

FISMA

SAN FRANCISCO STATE UNIVERSITY

**Report Number 05-02
September 9, 2005**

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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
FISMA	Financial Integrity and State Manager's Accountability Act
HR	Human Resources
SAM	State Administrative Manual
SCO	State Controller's Office
SFSU	San Francisco State University
STO	State Treasurer's Office
TEC	Travel Expense Claim

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 Francisco State University (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.

We visited the SFSU campus from April 4, 2005, through June 3, 2005, and made a study and evaluation of the accounting and administrative control in effect as of June 3, 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: accounts receivable, purchasing, revolving fund, cash disbursements, and fixed assets. 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, SFSU's accounting and administrative control in effect as of June 3, 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]

The student health center safe had not been anchored to the building. In addition, there was no written record of individuals with the safe combination and the date the combination was last changed.

ACCOUNTS RECEIVABLE [7]

Employee, third-party, and student accounts receivables were not adequately pursued to ensure timely collection, and requests for discharge of accountability were not timely submitted and followed up. A review of 25 employee receivables disclosed that insufficient follow-up or collection documentation existed for 14 of the receivables, collection activity only consisted of letters sent in 1995 and 1997 for five of the receivables, and the campus had yet to receive replacement checks from the State Controller's Office for six receivables from 2000. Additionally, outstanding employee receivables totaled \$98,318 as of February 2005 and dated back to 1990. This is a repeat finding from our prior FISMA audit. Although the campus adhered to required collection procedures for third-party and student receivables, it did not prepare an analysis to determine what additional collection efforts should be made when those efforts were not effective. Further, the campus had not followed up and resubmitted an application for discharge from accountability from 1996 that had been partially denied pending further information and had not submitted other applications for discharge from accountability since May 2001.

PURCHASING [9]

Campus procurement card procedures were not adequately enforced to ensure that all purchases were appropriate. A review of 16 procurement card statements disclosed prohibited purchases including beverage items, rental and maintenance agreements, a personal item, services and one purchase that was split to avoid purchase limits.

REVOLVING FUND [10]

Travel expense claims (TECs) were not always timely submitted. A review of 21 TECs disclosed that ten claims were submitted between 62 and 194 days after travel ended, and one claim remained outstanding for 204 days as of the date of our review.

CASH DISBURSEMENTS [11]

Long-outstanding checks were not processed in a timely manner. The bank reconciliation dated March 31, 2005, included checks older than one year totaling \$198,922 dated between January 2002 and April 2004.

FIXED ASSETS [12]

Property transactions were neither recorded into nor reconciled to accounting records in a timely manner. A review of property accounting records dated between July 2004 and December 2004 disclosed that all acquisitions and dispositions were not recorded into the accounting records until February 2005. Further, formal reconciliations of the property ledger that included preparer's name, reviewer's name, date prepared, and date reviewed had not been completed.

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 April 2005. Our primary focus was on internal controls. Specifically, we reviewed and tested:

INTRODUCTION

- ▶ Procedures for receipting and storing cash, segregation of duties involving cash receipting, and recording of cash receipts.
- ▶ Establishment of receivables and adequate segregation of duties regarding billing and payment of receivables.
- ▶ 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 June 3, 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.

OBSERVATIONS, RECOMMENDATIONS, AND CAMPUS RESPONSES

CASH RECEIPTS

Cash control weaknesses were found at the student health center.

The student health center safe had not been anchored to the building. In addition, there was no written record of individuals with the safe combination and the date when the combination was last changed.

State Administrative Manual (SAM) §8025 states that, as a deterrent to burglary, state agencies will securely anchor a safe to the building and, where practical, to the building's foundation.

SAM §8024 states that a record will be kept showing the date the safe combination was last changed and the names of persons knowing the present combination.

The student health services business and finance officer stated that she was unaware of the requirement that the safe needed to be anchored to the building. She further stated that a record of individuals with safe access and combination changes was unavailable because department protocols for the cashiering area were in the process of being revised in preparation for an accreditation audit.

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

Recommendation 1

We recommend that the campus:

- a. Securely anchor the student health center safe.
- b. Maintain a written record of individuals with knowledge of the student health center safe combination and the date the combination was last changed.

Campus Response

- a. We concur. The student health services purchased a new safe and the safe was anchored to the floor on September 23, 2005.
- b. We concur. The student health services created a written list of staff with access to the safe and the date the combination was last changed. The list will be updated, as staff members are added or deleted.

ACCOUNTS RECEIVABLE

Employee, third-party, and student accounts receivables were not adequately pursued to ensure timely collection, and requests for discharge of accountability were not timely submitted and followed up.

Employee Receivables

Our review of 25 employee receivables dated between July 30, 1990, and November 29, 2000, disclosed that:

- ▶ In 14 instances, insufficient follow-up or collection documentation existed.
- ▶ In five instances, collection activity consisted of letters sent in 1995 and 1997.
- ▶ In six instances, the employee receivables were “in-lieu” check requests dating back to 2000, and the campus had yet to receive replacement checks from the State Controller’s Office (SCO).

In addition, as of February 2005, outstanding employee receivables totaled \$98,318 as follows:

Year	Number of Receivables	Amount
1990-1999	13	\$10,819
2000	12	5,921
2001	9	4,410
2002	5	1,102
2003	10	3,863
2004	45	39,355
2005	32	32,848
Total	126	\$98,318

This is a repeat finding from our prior Financial Integrity and State Manager’s Accountability Act (FISMA) audit.

Government Code §19838 requires reimbursement to the state of overpayments made to employees. Employee overpayments can arise from office revolving fund salary and travel advances and payroll warrants issued by the SCO.

SAM §8776.7 provides collection procedures to be employed in the collection of amounts due from employees.

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

The manager of payroll stated that insufficient pursuit of employee receivables was the result of staffing constraints and the implementation of the campus human resource management system during the past two years.

Third-Party and Student Receivables

As of March 31, 2005, campus accounts receivable included 59 third-party and student receivables greater than one-year old totaling \$186,677. Although the campus adhered to required collection procedures, those efforts were not effective and the campus did not prepare an analysis to determine what additional collection efforts should be made.

SAM §8776.6 requires that each department develop collection procedures that will ensure prompt follow-up on receivables. If all reasonable collection procedures are unsuccessful, an analysis should be prepared to determine what additional collection efforts should be made. In addition, if all reasonable collection procedures do not result in payment, departments may request discharge from accountability of uncollectible amounts due.

The associate controller of trust and project accounting stated that at least 14 of the third-party receivables in the amount of \$8,635 were special projects in which the awarding agencies retained a portion of the funds due to the campus until the project ended. He further stated that insufficient pursuit of receivables was due to the impact on manpower during the PeopleSoft implementation project.

Discharge from Accountability

The campus submitted an application for discharge from accountability to the SCO on October 10, 1996, totaling \$68,991. However, \$51,869 of the request was denied pending further information, and the campus had not followed up and resubmitted the application to the SCO. Further, the campus' last application for discharge from accountability was submitted in May 2001 and approved in June 2001.

SAM §20050 states that a satisfactory system of internal accounting and administrative control includes an established system of practices to be followed in the performance of duties and functions and an effective system of internal review.

The associate controller of governmental accounting and financial reporting stated that applications for discharge from accountability had not been completed since 2001 because of staffing constraints during the PeopleSoft implementation project.

Inadequate control over delinquent receivables reduces the likelihood of collection, increases the amount of resources expended on collection efforts, and impacts cash flow negatively, while continuing to retain uncollectible receivables misstates campus assets and liabilities.

Recommendation 2

We recommend that the campus strengthen controls over accounts receivable to ensure that:

- a. Adequate follow-up and collection activities are performed for employee receivables.
- b. An analysis of additional collection efforts is performed when prescribed collection efforts are unsuccessful and appropriate action is taken.
- c. Timely follow-up occurs for denied requests for relief from accountability.
- d. Requests for relief from accountability are timely filed when all reasonable collection efforts fail.

Campus Response

We concur. Procedures will be strengthened to ensure adequate analysis, follow-up, and collection efforts are performed on all receivables, requests for relief from accountability are filed timely, and there is timely follow-up on denied requests for relief from accountability. Expected completion date: December 2005.

PURCHASING

Campus procurement card procedures were not adequately enforced to ensure that all purchases were appropriate.

Our review of 16 procurement card statements dated between March 2005 and April 2005 disclosed:

- ▶ Two purchases of beverage items.
- ▶ One rental and two maintenance agreements.
- ▶ One personal item.
- ▶ Five purchases of services.
- ▶ One purchase that was split to avoid purchase limits.

