

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 3:30 p.m., Tuesday, November 13, 2001**  
**Glenn S. Dumke Conference Center**

Shailesh J. Mehta, Chair  
Stanley T. Wang, Vice Chair  
Daniel N. Cartwright  
Murray L. Galinson  
Harold Goldwhite  
Ricardo F. Icaza  
Frederick W. Pierce IV

#### **Consent Items**

Approval of Minutes of Meeting of July 10, 2001

#### **Discussion Items**

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Report on Construction Auditing in the California State University 2000/01, *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  
July 10, 2001**

**Members Present**

Shailesh J. Mehta, Chair  
Stanley T. Wang, Vice Chair  
Daniel N. Cartwright  
Murray L. Galinson  
Harold Goldwhite  
Frederick W. Pierce IV

**Other Trustees Present**

Laurence K. Gould, Jr., Chair of the Board  
William D. Campbell  
Martha C. Fallagher  
Debra S. Farar  
William Hauck  
Dee Dee Myers  
Ralph R. Pesqueira  
Charles B. Reed, Chancellor  
Kyriakos Tsakopoulos  
Anthony M. Vitti

**Chancellor's Office Staff**

Louis Caldera, Vice Chancellor, University Advancement  
Christine Helwick, General Counsel  
Larry Mandel, University Auditor  
Jackie R. McClain, Vice Chancellor, Human Resources  
David S. Spence, Executive Vice Chancellor and Chief Academic Officer

Chair Mehta called the meeting to order at 3:13 p.m.

**Approval of Minutes**

The minutes of the meeting of May 15, 2001, were approved as submitted.

### **Status Reports on Current and Follow-up Internal Audit Assignments**

Mr. Mandel presented the item by reporting the status of the following audit assignments and follow-up reviews:

*FISMA* – Report writing is being completed for four campus reviews, while fieldwork is continuing at one campus.

*Auxiliary Organizations* – Report writing is being completed for three campus/eight auxiliary reviews, while fieldwork is continuing at one campus/four auxiliaries.

*Delegations of Authority* – Report writing is being completed for one campus review, while fieldwork is continuing at one campus.

*Contracts and Grants* – Report writing is being completed for three campus reviews, while fieldwork is continuing at two campuses.

*Development* – Report writing is being completed for three campus reviews, while fieldwork is continuing at one campus.

As per the audit plan, audits will be performed for the subject areas at about ten campuses each this year – approximately 24 auxiliary organizations and 11 FISMA audits.

*Follow-up* – Currently tracking 40 prior audits (FISMA, Auxiliary Organizations, Student Records, Operations and Maintenance of Plant, Continuing Education, Student Health Centers, Hazardous Materials Management, and Public Safety) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

*Construction* – Six construction projects were reviewed by KPMG with coordination from the Office of the University Auditor. Responses are pending from the campuses and chancellor's office on three of the projects, while the other three are in the report-writing stage and will be discussed with the campuses and Capital Planning, Design and Construction. Current construction assignments are on schedule, and all recommendations from the prior year have been completed.

Mr. Mandel stated that, as indicated on the matrix, most of the campuses have completed the recommendations within a one-year period. He further stated that a couple of the campuses still have outstanding recommendations and the Office of the University Auditor has been assisting them with the closing of these recommendations.

Trustee Mehta noted that two campuses had some recommendations outstanding for 20 months and 22 months, respectively, and asked that they be brought to closure as soon as possible.

President Caret, San Jose State University, stated that the remaining outstanding recommendation for Student Records is essentially complete. He indicated that an internal auditor was hired, new guidelines were put in place, and an internal review was conducted. He further indicated that the only remaining item is to provide a report of that internal review, which will be done this summer.

The meeting was adjourned at 3:18 p.m.

## **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 2001 audit plan and follow-up on past assignments. For the current year, assignments have been made to conduct reviews of FISMA (financial internal controls), Auxiliary Organizations, Delegations of Authority, Contracts and Grants, Development, Information Systems, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Continuing Education, Student Records, Operations and Maintenance of Plant, Student Health Centers, Hazardous Material Management, and Public Safety) is currently being conducted on approximately 40 prior campus/auxiliary reviews. Attachment A, summarizing the reviews in tabular form, will be distributed at the committee meeting.

### **Status Report on Current and Follow-up Internal Audit Assignments**

At the January 2001 meeting of the Committee on Audit, an audit plan calling for the review of the following subject areas was approved: FISMA (financial internal controls), Auxiliary Organizations, Delegations of Authority, Contracts and Grants, Development, Information Systems, and Construction.

