

AGENDA

COMMITTEE ON AUDIT

Meeting: 9:00 a.m., Wednesday, September 19, 2007
Glenn S. Dumke Auditorium

Raymond W. Holdsworth, Chair
Kenneth Fong, Vice Chair
Herbert L. Carter
George G. Gowgani
Melinda Guzman
William Hauck
Ricardo Icaza
Glen O. Toney

Consent Items

Approval of Minutes of Meeting of July 10, 2007

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 10, 2007

Members Present

Raymond W. Holdsworth, Chair
Kenneth Fong, Vice Chair
Roberta Achtenberg, Chair of the Board
Melinda Guzman
William Hauck
Glen O. Toney

Chair Holdsworth called the meeting to order.

Approval of Minutes

The minutes of the meeting of May 16, 2007, were approved as submitted.

Chair Holdsworth reported that interim closing financial processes had been scheduled for 16 of the campuses, 13 of which have been completed. He further reported that the chancellor's office had selected and reviewed the financial closing processes for four campuses. He stated that a fifth campus had requested a review by the chancellor's office, and applauded the campus president for requesting assistance especially in light of the past staff turnover problems at that campus. Chair Holdsworth mentioned that the financial books would close on July 16, 2007, and thanked the presidents for all of their attention in this regard. He also mentioned that telephone interviews took place with KPMG and all the auxiliary organizations regarding, among other things, the requirements of FASB 112.

Status Report on Current and Follow-up Internal Audit Assignments

Mr. Larry Mandel, university auditor, presented the Status Report on Current and Follow-up Internal Audit Assignments, Agenda Item 1 of the May 15-16, 2007, Board of Trustees agenda.

Mr. Mandel indicated that the campuses continue to make exceedingly good progress in the timely completion of the recommendations. He reported that since the Agenda Book mail-out, there had been approximately 18 updates to the status report regarding the completion of the outstanding recommendations. Mr. Mandel noted that only one area has been outstanding for several months (Continuing Education, Systemwide).

Chair Holdsworth inquired about the timeline for completion of the outstanding systemwide recommendations pertaining to Continuing Education.

Mr. Richard P. West, executive vice chancellor and chief financial officer, stated that the delay in the completion of the recommendations for Continuing Education was due to the inception of the Revenue Management Program. He anticipated completion of the outstanding recommendations for Continuing Education by September 2007.

Chair Holdsworth also remarked on the progress that had been made on the status report in completing the recommendations in a timely manner. He commended the campus presidents and noted that their efforts resulted in the most complete status report presented in the last two years.

California State University Information Security Program Status Report

Chair Holdsworth reminded the Trustees that an overview on information security planning was presented at the November 2006 Board meeting. He acknowledged the budget challenges presented to the campus presidents as a result of necessary upgrades and improvements to systemwide information security, but stated that protecting the information and the confidentiality of the University is a critical priority for the entire system.

Mr. West then introduced Mr. David J. Ernst, assistant vice chancellor, information technology services, who presented a status report on the CSU information security program. He reminded the Trustees that Unisys Corporation was awarded a contract to assist the CSU with determining the status of systemwide information security. Representatives from Unisys visited nine pre-selected campuses and the chancellor's office in order to provide recommendations for the overall improvement of information security based on a set of international standards determined to be the best guidelines for the CSU. He explained that the gap analysis report provided six recommendations for the improvement of systemwide security pertaining to the following: Development of Information Security Policies and Standards; Security Awareness and Training; Organizational Information Security; Data and Asset Classification; Incident Management; and Business Continuity/Resumption Planning. He indicated that currently, the campuses and the chancellor's office are working collaboratively on addressing the findings from the gap analysis report. In addition, Mr. Ernst stated that two of the three principal challenges for the improvement of information security at the University had been implemented: the hiring of a systemwide information security officer and the hiring of information security officers at every campus. He added that the development of a comprehensive systemwide information security plan is currently underway.

Mr. Ernst indicated that the CSU will be engaging a consulting firm to help develop and implement systemwide information security policies and standards. He noted that the first draft of the policies and standards should be completed by the end of calendar year 2007.

Mr. Ernst indicated that the CSU will also be engaging a consulting firm to help develop and provide web-based security awareness training to all staff, including auxiliary organizations. He stated that the contract should be awarded in October 2007 and estimated that it would then take about nine months to train all CSU employees, faculty, and staff on the awareness program. In addition, specific training will be provided for those employees using confidential data in such areas as healthcare, admissions, and financial aid. Mr. Ernst noted that although instances of hacking into the CSU system have been noted, the tracking of security incidents has shown that the biggest challenge lies in training people in the proper information security practices.

Mr. Ernst stated that although significant progress is being made, establishing an effective information security program typically takes three to five years in large organizations such as the CSU. However, he added that both short-term projects and long-term strategies will be immediately addressed to help ensure the best possible security of information for the entire CSU. He indicated that beginning in 2008, the Office of the University Auditor will begin auditing campus progress toward compliance with security best practices and added that discussions have taken place with Mr. Mandel and his staff to determine how best to prepare for the audit plan.

Chancellor Reed stated his opinion that two of the biggest security challenges are the disposal of old and obsolete data/information and the training of people regarding the information within their possession. He noted that several incidents of stolen laptops have been reported due to the carelessness of individuals.

