

AGENDA

COMMITTEE ON AUDIT

Meeting: 8:30 a.m., Wednesday, September 17, 2008
Glenn S. Dumke Auditorium

Melinda Guzman, Chair
Raymond W. Holdsworth, Vice Chair
Herbert L. Carter
Kenneth Fong
Margaret Fortune
George G. Gowgani
William Hauck

Consent Items

Approval of Minutes of Meeting of July 15, 2008

Discussion Items

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Report on Construction Auditing in the California State University, 2007-2008, *Information*
3. Progress Report on the Corrective Action Plans for the Audit Findings in the Systemwide Audit in Accordance with Generally Accepted Accounting Principles and the Single Audit Reports for the Year Ended June 30, 2007, *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, 2008

Members Present

Melinda Guzman, Chair
Raymond W. Holdsworth, Vice Chair
Jeffrey L. Bleich, Chair of the Board
Herbert L. Carter
Kenneth Fong
Margaret Fortune
George G. Gowgani
William Hauck

Chair Guzman called the meeting to order.

Approval of Minutes

The minutes of the meeting of May 13, 2008, were approved as submitted.

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 July 15, 2008, Board of Trustees agenda.

Mr. Mandel stated that approximately 50 percent of the audit plan for calendar year 2008 had been completed. He indicated that the campuses continue to make exceptional progress in the timely completion of the recommendations as evidenced on the status report. He reported that reviews on Occupational Health and Safety at California State University, Monterey Bay and San Diego State University had outstanding recommendations at seven and six months, respectively. He added that the office of the university auditor was working with the campuses to ensure that the recommendations are completed in a timely manner. Mr. Mandel also reported that two recommendations contained within construction reviews were outstanding for 12 months, but indicated that the campuses anticipated completion by the September 2008 Board meeting.

Progress Report on the Corrective Action Plans for the Audit Findings in the Systemwide Audit in Accordance with Generally Accepted Accounting Principles and the Single Audit Reports for the Year Ended June 30, 2007

Ms. Colleen Nickles, assistant vice chancellor, financial services, provided a status report regarding the five findings pertaining to the annual financial statement audit, the information technology audit, and the A133 audit of federally sponsored programs, which were conducted by KPMG. She reported that the corrective actions required for all of the findings had been completed with the exception of the item regarding information technology user access. Ms. Nickles added that she and the senior director for information technology sent a memorandum to the campus vice presidents reminding them of the requirements to annually review user access to ensure no one person has overly broad access to systems and that continuing access is necessary. She anticipated completion of the corrective action on the information technology finding by the September 2008 Board meeting.

Ms. Nickles congratulated the campus presidents for the timely completion of the first submission of financial information for the preparation of the 2007/08 annual financial statements. She reported that all but two campuses had already submitted the financial information and anticipated completion from the remaining two campuses by the July 15, 2008, deadline.

Chair Guzman thanked and acknowledged both Mr. Mandel and Ms. Nickles for their support as she begins as the newly appointed chair of the Committee on Audit. She also thanked the campus presidents for their efforts in meeting all of the deadlines.

Chair Guzman adjourned the meeting.

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 2008 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, Information Security, Police Services, Student Records and Registration, and Construction. In addition, follow-up on past assignments (Special Investigations, FISMA, Auxiliary Organizations, Contracts and Grants, Occupational Health and Safety, and Athletics Administration) is currently being conducted on approximately 20 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 2008 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, Information Security, Police Services (formerly known as Public Safety), Student Records and Registration, 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. One audit has been completed, and five audits await a campus response prior to finalization.

Auxiliary Organizations

The initial audit plan indicated that approximately 298 staff weeks of activity (35 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/28 auxiliaries. One campus/two auxiliary reports have been completed, two campus/nine auxiliary reports are awaiting a campus response prior to finalization, and report writing is being completed for two campuses/nine auxiliaries.

Information Security

The initial audit plan indicated that approximately 97 staff weeks of activity (11 percent of the plan) would be devoted to a review of the systems in place to protect the confidentiality, integrity, and access/availability of information including systems to limit collection of information, control access to data and assure that individuals with access to data do not utilize the data for unauthorized purposes, encrypt data in storage and transmission, and implement physical and logical security measures for all sources. One audit has been completed, two audits await a campus response prior to finalization, report writing is being completed for three campuses, and fieldwork is currently taking place at two campuses.