The San Francisco State University *Procurement Card Handbook* indicates that the campus procurement card cannot be used to purchase: cell phones, food and beverage items, rental and maintenance agreements, personal purchases, and services of any kind. In addition, cardholders must make no purchase, including tax and shipping, which exceeds the per transaction limit of \$2,500, and the splitting of purchases to circumvent the transaction limit is prohibited.

The manager of accounts payable and collections stated that the definitions of split and restricted purchases were not as precise as they could be.

Insufficient procurement card controls increase the risk of loss from inappropriate acts.

Recommendation 3

We recommend that the campus strengthen enforcement of its procurement card policy and clarify the policy concerning the definitions of split and restricted purchases.

Campus Response

We concur. The campus *Procurement Card Handbook* has been revised to include clarified definitions of both split and restricted purchases. We continue to vigorously enforce our procurement card policy by continuing to hold training meetings, by conducting ongoing cardholder audits, and by suspending or revoking card privileges as appropriate. We also have augmented our audit procedures to include reviewing transactions as they post throughout the month and performing spot audits. Expected completion date: December 2005.

REVOLVING FUND

Travel expense claims (TECs) were not always timely submitted.

Our review of 21 TECs disclosed that ten claims were submitted between 62 and 194 days after travel ended, and one claim remained outstanding for 204 days as of the date of our review.

SAM §8116.2 requires the submittal of a properly prepared TEC to substantiate travel expenses as soon as possible after the trip or at least once a month.

California State University (CSU) directive HR 2001-02, *CSU Policy and Procedures Governing Travel and Relocation Expense Reimbursement*, dated January 17, 2001, states, in part, that the TEC must be submitted within a reasonable period of time not to exceed 60 days. This directive was superseded by CSU directive HR 2004-35, dated December 10, 2004, which includes the same requirement for TEC submission.

The manager of accounts payable and collections stated that all travel advance follow-up procedures were followed, but certain employees ignored notices and other actions taken by the department.

Insufficient control over travel expenses increases the risk that revolving fund monies may be expended for inappropriate purposes.

Recommendation 4

We recommend that the campus strengthen procedures to ensure that TECs are timely submitted.

Campus Response

We concur. The campus travel procedures have been modified to include language that will penalize an employee who becomes 60 or more days delinquent in submitting a travel claim by making her/him ineligible to receive additional travel claims for a period of six months.

CASH DISBURSEMENTS

Long-outstanding checks were not processed in a timely manner.

We reviewed the bank reconciliation dated March 31, 2005, and noted checks older than one year totaling \$198,922 dated between January 2002 and April 2004. Although the campus submitted stop payment requests for the 2002 and 2003 checks during our audit fieldwork, the 2004 checks totaling \$63,855 remained outstanding.

SAM §8042 states that checks have a one-year period of negotiability, unless specific provisions of law require cancellation in a different period of time. Further, agencies will send a Stop Payment Request form to the State Treasurer's Office (STO) for all uncashed checks, timed to arrive at least one week prior to the end of the one-year period of negotiability.

The associate controller of governmental accounting and financial reporting stated that staffing demands prevented the prompt follow-up of long-outstanding checks.

Failure to process long-outstanding checks increases the risk of misappropriation and requires additional effort to review outstanding checks during the bank reconciliation process.

Recommendation 5

We recommend that the campus promptly process the noted long-outstanding checks and strengthen campus procedures to ensure that future long-outstanding checks are processed in a timely manner.

Campus Response

We concur. The campus has processed all outstanding checks issued on or before June 30, 2004, and has submitted Stop Payment Request forms (STD. 432) to the STO. Upon confirmation from the STO of stop payments, we will cancel the checks and credit the appropriate accounts according to SAM §8042. Expected completion date: December 2005.

Campus procedures to ensure timely processing of long-outstanding checks have been strengthened effective October 1, 2005.

FIXED ASSETS

Property transactions were neither recorded into nor reconciled to accounting records in a timely manner.

Our review of property accounting records dated between July 2004 and December 2004 disclosed that:

- ▶ All acquisitions and dispositions were not recorded into the accounting records until February 2005.
- ▶ Formal reconciliations of the property ledger that included preparer's name, reviewer's name, date prepared, and date reviewed had not been completed.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls include a system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

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

SAM §7924 states that all reconciliations will show the preparer's name, reviewer's name, date prepared, and date reviewed.

