

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 10:45 a.m., Tuesday, July 12, 2011**  
**Glenn S. Dumke Auditorium**

Henry Mendoza, Chair  
Melinda Guzman, Vice Chair  
Margaret Fortune  
Steven M. Glazer  
William Hauck  
Hsing Kung  
Linda Lang

#### **Consent Items**

Approval of Minutes of Meeting of May 10, 2011

#### **Discussion Items**

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*

# **MINUTES OF THE MEETING OF COMMITTEE ON AUDIT**

**Trustees of The California State University  
Office of the Chancellor  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**May 10, 2011**

## **Members Present**

Henry Mendoza, Chair  
Nicole M. Anderson  
Melinda Guzman  
William Hauck  
Bob Linscheid, Acting Chair of the Board  
Charles B. Reed, Chancellor

Trustee Mendoza called the meeting to order.

## **Approval of Minutes**

The minutes of the meeting of March 22, 2011, were approved as submitted.

## **Status Report on Current and Follow-up Internal Audit Assignments**

Mr. Larry Mandel, university auditor, presented the Status Report on Current and Follow-up Internal Audit Assignments, Agenda Item 1 of the May 9-10, 2011, CSU Board of Trustees agenda.

Mr. Mandel reminded everyone that updates to the status report are displayed in green numerals and indicate progress toward or completion of outstanding recommendations since the distribution of the agenda. He stated that the campuses are continuing to make very good progress in the closing of outstanding recommendations. He reported that some of the long-outstanding recommendations noted on the status report are a result of agreements regarding completion dates and therefore are still within approved timelines (i.e., Auxiliary Organizations, CSU Chico and Off-Campus Activities, Systemwide). He further stated that supporting documentation for the one long-outstanding recommendation pertaining to Cashiering, Systemwide was currently being reviewed by the Office of the University Auditor.

Mr. Mandel noted that the 2011 audit assignments (as shown on the left-hand side of the status report) are in progress and anticipated completion of all assignments by the end of the year. He

Aud.

further noted that three of the 2011 construction audit assignments were also currently in progress and that most of the outstanding recommendations pertaining to 2010 construction audit assignments had been completed, with the exception of three recommendations that are still within approved timelines.

Trustee Mendoza thanked Mr. Mandel and his staff for their continued efforts in assisting the campuses in completing the recommendations in a timely manner.

**Status Report on Corrective Action for the Findings in the California State University A-133 Single Audit Reports and Auxiliary Organization Audit Reports for the Fiscal Year Ended June 30, 2010**

Mr. George V. Ashkar, assistant vice chancellor/controller, financial services, provided a status report on the corrective action plans for the five findings noted in the A-133 Single Audit Reports. He reminded the trustees that findings 10-01 through 10-04 related to internal control over the administration of the federal student financial aid programs and finding 10-05 related to compliance with labor standards provisions of the Davis-Bacon Act. There were also three auxiliary organizations with material weaknesses in internal control over financial reporting processes. Mr. Ashkar reported that corrective action plans had been completed and implemented for all audit findings. He indicated that the CSU Chancellor's Office, in conjunction with the Office of the University Auditor, reviewed the plans to ensure appropriate corrective action is taken on the reported findings.

Mr. Ashkar thanked the campus presidents and their staffs for the extraordinary effort in completing and implementing the corrective action plans within a very short period of time due to a strict deadline.

The meeting adjourned.

## **COMMITTEE ON AUDIT**

### **Status Report on Current and Follow-up Internal Audit Assignments**

#### **Presentation By**

Larry Mandel  
University Auditor

#### **Summary**

This item includes both a status report on the 2011 audit plan and follow-up on past assignments. For the current year, assignments have been made to conduct reviews of Auxiliary Organizations, Delegations of Authority, high-risk areas (IT Disaster Recovery, Cashiering, Americans with Disabilities Act (ADA), Sensitive Data Security/Protection, Academic Personnel, and Financial Aid) and Construction. In addition, follow-up on past assignments (Special Investigations, Auxiliary Organizations, Information Security, Off-Campus Activities, Cashiering, Post Award, IT Disaster Recovery, Financial Aid, Intercollegiate Athletics, HIPPA, Business Continuity, and Fund Raising) is currently being conducted on approximately 40 prior campus/auxiliary reviews. Attachment A summarizes the reviews in tabular form. An up-to-date Attachment A will be distributed at the committee meeting.

