

AGENDA

COMMITTEE ON AUDIT

Meeting: 3:10 p.m., Tuesday, September 17, 2002
Glenn S. Dumke Auditorium

Shailesh J. Mehta, Chair
Kyriakos Tsakopoulos, Vice Chair
William Hauck
Dee Dee Myers
Erene S. Thomas
Anthony M. Vitti

Consent Items

Approval of Minutes of Meeting of July 16, 2002

Discussion Items

1. Status Report on Current and Follow-up Internal Audit Assignments,
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 16, 2002

Members Present

Shailesh J. Mehta, Chair
Kyriakos Tsakopoulos, Vice Chair
William Hauck
Erene S. Thomas

Members Absent

Dee Dee Myers
Anthony M. Vitti

Other Trustees Present

Debra S. Farar, Chair of the Board
Cruz Bustamante, Lt. Governor
Martha Fallgatter
Murray L. Galinson
Harold Goldwhite
Frederick W. Pierce, IV
Charles B. Reed, Chancellor

Chancellor's Office Staff

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

Chair Mehta called the meeting to order at 3:47 p.m.

Approval of Minutes

The minutes of the meeting of May 15, 2002, were approved as submitted

Status Report 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 – Two campuses await a campus response prior to finalization, while report writing is being completed on four campus reviews.

Auxiliary Organizations – Report writing is being completed on three campus reviews/ten auxiliaries.

Financial Aid – Report writing is being completed on two campus reviews, while fieldwork is currently taking place at four campuses.

Disability Support and Accommodations – Report writing is being completed on four campus reviews, while fieldwork is currently taking place at two campuses.

Development – Report writing is being completed on five campus reviews, while fieldwork is currently taking place at one campus.

As per the audit plan, audits will be performed for the subject areas at about ten campuses each this year – approximately 29 auxiliary organizations and 12 FISMA areas.

Follow-up – Currently tracking 45 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Hazardous Materials Management, Development, Contracts and Grants, and Delegations of Authority) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Construction – For fiscal year 2001/2002, six construction projects are being reviewed by KPMG with coordination from the Office of the University Auditor. Four projects await a campus response prior to finalization, while report writing is being completed on two projects.

Mr. Mandel stated that most of the campuses are below the 12-month period for completing outstanding recommendations. He further stated that only two campuses have outstanding recommendations beyond the 12-month period and the Office of the University Auditor has been assisting them with the closing of these recommendations. He also noted that the review of auxiliary organizations is running behind schedule due to the diversion of resources to complete unplanned investigations.

Trustee Mehta inquired as to whether the Office of the University Auditor is adequately staffed to complete the 2002 audit assignments, in light of the number of special investigations currently in progress.

Mr. Mandel explained that, currently, there is one investigator, who is also the manager of the auxiliary organizations reviews. He further explained that when the manager is called upon to do an investigation, it diverts his time away from auxiliaries. He noted that as the current rate of new investigations continues, completion of the audit plan runs further behind. He reiterated his statement to the Committee at its January 2002 meeting that, due to this increase in special investigations, a request for additional resources will be presented at the January 2003 Board of Trustees' meeting.

Mr. Mandel also reported that all five recommendations that were included in the Corrective Action Plan on the Single Audit Report for the year ended June 30, 2001, have been completed.

The meeting was adjourned at 3:54 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 2002 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, Development, Financial Aid, Disability Support and Accommodations, Information Systems, and Construction. In addition, follow-up on past assignments (Special Investigations, FISMA, Auxiliary Organizations, Hazardous Materials Management, Development, Contracts and Grants, and Delegations of Authority) is currently being conducted on approximately 42 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

At the January 2002 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, Development, Financial Aid, Disability Support and Accommodations, Information Systems, and Construction.

FISMA

The audit plan indicated that approximately 136 staff weeks of activity (17 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. One audit has been completed, four audits await a campus response prior to finalization, and report writing is being completed on one campus review.

Auxiliary Organizations

The audit plan indicated that approximately 261 staff weeks of activity (32 percent of the plan) would be devoted to auditing internal compliance/internal control at 9 campuses/29 auxiliaries. Three campus/ten auxiliary reviews await a response prior to finalization, and report writing is being completed on one campus/six auxiliary reviews.

Development

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the 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. Three audits await a campus response prior to finalization, report writing is being completed on five campus reviews, while fieldwork is currently taking place at one campus.

Financial Aid

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the plan) would be devoted to a review of 10 campuses on identification of financial aid resources, establishing student budgets, packaging financial aid awards, coordinating financial aid benefits, managing financial aid funds, complying with federal and state program requirements, securing financial aid applicant information, and preparing financial aid reports. Report writing is being completed on six campus reviews, while fieldwork is currently taking place at two campuses.

Disability Support and Accommodations

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the audit plan) would be devoted to a review of 10 campuses on CSU programs for disabled employees, students and visitors. This would include accessibility of facilities, provision of enabling supportive services and use of adaptive technologies. One audit awaits a campus response prior to finalization, report writing is being completed on five campus reviews, while fieldwork is currently taking place at two campuses.

Information Systems

The audit plan indicated that approximately 43 staff weeks of activity (5 percent of the plan) would be devoted to review of systemwide projects such as: Disaster Recovery, Collaborative Management Systems (CMS), 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 26 staff weeks of activity (3 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 42 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Hazardous Materials Management, Development, Contracts and Grants, and Delegations of Authority) 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 43 staff weeks of activity (5 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 2001/02 fiscal year, six construction projects are being reviewed by KPMG 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. Two projects have been completed, two projects await a campus response prior to finalization, while report writing is being completed on two projects.

Training

The audit plan indicated that approximately 6 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 an interest in such a program during 2002. 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 three campuses with two more in the planning stage.