AGENDA

COMMITTEE ON AUDIT

Meeting: **4:15 p.m., Tuesday, July 18, 2017**
                Glenn S. Dumke Auditorium

                Douglas Faigin, Chair
                Hugo N. Morales, Vice Chair
                Silas H. Abrego
                Lillian Kimbell
                Peter J. Taylor

Consent   Approval of Minutes of the Meeting of May 23, 2017

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

Trustee Faigin called the meeting to order.

Public Comments

Pat Gantt, President, California State University Employees Union, provided comment on recent California State Auditor reports pertaining to the California State University and University of California.

Approval of Minutes

The minutes of March 21, 2017, were approved as submitted.

Status Report on Current and Follow-up Internal Audit Assignments

Mr. Larry Mandel, vice chancellor and chief audit officer, provided a status on the 2017 audit plan and follow-up on past audit assignments.

Mr. Mandel explained 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. He reminded the committee that under the re-tooled approach, approximately 30 audit topics will be reviewed in 2017 as compared to the previous 9 to 10 per year. Mr. Mandel stated that audit assignments for 14 diverse topics are currently in process and include topics such as emergency management, international activities, information security, and sponsored programs post-award activities.

Mr. Mandel commented that the campuses and the Chancellor's Office continue to do a good job completing recommendations on a timely basis. Mr. Mandel added that both the reviews and associated recommendations pertaining to the construction projects are also being completed

timely. Consultative reviews continue to be offered through the advisory services function and investigations are performed as needed.

Vice Chair Nilon inquired as to whether there is a policy pertaining to the length of time that an audit recommendation can be outstanding and if there is a process in place to address outstanding items that exceed the appropriate period of time for completion. Mr. Mandel stated that there is an informal policy that requires that 50 percent of recommendations are completed within six months and that all recommendations are completed within 10 months, unless there is proper reason for an extended period. If the six month and/or 10 month targets are surpassed, the campus is contacted. Vice Chair Nilon requested that the committee be made aware of any recommendations that are outstanding beyond the 10-month mark via a footnote on the status report matrix.

Trustee Faigin adjourned the Committee on Audit.

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 2017 audit plan and follow-up on past assignments. For the 2017 year, assignments were made to develop and execute individual campus audit plans, as well as to conduct audits of Information Technology (IT), Sponsored Programs and Construction; and to provide advisory services and investigation reviews. Follow-up on current/past assignments (Auxiliary Organizations, Information Security, Sponsored Programs, Academic Departments, Delegations of Authority, Cloud Computing, Emergency Management, International Activities, IT Disaster Recovery, and various 2017 Audit Topics) was also being conducted on approximately 35 prior campus/auxiliary reviews. Attachment A summarizes the audit assignments in tabular form.

AUDITS

Campus Audits

The new organization structure provides for individual campus audit plans that are better aligned with campus and auxiliary organization risks. Risk assessments and initial audit plans have been completed for all campuses. Six campus reports have been completed, one report is awaiting a campus response prior to finalization, report writing is being completed for eleven campuses, and fieldwork is being conducted at seven campuses.

Information Technology Audits

The initial audit plan indicated that reviews of Information Security, Logical Access and Security, IT Disaster Recovery and General Computer Controls would be performed at those campuses where a greater degree of risk was perceived for each topic. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues. One campus report has been completed, one campus report is awaiting a campus response prior to finalization, report writing is being completed for four campuses, and fieldwork is being conducted at two campuses.

Sponsored Programs

The initial audit plan indicated that reviews of post award activities based on recent changes in federal regulations, as well as a systemwide review of campus policies, procedures, and practices relating to indirect cost recovery would be performed. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues relating to sponsored programs activities. One campus report has been completed, report writing is being completed for one campus, and fieldwork is being conducted at one campus.

Construction

The initial audit plan indicated that reviews of recently completed construction projects, including activities performed by the campus, general contractor, and selected subcontractors would be performed. Areas to be reviewed include approval of project design, budget and funding; administration of the bid and award process; the closeout process; and overall project accounting and reporting. One campus report has been completed, one campus report is awaiting a campus response prior to finalization, and fieldwork is being conducted for one project.

ADVISORY SERVICES

The Office of Audit and Advisory Services partners with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Reviews are ongoing.

INVESTIGATIONS

The Office of Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged misappropriations 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.

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.

AUDIT SUPPORT

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, as well as campus-specific risks.

Administration

Day-to-day administration of the Office of Audit and Advisory Services includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system and SharePoint website, and department quality assurance and improvement.

Status Report on Current and Past Audit Assignments
(as of 7/12/2017)