### **Status Report on Current and Follow-up Internal Audit Assignments**

At the January 2011 meeting of the Committee on Audit, an audit plan calling for the review of the following subject areas was approved: Auxiliary Organizations, high-risk areas (IT Disaster Recovery, Cashiering, ADA, Sensitive Data Security/Protection, Academic Personnel, and Financial Aid) and Construction.

#### *Auxiliary Organizations*

The initial audit plan indicated that approximately 314 staff weeks of activity (31.9 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/30 auxiliaries. One campus/one auxiliary has been completed, two campus/12 auxiliary reports are awaiting a campus response prior to finalization, and report writing is being completed at two campuses/six auxiliaries.

### *Delegations of Authority*

The initial audit plan indicated that approximately 89 staff weeks of activity (9.1 percent of the plan) would be devoted to a review of 10 campuses to ensure proper management of the processes for administration of purchasing and contracting activities, motor vehicle inspections, and real and personal property transactions. Five reports have been completed, and four reports await a campus response prior to finalization.

### *High-Risk Areas*

#### Information Technology Disaster Recovery

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing the planned data processing recovery functions following a catastrophic event; disaster recovery plans; testing and exercising of plans; plan maintenance, communications, and training; data recovery; and necessary retention of key records. Six campuses will be reviewed. One report has been completed, and report writing is being completed at five campuses.

#### Cashiering

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing cash receipt controls; accountability for cash; safeguarding of cash; and accurate recordkeeping. Six campuses will be reviewed. Two reports await a campus response prior to finalization, report writing is being completed for two campuses, and fieldwork is being conducted at two campuses.

#### ADA

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing compliance with federal, state, and local rules and regulations that relate to the ADA. Six campuses will be reviewed. Report writing is being completed for three campuses, and fieldwork is being conducted at two campuses.

#### Sensitive Data Security/Protection

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing policies and procedures for handling confidential information, communication and employee training; tracking and monitoring access to sensitive

data; and retention practices of key records. Six campuses will be reviewed. Report writing is being completed for one campus, and fieldwork is being conducted at one campus.

#### Academic Personnel

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing recruitment and hiring practices for compliance with employment laws and regulations; evaluation of employees as required per collective bargaining agreements; administration of the family medical leave and other employee programs; and protection of sensitive and confidential information. Six campuses will be reviewed.

#### Financial Aid

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to auditing funding arrangements; compliance with federal and state laws, trustee policy, and systemwide directives; reliability, confidentiality, and integrity of information; effectiveness, efficiency, and economy of operations; and attainment of established objectives and goals. Six campuses will be reviewed. Fieldwork is being conducted at one campus.

#### *Construction*

The initial audit plan indicated that approximately 52 staff weeks of activity (5.3 percent of the plan) would be devoted to a review of design budgets and costs; the bid process; invoice processing and change orders; project management, architectural, and engineering services; contractor compliance; cost verification of major equipment and construction components; the closeout process and liquidated damages; and overall project accounting and reporting. Seven projects will be reviewed. Two projects awaits a campus response prior to finalization, and report writing is being completed for two projects.

#### *Compliance Function*

The initial audit plan indicated that approximately 86 staff weeks of activity (8.7 percent of the plan) would be devoted to an initial inventory of compliance activities and owners, and a determination of major areas of compliance risk.

### *Information Systems*

The initial audit plan indicated that approximately 45 staff weeks of activity (4.6 percent of the plan) would be devoted to technology support for all high-risk and auxiliary audits. Reviews and training are ongoing.

### *Investigations*

The Office of the University Auditor is periodically called upon to provide investigative reviews, which are often the result of alleged defalcations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor, and directly from the CSU Chancellor's Office. Forty-three staff weeks have been set aside for this purpose, representing approximately 4.3 percent of the audit plan.

### *Special Projects*

The Office of the University Auditor is periodically called upon to provide non-investigative support to the CSU Chancellor's Office/campuses. Fifty-seven staff weeks have been set aside for this purpose, representing approximately 5.8 percent of the audit plan.

### *Follow-ups*

The audit plan indicated that approximately 11 staff weeks of activity (1.1 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 40 prior audits (Auxiliary Organizations, Information Security, Off-Campus Activities, Cashiering, Post Award, IT Disaster Recovery, Financial Aid, Intercollegiate Athletics, HIPPA, Business Continuity, and Financial Aid) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

### *Consultations*

The Office of the University Auditor is periodically called upon to provide consultation to the campuses and/or to perform special audit requests made by the chancellor. Seventeen staff weeks have been set aside for this purpose, representing approximately 1.7 percent of the audit plan.

