma Lorigo       | Director, Procurement and Support Services                           |
| Jennifer Lui       | Administrative Support Coordinator                                   |
| Stacy Martin       | Business Manager, Intercollegiate Athletics                          |
| Joan Merdinger     | Interim Associate Vice President, Faculty Affairs                    |
| Bob Neal           | Senior Director, Network Services                                    |
| Rita Peth          | Manager, Purchasing  |
| Ninh Pham-Hi       | Director, Internal Control   |
| Elizabeth Quintana | Accounting Technician, Student Health Services                       |
| Maria Ramirez      | Gift Processing Supervisor   |
| Teri Reuck         | Payroll Specialist   |
| Paul Siegal        | Director, Accounting and Financial Systems                           |
| Gloria Sotelo      | Accounting Technician, Accounts Payable                              |
| Sara Tipton        | Accounting Technician, Accounts Payable                              |
| Trang To           | Accountant, Accounting and Financial Systems                         |
| Chua Tran          | Accounting Technician, Bursar's Office                               |
| Marlene Trifilo    | Cashiering Services Manager  |

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APPENDIX A: PERSONNEL CONTACTED

|                    |   |
|--------------------|---|
| Patricia Turner    | Payroll and Human Resources Administrative Services Manager |
| Patricia Wallraven | Business Manager, Spartan Daily                             |
| Maria Washington   | Administrative Support Coordinator, Business Operations     |
| Heidi Wong         | Budget Coordinator, College of Business                     |

## **STATEMENT OF INTERNAL CONTROLS**

### **A. INTRODUCTION**

Internal accounting and related operational controls established by the State of California, the California State University 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 that 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 recordkeeping 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.



**San José State**  
UNIVERSITY

**Office of the Vice President  
for Administration and  
Finance**

One Washington Square  
San José, CA 95192-0006  
Voice: 408-924-1500  
Fax: 408-924-1515  
<http://www.sjsu.edu>

September 28, 2005

RECEIVED  
UNIVERSITY AUDITOR

SEP 28 2005

THE CALIFORNIA STATE  
UNIVERSITY

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

**Campus Response to FISMA Audit 04-11  
at San José State University**

Enclosed is San José State University's response to the FISMA Audit.  
The campus is committed to addressing the issues identified in this  
audit report.

Please let me know if I can provide you with additional information.

A handwritten signature in cursive script that reads "Rose L. Lee".

ROSE L. LEE  
Interim Vice President for Administration and Finance

Enclosure

c: Don W. Kassing, President  
Ninh Pham-Hi, Director, Internal Control

**The California State University:**

Chancellor's Office, Bakersfield, Channel  
Islands, Chico, Dominguez Hills, East Bay,  
Fresno, Fullerton, Humboldt, Long Beach,  
Los Angeles, Maritime Academy, Monterey  
Bay, Northridge, Pomona, Sacramento, San  
Bernardino, San Diego, San Francisco, San  
José, San Louis Obispo, San Marcos,  
Sonoma, Stanislaus

**FISMA**

**SAN JOSÉ STATE UNIVERSITY**

**REPORT NO. 04-11  
AUGUST 8, 2005**

**CASH RECEIPTS**

**MAIN AND SATELLITE CASHIERING**

**Recommendation 1**

We recommend that the campus:

- a. Establish procedures to prepare a prelisting of cash and checks received not payable to the university at the bursar's office.
- b. Require that checks received at the CB be personally delivered to the bursar's office and implement the use of transfer receipts.
- c. Review cashiering activities at UA and SHS and take appropriate action to either segregate duties or establish effective mitigating controls.
- d. Ensure that all checks received at IA and CB are restrictively endorsed by the end of the day.
- e. Establish and implement appropriate procedures to retain copies of receipts at SHS.
- f. Relocate the SHS safe to a more functional space with limited access and implement the use of locked cash bags.

**Campus Response**

We concur - we will:

- a. Establish procedures to prelist of cash and checks received not payable to the university - by 10/31/05.
- b. Ensure that checks received at the CB will be personally delivered to the bursar with transfer receipts - by 10/31/05.
- c. Review cashiering activities at UA and SHS and either segregate duties or establish mitigating controls - by 10/31/05.
- d. Ensure that all checks received at IA and CB are restrictively endorsed by the end of the day - by 10/31/05.

- e. Initiate procedures to retain copies of receipts at SHS - by 10/31/05.
- f. Relocate the SHS safe to a more functional space with limited access; and implement the use of locked cash bags - by 12/31/05.

## **FEE RECONCILIATIONS**

### **Recommendation 2**

We recommend that the campus reconcile state university fees to the census date report relative to the number of students accounted for on the census date within one month after the end of the academic term being reconciled.

### **Campus Response**

We concur - we will reconcile state university fees to the census date report relative to the number of students accounted for on the census date within one month after the end of the academic term being reconciled - by 04/30/06.

## **BANK SURVEYS**

### **Recommendation 3**

We recommend that the campus establish and implement procedures to periodically request local banks to search for unauthorized bank accounts that use the university's name, address, and federal identification number.

### **Campus Response**

We concur - we will periodically request local banks to search for unauthorized bank accounts that use the university's name, address, and federal identification number- by 02/28/06.

## **ACCOUNTS RECEIVABLE**

### **Recommendation 4**

We recommend that the campus:

- a. Initiate a more timely collection process.
- b. Enforce the use of three progressive collection letters sent at 30-day intervals and standards for the documentation of collection efforts and write-offs.
- c. Monitor and write-off long-outstanding receivables.

**Campus Response**

We concur - we will:

- a. Implement a timely collection process - by 11/30/05.
- b. Use three progressive collection letters sent at 30-day intervals and standards for the documentation of collection efforts and write-offs - by 11/30/05.
- c. Monitor and write-off long-outstanding receivables - by 11/30/05.

**PURCHASING**

**Recommendation 5**

We recommend that the campus:

- a. Update policies and procedures to reflect current practice.
- b. Develop and implement comprehensive policies and procedures for the intercollegiate athletics Diners Club program, including specific controls over ATM withdrawals.

**Campus Response**

We concur - we will:

- a. Update the manual of policies and procedures - by 11/30/05.
- b. Develop and implement comprehensive policies and procedures for the intercollegiate athletics Diners Club program, including specific controls over ATM withdrawals - by 11/30/05.

**CASH DISBURSEMENTS**

**Recommendation 6**

We recommend that the campus fully develop and implement procedures to ensure adequate security of checks.

**Campus Response**

We concur - we will strengthen procedure to ensure security of checks - by 11/30/05.

## **PAYROLL AND PERSONNEL**

### **EMPLOYMENT ELIGIBILITY VERIFICATION**

#### **Recommendation 7**

We recommend that the campus strengthen procedures to ensure that I-9 forms are completed within three business days of the date of employment.

#### **Campus Response**

We concur - we will strengthen procedures to ensure that I-9 forms are completed within three business days of the date of employment - by 10/31/05.

### **EMPLOYEE SEPARATION**

#### **Recommendation 8**

We recommend that the campus strengthen employee separation procedures to ensure timely payment of wages.

#### **Campus Response**

We concur - we will strengthen employee separation procedures to ensure timely payment of wages - by 10/31/05.

### **AUTHORIZATION OF TRANSACTIONS**

#### **Recommendation 9**

We recommend that the campus update the delegation of authority on file with the SCO and strengthen controls to ensure that such delegation remains current and signature cards are kept on file.

#### **Campus Response**

We concur - we will update the delegation of authority on file with the SCO and strengthen controls to ensure that such delegation remains current and signature cards are kept on file - by 11/30/05.

## **FIXED ASSETS**

#### **Recommendation 10**

We recommend that the campus strengthen procedures to ensure that actual or suspected cases of fraud, defalcation, or other irregularities involving state funds are reported to the appropriate authorities in a timely manner.

**Campus Response**

We concur - we will strengthen procedures to ensure that actual or suspected cases of fraud, defalcation, or other irregularities involving state funds are reported to the appropriate authorities in a timely manner - by 12/31/05.

**FISCAL INFORMATION TECHNOLOGY**

**PRODUCTION DATA ACCESS**

**Recommendation 11**

We recommend that the campus implement a process for authorizing and monitoring the use of Oracle IDs with access to production data to ensure that all such access is authorized and appropriate.

**Campus Response**

We concur - we will implement a process for authorizing and monitoring the use of Oracle IDs with access to production data to ensure that all such access is authorized and appropriate - by 2/28/06.

**CASHNET SECURITY CONTROLS**

**Recommendation 12**

We recommend that security parameters for the CashNet system be changed to minimize the risk of unauthorized system access.

**Campus Response**

We concur - we will implement procedure to change the security parameters of CashNet to minimize the risk of unauthorized system access - by 2/28/06.

**DATA CENTER PHYSICAL SECURITY**

**Recommendation 13**

We recommend that the campus immediately move all administration and finance production-computing equipment into the existing campus data center to provide adequate protection of production processing equipment and services.

**Campus Response**

We concur - Production processing equipment and services will be provided stronger protection as we are moving all Admin Systems and Finance Service Group into the refurbished Administration and Finance Building (5th floor of Clark Building) - by 4/30/06.

## **INFORMATION SECURITY POLICIES AND PROCEDURES**

### **Recommendation 14**

We recommend that the campus:

- a. Create a campuswide information security process and assign an individual to ensure appropriate security practices on a campuswide basis.
- b. Develop and implement policies and procedures for identifying and controlling the copying of sensitive information stored by the university and house all departmental servers that contain sensitive information in the data center.

### **Campus Response**

We concur -

- a. We have assigned an individual ISO to ensure appropriate security practices on a campuswide basis; and we are in the process of creating a campuswide information security process - by 4/30/06.
- b. We will develop and implement policies and procedures for identifying and controlling the copying of sensitive information stored by the university and make sure that all departmental servers that contain sensitive information are housed in secure the data centers - by 4/30/06.

## **RECONCILIATIONS**

### **ACCOUNTS RECEIVABLE**

#### **Recommendation 15**

We recommend that the campus:

- a. Strengthen procedures to ensure that accounts receivable reconciliations are prepared in a complete and timely manner.
- b. Explore the feasibility of obtaining better aging data for third-party accounts to facilitate collection activity.

#### **Campus Response**

We concur - we will:

- a. Strengthen procedures to ensure that accounts receivable reconciliations are prepared in a complete and timely manner - by 12/31/05.
- b. Explore the feasibility of obtaining better aging data for third-party accounts to facilitate collection activity - by 12/31/05.

## REVOLVING FUND, BANK, AND FIXED ASSETS

### Recommendation 16

We recommend that the campus strengthen procedures to ensure that revolving fund, bank, and fixed assets reconciliations are timely completed and all reconciling items are adequately identified, supported, and promptly resolved.

### Campus Response

We concur - we will strengthen procedures to ensure that revolving fund, bank, and fixed assets reconciliations are timely completed and all reconciling items are adequately identified, supported, and promptly resolved - by 12/31/05.

THE CALIFORNIA STATE UNIVERSITY  
OFFICE OF THE CHANCELLOR



BAKERSFIELD

October 4, 2005

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor

A handwritten signature in black ink that reads "Charles B. Reed".

HUMBOLDT

SUBJECT: Draft Final Report Number 04-11 on *FISMA*,  
San José State University

LONG BEACH

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of October 4, 2005, I accept the response as submitted with the draft final report on *FISMA*, San José State University.

MONTEREY BAY

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Mr. Don W. Kassing, President  
Ms. Rose L. Lee, Interim Vice President for Administration and Finance

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS