

AGENDA

COMMITTEE ON AUDIT

Meeting: 2:45 p.m., Tuesday, May 9, 2000
Glenn S. Dumke Conference Center

Stanley T. Wang, Chair
Harold Goldwhite, Vice Chair
Roberta Achtenberg
Neel I. Murarka
Dee Dee Myers
Frederick W. Pierce IV
Ali C. Razi

Consent Items

Approval of Minutes of Meeting of March 15, 2000

Discussion Items

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

**MINUTES OF MEETING OF
COMMITTEE ON AUDIT**

**Trustees of The California State University
Student Union Ballroom
San Jose State University
San Jose, California
March 15, 2000**

Members Present

Stanley T. Wang, Chair
Harold Goldwhite, Vice Chair
Roberta Achtenberg
Neel I. Murarka
Joan Otomo-Corgel
Frederick W. Pierce IV
Ali C. Razi

Members Absent

Dee Dee Myers

Other Trustees Present

William Hauck, Chairman of the Board
William D. Campbell
Martha C. Fallgatter
Debra S. Farar
Laurence K. Gould, Jr.
Ralph R. Pesqueira
Charles B. Reed, Chancellor
Anthony M. Vitti

Chancellor's Office Staff

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

Approval of Minutes

Chair Wang called the meeting to order at 8:39 a.m. The minutes of the January 25, 2000, meeting were approved as submitted.

Status Reports on Current and Follow-up Internal Audit Assignments

Larry Mandel, university auditor, presented the item and stated that the audit matrix had been modified for clarification and tracking purposes. The previous matrix listed the report/formal exit conference date, and the updated matrix lists the number of months recommendations have been outstanding (since the formal campus exit conference). Mr. Mandel went on to explain that the matrix denotes the status of current and follow-up audit assignments: page one represents the status of current and follow-up internal audit assignments, while page two represents the status of external construction audit assignments performed by KPMG Peat Marwick.

Mr. Mandel noted that the three subject areas assigned at the January 2000 meeting included Student Health Centers, Hazardous Materials Management, and Public Safety. He explained that audit programs have been prepared for each of these subject areas, and the audit managers in charge of these assignments are currently testing the programs.

For the ongoing audit assignments and follow-up reviews, Mr. Mandel noted the following:

Auxiliary Reviews – report writing is being performed for the five auxiliaries reviewed at the Northridge campus and three auxiliaries at the Fullerton campus. Fieldwork is being performed at four auxiliaries on the San Francisco campus

FISMA – two are in the report writing stage, and fieldwork is being performed at two campuses.

Follow-up Reviews – Mr. Mandel indicated that 38 prior audits are being tracked, most of which will be brought to closure within a 12-month period. He went on to state that, for those campuses that have recommendations extending beyond this timeframe, his office is working with the campuses to attain closure.

With regard to the information contained on the construction audit matrix, Mr. Mandel explained that all recommendations for fiscal year 1997/1998 projects have been closed, and five items remain open for fiscal year 1998/1999 projects. However, the Office of the University Auditor is working closely with Capital Planning, Design and Construction (CPD&C) to bring these items to closure. Mr. Mandel pointed out that the auditors from Peat Marwick are currently writing reports for construction reviews performed at the San Jose, Humboldt, and San Marcos campuses. These reviews, along with three others, are scheduled for completion during fiscal year 1999/2000.

Chair Wang thanked the campuses and Mr. Mandel for the progress made in closing the older outstanding items. He indicated that all of those recommendations which had been open for more than 24 months were now closed. In addition, he noted that only four campuses have recommendations outstanding in excess of 12 months.

Chair Wang also noted that, although the matrix denotes one open item for the Continuing Education audit performed on the San Diego campus, that item had been closed subsequent to the mailing deadline for the matrix. Additionally, three recommendations were closed after the mailing deadline for the Continuing Education audit performed on the Hayward campus.

Adjournment

The meeting adjourned at 8:46 a.m.

BRIEF

Information Item

Agenda Item 1

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 2000 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, Hazardous Material Management, Student Health Centers, Public Safety Information Systems, and Construction. In addition, follow-up on past assignments (FISMA, Risk Management, Continuing Education, Student Records and Operations, and Maintenance of Plant) is currently being conducted on 39 prior campus reviews. Attachment A, summarizing the reviews in tabular form, will be distributed at the committee meeting.

ITEM

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Agenda Item 1

May 9-10, 2000

COMMITTEE ON AUDIT

Status Report on Current and Follow-up Internal Audit Assignments

At the January 2000 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, Hazardous Materials Management, Student Health Centers, Public Safety, Information Systems, and Construction.

FISMA

The audit plan indicated that approximately 130 staff weeks of activity (18 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. Report writing is being completed on five campus reviews, while fieldwork is continuing at one campus.

Auxiliary Organizations

The audit plan indicated that approximately 165 staff weeks of activity (23 percent of the plan) would be devoted to auditing internal compliance/internal control at 11 campuses. Report writing is being completed on one campus review, while fieldwork is continuing at two campuses/seven auxiliaries.

Hazardous Materials Management

The audit plan indicated that approximately 101 staff weeks of activity (15 percent of the plan) would be devoted to a review of 11 campuses on training; inventory procedures; labeling and other forms of warnings; Material Safety Data Sheets (MSDS); hazardous waste registration, permit, and manifesting; emergency and contingency planning; and hazardous waste disposal programs. Report writing is being completed on two campus reviews, while fieldwork continues on one campus.

Student Health Centers

The audit plan indicated that approximately 101 staff weeks of activity (15 percent of the plan) would be devoted to a review of 11 campuses on establishment of health services and fees; qualifications and continuing education of SHC practitioners; control of fee revenue; budgetary controls; expenditures; maintenance of SHC accreditation status; security of medical records; and

pharmacy controls. Report writing is being completed on one campus review, while fieldwork is continuing at two campuses.

Public Safety

The audit plan indicated that approximately 101 staff weeks of activity (15 percent of the audit plan) would be devoted to a review of 11 campuses on communication of policies and procedures; relationships with external agencies; compliance with state-mandated POST standards and training requirements; budgetary and expenditure controls over public safety and parking funds; administration and accounting for POST funds and other special monies; cancellation of parking citations; accumulation and reporting of crime statistics; access controls over law enforcement data and confidentiality of records; effective use of physical assets and human resources; and controls over crime scene evidence and public safety equipment. Report writing is being completed on one campus, while fieldwork continues at one campus.

Information Systems

The audit plan indicated that approximately 40 staff weeks of activity (5 percent of the plan) would be devoted to review of systemwide projects such as Year 2000, Disaster Recovery, Collaborative Management Systems (CMS), Systemwide Internal Partnership (SIP), and Electronic Commerce. In addition, training and support will be provided in the area of financial internal controls (FISMA) for both campus and auxiliary audits. Review and training are ongoing.

Follow-ups

The audit plan indicated that approximately 25 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 39 prior audits (FISMA, Risk Management, Student Records, Operation and Maintenance of Plant, and Continuing Education) 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 (6 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

For the 1999/2000 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. Five of the projects are in the fieldwork or report writing stage at this time.