

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 3:45 p.m., Tuesday, September 16, 2003**  
**Glenn S. Dumke Auditorium**

Shailesh J. Mehta, Chair  
Roberta Achtenberg, Vice Chair  
Debra Farar  
William Hauck  
Frederick W. Pierce, IV

#### **Consent Items**

Approval of Minutes of Meeting of July 15, 2003

#### **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 15, 2003**

**Members Present**

Shailesh J. Mehta, Chair  
Debra S. Farar, Chair of the Board  
Frederick W. Pierce, IV  
William Hauck

**Members Absent**

Kyriakos Tsakopoulos, Vice Chair

**Other Trustees Present**

Roberta Achtenberg  
Cruz M. Bustamante, Lt. Governor  
Harold Goldwhite  
Alice Huffman  
M. Alexander Lopez  
Ralph R. Pesqueira  
Charles B. Reed, Chancellor

**Chancellor's Office Staff**

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

Chair Mehta called the meeting to order at 3:11 p.m.

**Approval of Minutes**

The minutes of the special meeting of May 8, 2003, were approved as submitted.

The minutes of the meeting of May 14, 2003, were approved as submitted.

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

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

*FISMA* – Report writing is being completed on three campus reviews.

*Auxiliary Organizations* – Report writing is being completed on four campuses/thirteen auxiliaries.

*Employee Relations* – One audit awaits a campus response prior to finalization, report writing is being completed on two campus reviews, and fieldwork is taking place at one campus.

*Risk Management and Insurance* – Two audits await a campus response prior to finalization, and report writing is being completed on two campus reviews.

*Disaster/Contingency Planning* – Report writing is being completed on three campus reviews, and fieldwork is currently taking place at two campuses.

As per the audit plan, 12 FISMA reviews, 28 auxiliary organization reviews, and 30 subject area reviews (10 in each subject area) will be completed this year.

*Follow-up* – Currently tracking approximately 50 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Development, Contracts and Grants, Financial Aid, and Disability Support and Accommodations) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

*Construction* – For fiscal year 2002/03, six construction projects are being reviewed by KPMG with coordination from the Office of the University Auditor. Two of these projects have been completed, two projects await a campus response prior to finalization, report writing is being completed on one project, and one project is in the fieldwork stage.

Mr. Mandel commented that the campuses are making significant progress toward completing the recommendations. He stated that most of the campuses are at or below the 12-month period for completing outstanding recommendations. One outstanding recommendation pertaining to Contracts and Grants, Systemwide, is beyond the 12-month period, but management is diligently working on the completion of this recommendation.

### **Status Report on the Bureau of State Audits Report on the Common Management System**

Mr. Richard P. West, executive vice chancellor and chief financial officer, presented the item by reporting on further actions that have occurred to implement the 30 recommendations contained in the Bureau of State Audits (BSA) Report on the Common Management System.

Mr. West explained that the BSA requires the filing of periodic reports (at sixty days, six months and one year) detailing the steps the University has taken to respond to the 30 recommendations. He stated that the first of these reports indicated that the CSU had implemented 16 of the recommendations. He further stated that the BSA has requested additional detail for 4 of the 16 implemented recommendations.

Mr. West indicated that since the initial report to the BSA, two additional recommendations have been completed. He further indicated that the recommendation pertaining to the use of an independent oversight consultant will be affected by Assembly Bill 491, and therefore, the CSU is awaiting the outcome of the legislation before responding to this recommendation. He stated that the University continues to work toward the completion of all 30 recommendations by the end of this calendar year, which would be well in advance of March 11th, the one-year anniversary of the completion of the audit.

Mr. West noted that the six-month report, further indicating the status of implemented recommendations, would be filed with the BSA in September 2003. He further noted that an updated report would also be presented at the next Committee on Audit meeting.

### **Adjournment**

The meeting was adjourned at 3:16 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 2003 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, Employee Relations, Risk Management and Insurance, Disaster/Contingency Planning, Information Systems, and Construction. In addition, follow-up on past assignments (Special Investigations, FISMA, Auxiliary Organizations, Development, Contracts and Grants, Financial Aid, and Disability Support and Accommodations) is currently being conducted on approximately 50 prior campus/auxiliary/investigative 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 2003 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, Employee Relations, Risk Management and Insurance, Disaster/Contingency Planning, 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, three audits await a campus response prior to finalization, and fieldwork is currently taking place at two campuses.

#### *Auxiliary Organizations*

The audit plan indicated that approximately 234 staff weeks of activity (30 percent of the plan) would be devoted to auditing internal compliance/internal control at 7 campuses/26 auxiliaries. Report writing is being completed on four campuses/sixteen auxiliaries.

### *Employee Relations*

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 activities involved in negotiating and administering collective bargaining agreements with represented employees, administering the management personnel plan for nonrepresented employees, and the systems for addressing staff grievances and complaints. One audit awaits a campus response prior to finalization, report writing is being completed on three campus reviews, and fieldwork continues at two campuses.

### *Risk Management and Insurance*

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 risk and liability assessments, self insurance, selection of insurance coverage and carriers, risk mitigation and prevention programs, claims review and processing, and operations of the California State University Risk Management Authority. Two audits await a campus response prior to finalization, and report writing is being completed on five campus reviews.

### *Disaster/Contingency Planning*

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 compliance with bond resolutions, Trustee policy and systemwide directives, contingency and disaster recovery planning, backup communications, building safety and emergency egress including provisions for individuals with disabilities, the extent of plan testing, and relationships with state and federal emergency management agencies. One audit awaits a campus response prior to finalization, and report writing is being completed on six campus reviews.

### *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, Common 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 30 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 50 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Development, Contracts and Grants, Financial Aid, and Disability Support and Accommodations) 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 2002/03 fiscal year, six construction projects are being reviewed by KPMG with coordination from the Office of the University Auditor. Areas under review include construction bid process, change orders, project management services, contractor compliance, liquidated damages, and cost verification of major equipment and construction components. Two audits have been completed, three audits await a campus response prior to finalization, and report writing is being completed on one project.

### *Training*

The audit plan indicated that approximately 10 staff weeks of activity (1 percent of the plan) would be devoted to training in control self-assessment. The program consists of a two-day workshop where risk assessment/mitigation and internal control training will be provided and a targeted risk assessment profile will be developed. In addition, the Office of the University Auditor is planning two, one-day workshops on various aspects of audit coordination and process.

**Status Report on Current and Follow-Up Internal Audit Assignments**  
(as of 8/27/2003)

2003 ASSIGNMENTS										FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS									
FISMA	Aux Orgs	Emp Rel	Risk Mgt Insur	Disas/ Contin Ping	Special Investigations	FISMA	Auxiliary Organizations	Development	Contracts and Grants	Financial Aid	Disabil Support and Accom								
					*Recs **Mo.	*Recs **Mo.	*No. *Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.								
BAK				RW		12/12	3 0/42	7/7	8/8		6/12								
CHI			AI			5/5	3 55/55	7/7		0/5	5								
DH							3 30/30	5/5		1/1									
FRE						13/13		10/10			2/5								
FUL		RW		RW		17/17		7/7	6/6		8/8								
HAY			RW			16/22	4 0/65	7/7		3/4	10								
HUM			RW			2/4	3 50/53		6/6		12/16								
LB						10/10	3 47/47	8/8			3/3								
LA			RW			4/5	4 54/54	6/7	8/8	0/6	5								
MA						0/14													
MB				RW		8/17		9/9		0/5	5								
NOR						8/8		10/10	9/9		3/3								
POM		AI	AI	RW		6/9	3 34/34	11/11		8/8									
SAC			RW			0/13	5 44/65	11/11	9/9										
SB						21/21		7/7			7/9								
SD	AC			RW	3/79		4 40/40	3/5	6 5/5	6/7	10								
SF	AI							9/9	9/9	4/5	5								
SJ		FW	RW				4 78/93	7/11	10/10		3/4								
SLO				RW				8/8	4/4										
SM				AI	41/41	16/17	2 42/42	3/3		2/2									
SON	AI						4 44/44	7/7			0/0								
STA	AI						4 50/50	9/9		4/4									
CO	FW						2 16/16												
SYS								0/6	3 8/9	15									

\* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report. A "0" in a column is used as a place holder until such time as documentation is provided to the OUA evidencing that a recommendation has been satisfactorily addressed; significant progress may have been made prior to that time.

\*\*The number of months recommendations have been outstanding (since the formal campus exit conference).

• The number of auxiliary organizations reviewed.

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

Status Report on Current and Follow-Up Construction Audit Assignments  
 (as of 8/27/2003)

Project No.	Project	Contractor	Project Cost	Start Date	Comp. Date	Managed By	Current *	Follow-Up	
								**RECS	***MO.
2002/03	CH-630	Bender	\$26,422,060	11/1/1996	Jun-01	Campus	AC	5/7	5
	HUM	Mallcraft, Inc	\$19,618,000	11/1/1996	Jul-02	Campus	AC	1/5	5
	SON	West Coast Contract	\$20,153,000	9/1/1999	Jul-02	Campus	AI		
	SM	Academic II Bldgs 26, 27, & 37 Swinerton Walberg	\$33,665,000	8/1/1998	Jun-02	Campus	AI		
	FUL	Student Housing Expansion	\$22,404,000	1/1/2000	Aug-02	Campus	RW		
	DH	Technology Center/Adm. Bldg.	\$30,915,000	8/1/1998	Oct-02	Campus	RW		
2001/02	SF	Student Union Renovation	\$10,500,000	12/23/1998	Sep-00	Campus	AC	11/11	-
	SB	Student Housing Phase 1	\$11,369,000	10/1/1999	Aug-01	Campus	AC	7/7	-
	ST	Educational Services Building	\$24,409,000	6/1/1999	Dec-01	Campus	AC	4/4	-
	SD-452	Science Laboratory Building	\$29,828,000	7/1/1999	Apr-01	Campus	AC	3/3	-
	SD	Residential Suites	\$37,884,000	7/1/1996	Sep-01	Campus	AC	3/3	-
	SB	Coachella Off Campus	\$11,048,000	1/1/2000	Feb-02	Campus	AC	11/11	-

\*FW = Field Work in Progress; RW = Report Writing in Progress; AI = Audit Incomplete (awaiting response); AC = Audit Complete  
 \*\*The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.  
 \*\*\*The number of months that recommendations have been outstanding (since the formal exit conference).