AGENDA

COMMITTEE ON AUDIT

Meeting: **2:00 p.m., Tuesday, November 15, 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 July 12, 2011

Discussion Items

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

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

July 12, 2011

Members Present

Henry Mendoza, Chair
Melinda Guzman, Vice Chair
Herbert L. Carter, Chair of the Board
Margaret Fortune
Steven M. Glazer
William Hauck
Charles B. Reed, Chancellor

Chair Mendoza called the meeting to order.

Approval of Minutes

The minutes of the meeting of May 10, 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 July 12, 2011, 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 the Office of the
University Auditor has been working with those campuses with long-outstanding
recommendations for a timely completion and have been assured that the recommendations will
be closed by the next board meeting.

Mr. Mandel noted that the 2011 audit assignments are in progress for six of the seven subject
areas and the auxiliary organizations reviews, and anticipated completion of all assignments by
the end of the year. He further noted that four of the eight construction audit assignments had

been completed and that all but one of the campuses has completed outstanding recommendations pertaining to 2010 construction audit assignments.

Trustee Mendoza asked for a status on the completion of the long-outstanding recommendations pertaining to auxiliary organizations.

Dr. Benjamin F. Quillian, executive vice chancellor and chief financial officer, stated that Executive Order 1059 has been issued by the chancellor and implementation guidelines are currently in the review stage. He further stated that he expected to have the process completed over the next 45-60 days and will then inform the campuses on the need to move forward as quickly as possible to resolve those outstanding issues.

Trustee Mendoza inquired as to the timeline for the completion of the long-outstanding recommendations pertaining to off-campus activities, systemwide.

Mr. Mandel responded that CSU Chancellor's Office administrators have assured the Office of the University Auditor that the remaining eight recommendations will be completed by the original August 1 agreed-upon completion date.

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, Cashiering, Post Award, IT Disaster Recovery, Financial Aid, Intercollegiate Athletics, HIPPA, Business Continuity, and Fund Raising) is currently being conducted on approximately 35 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. Three campus/14 auxiliaries have been completed, three campus/11 auxiliary reports are awaiting a campus response prior to finalization, report writing is being completed at one campus/three auxiliaries, and fieldwork is being conducted at two campuses/four 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. Nine reports have been completed, and one report awaits 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. Five reports have been completed, and one report awaits a campus response prior to finalization.

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. Five reports have been completed, and one report awaits a campus response prior to finalization.

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. Three reports have been completed, and three reports await a campus response prior to finalization.

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. Three reports await

a campus response prior to finalization, report writing is being completed for two campuses, 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. One report awaits a campus response prior to finalization, report writing is being completed for two campuses, and fieldwork is being conducted at three campuses.

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. Three reports await a campus response prior to finalization, and report writing is being completed at three campuses.

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. Three projects are complete, two projects await a campus response prior to finalization, and report writing is being completed for one project.

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 35 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 10/28/2011)

	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			Cashiering	
									*Recs	**Mo.	●No.	*Recs	**Mo.	*Recs	**Mo.
BAK	AI			AI			RW				4				
CHI		AC					AI				3	19/20	#		
CI	AI		AC		AI						3				
DH			AC	AC							3	22/22	-	2/4	4
EB	RW							FW			3		-		
FRE	AC			AC							6	0/25	3	0/8	3
FUL		AC					AI				4	31/32	#		
HUM				AC				FW			4	25/25	-	4/4	-
LB		AC			AI			FW	5/5	-	3	34/34	-		
LA			AC		AC	RW					4	13/13	-		
MA	FW										2		-		
MB	FW	AC		AC			AI		0/4	3	2		-	0/3	3
NOR		AC						RW			5	27/27	-	1/1	-
POM		AC									3	11/12	#		
SAC	AC		AI			AI	RW				6	4/36	5	3/3	-
SB		AC	AC		AC						3	30/30	-	2/2	-
SD		AC			AI	RW					4	23/24	#		
SF			AC				AI				5	29/30	#	1/1	-
SJ								AI			5	46/47	#		
SLO	AI	AC		AC		FW					4	23/24	#	0/2	4
SM					AC		RW	RW			3	13/13	-	5/5	-
SON						AI					4	12/12	-		
STA											4	18/18	-	8/8	-
CO	AC										2	0/0	-		
SYS		AI	RW	AI	RW		RW								

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.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 10/28/2011)

	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.
BAK			0/4	11							0/3	10		
CHI														
CI			0/7	3					1/1	-	2/2	-		
DH			0/4	3					0/0	-				
EB			4/4	-			9/9	-	1/1	-				
FRE	3/3	-					4/4	-	2/2	-				
FUL					11/11	-							13/13	-
HUM	7/7	-			3/3	-							6/6	-
LB							5/5	-						
LA			1/1	-			2/2	-	2/2	-	1/1	-		
MA			4/5	12									7/13	6
MB			4/4	-										
NOR			1/1	-	4/4	-	2/2	-						
POM			7/7	-										
SAC														
SB			0/3	3	5/5	-								
SD	4/4	-			6/6	-					2/2	-		
SF	3/3	-	0/6	3										
SJ	2/2	-									2/2	-		
SLO														
SM							3/3	-						
SON					5/5	-							5/5	-
STA													8/8	-
CO	3/3	-											4/4	-
SYS	0/1	10					0/2	5	0/2	6	0/1	6	0/3	3

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Status Report on Current and Follow-Up Construction Audit Assignments
(as of 10/28/2011)

	Project No.	Project	Contractor	Construction Cost	Start Date	Comp. Date	Managed By	Current *	Campus Follow-Up **RECS	***MO.	CPDC F **RECS
2011	CH-206	Wildcat Activity Center	Otto Construction	$45,624,250	9/17/2007	Aug-09	Campus	AC	5/5	-	
	SA-386	Student Housing, Phase I	Brown Construction	$43,605,902	6/18/2007	Oct-09	Campus	AC	0/7	5	
	EB-134	Student Svcs. Replace. Bldg.	Lathrop Construction	$34,091,225	8/15/2007	Jul-10	Campus	AC	0/7	3	
	NO-94	Performing Arts Center	CW Driver	$96,786,431	3/10/2008	Apr-11	Campus	AI			
	POM-389	Student Housing, Phase II	WE O'Neal Construction	$60,720,526	6/16/2008	Jul-10	Campus	AI			
	LB-707	Std. Recreation/Wellness Ctr.	CW Driver	$40,303,653	12/24/2008	Apr-11	Campus	RW			
	*FW = Field Work in Progress; RW = Report Writing in Progress; AI = Audit Incomplete (awaiting formal exit conference and/or response); AC = Audit Complete										
	**The number of recommendations satisfactorily addressed followed by the number of recommedations in the original report.										
	***The number of months that recommendations have been outstanding (since the formal exit conference).										

Status Report on Current and Follow-Up Construction Audit Assignments
(as of 10/28/2011)

ollow-Up
***MO.