

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 3:00 p.m., Tuesday, November 13, 2012**  
**Glenn S. Dumke Auditorium**

Henry Mendoza, Chair  
William Hauck, Vice Chair  
Lupe C. Garcia  
Steven M. Glazer  
Hugo N. Morales  
Glen Toney

#### **Consent Items**

Approval of Minutes of Meeting of September 18, 2012

#### **Discussion Items**

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Update on Status of Auditor Selection Process, *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  
September 18, 2012**

### **Members Present**

Henry Mendoza, Chair  
Steven M. Glazer  
Bob Linscheid, Chair of the Board  
Glen O. Toney  
Charles B. Reed, Chancellor

Trustee Mendoza called the meeting to order.

### **Approval of Minutes**

The minutes of the meeting of July 17, 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 September 18-19, 2012, 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 excellent progress on the closing of outstanding recommendations in a timely manner. He reported that the long-outstanding recommendations pertaining to Delegations of Authority, Systemwide had been recently completed. He also anticipated that the recommendations pertaining to the auxiliary organizations that were held in abeyance pending compliance with new systemwide policies regarding trust funds will be completed by the two remaining campuses in the next couple of months. Mr. Mandel then stated that the audit assignments, including the five construction projects, from the 2012 audit plan are in progress and anticipated completion by the end of the calendar year.

Chair Mendoza thanked all the campus presidents and their staffs for their continued effort in the timely completion of the audit recommendations. He stated his appreciation for the continued improvement on the number of months outstanding since the time he became the chair of the Committee on Audit.

## **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, IT Disaster Recovery, Financial Aid, Delegations of Authority, ADA Compliance, Sensitive Data Security, and Academic Personnel) is currently being conducted on approximately 25 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. Two campus/nine auxiliary reviews have been completed, three campus/12 auxiliaries are awaiting a response prior to finalization, report writing is being completed for one campus/three auxiliaries, and fieldwork is being conducted at two campuses/six 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. Report writing is currently being completed for the headquarters review.

### *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. All six reports have been completed.

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

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

#### 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. One report awaits a campus response prior to finalization, and report writing is being completed for three campuses.

### 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. Two reports await a campus response prior to finalization, and report writing is being completed for four campuses.

### *High Profile Area*

### Police Services

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. One report awaits a campus response prior to finalization, report writing is taking place at one campus, and fieldwork is being conducted at two campuses.

### *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.

### *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 reports have been completed, one report 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. The start-up of the compliance function has been suspended as campuses deal with severe reductions in budget resources. The resources allocated to this function will be redirected toward a more robust program of advisory/consultative services within the Office of the University Auditor.

### *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 25 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 10/25/2012)

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		●No.	Auxiliary Organizations *Recs	**Mo.	*Recs	IT Disaster Recovery **Mo.
BAK				AC						4	16/16	-	4/4	-
CHI	FW	AC	AI							3				
CI			AI	AC						3	15/15	-	7/7	-
DH	FW		AC				RW			3			4/4	-
EB			AC				FW			3	18/21	10	4/4	-
FRE	AC						AI			6	25/25	-		
FUL	AC	AC				RW				4	14/28	5		
HUM	AC				RW					4	25/25	-		
LB	RW		AC							3				
LA		AC				RW				4	13/13	-	1/1	-
MA				AC						2	2/4	7	5/5	-
MB					RW					2	14/16	8	4/4	-
NOR	AI					RW				5			1/1	-
POM			AI	AC						3	12/12	-	7/7	-
SAC	AC			AC						6	36/36	-	5/5	-
SB	AI					RW				3			3/3	-
SD		AC			AI					4	24/24	-		
SF	AC					AI				5	14/19	4	6/6	-
SJ		AC		AC						5	46/47	#		
SLO	AC						FW			4	12/12	#		
SM		AI			RW					3	13/13	-		
SON	AI	AC								4				
STA						AI				4	18/18	-		
CO								RW		2	0/0	-		
SYS	AC												0/3	8
FW = Field Work In Progress RW = Report Writing in Progress AI = Audit Income complete (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.				



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

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**COMMITTEE ON AUDIT**

**Update on Status of Auditor Selection Process**

**Presentation By**

Benjamin F. Quillian  
Executive Vice Chancellor  
and Chief Financial Officer

**Summary**

This item will provide an update on the status of the auditor selection process.