FISMA

CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS

Audit Report 07-11 May 12, 2008

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ABBREVIATIONS

CSU California State University

CSUCI California State University, Channel Islands

EO Executive Order

FISMA Financial Integrity and State Manager's Accountability Act

GC Government Code
IT Information Technology
SAM State Administrative Manual
SCO State Controller's Office

TPS Transportation and Parking Services

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.

California State University, Channel Islands (CSUCI) 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 CSUCI campus from December 10, 2007, through February 8, 2008, and made a study and evaluation of the accounting and administrative control in effect as of February 8, 2008. This report represents our biennial review.

Our study and evaluation did not reveal any significant internal control problems or weaknesses that would be considered pervasive in their effects on accounting and administrative controls. However, we did identify other reportable weaknesses that are described in the executive summary and body of this report.

In our opinion, CSUCI's accounting and administrative control in effect as of February 8, 2008, 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 transportation and parking services. Parking permit inventories were not completely reconciled by permit number at the end of each academic term. The remaining parking permit inventory authorized for destruction was not reconciled to the parking permits sold to identify missing permits, which were not sold or authorized for destruction.

ACCOUNTS RECEIVABLE [8]

Accounts receivable controls were inadequate. This is a repeat finding from the prior FISMA audit. For example, controls did not include a monthly accounts receivable reconciliation of subsidiary receivables records to the general ledger and the generation and use of an aged receivables report for management and follow-up of both student and employee accounts. In addition, policies and procedures that impact the system of internal accounting and administrative control for accounts receivable had not been fully documented. For example, policies and procedures had not been appropriately documented for collection of delinquent employee accounts receivables. Collection activity and follow-up on past-due accounts receivables from student and external third-party accounts was not always adequate, and the campus did not seek discharge from accountability from the State Controller's Office for those accounts over \$1,000, which had been deemed uncollectible.

PURCHASING [12]

Campus procurement card policies and procedures were not always enforced to ensure the timely submission of procurement card reconciliations. A review of 20 procurement card statements for ten employees dated between September 2007 and October 2007 disclosed that four monthly statement reconciliations were not submitted to procurement timely.

FISCAL INFORMATION TECHNOLOGY [13]

The campus did not have a current disaster recovery plan for the restoration of data processing services and the accounts and system permissions granted in the PeopleSoft system were not consistent with current job responsibilities. Also, the administration of information security was inadequate as there was no comprehensive plan for identifying and prioritizing campus information security needs and for existing information security related projects, there were no projected due dates to help ensure that such projects were completed in a timely manner. A project to identify sensitive data was not performed and there was no process to ensure that information security training was being administered to faculty and staff.

EXECUTIVE SUMMARY

FIXED ASSETS [15]

Property survey reports were not completed for the disposition of fixed assets. A review of 15 fixed asset deletions in fiscal year 2006/07 disclosed that property survey reports were not in file for 12 of the 15 fixed assets.

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 2006/07 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, 2006, to November 30, 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.

INTRODUCTION

We have not performed any auditing procedures beyond February 8, 2008. 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 transportation and parking services (TPS).

We found that parking permit inventories were not completely reconciled by permit number at the end of each academic term. The remaining parking permit inventory authorized for destruction was not reconciled to the parking permits sold to identify missing permits, which were not sold or authorized for destruction.

State Administrative Manual (SAM) §7920 states that each agency is responsible for completing any reconciliation necessary to safeguard assets and ensure reliable financial data.

The director of TPS stated that the campus was unaware of the standards in this area and had begun a monthly reconciliation.

Inadequate control over asset inventories increases campus exposure to loss from inappropriate acts.

Recommendation 1

We recommend that the campus prepare documented reconciliations of parking permit inventories at the end of each academic term by reconciling those sold to those remaining in order to identify missing permits.

Campus Response

We concur. Parking has strengthened its permit inventory process by reconciling on a monthly basis. The inventory includes number of permits purchased for the academic term, permits sold, and the remainder that will be destroyed at the end of the academic term.

ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE CONTROLS

Accounts receivable controls were inadequate. This is a repeat finding from the prior Financial Integrity State Manager's Accountability Act (FISMA) audit.

We found that:

▶ Accounts receivable controls did not include monthly accounts receivable reconciliations of subsidiary receivable records to the general ledger and the generation and use of an aged receivables report for management and follow-up of both student and employee accounts.

▶ Policies and procedures that impact the system of internal accounting and administrative control for accounts receivable had not been fully documented. For example, policies and procedures had not been appropriately documented for collection of delinquent employee accounts receivables.

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.

SAM §8776.6 requires that each department develop collection procedures that will assure prompt follow-up on receivables and states that a sequence of three collection letters is to be sent. Further, if all reasonable collection procedures are unsuccessful, an analysis should be prepared to determine what additional collection efforts should be made.

The university controller stated that due to a lack of resources and expertise, an aging report from student financials and employee receivable accounts had not been built. The human resources manager stated that due to limited resources, the current employee accounts receivable collection process had not been formally documented.

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

Recommendation 2

We recommend that the campus:

- a. Establish and implement procedures to reconcile accounts receivable subsidiary records to the general ledger.
- b. Generate and use an aged accounts receivable report on a regular basis in its management and follow-up of delinquent accounts.
- c. Establish and implement policies and procedures for the collection of delinquent employee accounts receivables.

Campus Response

We concur. A campus team is currently working on correcting long-standing set up issues in the PeopleSoft Student Financial module. This project is scheduled to be completed by June 30, 2008. This will address student receivables only and updated reconciliation procedures will be written at that time.

Once the project is complete, the subledger will be reconciled on a monthly basis to the general ledger. The aging report will be used to inform management of outstanding account balances and a tool to follow-up with collection of delinquent accounts. The employee receivables reconciliation is a manual reconciliation. Lack of resources and to some extent understanding of this process has prevented the campus from keeping this reconciliation current. We now have one individual tasked with the understanding of the process who is working closely with payroll to update current reconciliation processes. The campus will update current employee accounts receivable procedures by June 30, 2008.

DELINQUENT ACCOUNTS

Collection activity and follow-up on past-due accounts receivables from student and third-party accounts was not always adequate.

Our review of delinquent accounts receivables past due over 90 days as of October 31, 2007, disclosed that follow-up collection correspondence was not sent timely and/or at sufficient intervals, and did not address further action to be taken for five of the nine third-party receivable and for two of the 15 student receivables reviewed.

SAM §8776.6 requires that each department develop collection procedures that will assure prompt follow-up on receivables and states that a sequence of three collection letters is to be sent at 30-day intervals. Further, if all reasonable collection procedures are unsuccessful, an analysis should be prepared to determine what additional collection efforts should be made.

State University Administrative Manual §3822 states that each campus will establish procedures that provide for prompt follow-up of accounts receivable, including preparation and issuance of follow-up letters and/or calls.

The university controller stated that the accounting department had not been adequately staffed in this area.

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

Recommendation 3

We recommend that the campus strengthen procedures to ensure that delinquent student and third-party accounts receivable are promptly pursued.

Campus Response

We concur. Our collection efforts have been sporadic as a result of lack of resources and tools from the PeopleSoft Student Financial module. The campus is now better equipped in terms of resources. Accounting hired a billing analyst in fiscal year 2007/08 and in addition to billing, she is also

focused on monthly collections for third-party receivables. The campus now has enough staff in the cashier's office but not the tools. As mentioned before, the campus has a team focused on correcting long-standing set up issues that once they are resolved will provide the campus with the tools to age the receivables—improving efficiency and timing of collection activities.

WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS

The campus did not seek discharge from accountability from the State Controller's Office (SCO) for those accounts over \$1,000, which had been deemed uncollectible.

Our review of the listing of accounts written-off from July 2006 through June 2007 disclosed that a total of 18 accounts with balances each over \$1,000 were written-off locally without contacting the SCO to request discharge from accountability.