Chair Holdsworth commented to the campus presidents that he agreed with Chancellor Reed that security awareness and training is a high priority, especially for those individuals who have access to confidential and/or sensitive information. He also advised the presidents to review the reporting structure for their respective information security officer to determine whether it is appropriate and effective in relation to the overall security plan.

Chair Holdsworth stated that a common set of information security policies, standards, and best practices would be developed and required for use by all the campuses. However, he further stated that, as noted in one of the consultant's recommendations in the Agenda Book, it will also allow campuses limited options in how they meet the policy requirements. He stated his belief that this will prevent the reinventing of policies and standards and will also facilitate training of staff.

Chair Holdsworth indicated that information technology may become part of the audit plan for 2008 and solicited recommendations from the campus presidents for areas of review.

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 2007 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, Contracts and Grants, Occupational Health and Safety, Athletics Administration, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Continuing Education, Delegations of Authority, Disaster and Emergency Preparedness, and Athletics Administration) is currently being conducted on approximately 25 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 2007 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, Contracts and Grants, Occupational Health and Safety, Athletics Administration, and Construction.

FISMA

The initial audit plan indicated that approximately 130 staff weeks of activity (15 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. Three audits have been completed, and two audits await a campus response prior to finalization.

Auxiliary Organizations

The initial audit plan indicated that approximately 286 staff weeks of activity (34 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/29 auxiliaries. Two campus/seven auxiliary reports have been completed, two campus/seven auxiliary reports are awaiting a campus response prior to finalization, and report writing is being completed at one campus/four auxiliaries.

Contracts and Grants

The initial audit plan indicated that approximately 97 staff weeks of activity (11 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. Two audits await a campus response prior to finalization, and report writing is being completed at four campuses.

Occupational Health and Safety

The initial audit plan indicated that approximately 97 staff weeks of activity (11 percent of the plan) would be devoted to oversight of the campus injury and illness prevention program (IIPP), job and workplace conditions, employee health examinations and medical monitoring, health and safety training, work-related accidents, and programs for complying with federal and state occupational regulations. One audit has been completed, report writing is being completed at two campuses, and fieldwork is currently taking place at two campuses.

Athletics Administration

The initial audit plan indicated that approximately 79 staff weeks of activity (9 percent of the audit plan) would be devoted to a review of five to seven campuses to ensure proper administration/review of the general control environment for athletics and control activities undertaken to assure implementation of appropriate institutional systems, policies and procedures for financial oversight, and stewardship of athletics. Two audits await a campus response prior to finalization, report writing is being completed at two campuses, and fieldwork is currently taking place at one campus.

Information Systems

The initial audit plan indicated that approximately 45 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 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 25 prior audits (FISMA, Auxiliary Organizations, Continuing Education, Delegations of Authority, Disaster and Emergency Preparedness, and Athletics Administration) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Consultations

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. Thirty-eight staff weeks have been set aside for this purpose, representing approximately 4 percent of the audit plan.

Investigations

The Office of the University Auditor is periodically called upon to provide investigative reviews which are often the result of alleged defalcations or conflicts of interest. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the State Auditor, and directly from the chancellor's office. Forty-five staff weeks have been set aside for this purpose, representing approximately 5 percent of the audit plan.

Construction

The audit plan indicated that approximately five staff weeks of activity (1 percent of the plan) would be devoted to coordination of construction auditing. For the 2006/07 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. Five staff weeks have been set aside for this purpose, representing approximately 1 percent of the audit plan. All six audits have been completed.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 8/31/2007)

	2007 ASSIGNMENTS					FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS												
	FISMA	Aux Orgs	Contracts and Grants	Occ Hlth and Safety	Athletics Admin	FISMA		Auxiliary Organizations		Continuing Education		Del of Authority		Dis & Emerg Preparedness		Athletics Administration		
						*Recs	**Mo.	•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK					RW	12/12	-	3	22/22	-			7/7	-				
CHI			RW			7/7	-	3	5/6	5	9/9	-						
CI						13/13	-	2	26/26	-					7/7	-		
DH	AI		RW					3	11/14	5					9/9	-		
EB				AC		16/16	-	4	40/40	-								
FRE			AI			7/7	-	6	47/47	-					3/3	-	0/15	4
FUL			RW			7/7	-	4	31/31	-	5/5	-					9/9	-
HUM					RW	10/14	5	3	25/25	-					4/7	8		
LB					AI	13/13	-	3	19/19	-	5/5	-	4/4	-				
LA		RW				5/5	-	4			2/2	-	7/7	-				
MA						7/16	5	2	14/14	-	12/12	-						
MB				RW		8/8	-	2	17/17	-			8/10	7				
NOR					AI	8/8	-	5	30/30	-								
POM		AI				7/10	7	3			7/7	-			4/4	-		
SAC			AI			3/10	4	5	36/36	-							13/13	-
SB	AI							3	17/17	-					6/6	-		
SD	AC	AC		FW		1/7	3	4	0/11	2					6/6	-	14/14	-
SF	AC			RW		11/11	-	4	32/32	-			4/4	-				
SJ		AI		FW		0/24	4	4		-			6/6	-			15/20	7
SLO					FW	10/10	-	2	13/13	-								
SM		AC				11/11	-	3	0/22	2	5/5	-	7/7	-				
SON						6/6	-	4	18/18	-					5/5	-		
STA	AC		RW			0/11	2	4	27/27	-			7/7	-				
CO						4/4	-	2	11/11	-			9/9	-	7/8	7		
SYS											3/6	15	7/7	-	0/6	5		
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.													