*Committees*

Staff of the Office of the University Auditor is periodically called upon to sit on systemwide committees to offer an audit perspective. Seven staff weeks have been set aside for this purpose, representing approximately 0.7 percent of the audit plan.

*Annual Risk Assessment*

The Office of the University Auditor annually conducts a risk assessment to determine the areas of highest risk to the system. Four staff weeks have been set aside for this purpose, representing approximately 0.4 percent of the audit plan.



**Status Report on Current and Follow-Up Internal Audit Assignments**  
(as of 7/11/2011)

	2011 ASSIGNMENTS								FOLLOW-UP PAST/CURRENT ASSIGNMENTS								
	Aux Orgs	Deleg of Auth	IT Dis Recov	Cashiering	ADA	Sen Data Security/ Protection	Financial Aid	Academic Personnel	Special Investigations		Auxiliary Organizations			Information Security		Off Campus Activities	
									*Recs	**Mo.	●No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK	RW			FW							3					5/5	-
CHI		AC									3	19/20	#	28/28	-		
CI	RW		RW								3			15/15	-		
DH			RW	AI							3	22/22	-	19/19	-		
EB											4	30/30	-	12/12	-		
FRE	AI			RW							6			22/22	-		
FUL		AI				FW					4	31/32	#	16/16	-	8/8	-
HUM				RW							4	12/25	3			6/6	-
LB		AC			FW				0/5	2	3	34/34	-	21/21	-		
LA			AC		RW						4	13/13	-	7/7	-	6/6	-
MA											2	15/15	-				
MB		AC		FW							2	15/15	-	22/22	-		
NOR		AI									5	27/27	-	16/16	-	6/6	-
POM		AC									3	11/12	#	16/16	-	5/5	-
SAC	AI		RW								6			23/23	-	9/9	-
SB		AI	RW		RW						3	30/30	-				
SD		AI			FW						4	23/24	#	14/14	-	6/6	-
SF			RW				FW				5	29/30	#	19/19	-		
SJ											5	46/47	#	25/25	-	6/6	-
SLO		AC		AI							4	23/24	#	27/27	-		
SM					RW						3	13/13	-	7/7	-		
SON						RW					4	12/12	-	20/20	-		
STA											4	18/18	-	27/27	-		
CO	AC										2	0/0	-	19/19	-		
SYS														9/9	-	5/11	13
FW = Field Work In Progress RW = Report Writing in Progress AI = Audit Incomplete (awaiting formal exit conference and/or campus response) AC = Audit Complete									* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report. ** The number of months recommendations have been outstanding (since the formal campus exit conference). ● The number of auxiliary organizations reviewed. # Represents recommendations that are being held in abeyance pending the issuance of new systemwide policies. Numbers/letters in green are updates since the agenda mailout.								

**Status Report on Current and Follow-Up Internal Audit Assignments**  
(as of 7/11/2011)

	<b>FOLLOW-UP PAST/CURRENT ASSIGNMENTS</b>															
	Cashiering		Post Award		IT Disaster Recovery		Financial Aid		Intercollegiate Athletics		HIPPA		Business Continuity		Fund Raising	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK					0/4	7							0/3	6		
CHI																
CI											1/1	-	2/2	-		
DH											0/0	-				
EB					4/4	-				6/9	7	1/1	-			
FRE			3/3	-						2/4	4	2/2	-			
FUL							10/11	9							1/13	4
HUM			2/7	8			3/3	-							5/6	3
LB									5/5	-						
LA					1/1	-				2/2	-	2/2	-	1/1	-	
MA					4/5	8										
MB					4/4	-										
NOR	1/1	-			1/1	-	4/4	-	2/2	-						
POM					7/7	-										
SAC	3/3	-														
SB	2/2	-					5/5	-								
SD			4/4	-			6/6	-					2/2	-		
SF	1/1	-	3/3	-												
SJ			2/2	-									2/2	-		
SLO																
SM	5/5	-							3/3	-						
SON							5/5	-							0/5	3
STA	8/8	-													2/8	4
CO			3/3	-											4/4	-
SYS	1/1	-	0/1	6												
					* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report. ** The number of months recommendations have been outstanding (since the formal campus exit conference). • The number of auxiliary organizations reviewed. # Represents recommendations that are being held in abeyance pending the issuance of new systemwide policies. <b>Numbers/letters in green are updates since the agenda mailout.</b>											
FW :Field Work In Progress RW Report Writing in Progress AI = Audit Incomplete (awaiting formal exit conference and/or campus response) AC = Audit Complete																

**Status Report on Current and Follow-Up Construction Audit Assignments**  
(as of 7/11/2011)

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