Executive Order (EO) 616, *Discharge of Accountability*, dated April 19, 1994, states that campuses will be obligated to comply with the collection efforts as outlined in SAM §8776.6, which includes collection procedures that assure prompt follow-up on receivables. Authority is also delegated to the campus for local adjustments of up to \$1,000 that are determined to be uncollectible or where the amount does not justify the collection costs.

SAM §8776.6 provides procedures and guidelines regarding adequate collection efforts and follow-up on receivables, including specific requirements for filing applications for discharge from accountability with the SCO. If all reasonable collection procedures do not result in payment, departments may request discharge from accountability of uncollectible amounts due from private entities. Departments will file an application for discharge from accountability form, STD. 27, with the SCO, Division of Collections.

The university controller stated that campus had not contacted the SCO to file an application for discharge of accountability because accounts were written-off for funds within California State University (CSU) fund categories or operations within the CSU trust fund and not SCO appropriated funds.

Inadequate control over accounts receivables 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 seek approval from the Office of the Chancellor or the SCO with requests to write-off uncollectible accounts greater than \$1,000 that are related to CSU fund categories or operations within the CSU trust funds, or state appropriated funds, respectively.

We concur. The campus was under the impression that with the publication of EO 1000, the need to receive a discharge of accountability from the SCO for non-state funds was no longer a requirement. However, we have learned from the chancellor's office that until the CSU accounts receivable collections and write-off procedure is implemented, the campus was still bound to the SAM 8776.6 requirement. The CSU accounts receivable collections and write-off procedure was published on March 21, 2008. The campus will follow this procedure.

PURCHASING

Campus procurement card policies and procedures were not always enforced to ensure the timely submission of procurement card reconciliations.

Our review of 20 procurement card statements for ten employees dated between September 2007 and October 2007 disclosed that four monthly statement reconciliations were not submitted to procurement timely.

The California State University, Channel Islands (CSUCI) *Procurement Card Handbook* states the Procurement Card Monthly Reconciliation Report is due to procurement by the 10th of the month following the cycle cut-off on the 22nd of the month before.

The director of budget, procurement and support services stated that the CSUCI *Procurement Card Handbook* requires that the cardholders turn in their reconciliation on the 10th of the month and that procurement does not police the cardholder's submission of reconciliations prior to or on the due date. She further stated that CSUCI management had suspended enforcement of campus procurement card policies and procedures due to the transition/conversion from the current procurement card program to the new program, which due to a series of technical and programming interface issues between CSUCI and the assuming vendor, was delayed.

Insufficient control over procurement cards increases the risk of loss from inappropriate acts

Recommendation 5

We recommend that the campus strengthen enforcement of its procurement card policies and procedures to ensure timely submission of procurement card reconciliations.

Campus Response

We concur. The legacy procurement card has been phased out effective April 2008. The newly implemented procurement card includes a mandatory monthly reconciliation prepared online. The reconciliations will be monitored by an analyst in budget.

FISCAL INFORMATION TECHNOLOGY

DISASTER RECOVERY PLAN

The campus did not have a current disaster recovery plan for the restoration of data processing services.

SAM §4843.1 requires each state agency to establish and maintain both an operational recovery plan to protect its information assets in the event of a disaster or serious disruption to its operations and a plan to resume operation following a disaster affecting those applications.

The CSU *Information Security Policy*, dated August 2002, states that campuses must have plans and procedures for the protection of data against natural, accidental, and intentional disasters, which include disaster recovery planning.

The chief information officer stated that the campus was in the middle of developing a campus-wide business continuity plan and that certain aspects of the information technology (IT) recovery plan had been completed; however, a final recovery plan for data processing services had not yet been completed. She further stated that the campus had been waiting until certain redundant services were installed.

The absence of a current IT disaster recovery plan for the restoration of data processing services increases the risk that the campus may be unable to restore computer operations within a reasonable time frame.

Recommendation 6

We recommend that the campus bring its disaster recovery plan current for the restoration of data processing services to reflect the existing environment and recovery strategies.

