

**FISMA**

**SAN FRANCISCO STATE UNIVERSITY**

**Audit Report 09-02**  
**August 6, 2009**

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## **ABBREVIATIONS**

ARM	Accounts Receivable Module
CSU	California State University
FISMA	Financial Integrity and State Manager's Accountability Act
FTB	Franchise Tax Board
GAAP	Generally Accepted Accounting Principles
GC	Government Code
HR	Human Resources
ORSP	Office of Research and Sponsored Programs
SAM	State Administrative Manual
SCO	State Controller's Office
SFSU	San Francisco 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.

San Francisco State University (SFSU) 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 SFSU campus from January 26, 2009, through February 20, 2009, and made a study and evaluation of the accounting and administrative control in effect as of February 20, 2009. 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, and property. 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 February 20, 2009, 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]**

Duties and responsibilities at the main cashiering area were not properly segregated.

### **ACCOUNTS RECEIVABLE [7]**

The campus did not have a policy addressing the recording and disposition of aged student receivables. Duties and responsibilities related to employee accounts receivable were not properly segregated, and the pursuit of delinquent employee and third-party receivables required improvement. The employee receivables finding was also noted in two prior FISMA audits.

### **PAYROLL [11]**

The payroll office did not have an approved formal policy to ensure that payments and salary transactions comply with systemwide standards.

### **PROPERTY [12]**

Equipment use authorization forms were not always prepared and submitted as required.

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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 have 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 objectives were to assess the adequacy of the systems of internal accounting and administrative control and to determine whether financial operations were conducted in accordance with policies and procedures established in the State Administrative Manual, Education Code, Title 5, and directives of the Board of Trustees and the Office of the Chancellor. Specifically, we sought assurances that:

- ▶ Legal and regulatory requirements are complied with.
- ▶ Accounting data is provided in an accurate, timely, complete, or otherwise reliable manner.
- ▶ Assets are adequately safeguarded from loss, damage, or misappropriation.
- ▶ Duties are appropriately segregated consistent with appropriate control objectives.
- ▶ Transactions, systems output, or accounting entries are reviewed and approved.
- ▶ Management does not intentionally override internal controls to the detriment of control objectives.
- ▶ Accounting and fiscal tasks, such as reconciliations, are prepared properly and completed timely.
- ▶ Deficiencies in internal controls previously identified were corrected satisfactorily and timely.
- ▶ Management seeks to prevent or detect erroneous recordkeeping, inappropriate accounting, fraudulent financial reporting, financial loss, and exposure.

## **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 2007/08 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 January 2008 to December 2008. Our primary focus was on internal controls.

A preliminary survey of the campus was used to identify risks. Risk was defined as the probability that an event or action would adversely affect the campus. Our assessment of risk was based upon a systematic process using management's feedback and professional judgments on probable adverse conditions and/or events that became the basis for development of our final scope. We sought to assign higher review priorities to activities with higher risks. As a result, not all risks identified were included within the scope of our review.

Based upon this assessment of risks, we specifically included within the scope of our review the following:

- ▶ Procedures for receipting and storing cash, segregation of duties involving cash receipting, and recording of cash receipts.
- ▶ Use of petty cash funds, periodic cash counts, and the administration and reconciliation of bank accounts.
- ▶ Establishment of receivables and adequate segregation of duties regarding billing and payment of receivables.
- ▶ Adequate segregation of duties regarding authorization and payment of cash disbursements and appropriate controls over campus vendors.
- ▶ Authorization and proper classification 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, physical inventories, and authorization of property disposals.
- ▶ Establishment of trust funds, separate accounting, and adequate agreements.

We have not performed any auditing procedures beyond February 20, 2009. 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**

Duties and responsibilities at the main cashiering area were not properly segregated.