| | 2017 AUDITS | | | | FOLLOW-UP ON PAST AUDITS | | | | |
| | | | | | Auxiliary Organizations | | | Information Security | |
	Topic 1	Topic 2	Sponsored Programs	Information Technology (IT)	●No.	*Recs	**Mo.	*Recs	**Mo.
BAK	Emergency Management (AC)				4	35/35	-	10/10	-
CHI	Student Activities (AC)			Logical Access & Security (FW)	3	32/32	-	21/21	-
CI	University Advancement (RW)			Information Security (AI)	3	32/32	-	15/17	8
DH	Business Continuity (RW)			Information Security (AI)	3	36/36	-		
EB	Cashiering (RW)				3	31/31	-	9/9	-
FRE	Cashiering (RW)		Post Award (AC)		6	36/36	-	11/11	-
FUL	International Activities (AC)	Academic Dept. Fiscal Review (FW)			4	30/30	-		-
HUM				Logical Access & Security (RW)	4	14/14	-	4/4	-
LB	Counseling & Psychological Svcs. (AC)	Post Award (RW)		IT Disaster Recovery (RW)	4	18/18	-	6/6	-
LA	Cashiering (RW)				4	17/20	4	13/13	-
MA	Police Services (FW)			Information Security (RW)	2	13/13	-	7/7	-
MB	Cashiering (RW)	Police Services (FW)			2	23/23	-	13/13	-
NOR					5	19/19	-	8/8	-
POM	Student Disability Support (RW)			IT Disaster Recovery (AC)	2	20/20	-		-
SAC				Information Security (RW)	5	41/41	-		
SB	Cashiering (AC)				4	23/23	-	10/10	-
SD	Facilities Management (AI)	Instructionally Related Activity Fees (FW)			4	15/15	-	6/7	15 [1]
SF	International Activities (RW)				3	17/17	-	9/9	-
SJ	Associated Students (FW)				5	26/26	-	17/17	-
SLO	Hazardous Materials Management (AC)	Cashiering (FW)			3	11/11	-	0/6	2
SM	International Activities (RW)			Information Security (FW)	4	17/17	-		
SON	Cashiering (RW)				3	4/4	-		
STA	Service Learning (FW)				4	14/14	-	21/21	-
CO	Credit Cards (RW)				2	1/1	-		-
SYS			Indirect Costs (FW)						

FW = Field Work In Progress
RW = Report Writing in Progress
AI = Audit Incomplete (awaiting formal exit conference and/or campus response)
AC = Audit Complete

Follow-Up
* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.
** The number of months recommendations have been outstanding from date of report.
● The number of auxiliary organizations reviewed.
\# See 2017 Audits on page 1.
[1] Approved extended completion date of 12/31/17.
Numbers/letters in green are updates since the agenda mailout.

Status Report on Current and Past Audit Assignments
(as of 7/12/2017)

FOLLOW-UP ON CURRENT/PAST AUDITS

	Sponsored Programs		Academic Dept. Fiscal Review		Delegations of Authority		Cloud Computing		Emergency Management		International Activities		Info. Technology Disaster Recovery		2017 #Audit Topic 1	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK											2/5	4	6/8	7	0/5	1
CHI							4/4	-			0/0	-			0/2	1
CI					6/6	-										
DH			11/11	-					4/4	-						
EB									5/8	5						
FRE	1/3	2	7/7	-									7/7	-		
FUL							4/4	-	2/8	5					1/6	2
HUM									1/4	5						
LB			4/4	-											1/3	2
LA																
MA					6/6	-										
MB											5/5	-				
NOR											3/4	7				
POM											6/6	-	0/2	1		
SAC					3/3	-										
SB					4/4	-					4/4	-			2/5	2
SD											1/2	8				
SF					4/4	-	5/5	-								
SJ									6/6	-						
SLO									3/3	-					0/7	1
SM			6/6	-			3/3	-								
SON			5/5	-	1/1	-										
STA			6/6	-									5/8	6		
CO					4/4	-							0/3	2		
SYS					3/4	6			0/1	2						

Follow-Up
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** The number of months recommendations have been outstanding from date of report.
● The number of auxiliary organizations reviewed.
See 2017 Audits on page 1.
1 Approved extended completion date of 12/31/17.
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Status Report on Current and Past Construction Audit Assignments
(as of 7/12/2017)

	Project No.	Project	Contractor	Construction Cost	Start Date	Comp. Date	Managed By	Current *	Campus Follow-Up **RECS	***MO.	CPDC Follow-Up **RECS	***MO.
2016	SJ-875	Student Health & Counseling Ctr.	Blach Construction Co.	$27,243,613	3/5/2013	Apr-15	Campus	AC	3/3	-		
	EB-001	Warren Hall Replacement	Sundt Construction, Inc.	$25,940,384	3/10/2014	Oct-15	Campus	AC	2/2	-		
	SD-1275	Zura Hall Renovation	Balfour Beatty Const. Co.	$38,958,025	5/15/2014	Nov-15	Campus	AC	0/0	-		
	MB-222	Academic Building II	Rudolph and Sletten	$30,287,494	1/6/2014	Dec-15	Campus	AC	3/3	-		
	NOR-1220	Student Housing, Phase II	C W Driver	$22,963,205	3/20/2013	Mar-16	Campus	AC	1/1	-		
	SJ-493	Spartan Complex Renovation	Sundt Construction, Inc.	$44,955,125	7/20/2013	Oct-15	Campus	AC	1/1	-		
2017	CI-499	West Hall	Sundt Construction, Inc.	$31,212,715	3/10/2014	Jan-16	Campus	AC	1/2	2		
	CH-143	Taylor II Replacement Building	Otto Construction	$42,506,249	7/14/2013	May-16	Campus	AI				
	NO-1269	Extended Learning Building	Hathaway Dinwiddie	$30,335,356	8/18/2014	Feb-17	Campus	FW				

*FW = Field Work in Progress; RW = Report Writing in Progress; AI = Audit Incomplete (awaiting formal exit conference and/or response); AC = Audit Complete

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***The number of months that recommendations have been outstanding from date of report.