

AGENDA

COMMITTEE ON AUDIT

Meeting: **1:00 p.m., Tuesday, July 17, 2012**
 Glenn S. Dumke Auditorium

Henry Mendoza, Chair
Steven M. Glazer
William Hauck
Glen Toney

Consent Items

Approval of Minutes of Meeting of May 8, 2012

Discussion Items

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Status Report on Corrective Action for the Findings in the California State University A-133 Single Audit Reports for the Fiscal Year Ended June 30, 2011, *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 8, 2012

Members Present

Henry Mendoza, Chair
Margaret Fortune
Steven M. Glazer
Charles B. Reed, Chancellor
Bob Linscheid, Chair of the Board

Trustee Mendoza called the meeting to order.

Approval of Minutes

The minutes of the meeting of March 20, 2012, 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 7-9, 2012, CSU Board of Trustees agenda.

Mr. Mandel reminded the trustees 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 on the closing of outstanding recommendations in a reasonable time period. He reported that the Office of the University Auditor is currently working with California State University, Sacramento on the two long-outstanding recommendations pertaining to Auxiliary Organizations and anticipated completion by the next board meeting. Mr. Mandel then stated that the audit assignments from the 2012 audit plan are in progress and anticipated completion by the end of the calendar year.

Trustee Mendoza thanked all the campus presidents and their staff for their diligence in the timely completion of the audit recommendations.

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 June 30, 2011

Mr. George V. Ashkar, assistant vice chancellor/controller, financial services, provided a status report on the corrective action plans for the six findings noted in the A-133 Single Audit Reports. He reminded the trustees that audit finding 11-01 relating to control procedures over the review of the outstanding receivables balances was previously reported as completed at the board meeting in March 2012. He stated that corrective action for audit finding 11-02 relating to the systemwide administration of federal financial aid programs is still in progress, while it is being addressed through a combination of a systemwide directive and campus control procedures. Mr. Ashkar further stated that corrective actions for audit finding 11-03 relating to student status changes not being reported in a timely manner and for audit finding 11-04 relating to the lack of adequate processes to ensure timely return and accurate reporting of Title IV funds are both under review by the Office of the University Auditor and require additional information from the campuses. He also stated that corrective actions for audit finding 11-05 relating to the lack of adequate processes to ensure timely updates of the cost of attendance information and for audit finding 11-06 relating to the lack of adequate processes to ensure timely verification of information on the Institutional Student Information Report (ISIR) have been completed, and campus supporting documentation has been reviewed by the Office of the University Auditor and the Financial Services Internal Control staff at the CSU Chancellor's Office.

Trustee Mendoza thanked Mr. Ashkar for his efforts in the closing of these recommendations.

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 2012 audit plan and follow-up on past assignments. For the current year, assignments have been made to conduct reviews of Auxiliary Organizations, CSURMA, high-risk areas (Facilities Management, Title IX, Data Center Operations, Identity Management and Common System Access, International Programs), high profile area (Public Safety), core financial area (Cost Allocation), and Construction. In addition, follow-up on past assignments (Auxiliary Organizations, Cashiering, IT Disaster Recovery, Financial Aid, Delegations of Authority, ADA Compliance, Sensitive Data Security, and Academic Personnel) is currently being conducted on approximately 30 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

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/four auxiliaries are awaiting a campus response prior to finalization, report writing is being completed for three campuses/twelve auxiliaries, and fieldwork is being conducted at one campus/five auxiliaries.

CSURMA

The initial audit plan indicated that approximately 12 staff weeks of activity (1.2 percent of the plan) would be devoted to a review at the headquarters office to ensure proper management of the processes for administration of the various risk management programs.

High-Risk Areas

Facilities Management

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing cost allocations, deferred maintenance; building and grounds conditions; sustainable building practices; material and equipment inventory; and work order scheduling and control systems. Six campuses will be reviewed. Two reports await a campus response prior to finalization, report writing is being completed for three campuses, and fieldwork is being conducted on one campus.

Title IX

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of compliance with federal and state laws, trustee policy, systemwide directives, and campus policies and procedures; roles and responsibilities of Title IX coordinators; review of notification requirements; grievance and complaint procedures for students, faculty, staff, and third parties; testing of campus efforts to investigate and resolve complaints; processes to monitor and report gender equity in campus programs including athletics; collection, analysis, and reporting of campus statistics; and the protection of sensitive and confidential information. 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.

Data Center Operations

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to review of data center operations, including policies, physical security, environmental controls, processing and scheduling controls, backup and recovery processes, and emergency preparations. 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 one campus.

Identity Management and Common Systems Access

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of authorization processes used to validate the identity of users and ensure that users are appropriate, including server security hosting the directory

services, the authentication process, and procedures used to create and maintain the user credentials. Six campuses will be reviewed. Fieldwork is being conducted at one campus.

International Programs

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of program approvals, fiscal administration and controls; risk management processes; curriculum and credit transfers; utilization of third-party providers; compliance with U.S. Department of State and other regulatory international travel requirements; and processes used to recruit international students, verify student credentials, and provide support on campus. Six campuses will be reviewed. Fieldwork is being conducted at one campus.

High Profile Area

Public Safety

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of policies and procedures; compliance with state-mandated standards and training requirements; trained and certified public safety personnel; timely response to incidents; appropriate use of force; approval, control and maintenance over sensitive or special equipment; crime reporting; adjudication of internal investigations or personnel complaints; and unauthorized use of law enforcement data. Six campuses will be reviewed.

Core Financial Area

Cost Allocation

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of the development, approval, and maintenance of campus cost allocation plans; recovery of costs; management oversight and approval of plans; indirect rate formation; direct cost capture; and billing and collection processes. Six campuses will be reviewed. All reports have been completed except for the system summary.

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 reports await a campus response prior to finalization, report writing is being completed for one project, and fieldwork is being conducted 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. Ninety-one staff weeks have been set aside for this purpose, representing approximately 9.2 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 30 prior audits (Auxiliary Organizations, Cashiering, IT Disaster Recovery, Financial Aid, Delegations of Authority, ADA Compliance, Sensitive Data Security, and Academic Personnel) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Consultations/Committees

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. Twenty-four staff weeks have been set aside for this purpose, representing approximately 2.4 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 6/27/2012)

2012 ASSIGNMENTS										FOLLOW-UP PAST/CURRENT ASSIGNMENTS				
Aux Orgs	Cost Alloc	Title IX	Data Ctr Ops	Facilities Mgmt	Identity Mgmt/Comm Access	Int'l Prog	Police Services	CSURMA		Auxiliary Organizations	Cashiering			
										●No.	*Recs	**Mo.	*Recs	**Mo.
BAK				AI						4	16/16	-	3/3	-
CHI		AI	FW							3	19/20	#		
CI				AI						3	14/15	10		
DH			AI							3	22/22	-	4/4	-
EB			RW							3	0/21	6		
FRE	AC									6	25/25	-	8/8	-
FUL	AI	RW								4		#		
HUM	AC									4	25/25	-	4/4	-
LB			AI							3	34/34	-		
LA		RW								4	13/13	-		
MA				RW						2	0/4	3		
MB										2	0/16	4	3/3	-
NOR	AC									5			1/1	-
POM			RW							3	11/12	#		
SAC	AC			RW						6	35/36	13	3/3	-
SB	RW									3			2/2	-
SD		AI			FW					4	23/24	#		
SF	RW					FW				5		#	1/1	-
SJ		AI		FW						5	46/47	#		
SLO	AC									4	0/12	7/#	2/2	-
SM		FW								3	13/13	-	5/5	-
SON	AC									4				
STA										4	18/18	-	8/8	-
CO										2	0/0	-		
SYS	AI												2/2	-

* 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 compliance with new systemwide policies.

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 Internal Audit Assignments
(as of 6/27/2012)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS												
	IT Disaster Recovery		Financial Aid		Delegations of Authority		ADA Compliance		Sensitive Data Security/Protection		Academic Personnel	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK	4/4	-	0/3	5								
CHI			3/3	-	8/8	-						
CI	7/7	-					2/4	8				
DH	4/4	-										
EB	4/4	-									1/6	6
FRE												
FUL			11/11	-	8/8	-			3/3	-		
HUM			3/3	-							4/4	-
LB					6/6	-	3/3	-			1/4	5
LA	1/1	-					4/4	-	1/1	-		
MA	5/5	-										
MB	4/4	-	3/3	-	2/2	-						
NOR	1/1	-	4/4	-	5/5	-					5/5	-
POM	7/7	-			6/6	-						
SAC	5/5	-	3/3	-					0/1	8		
SB	3/3	-	5/5	-	8/8	-	5/5	-				
SD			6/6	-	6/6	-	6/6	-	0/0	-		
SF	5/6	11	1/1	-								
SJ											4/4	-
SLO					8/8	-			0/2	5		
SM			0/5	6			4/4	-			4/4	-
SON			5/5	-					8/8	-		
STA												
CO												
SYS	0/3	4	0/4	3	3/7	8	0/3	4			0/3	3
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 compliance with new systemwide policies.									

Status Report on Current and Follow-Up Construction Audit Assignments (as of 6/27/2012)

[illegible]

COMMITTEE ON AUDIT

Status Report on Corrective Action for the Findings in the California State University A-133 Single Audit Reports for the Fiscal Year Ended June 30, 2011

Presentation by

George Ashkar
Assistant Vice Chancellor/Controller
Financial Services

Summary

Audit finding 2011-01 was related to incomplete controls over the review of the outstanding receivable balances. Corrective action to strengthen internal controls over the review of accounts receivable was previously reported as completed at the Board meeting in March.

Audit finding 2011-02 was related to the lack of formal procedures to document secondary review and approval by someone other than the person performing the tasks in the administration of financial aid grants. Corrective action through a combination of a system-wide directive and campus control procedures has been completed, based on the review of campus supporting documentation by the University Auditor's office and Financial Services Internal Control staff at the Chancellor's Office.

Audit finding 2011-03 was related to student status changes not being reported in a timely manner at some campuses. Corrective action to enhance policies and procedures to ensure timely and accurate reporting of changes in student status has been completed, based on the review of campus supporting documentation by the University Auditor's office and Financial Services Internal Control staff at the Chancellor's Office.

Audit finding 2011-04 was related to the lack of adequate processes in place to ensure timely return and accurate reporting of Title IV funds at some campuses. Corrective action to enhance applicable policies and procedures has been completed, based on the review of campus supporting documentation by the University Auditor's office and Financial Services Internal Control staff at the Chancellor's Office.

Audit finding 2011-05 was related to the lack of adequate processes in place to ensure timely update of the cost of attendance information at a campus. Corrective action to enhance applicable policies and procedures was previously reported as completed at the Board meeting in May.

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Audit finding 2011-06 was related to the lack of adequate processes in place to ensure timely verification of information on the Institutional Student Information Report (ISIR) at some campuses. Corrective action to implement appropriate internal control procedures was previously reported as completed at the Board meeting in May.