We found that:

- ▶ All of the cashiers and three student account analysts who worked as backup cashiers were responsible for recording payments in the One Step cashiering system and also had the access necessary to post, modify, and delete charges for miscellaneous and departmental fees in the Accounts Receivable Module (ARM) of the student accounting system. In addition, the student account analysts had the ability to create invoices and create or modify refunds in ARM.
- ▶ The One Step cashiering system has the ability to run queries for any charges that have been modified or deleted. However, the campus did not have the system generate such reports, nor did it have any other process in place to review potentially inappropriate actions.

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: receiving and depositing remittances, inputting receipts information, and reconciling bank accounts and posting to the general ledger or any subsidiary ledger affected by cash transactions.

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

The bursar stated that campus policy requires the cashiers to ask their supervisors for approval before modifying or deleting charges in ARM. He further stated that access to ARM is necessary for the cashiers to provide customer service.

Inadequate segregation of duties in the main cashiering area increases campus exposure to loss from inappropriate acts.

#### **Recommendation 1**

We recommend that the campus:

- a. Ensure that non-supervisory staff does not have the access necessary to modify or delete charges in ARM or implement compensatory mitigating controls.
- b. Ensure that student accounting staff do not perform window cashiering duties or implement compensatory mitigating controls.
- c. Use system queries and reports to monitor all miscellaneous and departmental fees in ARM.

### **Campus Response**

We concur. Control and segregation of duties in main cashiering will be strengthened. For miscellaneous and departmental fees, available system queries and reports will be required for timely review and analysis. Expected completion date: March 2010.

## **ACCOUNTS RECEIVABLE**

### **STUDENT RECEIVABLES ACCOUNTING**

The campus did not have an updated policy addressing the recording and disposition of aged student receivables.

As of June 30, 2008, we found that the campus reported on its financial statements approximately \$943,797 in student receivables that were 180 days or older. The campus stated that although these receivables were fully provisioned, they had not been written off and that no write-offs of student receivables had been performed since the previous Financial Integrity State Manager's Accountability Act (FISMA) audit.

We also noted \$263,324 in student receivables that were over two years old that were held in the receivables sub-ledger. These receivables had not been recorded on the campus financial statements, and as a result, they were never written off. We found an additional \$114,257 in current student receivables for miscellaneous and departmental fees that had not been accrued on the campus financial statements.

SAM §8776.6 requires that each department develop collection procedures that will assure prompt follow-up on receivables. If all reasonable collection procedures do not result in payment, departments may request discharge from accountability of uncollectable amounts due from private entities. Departments will review their accounts receivable no less than quarterly to identify receivables for discharge.

SAM §8776.2 states, in part, that a valid accounts receivable is a receivable which is due and payable and for which there is no apparent disagreement over the validity of the claim or the amount at the time it was established. At June 30, an adjusting entry will be made to accrue as revenue that portion of income earned that has not yet been received but is estimated to be collectible within the ensuing fiscal year.

The director of student finance operations stated that the reason the aged student receivables had not been written off was because the campus believed that fully provisioning them was sufficient. She further stated that miscellaneous fees were not accrued because they were not material compared to the total revenues collected.

The absence of a policy to address the recording and disposition of student accounts receivable reduces the likelihood of collection, increases the risk of misstated financial statements, and negatively impacts cash flow.

### **Recommendation 2**

We recommend that the campus:

- a. Update the campus policy for the recording and disposition of long-outstanding student receivables. If necessary, the campus should write off old accounts.
- b. Ensure that all valid student receivables are accrued at year-end on the Generally Accepted Accounting Practices (GAAP) financial statements.

### **Campus Response**

We concur. The campus policy for the recording and disposition of long-outstanding student receivables will be updated, and if deemed necessary, the campus will write off old student accounts. In addition, the campus will ensure that all valid student receivables are accrued at year-end on the GAAP financial statements. Expected completion date: March 2010.

## **SEGREGATION OF DUTIES**

Duties and responsibilities related to employee accounts receivable were not properly segregated.

We found that check payments were delivered to staff at the payroll department who also initiated and handled the collection of these receivables. In addition, the check payments were routed through the accountant who was also responsible for maintaining the employee receivables sub-ledger and for posting general ledger entries before submission to the cashier for payment processing.

SAM §8080.1 states, in part, that no one person will perform more than one of the following types of duties: maintaining records file, receiving and depositing remittances, inputting receipts information, reconciling input to output, and initiating or preparing invoices.

The payroll manager stated that the campus had believed its segregation of duties was appropriate since the check payments were logged when they came in and subsequently verified to the cashier deposit. The associate controller of government funds stated that check payments were routed through accounting in order to properly identify and clear the receivables.

Inadequate segregation of duties related to employee accounts receivable increases campus exposure to loss from inappropriate acts.

### **Recommendation 3**

We recommend that the campus implement appropriate segregation of duties in its handling of employee accounts receivable.

### **Campus Response**

We concur. The campus will implement appropriate segregation of duties in the handling of employee accounts receivable. Expected completion date: February 2010.

## **COLLECTIONS**

Pursuit of delinquent employee and third-party receivables required improvement.

We judgmentally selected ten student and ten employee receivables that were outstanding as of June 30, 2008, and September 30, 2008, respectively. We also reviewed 13 third-party receivables that were outstanding as of September 30, 2008. In our review of these 33 receivables, we noted that:

- ▶ In six instances, the initial notification letters regarding employee receivables were not sent in a timely manner. The notification letters were sent between 45 and 459 days after the receivables were created by the State Controller's Office (SCO).
- ▶ In four instances, the collection letters for separated employee receivables were not sent in 30-day intervals. In addition, employee receivable collection balances were not submitted to the Franchise Tax Board (FTB) for tax offset after 120 days. This issue was also noted in the two prior FISMA audits.
- ▶ In five instances, the campus did not prepare an analysis of third-party receivables to determine what additional collection efforts should be made when the standard collections efforts were not effective.
- ▶ In three instances, the campus did not send required documentation or final project reports to third-party sponsors for receivables that were billed in 2004, 2005, and 2006. As such, the customers refused to pay their bills as they had not received the product due per the contract.

San Francisco State University (SFSU) *Collection Procedures for Payroll Accounts Receivables* states that if there is no response after 15 days to the initial letter sent to a separated employee, two other letters will be sent at 30-day intervals. After the third letter is sent, the employee receivable will be submitted to the FTB for tax offset.

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

State University Administrative Manual §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, and for utilization of the offset claim procedures for accounts greater than \$10.

SAM §8776.6 provides procedures and guidelines regarding adequate collection efforts and follow-up on receivables. These include sending a sequence of three collection letters at 30-day intervals with progressively stronger tones and, if necessary, submitting the receivable to the FTB and collection agencies. If all reasonable collection procedures are unsuccessful, an analysis should be prepared to determine what additional collection efforts should be made. If all reasonable collection procedures do not result in payment, a department may request discharge from accountability for the uncollectible amount due.

The payroll manager stated that the late notification and collection of employee receivables were not timely due to staffing challenges. The associate controller of government funds stated that the departments are responsible for ensuring that all reports are provided to the customer for the third-party receivables and that the current process did not include the requirement for accounting to verify that this was done.

Inadequate control over delinquent accounts receivable reduces the likelihood of collection, increases the amount of resources expended on collection efforts, and negatively impacts cash flow.

#### **Recommendation 4**

We recommend that the campus:

- a. Ensure that initial notification letters for outstanding employee receivables are sent in a timely manner and that collection efforts are promptly pursued, including the use of tax offset.
- b. Ensure that appropriate analyses are prepared to determine the most effective course of action for collecting outstanding third-party receivables.
- c. Ensure that required documentation and final project reports are sent to third-party sponsors and that collection efforts are promptly pursued if payments are not received in a timely manner.

#### **Campus Response**

We concur. The campus will ensure that initial notification letters for outstanding employee receivables are issued timely and that collection efforts are promptly pursued including the use of tax offsets. The campus will also prepare and issue appropriate analytical reports to the office of research and sponsored programs (ORSP) so that the ORSP department can determine the most effective course of action for collecting the outstanding third-party receivables. Further, the campus will ensure that principal investigators submit final project reports to third-party sponsors so that collection efforts are promptly pursued. Expected completion date: February 2010.

## **PAYROLL**

The payroll office did not have an approved formal policy to ensure that payments and salary transactions comply with systemwide standards.

We noted that the campus had created process flowcharts for faculty and staff salary processing. However, these flowcharts had not been formalized and signed by the president.

California State University directive Human Resources (HR) 2008-09, *Salary and Payroll Processing – Campus Requirements*, dated July 11, 2008, states that campus salary and payroll procedures/processes must, at a minimum, identify the steps in the process; indicate the audit checkpoints and corrective action requirements if checkpoint(s) are not approved across affected departments; and identify the “approving authority,” which will include position title(s) across affected departments who are responsible for approving documentation submitted at a given checkpoint in the process (including the final checkpoint before the transaction and/or payment request is keyed). It also states that campuses must obtain presidential approval of their salary and payroll processes, and that these processes must be reviewed and updated by the campuses on a routine basis (at least annually) to reflect current requirements, ensure compliance, and optimize efficiencies.

The executive director of risk management stated that the new campus processes had been approved and implemented by the assistant vice president of human resources, who had documented delegation of authority for payroll transactions. However, the documented approval by the president could not be located.

Inadequate procedures increase the likelihood of improper coding of payments and salary transactions, and thus can cause the campus to fail to fully comply with systemwide standards.

### **Recommendation 5**

We recommend that the campus formalize its policy for salary and payroll processing, with approval by the president.

### **Campus Response**

We concur. The campus will formalize its policy for salary and payroll processing that includes the president’s approval. Expected completion date: February 2010.

## PROPERTY

Equipment use authorization forms were not always prepared and submitted as required.

In our review of 12 laptops purchased between July 2007 and June 2008, we found that:

- ▶ Four equipment use authorization forms were not available for laptops that were used off campus.
- ▶ Three equipment use authorization forms were completed on February 16, 2009, during the audit period. One of these forms did not include the borrower's signature.
- ▶ One equipment use authorization form was incomplete and did not include an authorizing signature or date.

SFSU *Property Management Manual*, §4.8, states that it is the responsibility of the property custodian to have the equipment use authorization form filled out for any piece of equipment used at an off-site location. The form shall be signed by the lendee, signed by the appropriate manager, and signed and filed by the respective property custodian.

Executive Order 649, *Safeguarding State Property*, dated February 15, 1996, delegates authority to each campus president to establish and maintain a system of internal controls to safeguard state property.

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 unauthorized use.

The procurement director stated that the responsibility to follow up on equipment use authorization forms is decentralized. He further stated that based on the audit results, the campus understands the need for greater control.

Failure to utilize equipment use authorization forms increases the risk of unauthorized use and loss of state property.

### **Recommendation 6**

We recommend that the campus enforce the use of authorization forms for equipment that is taken off-site and ensure that departments are aware of, and carry out, their responsibility to complete these forms.

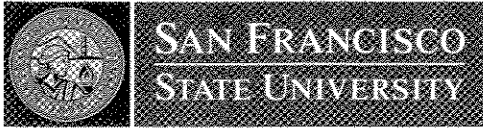
**Campus Response**

We concur. The campus will enforce off-site equipment use forms and ensure that departments are aware of the necessity of the practice, as well as departmental responsibility to ensure the forms are completed and retained on file. Further, off-site use forms will be reviewed as part of the biannual physical inventory, and deficiencies will be corrected as part of inventory closeout. Expected completion date: March 2010.

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## APPENDIX A: PERSONNEL CONTACTED

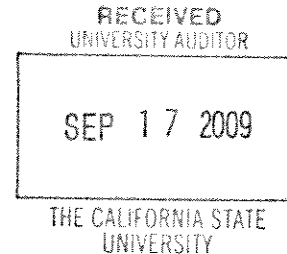
<u>Name</u>	<u>Title</u>
Robert A. Corrigan	President
Edwin Billiot	Bursar
Jim Bryan	Associate Dean, College of Extended Learning
Julie Chan	Assistant Payroll Manager
David Chelliah	Supervisor, Accounts Payable
Cathy Cheng	Accounting Analyst
Irene Donner	Administrative Support Coordinator
Elaine Feng	Director of Fiscal Services, College of Extended Learning
Lily Gee	Parking Coordinator
Lori Gentles	Associate Vice President, Human Resources, Safety and Risk Management
Jackie Green	Associate Bursar, Cashier Operations
Mig Hoffman	Information Security Officer
Mandy Huang	Lead Accounts Payable Technician
Wanda Humphrey	Manager, Payroll
Wayne Kuhaupt	Manager, Accounts Payable and Collections
Phoebe Kwan	Executive Director, Information Technology
Franz Lozano	Budget Officer
Michael Martin	Executive Director, Risk Management
Ligaya Mendoza	Payroll Coordinator
Excel Mercado	Associate Bursar, Cashier Operations
Sam Moriana	Compliance Analyst, Internal Audit
Leroy M. Morishita	Vice President and Chief Financial Officer, Administration and Finance
Karen Mucci	Director, Enrollment Services, College of Extended Learning
Dana Nguyen	Accountant
Michael O'Brien	Business Systems Coordinator
Mark Osborne	Interim Internal Auditor
Stan Pearse	Property Supervisor
Jonathan Rood	Associate Vice President, Department of Information Technology
Stephen Smith	Director, Procurement
Patricia Tolar	Transportation Coordinator
Gloria Tseung	Associate Controller, Government Funds
Helen Wang	Fiscal Manager, University Housing
Larry Ware	Associate Vice President, Fiscal Affairs
Gail Whitaker	Dean, College of Extended Learning
Burkland Wong	Associate Controller, Trust and Special Projects
Cora Wong	Director, Student Finance Operations/Business Systems
Agnes Wong-Nickerson	University Controller
Karen Yeung	Accountant, Financial Reporting



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September 15, 2009

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 #09-02 on FISMA at San Francisco State University. Our responses to the recommendations are attached which will also be forwarded to your staff electronically. We are taking actions to implement the recommendations.

Documentation demonstrating implementation of recommendations already completed will be forwarded to you separately. Questions regarding the responses may be directed to Leroy M. Morishita, Executive Vice President and CFO for Administration & Finance, at 415/338-2521 or Mark Osborne, Interim Internal Auditor, at 415/338-7183.

Sincerely,

A handwritten signature in black ink that reads "Leroy M. Morishita (for President Corrigan)".

Robert A. Corrigan  
President

MO/id  
Attachments

cc: Leroy M. Morishita, Executive Vice President and CFO, Administration & Finance  
Lori Gentles, Associate Vice President, Human Resources, Safety & Risk Management  
Agnes Wong Nickerson, Interim Associate Vice President for Fiscal Affairs  
Michael Martin, Executive Director, Risk Management, HRSRM  
Henry McCoy, Director, Academic Personnel/HR Management Systems HRSRM  
Stephen C. Smith, Director, Procurement  
Corazon Wong, Director, Student Financial Services and Fiscal Affairs Business Systems  
Edwin Billiot, Bursar, Bursar's Office, Fiscal Affairs  
Gloria Tseung, Associate Controller, Government Accounting  
Wanda Humphrey, Payroll Manager, HRSRM  
Mark Osborne, Interim Internal Auditor

**FISMA**

**SAN FRANCISCO STATE UNIVERSITY**

**Audit Report 09-02**

**CASH RECEIPTS**

**Recommendation 1**

We recommend that the campus:

- a. Ensure that non-supervisory staff does not have the access necessary to modify or delete charges in ARM or implement compensatory mitigating controls.
- b. Ensure that student accounting staff do not perform window cashiering duties or implement compensatory mitigating controls.
- c. Use system queries and reports to monitor all miscellaneous and departmental fees in ARM.

**Campus Response**

We concur.

Control and segregation of duties in main cashiering will be strengthened.

For miscellaneous and departmental fees, available system queries and reports will be required for timely review and analysis. Expected completion date: March 2010.

**ACCOUNTS RECEIVABLE**

**STUDENT RECEIVABLES ACCOUNTING**

**Recommendation 2**

We recommend that the campus:

- a. Update the campus policy for the recording and disposition of long-outstanding student receivables. If necessary, the campus should write off old accounts.
- b. Ensure that all valid student receivables are accrued at year-end on the Generally Accepted Accounting Practices (GAAP) financial statements.

**Campus Response**

We concur.

The campus policy for the recording and disposition of long-outstanding student receivables will be updated and if deemed necessary, the campus will write off old student accounts. In addition, the campus will ensure that all valid student receivables are accrued at year-end on the GAAP financial statements. Expected completion date: March 2010.

**SEGREGATION OF DUTIES**

**Recommendation 3**

We recommend that the campus implement appropriate segregation of duties in its handling of employee accounts receivable.

**Campus Response**

We concur.

The campus will implement appropriate segregation of duties in the handling of employee accounts receivable. Expected completion date: February 2010.

**COLLECTIONS**

**Recommendation 4**

We recommend that the campus:

- a. Ensure that initial notification letters for outstanding employee receivables are sent in a timely manner and that collection efforts are promptly pursued, including the use of tax offset.
- b. Ensure that appropriate analyses are prepared to determine the most effective course of action for collecting outstanding third-party receivables.
- c. Ensure that required documentation and final project reports are sent to third-party sponsors and that collection efforts are promptly pursued if payments are not received in a timely manner.

**Campus Response**

We concur.

The campus will ensure that initial notification letters for outstanding employee receivables are issued timely and that collection efforts are promptly pursued including the use of tax offsets. The campus will also prepare and issue appropriate analytical reports to the Office of Research and Sponsored Programs (ORSP) so that the ORSP department can determine the most effective course of action for collecting the outstanding third-party receivables. Further, the campus will ensure that principal investigators submit final project reports to third-party sponsors so that collection efforts are promptly pursued. Expected completion date: February 2010.

## PAYROLL

### **Recommendation 5**

We recommend that the campus formalize its policy for salary and payroll processing, with approval by the president.

### **Campus Response**

We concur.

The campus will formalize its policy for salary and payroll processing that includes the president's approval. Expected completion date: February 2010.

## PROPERTY

### **Recommendation 6**

We recommend that the campus enforce the use of authorization forms for equipment that is taken off-site and ensure that departments are aware of, and carry out, their responsibility to complete these forms.

### **Campus Response**

We concur.

The campus will enforce off-site equipment use forms and ensure that departments are aware of the necessity of the practice as well as, departmental responsibility to ensure the forms are completed and retained on file. Further, off site use forms will be reviewed as part of the bi-annual physical inventory and deficiencies will be corrected as part of inventory close out. Expected completion date: March 2010.


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

BAKERSFIELD

October 7, 2009

CHANNEL ISLANDS

CHICO

**MEMORANDUM**

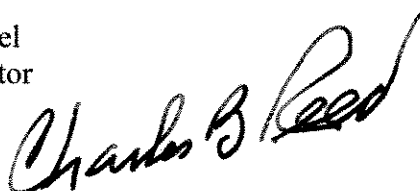
DOMINGUEZ HILLS

EAST BAY

**TO:** Mr. Larry Mandel  
University Auditor

FRESNO

**FROM:** Charles B. Reed  
Chancellor



FULLERTON

HUMBOLDT

**SUBJECT:** Draft Final Report 09-02 on *FISMA*,  
San Francisco State University

LONG BEACH

LOS ANGELES

In response to your memorandum of October 7, 2009, I accept the response as submitted with the draft final report on *FISMA*, San Francisco State University.

MARITIME ACADEMY

MONTEREY BAY

NORTHRIDGE

**CBR/amd**

POMONA

**Enclosure**

SACRAMENTO

SAN BERNARDINO

SAN DIEGO

SAN FRANCISCO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS