

**FISMA**

**SONOMA STATE UNIVERSITY**

**Audit Report 07-04  
April 24, 2008**

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## **ABBREVIATIONS**

CSU	California State University
FISMA	Financial Integrity and State Manager's Accountability Act
GASB	Government Accounting Standards Board
GC	Government Code
SAM	State Administrative Manual
SSU	Sonoma State University

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## EXECUTIVE SUMMARY

The California Legislature passed the Financial Integrity and State Manager's Accountability Act (FISMA) of 1983, Government Code (GC) Sections 13400 through 13407. 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 GC, Section 1236. The Office of the University Auditor of the California State University (CSU) is currently responsible for conducting such audits within the CSU.

Sonoma State University (SSU) management is responsible for establishing and maintaining adequate internal control. This responsibility, in accordance with GC, 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.
- ▶ Established controls are not only effective but also promote operational efficiency.
- ▶ 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 SSU campus from October 8, 2007, through December 21, 2007, and made a study and evaluation of the accounting and administrative control in effect as of December 21, 2007. 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, payroll and personnel, fixed assets, and fiscal information technology. These conditions, along with other weaknesses, are described in the executive summary and body of this report.

In our opinion, except for the effect of the weaknesses described above, SSU's accounting and administrative control in effect as of December 21, 2007, 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 [8]**

Cash control weaknesses were found at the main cashier's and customer service office. For example, duties and responsibilities related to cashiering and the reconciliation/deposit of cash receipts were not properly segregated at main cashiering and at customer service (the front office of main cashiering), manual press-numbered receipts were not consistently maintained by the cashiers, an inventory control system was not in place, and the supply was not maintained in a secured area. Cash control weaknesses were also found at one of the three satellite cashiering areas visited. At athletics, checks were not immediately endorsed after receipt or before transfer to the cash handler and unendorsed checks were transferred to the cash handler by placing them in an easily accessible open mail slot located in a high traffic area, which served as a kitchen and office common area. The athletics department paychecks were distributed in the same manner and were placed in the employees' open mail slots awaiting pick up. Additionally, it was observed in athletics, that after receiving the checks, the cash handler did not always endorse the checks before the end of the day and did not store the checks in the safe/locked containers when kept overnight. Further, an athletics reconciliation of cash receipts to the general ledger had not been performed since February 2007. Lastly, deposits in excess of \$3,000 were not always transferred to main cashiering by two individuals.

### **ACCOUNTS RECEIVABLE [11]**

Accounts receivable were not always recorded for parking and transportation. A parking citation general ledger control account total had not been established in campus accounting records for undisputed fines past the statutory time allowed for dispute and disputed fines deemed legally enforceable. At March 13, 2008, the unadjusted balance of outstanding parking citations issued since January 7, 2003, totaled \$551,968.40.

### **PAYROLL AND PERSONNEL [12]**

Employee separation procedures did not always ensure the completion of clearance documentation. A review of 14 employee separations between July 2005 and August 2007 disclosed that clearance forms were not on file for four of the employees that worked in faculty affairs. Additionally, the campus clearance form only required the separated employee's signature if the individual did not have an employee ID card to return.

### **FIXED ASSETS [13]**

Home use permits and records for laptops needed improvement. Home use permits were not always properly maintained for laptops. A review of 17 laptops issued for the period of July 2005 through August 2007 disclosed that equipment loan agreements were not on file for four laptops. Additionally, information was requested from the responsible departments as to whether specific laptop purchases were issued to staff for home use. For 7 of the 17 laptops reviewed, the responsible departments did not respond and therefore it was unable to be determined whether or not equipment loan agreements were required. Records for laptops were not maintained or were incomplete. A sample selection of laptops was extracted from the purchasing documentation containing invoice number, purchase order number, cost, and other pertinent information; however, the campus was unable to identify the laptops from this information.

### **FISCAL INFORMATION TECHNOLOGY [14]**

Password controls were not activated in the PeopleSoft Financial system for those accounts that did not use the centralized authentication system.

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## INTRODUCTION

### **STATEMENT OF INTERNAL CONTROLS**

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. The ultimate responsibility for good internal control rests with management.

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, personnel of a quality commensurate with responsibilities, and an effective system of internal review.

#### 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.

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.

Experience indicates that the existence of certain danger signals will usually be indicative of a poorly maintained or vulnerable control system. These symptoms may apply to the organization as a whole or to individual units or activities, and generally include any of the following danger signals:

- ▶ Policy and procedural or operational manuals are either not currently maintained or are non-existent.
- ▶ Lines of organizational authority and responsibility are not clearly articulated or are non-existent.
- ▶ Financial and operational reporting is not timely and is not used as an effective management tool.

- ▶ Line supervisors ignore or do not adequately monitor control compliance.
- ▶ No procedures are established to assure that controls in all areas of operation are evaluated on a reasonable and timely basis.
- ▶ Internal control weaknesses detected are not acted upon in a timely fashion.
- ▶ Controls and/or control evaluations bear little relationship to organizational exposure to risk of loss or resources.

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.

### **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.
- ▶ Operating 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 2005/06 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 1, 2005, to August 31, 2007. 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.
- ▶ 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 operating 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.

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INTRODUCTION

We have not performed any auditing procedures beyond December 21, 2007. 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 CASHIERING AND CUSTOMER SERVICE**

Cash control weaknesses were found at the main cashier's and customer service office.

We found that:

- ▶ Duties and responsibilities related to cashiering and the reconciliation/deposit of cash receipts were not properly segregated at main cashiering. The cashiers received and processed payments/receipts, posted receipt information, prepared the campus-wide daily deposit, reconciled daily receipts, possessed access to the general ledger, and posted journal entries.
- ▶ At customer service (the front office of main cashiering), manual press-numbered receipts were not consistently maintained by the cashiers. Additionally, an inventory control system was not in place and the supply was not maintained in a secured area.

State Administrative Manual (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.

SAM §20050 states that the elements of a satisfactory system of internal accounting and administrative controls shall include a plan of organization that provides segregation of duties appropriate for proper safeguarding of state assets.

SAM §8020 states that an inventory control will be kept for press-numbered receipts and a numeric file of copies of receipts and voided receipts will be kept for audit purposes.

The deputy controller of student finance stated that current staffing levels at main cashiering limited the ability to adequately segregate each of the functions. The senior director of university business services stated that issues related to press-numbered receipts were due to oversight.

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

### **Recommendation 1**

We recommend that the campus:

- a. Review cashiering activities at main cashiering and take appropriate action to either segregate duties or establish effective mitigating controls.
- b. Establish and implement procedures at customer service to consistently maintain manual press-numbered receipts, establish an inventory control system, and maintain the supply in a secured area.

### **Campus Response**

We concur.

- a. Direct access and update capability to the general ledger has been taken away from the cashiers.
- b. An inventory control system for cash receipt books has been implemented and the books are kept in locked cabinets.

Corrective action has been completed.

## **SATELLITE CASHIERING**

Cash control weaknesses were found at one of the three satellite cashiering areas visited. The satellite cashiering locations reviewed included extended education, police and parking services, and athletics.

### **Athletics**

We found that:

- ▶ Unopened mail containing checks of fund-raising receipts were not distributed to a central location, but rather to the 12 head coaches. After opening the mail and removing the checks, the coaches did not always submit the checks to the cash handler for deposit within 48 hours. Additionally, the coaches did not have endorsement stamps, therefore the checks were not endorsed immediately or before transfer to the cash handler. While in their custody, the coaches did not always store the checks in a safe or secured area.
- ▶ Checks were not adequately safeguarded. We noted that unendorsed checks were transferred to the cash handler by placing them in an easily accessible open mail slot located in a high traffic area, which served as a kitchen and office common area. Additionally, it was observed that department paychecks were distributed in the same manner and were placed in the employees' open mail slots awaiting pick up.

- ▶ Checks were not always endorsed on the day of receipt and were not always placed in a safe or lockable container for storage overnight.
- ▶ A reconciliation of cash receipts to the general ledger had not been performed since February 2007.
- ▶ Deposits in excess of \$3,000 were not always transferred to main cashiering by two individuals.

SAM §8032.1 requires that receipts be adequately safeguarded until deposited. When such funds are not in use, they will be locked in a desk, file cabinet, or other mechanism providing comparable safekeeping.

SAM §8034.1 and §8023 require checks and other negotiable instruments to be endorsed on the day they are received.

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 director of athletics stated that mail was routed through the coaches in an effort to segregate duties and also due to lack of personnel. Additionally, he stated that the handling of checks, untimely endorsement of checks, untimely reconciliations, and transfer of deposits without an escort were also due to lack of manpower.

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

## **Recommendation 2**

We recommend that the campus:

- a. Establish and implement procedures at athletics to re-route all unopened mail through the cash handler.
- b. Establish and implement more secured procedures at athletics for transfer of unendorsed checks and payroll checks.
- c. Ensure that all checks at athletics are immediately endorsed and are stored in the safe/locked containers if kept overnight.
- d. Strengthen procedures to ensure that reconciliations at athletics are completed in a timely manner.
- e. Implement procedures at athletics for two employees to transport funds whenever coin and currency to be deposited exceeds \$3,000.

### **Campus Response**

We concur.

- a. Procedures will be developed to re-route all mail through the cash handler.
- b. All checks will be delivered to the cash handler and not left unsecured. Payroll checks will be individually distributed through the payroll warrant pick up clerk and undistributed checks will be returned to customer services for individual pick up.
- c. The athletics cash handler immediately endorses the checks and secures them if kept overnight.
- d. Athletics will reconcile deposits to the general ledger within two business days.
- e. Whenever coin and currency exceed \$3,000, athletics will provide dual escorts.

Expected completion date: June 30, 2008

### **ACCOUNTS RECEIVABLE**

Accounts receivable were not always recorded for parking and transportation.

A parking citation general ledger control account total had not been established in campus accounting records for both undisputed fines past the statutory time allowed for dispute and disputed fines deemed legally enforceable. At March 13, 2008, the unadjusted balance of outstanding parking citations issued since January 7, 2003, totaled \$551,968.40.

Government Accounting Standards Board (GASB) Comprehensive Implementation Guide, 2007, Chapter Z: Z.33.10, states that undisputed fines should be recognized when payments are made or when the statutory time allowed for dispute lapses, whichever occurs first. Disputed fines should be recognized when the appropriate legal authority (for example, traffic court) rules that the fine is valid (legally enforceable) and should be recognized net of estimated refunds from rulings overturned on appeal. Paragraph 17 of Statement 33 requires governments to recognize assets from imposed non-exchange revenue transactions in the period when an enforceable legal claim to the assets arises or when resources are received, whichever occurs first. Paragraph 18 requires revenue to be recognized, net of estimated refunds, in the same period that the assets are recognized unless the enabling legislation includes time requirements. Legal enforceability generally occurs when the parties pay their fines, when the statutory time allowed for dispute lapses, or, if disputed, when a court later rules that the fine is enforceable.

Sonoma State University policy for parking fines states that parking fines must be paid or an appeal must be filed within 21 days of the issuance of a citation or 14 days of the mailing of a notice of delinquent parking violation. Failure to pay or appeal a citation within 21 days will lead to an

increase in the fine by \$20 and the vehicle registration will be held by the Department of Motor Vehicles.

SAM §7901 states that the accuracy of an agency's accounting records may be proved partially by making certain reconciliations and verifications.

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

The deputy controller of student finance stated that the lack of a parking citation general ledger control account total was due to oversight.

Inadequate control over parking citation receivables increases the risk that the receivables will not be properly reflected in campus accounting records, errors and irregularities will not be detected, and accountability will be compromised.

### **Recommendation 3**

We recommend that the campus record outstanding parking citation accounts receivable in the campus accounting records.

### **Campus Response**

We concur. The parking citation accounts receivable will be recorded when the university has an enforceable legal claim to the receivable as required by GASB 33. Each year, the university will analyze the parking citation accounts receivable and determine the amount that should be recorded in the general ledger in accordance with GASB.

Expected completion date: June 30, 2008

## **PAYROLL AND PERSONNEL**

Employee separation procedures did not always ensure the completion of clearance documentation.

Our review of 14 employee separations between July 2005 and August 2007 disclosed that clearance forms were not on file for four of the employees that worked in faculty affairs. Additionally, the campus clearance form only required the separated employee's signature if the individual did not have an employee ID card to return.

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

The managing director of payroll and benefits stated that the lack of clearance forms was due to turnover in faculty affairs. Additionally, she further stated that the insufficient signature requirements for the clearance form were due to oversight.

Insufficient administration of employee separations increases the risk of late wage payments, loss of state funds, and inappropriate use of state resources.

#### **Recommendation 4**

We recommend that the campus review and strengthen employee separation procedures to ensure clearance documentation is completed.

#### **Campus Response**

We concur. The campus clearance form will be revised to reflect the university requirement that each employee sign the clearance form. If the departing employee is not available to sign the document, an email acknowledgement will be obtained from that employee by the appropriate administrator and attached to the clearance form.

Expected completion date: June 30, 2008

## **FIXED ASSETS**

Home use permits and records for laptops needed improvement.

We noted that:

- ▶ Home use permits were not always properly maintained. Our review of 17 laptops issued for the period of July 2005 through August 2007, disclosed that equipment loan agreements were not on file for four laptops. Additionally, information was requested from the responsible departments as to whether specific laptop purchases were issued to staff for home use. For 7 of the 17 laptops reviewed, the responsible departments did not respond and therefore, we were unable to determine whether or not equipment loan agreements were required for the laptops.
- ▶ Records of laptops were not maintained or were incomplete. A sample selection of laptops was extracted from the purchasing documentation containing invoice number, purchase order number, cost, and other pertinent information; however, the campus was unable to identify the laptops from this information.

SAM §8600 states that property accounting procedures are designed to maintain uniform accountability for state property. These standard procedures are used to provide accurate records for the acquisition, maintenance, control, and disposition of property. The combination of accurate

accounting records and strong internal controls must be in place to protect against and detect the unauthorized use of state property.

SAM §20050 indicates 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.

The vice president of administration and finance and chief financial officer stated that the campus was unaware of requirements to maintain records for sensitive property and was also unaware of the requirements for home use permits.

Insufficient control over laptops increases the risk of unauthorized use and loss of state property.

### **Recommendation 5**

We recommend that the campus strengthen procedures to ensure records for laptops and related home use permits are maintained and are complete.

### **Campus Response**

We concur. Home use permit forms will be required to be completed for all university owned laptops. For each laptop purchased, the department user must complete the form and file it with the departmental property custodian. The property custodian shall submit a copy of the departmental home use permits with the completed annual inventory report. The university will maintain all tagged equipment in the database identifying the voucher number used to purchase the equipment; this voucher number will be the key link to the general ledger data used for identification.

Expected completion date: June 30, 2008

## **FISCAL INFORMATION TECHNOLOGY**

Password controls were not activated in the PeopleSoft Financial system for those accounts that do not use the centralized authentication system.

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 finance project director stated that this was an oversight because the system had been recently upgraded and a separate centralized authentication handles most system logins.

The absence of comprehensive password controls increases the risk that passwords may be compromised and could lead to unauthorized or inappropriate access.

**Recommendation 6**

We recommend that the campus activate its password controls to require minimum password length, maximum logon attempts, password history, and password syntax requirements for all access paths to the system.

**Campus Response**

We concur. The university has activated password controls as recommended.

Corrective action has been completed.

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## APPENDIX A: PERSONNEL CONTACTED

<u>Name</u>	<u>Title</u>
Ruben Armiñana	President
Barry Blackburn	Information Security Officer
Missy Brunetta	Manager of Parking Services, Police and Parking Services
Letitia Coate	Controller
Nancy Crosat	Administrative Analyst, Athletics
Leilani Fuiten	Accountant II
Laurence Furukawa-Schlereth	Vice President, Administration and Finance and Chief Financial Officer
Bill Fusco	Director, Athletics
Mark Harlin	Property Program Coordinator
John Hayes	Deputy Controller
Kurt Koehle	Director, Internal Operations Analysis and Review
Ruth McDonnell	Director, Contracts and Procurement, Payables
Susan Michels	Financial Administrator, Office of the Dean of Extended Education
Linda Mikowicz	Purchasing Manager, Financial Services
Cindy Miller	Accounts Payable Manager
Steven Nank	Mail and Receiving Coordinator
Gloria Ogg	Senior Director, University Business Services
Brian Orr	Senior Accountant
Robert Rosen	Business Manager, Office of the Dean of Extended Education
Paul Santini	Deputy Controller, Student Finance, Financial Services
Nicholas Saschin	Accountant Administrator, Financial Services
Sam Scalise	Senior Director, Information Technology
Jean Snyder	Accountant, Accounts Receivable, Financial Services
Mary Trimble	Accountant of Receipts, Financial Services
Jason Wenrick	Finance Project Director, Financial Services
Deanna Wilson	Managing Director, Payroll and Benefits
Susan Zito	Payroll and Benefits Analyst, Payroll and Benefits



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OFFICE OF THE CHIEF FINANCIAL OFFICER AND  
VICE PRESIDENT FOR ADMINISTRATION AND FINANCE

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May 30, 2008

RECEIVED  
UNIVERSITY AUDITOR

JUN - 2 2008

THE CALIFORNIA STATE  
UNIVERSITY

**MEMORANDUM**

**TO:** Larry Mandel  
University Auditor  
401 Golden Shore, 4<sup>th</sup> Floor  
Long Beach, California 90802-4200

**FROM:** Larry Furukawa-Schleeth  
Vice-President, Administration and Finance  
Chief Financial Officer

**SUBJECT:** Campus Response, FISMA Audit Report No. 07-04

On behalf of President Armiñana, I am submitting the campus response to the recommendations of *Audit Report 07-04, FISMA at Sonoma State University*. The response will also be forwarded to your staff electronically.

We are taking action to implement the recommendations, and will provide documentation to demonstrate completion of corrective actions for each recommendation.

Enclosure

c: President Ruben Armiñana  
Letitia Coate, Associate Vice President and Controller  
Carol A. Blackshire-Belay, Vice Provost, Academic Affairs  
Bill Fusco, Director of Athletics  
Kurt Koehle, Director of Internal Operations

THE CALIFORNIA STATE UNIVERSITY

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**FISMA**

**SONOMA STATE UNIVERSITY**

**Audit Report 07-04**

**CASH RECEIPTS**

**MAIN CASHIERING AND CUSTOMER SERVICE**

**Recommendation 1**

We recommend that the campus:

- a. Review cashiering activities at main cashiering and take appropriate action to either segregate duties or establish effective mitigating controls.
- b. Establish and implement procedures at customer service to consistently maintain manual press-numbered receipts, establish an inventory control system, and maintain the supply in a secured area.

**Campus Response**

We concur:

- a. Direct access and update capability to the general ledger has been taken away from the cashiers.
- b. An inventory control system for cash receipt books has been implemented and the books are kept in locked cabinets.

Corrective action has been completed.

**SATELLITE CASHIERING**

**Recommendation 2**

We recommend that the campus:

- a. Establish and implement procedures at athletics to re-route all unopened mail through the cash handler.
- b. Establish and implement more secured procedures at athletics for transfer of unendorsed checks and payroll checks.
- c. Ensure that all checks at athletics are immediately endorsed and are stored in the safe/locked containers if kept overnight.

- d. Strengthen procedures to ensure that reconciliations at athletics are completed in a timely manner.
- e. Implement procedures at athletics for two employees to transport funds whenever coin and currency to be deposited exceeds \$3,000.

**Campus Response**

We concur:

- a. Procedures will be developed to re-route all mail through the cash handler.
- b. All checks will be delivered to the cash handler and not left unsecured. Payroll checks will be individually distributed through the payroll warrant pickup clerk and undistributed checks will be returned to Customer Services for individual pickup.
- c. The Athletics cash handler immediately endorses the checks and secures them if kept overnight.
- d. Athletics will reconcile deposits to the general ledger within two business days.
- e. Whenever coin and currency exceed \$3,000 Athletics will provide dual escorts.

Expected Completion Date: June 30, 2008.

**ACCOUNTS RECEIVABLE**

**Recommendation 3**

We recommend that the campus record outstanding parking citation accounts receivable in the campus accounting records.

**Campus Response**

We concur. The parking citation accounts receivable will be recorded when the University has an enforceable legal claim to the receivable as required by GASB 33. Each year, the University will analyze the parking citation accounts receivable and determine the amount that should be recorded in the general ledger in accordance with GASB.

Expected Completion Date: June 30, 2008.

**PAYROLL AND PERSONNEL**

**Recommendation 4**

We recommend that the campus review and strengthen employee separation procedures to ensure clearance documentation is completed.

**Campus Response**

We concur. The Campus Clearance Form will be revised to reflect the University requirement that each employee sign the Clearance Form. If the departing employee is not available to sign the document, an email acknowledgement will be obtained from that employee by the appropriate administrator and attached to the Clearance Form.

Expected Completion Date: June 30, 2008.

**FIXED ASSETS**

**Recommendation 5**

We recommend that the campus strengthen procedures to ensure records for laptops and related home use permits are maintained and are complete.

**Campus Response**

We concur. Home Use Permit Forms will be required to be completed for all University owned laptops. For each laptop purchased, the department user must complete the Form and file it with the departmental Property Custodian. The Property Custodian shall submit a copy of the departmental Home Use Permits with the completed annual inventory report.

The University will maintain all tagged equipment in the database identifying the voucher number used to purchase the equipment; this voucher number will be the key link to the general ledger data used for identification.

Expected Completion Date: June 30, 2008.

**FISCAL INFORMATION TECHNOLOGY**

**Recommendation 6**

We recommend that the campus activate its password controls to require minimum password length, maximum logon attempts, password history, and password syntax requirements for all access paths to the system.

**Campus Response**

We concur. The University has activated password controls as recommended.

Corrective action has been completed.

  
**THE CALIFORNIA STATE UNIVERSITY**  
 OFFICE OF THE CHANCELLOR

BAKERSFIELD

June 9, 2008

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

DOMINGUEZ HILLS

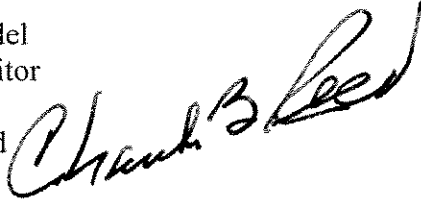
EAST BAY

FRESNO

TO: Mr. Larry Mandel  
University Auditor

FULLERTON

FROM: Charles B. Reed  
Chancellor



HUMBOLDT

LONG BEACH

SUBJECT: Draft Final Report 07-04 on *FISMA*,  
Sonoma State University

LOS ANGELES

MARITIME ACADEMY

MONTEREY BAY

In response to your memorandum of June 9, 2008, I accept the response as submitted with the draft final report on *FISMA*, Sonoma State University.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Dr. Ruben Armiñana, President

SAN DIEGO

Mr. Laurence Furukawa-Schlereth, Vice President, Administration and  
Finance and Chief Financial Officer

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS