AGENDA

COMMITTEE ON AUDIT

Meeting: **9:15 p.m., Tuesday, July 21, 2015**
                      Glenn S. Dumke Auditorium

                      Lupe C. Garcia, Chair
                      Peter J. Taylor, Vice Chair
                      Adam Day
                      Hugo N. Morales

Consent Items

        Approval of Minutes of Meeting of May 19, 2015

Discussion Items

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

Chair Garcia called the meeting to order.

Approval of Minutes

The minutes of the meeting of March 24, 2015, were approved as submitted.

Status Report on Current and Follow-Up Internal Audit Assignments

Mr. Larry Mandel, vice chancellor and chief audit officer, presented the item by providing a status report on the 2015 audit plan and follow-up on past audit assignments.

Mr. Mandel reported that some of the 2015 audit assignments are currently in process, namely, Auxiliary Organizations, Information Security, Clery Act, College Reviews, and Information Technology Procurement. He added that other audit subjects would be initiated throughout the year. He reminded everyone that updates to the status report are displayed in green numerals and indicate progress toward or completion of recommendations since the distribution of the agenda. Mr. Mandel stated that the campuses continue to do a good job completing recommendations on a timely basis. He noted that the Office of Audit and Advisory Services is currently working with the CSU Chancellor's Office to clear the two recommendations for the Student Health Services audit and anticipated completion by the July Board meeting.

Trustee Eisen asked for a brief explanation of cloud computing, which is a subject area included in the 2015 audit plan.

Mr. Michael Caldera, senior director, answered on behalf of Mr. Mandel. He stated that a review of campus activities pertaining to cloud computing will be completed at four campuses to

determine any relevant risks in this area. He added that this subject will be considered a single audit from a systemwide perspective.

Chair Garcia thanked Mr. Mandel and his audit team for the continued progress and the campus presidents and their teams for working effectively on the remediation of the action items. She noted that there has been progress on many of the subjects included on the 2015 audit plan. Chair Garcia reassured the Board that if there are any significant findings in any of these audits, such items will be brought to her attention in real time and she would convey that to the Board. She stated that she is happy to report that to date, there have been no significant findings.

The meeting adjourned.

COMMITTEE ON AUDIT

Status Report on Current and Follow-up Internal Audit Assignments

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer
Office of Audit and Advisory Services

Summary

This item includes both a status report on the 2015 audit plan and follow-up on past assignments. For the 2015 year, assignments were made to conduct reviews of Auxiliary Organizations, high-risk areas (Information Security, Clery Act, Information Technology (IT) Procurement, Payment Card Industry Data Security Standards, Admissions, Cloud Computing, Scholarships, and Student Activities), a high profile area (College Reviews), and Construction. In addition, follow-up on current/past assignments (Auxiliary Organizations, Sensitive Data Security, Student Health Services, Conflict of Interest, Lottery Funds, Accessible Technology, Executive Travel, Sponsored Programs, Continuing Education, Information Security, IT Procurement, and College Reviews) was 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

Auxiliary Organizations

The initial audit plan indicated that approximately 267 staff weeks of activity (25.8 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/31 auxiliaries. One campus/four auxiliary report has been completed, two campus/eight auxiliary reports are awaiting a campus response prior to finalization, and report writing is being completed for one campus/five auxiliaries.

High-Risk Areas

Information Security

The initial audit plan indicated that approximately 37 staff weeks of activity (3.7 percent of the plan) would be devoted to a review of the systems and managerial/technical measures for

ongoing evaluation of data/information collected; identifying confidential, private or sensitive information; authorizing access; securing information; detecting security breaches; and security incident reporting and response. Five campuses will be reviewed. One campus report is awaiting a campus response prior to finalization, report writing is being completed for one campus, and fieldwork is being conducted at two campuses.

Clery Act

The initial audit plan indicated that approximately 50 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of campus Clery Act policies and procedures to ensure compliance with CSU and federal requirements; review and testing of processes to compile required disclosures and statistics for the Annual Security Report (ASR); verification of the availability of educational programs for security awareness, and the prevention and reporting of crime; review and testing of ASR dissemination to required parties; review of campus good-faith efforts to comply with changes to the Clery Act imposed by the Violence Against Women Reauthorization Act (VAWA) for the 2014 ASR and progress in meeting the changes by the July 2015 deadline; and review of content and delivery of training. Six campuses will be reviewed. Five campus reports are awaiting a campus response prior to finalization, and report writing is being completed for one campus.

Information Technology Procurement

The initial audit plan indicated that approximately 34 staff weeks of activity (3.3 percent of the plan) would be devoted to a review of policies and practices related to information technology procurement. Specific goals will include determining whether administration and management of information technology procurement activities provide an effective internal control environment, adequate local policies and operational procedures, current written delegations, and observance of good business practices in compliance with CSU policy. Five campuses will be reviewed. Two campus reports have been completed, and report writing is being completed for two campuses.

Payment Card Industry Data Security Standards

The initial audit plan indicated that approximately 14 staff weeks of activity (1.4 percent of the plan) would be devoted to a review of campus and auxiliary compliance with regulations specific to Payment Card Industry (PCI) Data Security Standards related to the security and protection of credit cards systems and data. The review would specifically include compliance with the new PCI 3.0 standard. Two campuses will be reviewed. Report writing is being completed for one campus.

Admissions

The initial audit plan indicated that approximately 50 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of the evaluation of student records, including residency determination; processing admission applications, including use of supplemental admission criteria for impacted majors or campuses, transfer students, and redirection of eligible applicants; security of applicant data; application fee processing and granting of fee waivers; and compliance with state legislation and CSU requirements. Six campuses will be reviewed. Fieldwork is being conducted at six campuses.

Cloud Computing

The initial audit plan indicated that approximately 11 staff weeks of activity (1.1 percent of the plan) would be devoted to a review of campus and/or auxiliary activities pertaining to cloud computing, including review of policies and procedures to ensure compliance with CSU and other agency requirements; review of campus administration and oversight including but not limited to service availability, data ownership and backup and recovery, establishing contractual relationships with third-party service providers, and if sensitive data is maintained by a third party, review of involvement of campus information security personnel in the decision process; documentation of campus expectations for handling and securing the data; contract language covering security expectations; and monitoring third-party performance. One systemwide report will be issued.

Scholarships

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of campus and/or auxiliary activities pertaining to scholarships, including establishing student eligibility, awarding, and recordkeeping and protection of sensitive information; coordination between the financial aid department and awarding departments; and review of disbursement procedures for awarded scholarships. Six campuses will be reviewed.

Student Activities

The initial audit plan indicated that approximately 50 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of activities relating to social and co-curricular programs, recreational sports, student clubs and organizations; review of policies and procedures to ensure compliance with CSU and other agency requirements; review of campus administration and oversight of student activities; review and appropriate testing for compliance with charters, bylaws and/or other governing documents for selected student organizations, clubs and other

programs; review and testing to ensure appropriate staffing of student programs by qualified individuals and volunteers, including student leaders; and assessment to determine that required policies regarding non-discrimination, alcohol and drugs, and hazing are monitored and enforced. Six campuses will be reviewed.

High Profile Area

College Reviews

The initial audit plan indicated that approximately 49 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of college/department administrative and financial controls, such as handling of cash and cash equivalents, expenditure processing, contracting activities, acquisition and tagging of sensitive equipment, and use of trust funds; and review of faculty assigned time, release time and special payments. Six campuses will be reviewed. Two campus reports have been completed, and three campus reports are awaiting a campus response prior to finalization.

Construction

The initial audit plan indicated that approximately 47 staff weeks of activity (4.6 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. Six projects will be reviewed. Two campus reports have been completed, report writing is being completed for one project, and fieldwork is being conducted for one project.

Advisory Services

The initial audit plan indicated that approximately 216 staff weeks of activity (20.8 percent of the plan) would be devoted to partnering with management to identify solutions for business issues, offering opportunities to improve the efficiency and effectiveness of operating areas, and assisting with special requests, while ensuring the consideration of related internal control issues. Reviews are ongoing.

Technology Support

The initial audit plan indicated that approximately 14 staff weeks of activity (1.3 percent of the plan) would be devoted to technology support for non-information technology specific audits and advisory services reviews. The provision of support is ongoing.

Investigations

The Office of Audit and Advisory Services 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 4.2 percent of the audit plan.

Committees/Special Projects

The Office of Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or to participate on committees such as those related to information systems implementation and policy development, and to perform special projects. Special projects for 2015 will include the implementation of automated working papers in the Office of Audit and Advisory Services. Forty staff weeks have been set aside for this purpose, representing approximately 3.8 percent of the audit plan.

Follow-ups

The audit plan indicated that approximately 15 staff weeks of activity (1.5 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of Audit and Advisory Services is currently tracking approximately 35 current/past assignments (Auxiliary Organizations, Sensitive Data Security, Student Health Services, Conflict of Interest, Lottery Funds, Accessible Technology, Executive Travel, Sponsored Programs, Continuing Education, Information Security, IT Procurement, and College Reviews) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Annual Risk Assessment

The Office of Audit and Advisory Services annually conducts a risk assessment to determine the areas of highest risk to the system. Eight staff weeks have been set aside for this purpose, representing approximately 0.8 percent of the audit plan.

Administration

Day-to-day administration of the Office of Audit and Advisory Services represents approximately 4.3 percent of the audit plan.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 6/25/2015)

	2015 ASSIGNMENTS										Auxiliary Organizations			Sen. Data Sec./Protect.		Student Health Svcs.		Conflict of Interest	
	Aux Orgs	Info Security	Clery Act	College Reviews	IT Procure	PCI	Adm	Cloud Comptg	Scholar	Student Activity	•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK						RW					4	35/35	-						
CHI				AI							3	25/25	-					3/3	-
CI							FW				3	32/32	-	8/8	-				
DH			AI								3	19/19	-	9/9	-				
EB			AI								3	31/31	-						
FRE		AI					FW				6	35/36	8					1/1	-
FUL					AC						4	28/28	-					2/2	-
HUM			AI								4	30/30	-						
LB	AI						FW				4	18/18	-	6/6	-	6/6	-		
LA			AI	AI							4	0/13	3						
MA			RW								2	9/23	4						
MB							FW				2	11/11	-					1/1	-
NOR	RW			AC							5								
POM				AC							2								
SAC				AI	RW		FW				5	41/41	-			9/9	-	5/5	-
SB	AC				RW		FW				4	0/23	2	14/14	-				
SD			AI								4	21/21	-			14/14	-		
SF	AI	FW									3	26/26	-	10/10	-				
SJ	AI	RW	AI				FW				5					17/17	-		
SLO			AI								3	9/11	6						
SM											4	22/22	-						
SON		FW			AC						3	5/5	-			7/7	-		
STA		FW			RW						4	14/14	-			6/6	-		
CO					RW						2	5/5	-	12/12	-			1/1	-
SYS														1/2	10	2/4	12	4/6	9

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.
• The number of auxiliary organizations reviewed.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 6/25/2015)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS

	Lottery Funds		Accessible Technology		Executive Travel		Sponsored Programs		Continuing Education		Information Security		IT Procurement		College Reviews	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK	2/2	-									10/10	-				
CHI							6/6	-			0/21	5				
CI					6/6	-	1/1	-								
DH			6/6	-												
EB	2/2	-							3/3	-						
FRE	3/3	-														
FUL							10/10	-	2/2	-			0/0	-		
HUM	1/1	-									4/4	-				
LB					3/3	-					0/6	4				
LA			5/5	-												
MA							7/7	-			0/7	3				
MB							3/3	-								
NOR							8/8	-	4/5	7					0/4	1
POM			7/7	-	4/4	-	3/3	-	0/6	2					0/3	2
SAC																
SB									7/7	-	0/10	4				
SD			7/7	-	0/6	7										
SF			1/1	-			4/4	-	0/6	2						
SJ					9/9	-										
SLO							7/7	-								
SM			4/4	-												
SON	1/1	-					0/0	-					0/0	-		
STA							6/7	11	1/3	5						
CO	7/7	-			0/3	2										
SYS	0/2	8					0/5	3	0/2	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.
● The number of auxiliary organizations reviewed.

Status Report on Current and Follow-Up Construction Audit Assignments
(as of 6/25/2015)

	Project No.	Project	Contractor	Construction Cost	Start Date	Comp. Date	Managed By	Current *	Campus Follow-Up **RECS	Campus Follow-Up ***MO.	CPDC Follow-Up **RECS	CPDC Follow-Up ***MO.
2015	BAK-230	Art Center and Satellite Plant	Rudolph and Sletten	$14,290,932	5/27/2013	May-14	Campus	AC	0/1	2		
	POM-1039	Recreation Center	C W Driver	$43,135,626	8/20/2012	Jan-15	Campus	AC	0/0	-		
	SD-623	Storm/Nasatir Halls Renovation	C W Driver	$52,972,562	6/27/2012	Sep-14	Campus	RW				
	MA-235	Physical Education Replacement	Gilbane Building Co.	$27,540,143	3/27/2013	Jan-15	CO	FW				

*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.