Campus Response

We concur. The campus is updating its disaster recovery plan and will have a revised plan completed by December 2008.

PEOPLESOFT ACCESS

The accounts and system permissions granted in the PeopleSoft system were not consistent with current job responsibilities.

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 programmer analyst for the Common Management Systems project stated that the system was recently upgraded and that some clean up of old accounts and roles was still needed.

Inappropriate system permissions and unused accounts could lead to unauthorized or inappropriate access.

Recommendation 7

We recommend that the campus remove any accounts that are not assigned to a specific individual and assign permissions to only those individuals that require such access to perform their job duties.

Campus Response

We concur. We have just begun the upgrade to Finance 9.0. As part of that project, we will review and modify access as appropriate. We will review and remove any accounts that are not assigned to a specific individual, conduct user security review periodically, and assign permissions to only those individuals that require such access to perform their job duties. We expect to have this completed by December 2008.

INFORMATION SECURITY OVERSIGHT

The administration of information security was inadequate.

Specifically, we noted that:

- ▶ There was no comprehensive plan for identifying and prioritizing campus information security needs.
- ▶ For existing information security related projects, there were no projected due dates to help ensure that such projects were completed in a timely manner.
- A project to identify sensitive data was not performed.
- ▶ There was no process to ensure that information security training was being administered to faculty and staff.

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 chief information officer stated that information security responsibilities had been assigned to the individuals in addition to their normal job responsibilities and that the demands of keeping the campus systems running often pre-empted proactive information security needs.

Security practices that do not ensure campus-wide policy and compliance increase the risk of unauthorized exceptions and could compromise compliance with statutory information security requirements, while lack of a comprehensive system of information security management increases campus exposure to security breaches and the risk of inappropriate access to data.

Recommendation 8

We recommend that the campus:

- a. Develop a comprehensive plan to identify and prioritize campus information security needs.
- b. Develop time frames for completing existing information security projects.
- c. Execute and complete a project to identify sensitive data.
- d. Establish a process to ensure that information security training is administered to faculty and staff.

Campus Response

We concur. The chief information officer is working with the chancellor's office, the CSU's IT advisory, and the information security advisory committees to identify the requisite security needs around which we can develop a formal plan. This will also help us identify sensitive data. We expect to complete these by December 2008. This will allow consultation with faculty and formation of a campus security group. A security needs gap analysis will be completed by August 30, 2008. A plan to address gaps will be incorporated into the information security plan by the end of 2008. With respect to information security training, we have agreed to participate in the chancellor's pilot program. CSUCI expects to deliver information security training in September 2008.

FIXED ASSETS

Property survey reports were not completed for the disposition of fixed assets.

Our review of 15 fixed asset deletions in fiscal year 2006/07 disclosed that property survey reports were not in file for 12 of the 15 fixed assets.

SAM §8643 states that whenever property is lost, stolen, or destroyed, departments will prepare a Property Survey Report Form, STD. 152. The department will adjust its property accounting records and retain the property survey report as documentation.

The university controller stated that the campus was unaware of the criteria that required a property survey report.

Insufficient control over fixed asset dispositions increases the risk of inappropriate activities and reduces accountability over state property.

Recommendation 9

We recommend that the campus strengthen procedures to ensure that property survey reports are completed for the disposition of fixed assets.

Campus Response

We concur. All property disposals will have an approved Property Survey Report, STD 152 prior to disposal or write-off. The report will be required when the property is removed from the capital asset fund and subledger.

APPENDIX A: PERSONNEL CONTACTED

<u>Name</u> <u>Title</u>

Richard R. Rush President

Herb Aquino Director, Information Management

Jacinta Bastone Payroll Supervisor

Gary Berg Dean, Extended Education
Maribeth Bradberry Accounting Supervisor
Noel Buena Property Coordinator

Joanne Coville Vice President, Finance and Administration

Emily Deakin University Controller Neal Fisch Programmer Analyst

Mary Fleck Assistant Dean, Extended Education

Bob Hickman Financial Reporting Analyst

Missy Klep Director, Budget, Procurement and Support Services

Mike Leathers Director, Information Management

Maureen McQuestion Chief Information Officer

Colleen Mitchell Business Services Analyst, Transportation and Parking Services

Theresa Olivo University Cashiering Supervisor Anna Pavin Human Resources Manager