The associate vice president of fiscal affairs stated that a decision was made to delay the input of the assets into the system as part of the asset management implementation plan.

Insufficient control over property accounting increases the risk of misstated property records and theft or loss of state property.

Recommendation 6

We recommend that the campus ensure the timely recording and reconciliation of property transactions.

Campus Response

We concur. The campus will ensure timely recording and reconciliation of property transactions. Expected completion date: December 2005.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Robert A. Corrigan	President
Bon Bitonio	Financial Reporting Officer
Julie Chan	Assistant Payroll Coordinator
David Chelliah	Loans and Fiscal Services Supervisor
Lyly Chen	Change Control Analyst, Division of Information Technology (DoIT)
Philippe Cumia	Associate Director, Housing and Residential Services
Denise Fox-Needleman	Associate Vice President, Human Resources, Safety and Risk Management
Wanda Humphrey	Manager, Payroll
Wayne Kuhaupt	Manager, Accounts Payable and Collections
Phoebe Kwan	Executive Director, DoIT
Franz Lozano	Internal Auditor
Fanny Mai	Assistant Director, Financial Services, Housing and Residential Services
Suzanne Michalik	Business and Finance Officer, Student Health Services
Leroy Morishita	Vice President for Administration and Finance
Julie Ngo	Supervisor of the Rapid Copy Center
Michael O'Brien	Business Systems Coordinator, DoIT
Cheri Pond	Associate Bursar, Cashiering Operations
Eddy Quijada	Vendor Coordinator
David Rios	Assistant Supervisor of the Rapid Copy Center
Jonathan Rood	Associate Vice President, DoIT
Stephen Smith	Director of Procurement
Jack Tse	Director, Network and Operations, DoIT
Gloria Tseung	Associate Controller, Government Funds
Richard Uchida	Library Business Officer
Jim Van Ness	Senior Audit Consultant
Melaine Venenciano	Bursar, Cashiering Operations
Edwin Waite	Director, Employee Relations and Human Resources
Larry Ware	Associate Vice President for Fiscal Affairs
Burkland Wong	Associate Controller, Trust and Project Accounting
Corazon Wong	Director, Student Financial Operations/Business Systems
Wanda Wong	Cashiering Supervisor, Housing and Residential Services
Armando Ysip	Associate Controller, Governmental Accounting and Financial Reporting

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

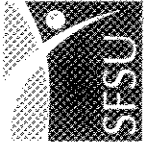
Operational controls comprise the plan of organization and all methods and procedures that are concerned mainly with operational efficiency and adherence to managerial policies and usually relate only indirectly to the financial records.

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 Francisco
State University

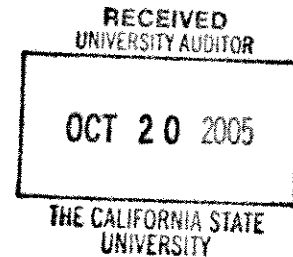
Office of the President

1600 Holloway Avenue
San Francisco, California 94132

Tel: 415/338-1381
Fax: 415/338-6210

October 19, 2005

Mr. Larry Mandel
University Auditor
The California State University
401 Golden Shore
Long Beach, California 90802-4275



Dear Mr. Mandel:

We have reviewed the Office of the University Auditor Report #05-02 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. Documentation demonstrating implementation of recommendations already completed will be forwarded to you separately.

Our responses to the recommendations are attached. The campus Internal Auditor will also forward the responses to you electronically to facilitate the response process. Questions regarding the responses may be directed to Leroy M. Morishita, Vice President for Administration and Finance, at 415/338-2521 or Franz Lozano, Internal Auditor, at 415/405-3736.

Sincerely,

A handwritten signature in black ink, appearing to read 'R. Corrigan'. Below the signature is the printed name 'Robert A. Corrigan' and the title 'President'.

