AGENDA

COMMITTEE ON AUDIT

Meeting: 3:45 p.m., Tuesday, July 16, 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 May 15, 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

May 15, 2002

Members Present
Shailesh J. Mehta, Chair
Daniel N. Cartwright
Murray L. Galinson
Harold Goldwhite
Frederick W. Pierce, IV

Members Absent
Ricardo F. Icaza

Other Trustees Present
Debra S. Farar, Chair of the Board
Martha C. Fallgatter
Robert G. Foster
Charles B. Reed, Chancellor
Erene S. Thomas
Kyriakos Tsakopoulos

Chancellor’s Office Staff
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 9:00 a.m.

Approval of Minutes

The minutes of the meeting of March 12, 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** – Report writing is being completed on six campus reviews.

**Auxiliary Organizations** – Report writing is being completed on two campus reviews/five auxiliaries, while fieldwork is currently taking place at one campus/five auxiliaries.

**Financial Aid** – Report writing is being completed on two campus reviews.

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

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

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 50 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Hazardous Materials Management, Public Safety, 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. Report writing is being completed on four projects, while fieldwork is taking place on one project.

Mr. Mandel stated that most of the campuses are below or at the twelve-month period for completing outstanding recommendations. He commented that the campuses have done an exceptional job in completing the recommendations and are to be commended for their efforts. He noted that only one recommendation remains outstanding beyond the twelve-month period and indicated that the recommendation would be closed when the Emergency Communications Dispatch Agreement between the county and the campus at Monterey Bay has been finalized.

Trustee Galinson expressed his appreciation for receiving the matrix in advance of the Committee meeting.
Mr. Mandel indicated that for the 2000/2001 Construction projects, only two recommendations remain outstanding. He commended Mr. Patrick Drohan, Assistant Vice Chancellor, Capital Planning, Design and Construction, and his staff for their efforts in completing the recommendations.

Mr. Mandel noted that while all recommendations related to the renovation of the Engineering and Technology Building at California State University, Los Angeles had been completed, legal counsel has issued a demand letter in the amount of $983,545 to a design contractor for breach of contract. The $983,545 was the cost incurred to acquire another contractor to complete the project.

Trustee Cartwright congratulated Dr. Ruben Armiñana, President, Sonoma State University, on the successful completion of the outstanding recommendations.

Mr. Mandel gave a status report of corrective action taken in response to the Single Audit of Federal Funds for the Year Ended June 30, 2001. This audit contained five recommendations, covering three campuses. He noted that three recommendations have been completed, while two are partially completed at this time.

The meeting was adjourned at 9:06 a.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, Public Safety, Development, Contracts and Grants, and Delegations of Authority) is currently being conducted on approximately 45 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. Two audits await a campus response prior to finalization, and report writing is being completed on four campus reviews.

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. Report writing is being completed on three campus/ten 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. 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 two campus reviews, while fieldwork is currently taking place at four 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. Report writing is being completed on four 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 45 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Hazardous Materials Management, Public Safety, 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 await a campus response prior to finalization, report writing is being completed on three projects, while fieldwork is currently taking place on one project.

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.
### Status Report on Current and Follow-Up Internal Audit Assignments

(as of 6/21/2002)

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

* 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.
### Status Report on Current and Follow-Up Construction Audit Assignments  
(as of 6/21/2002)

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*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).