Cheryl Peckman Cashier

Valerie Platscheck Manager, Procurement and Support Services Ray Porras Director, Transportation and Parking Services

Debra Tucker Accounts Payable Lead

Rhonda Tyacke Executive Assistant to the Vice President of Finance and Administration

Phyllis Vicker Senior Staff Accountant



Division of Finance and Administration

June 11, 2008

Mr. Larry Mandel University Auditor 401 Golden Shore, 4th Floor Long Beach, CA 90802-4200 JUN 1 1 2008

THE CALIFORNIA STATE UNIVERSITY

Dear Larry:

On behalf of President Rush, I am submitting the campus revised response to the recommendations of Audit Report 07-11, FISMA at California State University Channel Islands. This response has also been forwarded via email to adouglas@calstate.edu.

Please contact me for additional information and follow up.

Very truly yours,

Joanne Coville

Vice President for Finance and Administration

Jeanne Coulle 12

JC/rt

Enclosure

cc: Richard R. Rush, President

Emily Deakin, Controller

Missy Klep, Director, Budget, Procurement & Support Services

FISMA

CALIFORNIA STATE UNIVERSITY, CHANNEL ISLANDS

AUDIT REPORT 07-11

CASH RECEIPTS

Recommendation 1

We recommend that the campus prepare documented reconciliations of parking permit inventories at the end of each academic term by reconciling those sold to those remaining in order to identify missing permits.

Campus Response

We concur. Parking has strengthened their permit inventory process by reconciling on a monthly basis. The inventory includes number of permits purchased for the academic term, permits sold and the remainder that will be destroyed at the end of the academic term.

ACCOUNTS RECEIVABLE

ACCOUNTS RECEIVABLE CONTROLS

Recommendation 2

We recommend that the campus:

- a. Establish and implement procedures to reconcile accounts receivable subsidiary records to the general ledger.
- b. Generate and use an aged accounts receivable report on a regular basis in its management and follow-up of delinquent accounts.
- c. Establish and implement policies and procedures for the collection of delinquent employee accounts receivables.

We concur.

A campus team is currently working on correcting long-standing set up issues in the PeopleSoft Student Financial module. This project is scheduled to be completed by June 30, 2008. This will address student receivables only and updated reconciliation procedures will be written at that time.

Once the project is complete, the sub ledger will be reconciled on a monthly basis to the general ledger. The aging report will be used to inform management of outstanding account balances and a tool to follow up with collection of delinquent accounts.

The employee receivables reconciliation is a manual reconciliation. Lack of resources and to some extent understanding of this process has prevented the campus from keeping this reconciliation current. We now have one individual tasked with the understanding of the process who is working closely with Payroll to update current reconciliation processes.

The campus will update current employee accounts receivable procedures by June 30, 2008.

DELINQUENT ACCOUNTS

Recommendation 3

We recommend that the campus strengthen procedures to ensure that delinquent student and third-party accounts receivable are promptly pursued.

Campus Response

We concur.

Our collection efforts have been sporadic as a result of lack of resources and tools from the PeopleSoft Student Financial Module. The campus is now better equipped in terms of resources.

Accounting hired a Billing Analyst in FY0708 and in addition to billing she is also focused on monthly collections for 3rd party receivables.

The campus now has enough staff in the cashier's office but not the tools. As mentioned before the campus has a team focused on correcting long-standing set up issues that once they are resolved will provide the campus with the tools to age the receivables improving efficiency and timing of collection activities.

WRITE-OFF OF UNCOLLECTIBLE ACCOUNTS

Recommendation 4

We recommend that the campus seek approval from the Office of the Chancellor or the SCO with requests to write-off uncollectible accounts greater than \$1,000 that are related to CSU fund categories or operations within the CSU trust funds, or state appropriated funds, respectively.