#### *FISMA*

The audit plan indicated that approximately 119 staff weeks of activity (16 percent of the plan) would be devoted to auditing financial internal controls on 11 campuses. Four audits have been completed, while report writing is being completed on two campus reviews.

#### *Auxiliary Organizations*

The audit plan indicated that approximately 165 staff weeks of activity (28 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/24 auxiliaries. Audits have been completed at two campuses/five auxiliaries, report writing is being completed

## Audit

### Agenda Item 1

November 13-14, 2001

Page 2 of 3

on three campus/eleven auxiliary reviews, while fieldwork is currently taking place at one campus/four auxiliaries.

#### *Delegations of Authority*

The audit plan indicated that approximately 94 staff weeks of activity (13 percent of the plan) would be devoted to a review of 10 campuses on areas delegated to the CSU by the legislature. These areas include Purchasing/Contracting, Leasing, and Motor Vehicles. One audit has been completed, one audit awaits a campus response prior to finalization, report writing is being completed on six campus reviews, while fieldwork is continuing at two campuses.

#### *Contracts and Grants*

The audit plan indicated that approximately 94 staff weeks of activity (13 percent of the plan) would be devoted to a review of 10 campuses on solicitation activities and project approval; contract/grant budgeting and financial planning; cost accounting, allocation, and transfer processes; and award administration. One audit has been completed, report writing is being completed on eight campus reviews, while fieldwork continues on one campus.

#### *Development*

The audit plan indicated that approximately 94 staff weeks of activity (13 percent of the audit plan) would be devoted to a review of 10 campuses on cash contributions and donations of property and services, controls over the analysis of development needs, identification of prospective donors, solicitation and acknowledgment of donations, valuation of nonmonetary donations, recording gifts and posting to accounting records, expending donated funds, and preparation of reports on development activity. One audit has been completed, one audit awaits a campus response prior to finalization, report writing is being completed on five campus reviews, while fieldwork continues on three campuses.

#### *Information Systems*

The audit plan indicated that approximately 84 staff weeks of activity (11 percent of the plan) would be devoted to review of systemwide projects such as: Disaster Recovery, Collaborative Management Systems (CMS), Systemwide Internal Partnership (SIP), and Web Security. In addition, support will be provided in the area of financial internal controls for both campus (FISMA) and auxiliary audits. Review and training are ongoing.

### *Follow-ups*

The audit plan indicated that approximately 27 staff weeks of activity (4 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 40 prior audits (FISMA, Auxiliary Organizations, Continuing Education, Student Records, Operations and Maintenance of Plant, Student Health Centers, Hazardous Material Management, and Public Safety) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

### *Consultations and Investigations*

The audit plan indicated that approximately 12 staff weeks of activity (2 percent of the plan) would be devoted to campus consultations and special requests. 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. Typically, the special requests are investigative in nature and often are the result of alleged defalcations or conflicts of interest.

### *Construction*

The audit plan indicated that approximately 5 staff weeks of activity (1 percent of the plan) would be devoted to coordination of construction auditing. For the 2000/01 fiscal year, six construction projects are being reviewed by KPMG Peat Marwick with coordination from the Office of the University Auditor. Areas under review include change orders, project management services, contractor compliance, liquidated damages, close out documents, and cost verification of major equipment and construction components. Three reports await a system response, while report writing continues on three reviews.

### *Training*

The audit plan indicated that approximately 9 staff weeks of activity (1 percent of the plan) would be devoted to training in control self-assessment. A Management Risk Assessment and Assurance program has been developed and is being implemented at those campuses indicating and interest at such a program during 2001. The proposed program consists of individual workshops where risk assessment/mitigation and internal control training will be provided, and a targeted risk assessment profile will be developed. The program has been initiated at one campus with two more in the planning stage.

**COMMITTEE ON AUDIT**

**Report on Construction Auditing in the California State University–2000/01**

**Presentation By**

Larry Mandel  
University Auditor

Mark Thomas  
Systemwide Coordinating Partner  
KPMG Peat Marwick

**Summary**

For the 2000/01 fiscal year, construction auditing was performed for the CSU under a contract with KPMG Peat Marwick. The contract called for six construction projects to be reviewed with coordination from the Office of the University Auditor. Areas under review included subcontractor bidding, contractor compliance, change orders, design costs, project management services, liquidated damages, and verification of major equipment and construction components. Representatives from KPMG Peat Marwick, the external audit firm hired by the California State University to conduct the audit, will make a presentation and respond to questions.