Police Services

The initial audit plan indicated that approximately 97 staff weeks of activity (11 percent of the plan) would be devoted to a review of compliance with federal and state laws, Trustee and campus policy, and Chancellor's Office directives; staffing and scheduling; participation in disaster planning and the CSU Critical Response Unit; certifications and training; budgeting controls and chargebacks; dispatch operations, field reporting, and case monitoring; internal investigations; evidence and equipment controls; accumulation and reporting of crime statistics; integrity and security of public safety records, files, and information; and parking citations revenue, and fund. Two audits await a campus response prior to finalization, report writing is being completed for two campuses, and fieldwork is currently taking place at one campus.

Student Records and Registration

The initial audit plan indicated that approximately 97 staff weeks of activity (11 percent of the audit plan) would be devoted to a review of database recordkeeping and registration systems procedures for creating and changing records, and security measures protecting against unauthorized or inadvertent modification, removal, or destruction of records. One audit awaits a campus response prior to finalization, report writing is being completed for three campuses, and fieldwork is currently taking place at four campuses.

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 23 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 20 prior audits (FISMA, Auxiliary Organizations, Contracts and Grants, Occupational Health and Safety, 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. Eight staff weeks have been set aside for this purpose, representing approximately 1 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 2007/08 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 8/28/2008)

	2008 ASSIGNMENTS					FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS												
	FISMA	Aux Orgs	Info Security	Police Services	Student Records	Special Investigations		FISMA		Auxiliary Organizations			Contracts and Grants		Occ Health and Safety		Athletics Administration	
						*Recs	**Mo.	*Recs	**Mo.	•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK		AI						12/12	-	3							13/13	-
CHI	AI		RW							3	6/6	-	3/3	-				
CI		AC		FW				0/9	4	2	0/10	1						
DH				AI				9/9	-	3	14/14	-	10/10	-				
EB	AI	RW				6/6	-			4			8/10	7	9/9	-		
FRE		AI			FW			5/14	5	6			9/9	-			15/15	-
FUL			AC					9/9	-	4	31/31	-	3/3	-	8/8	-	9/9	-
HUM								14/14	-	4	14/15	5					9/9	-
LB					RW			7/13	4	3	19/19	-	2/2	-			14/14	-
LA	AC				RW			0/3	4	4	11/11	-			3/3	-		
MA								16/16	-	2	14/14	-						
MB					RW			0/11	4	2	17/17	-			9/9	-		
NOR	AI		FW							5	30/30	-			4/4	-	12/12	-
POM			AI					10/10	-	3	24/24	-						
SAC		RW						10/10	-	5			5/5	-			13/13	-
SB				AI	FW			3/3	-	3	17/17	-						
SD			RW		AI			7/7	-	4	11/11	-			7/7	-	14/14	-
SF				RW				11/11	-	4	32/32	-			6/6	-		
SJ			FW	RW				24/24	-	5	32/32	-			8/8	-	20/20	-
SLO	AI									2	13/13	-					9/12	5
SM	AI									3	22/22	-						
SON			AI		FW			0/6	4	4	18/18	-	3/3	-				
STA			RW		FW			11/11	-	4	0/17	5						
CO								2/2	-	2	4/4	-						
SYS													0/11	5	0/5	5	0/11	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.												

COMMITTEE ON AUDIT

Report on Construction Auditing in the California State University, 2007-2008

Presentation By

Larry Mandel
University Auditor

Chris Ray
Systemwide Coordinating Partner, KPMG

Summary

For the 2007/08 fiscal year, construction auditing was performed for the CSU under a contract with KPMG. The contract called for six construction projects to be reviewed with coordination from the Office of the University Auditor. Areas under review included construction bid process, change orders, project management services, contractor compliance, liquidated damages, and cost verification of major equipment and construction components. A representative from KPMG, the external audit firm hired by the California State University to conduct the audit, will make a presentation and respond to questions. A copy of the report is enclosed for your review.

COMMITTEE ON AUDIT

Progress Report on the Corrective Action Plans for the Audit Findings in the Systemwide Audit in Accordance with Generally Accepted Accounting Principles and the Single Audit Reports for the Year Ended June 30, 2007

Presentation by

Colleen Nickles
Assistant Vice Chancellor
Financial Services

Summary

The Chancellor's Office has been working with campuses to develop guidelines to remedy weaknesses identified from the audits. Campuses are in the process of implementing corrective steps based on the guidelines.

A more detailed status report on resolving the weaknesses identified by the external auditors will be presented at the meeting. The Internal Auditor will validate that the corrective work adequately addresses the weaknesses.