We concur. The campus was under the impression that with the publication of EO1000 the need to receive a discharge of accountability from the SCO for non-state funds was no longer a requirement. However, we have learned from the CO that until the CSU Accounts Receivable Collections and Write-Off procedure is implemented the campus was still bound to the SAM 8776.6 requirement. The CSU Accounts Receivable Collections and Write-Off procedure was published on 3-21-08. The campus will follow this procedure.

PURCHASING

Recommendation 5

We recommend that the campus strengthen enforcement of its procurement card policies and procedures to ensure timely submission of procurement card reconciliations.

Campus Response

We concur. The legacy Procurement card has been phased out effective April 2008. The newly implemented Procurement card includes a mandatory monthly reconciliation prepared online. The reconciliations will be monitored by an analyst in Budget.

FISCAL INFORMATION TECHNOLOGY

DISASTER RECOVERY PLAN

Recommendation 6

We recommend that the campus bring its disaster recovery plan current for the restoration of data processing services to reflect the existing environment and recovery strategies.

Campus Response

We concur. The campus is updating its disaster recovery plan and will have a revised plan completed by December 2008.

PEOPLESOFT ACCESS

Recommendation 7

We recommend that the campus remove any accounts that are not assigned to a specific individual and assign permissions to only those individuals that require such access to perform their job duties.

We concur. We have just begun the upgrade to Finance 9.0. As part of that project we will review and modify access as appropriate. We will review and remove any accounts that are not assigned to a specific individual, conduct user security review periodically and assign permissions to only those individuals that require such access to perform their job duties. We expect to have this completed by December 2008.

INFORMATION SECURITY OVERSIGHT

Recommendation 8

We recommend that the campus:

- a. Develop a comprehensive plan to identify and prioritize campus information security needs.
- b. Develop time frames for completing existing information security projects.
- c. Execute and complete a project to identify sensitive data.
- d. Establish a process to ensure that information security training is administered to faculty and staff.

Campus Response

We concur. The CIO is working with the Chancellor's Office, the CSU's Information Technology Advisory and the Information Security Advisory Committees to identify the requisite security needs around which we can develop a formal plan. This will also help us identify sensitive data. We expect to complete these by December 2008. This will allow consultation with faculty and formation of campus security group. A security needs gap analysis will be completed by August 30, 2008. A plan to address gaps will be incorporated into the Information Security Plan by the end of 2008.

With respect to information security training, we have agreed to participate in the Chancellor's pilot program. CSUCI expects to deliver information security training in September 2008.

FIXED ASSETS

Recommendation 9

We recommend that the campus strengthen procedures to ensure that property survey reports are completed for the disposition of fixed assets.

Campus Response

We concur. All property disposals will have an approved Property Survey Report, STD 152, prior to disposal or write off. The report will be required when the property is removed from the Capital Asset Fund and sub ledger.

THE CALIFORNIA STATE UNIVERSITY OFFICE OF THE CHANCELLOR

BAKERSFIELD

June 18, 2008

CHANNEL ISLANDS

CHICO

MEMORANDUM DOMINGUEZ HILLS

EAST BAY

TO: FRESNO

Mr. Larry Mandel

Thank Bleed University Auditor

FULLERTON

HUMBOLDT

FROM:

Charles B. Reed

Chancellor

LONG BEACH

SUBJECT:

Draft Final Report 07-11 on FISMA,

California State University, Channel Islands

LOS ANGELES

MARITIME ACADEMY

In response to your memorandum of June 18, 2008, I accept the response as

MONTEREY BAY

submitted with the draft final report on FISMA, California State University,

Channel Islands.

NORTHRIDGE

POMONA

CBR/jt

SACRAMENTO

Enclosure

SAN BERNARDINO

cc: Ms. Joanne M. Coville, Vice President, Finance and Administration

Dr. Richard R. Rush, President

SAN FRANCISCO

SAN DIEGO

SAN JOSÉ

SAN LUIS OBISPO

SAN MARCOS

SONOMA

STANISLAUS