Robert A. Corrigan
President

FL/id

Attachments

cc: Leroy M. Morishita, Vice President, Administration & Finance
Larry J. Ware, Associate Vice President for Fiscal Affairs
Denise Fox Needleman, Associate Vice President, Human Resources, Safety & Risk Management
Alastair K. Smith, MD, Director, Student Health Services
Agnes Wong Nickerson, Controller, Fiscal Affairs
Edwin A. Waite, Director, Employee Relations, Human Resources, Safety & Risk Management
Gloria Tseung, Associate Controller, Governmental Accounting, Fiscal Affairs
Stephen C. Smith, Director, Procurement Department, Fiscal Affairs
Suzanne Michalik, Director, Business and Finance Officer, Student Health Services
Wayne Kuhaupt, Manager, Accounts Payable & Collections, Fiscal Affairs
Franz Lozano, Internal Auditor, Internal Audit

FISMA

SAN FRANCISCO STATE UNIVERSITY

**Report Number 05-02
September 9, 2005**

CASH RECEIPTS

Recommendation 1

We recommend that the campus:

- a. Securely anchor the student health center safe.
- b. Maintain a written record of individuals with knowledge of the student health center safe combination and the date the combination was last changed.

Campus Response

- a. We concur. The Student Health Services purchased a new safe and the safe was anchored to the floor on September 23, 2005.
- b. We concur. The Student Health Services created a written list of staff with access to the safe and the date the combination was last changed. The list will be updated as staff are added or deleted.

ACCOUNTS RECEIVABLE

Recommendation 2

We recommend that the campus strengthen controls over accounts receivable to ensure that:

- a. Adequate follow-up and collection activities are performed for employee receivables.
- b. An analysis of additional collection efforts is performed when prescribed collection efforts are unsuccessful and appropriate action is taken.
- c. Timely follow-up occurs for denied requests for relief from accountability.
- d. Requests for relief from accountability are timely filed when all reasonable collection efforts fail.

Campus Response

We concur. Procedures will be strengthened to ensure adequate analysis, follow-up and collection efforts are performed on all receivables, requests for relief from accountability are filed timely, and there is timely follow-up on denied requests for relief from accountability. Expected completion date: December 2005.

PURCHASING

Recommendation 3

We recommend that the campus strengthen enforcement of its procurement card policy and clarify the policy concerning the definitions of split and restricted purchases.

Campus Response

We concur. The campus Procurement Card Handbook has been revised to include clarified definitions of both split and restricted purchases. We continue to vigorously enforce our procurement card policy by continuing to hold training meetings, by conducting ongoing cardholder audits and by suspending or revoking card privileges as appropriate. We also have augmented our audit procedures to include reviewing transactions as they post throughout the month and performing spot audits. Expected completion date: December 2005.

REVOLVING FUND

Recommendation 4

We recommend that the campus strengthen procedures to ensure that TECs are timely submitted.

Campus Response

We concur. The campus Travel Procedures have been modified to include language that will penalize an employee who becomes 60 or more days delinquent in submitting a travel claim by making her/him ineligible to receive additional travel claims for a period of six (6) months.

CASH DISBURSEMENTS

Recommendation 5

We recommend that the campus promptly process the noted long-outstanding checks and strengthen campus procedures to ensure that future long-outstanding checks are processed in a timely manner.

Campus Response

We concur. The campus has processed all outstanding checks issued on or before June 30, 2004, and has submitted Stop Payment Request forms (STD432) to the State Treasurer's Office (STO). Upon confirmation from the STO of stop payments, we will cancel the checks and credit the appropriate accounts according to SAM 8042. Expected completion date: December 2005.

Campus procedures to ensure timely processing of long-outstanding checks have been strengthened effective October 1, 2005.

FIXED ASSETS

Recommendation 6

We recommend that the campus ensure the timely recording and reconciliation of property transactions.

Campus Response

We concur. The campus will ensure timely recording and reconciliation of property transactions. Expected completion date: December 2005.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF THE CHANCELLOR



- 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 LUIS OBISPO
- SAN MARCOS
- SONOMA
- STANISLAUS

October 27, 2005

MEMORANDUM

TO: Mr. Larry Mandel
University Auditor

FROM: Charles B. Reed
Chancellor *Charles B. Reed*

SUBJECT: Draft Final Report Number 05-02 on *FISMA*,
San Francisco State University

In response to your memorandum of October 27, 2005, I accept the response as submitted with the draft final report on *FISMA*, San Francisco State University.

CBR/jt

Enclosure

cc: Dr. Robert A. Corrigan, President
Mr. Franz Lozano, Internal Auditor