

AGENDA

COMMITTEE ON AUDIT

Meeting: 1:00 p.m., Tuesday, March 20, 2012
Glenn S. Dumke Auditorium

Henry Mendoza, Chair
Melinda Guzman, Vice Chair
Margaret Fortune
Steven M. Glazer
William Hauck
Linda Lang

Consent Items

Approval of Minutes of Meeting of January 25, 2012

Discussion Items

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Status Report on Corrective Action for the Findings in the California State University A-133 Single Audit Reports and Auxiliary Organization Audit Reports for the Fiscal Year Ended June 30, 2011, *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**

January 25, 2012

Members Present

Henry Mendoza, Chair
Melinda Guzman, Vice Chair
Steven M. Glazer
William Hauck
Linda A. Lang
Charles B. Reed, Chancellor
Herbert L. Carter, Chair of the Board

Chair Mendoza called the meeting to order.

Approval of Minutes

The minutes of the November 15, 2011 meeting 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 January 24-25, 2012, Board of Trustees agenda.

Mr. Mandel reminded everyone that updates to the status report are displayed in green numerals and indicate progress toward or completion of outstanding recommendations since the distribution of the agenda. He reported that many of the campuses are continuing to make very good progress in the closing of outstanding recommendations in a reasonable time period. He noted that the CSU Chancellor's Office and two of the campuses have outstanding recommendations beyond the benchmark of six months, but anticipated completion of these items by the March 2012 board meeting. In addition, Mr. Mandel stated that the audit assignments from the 2011 audit plan would all be completed by the next board meeting.

Chair Mendoza thanked all the campus presidents and their staffs for their continued effort in the timely completion of the audit recommendations. He stated his appreciation for the improvement on the number of months outstanding since the time he became the chair of the Committee on Audit.

Assignment of Functions to Be Reviewed by the Office of the University Auditor for Calendar Year 2012

Mr. Mandel stated that each year at the January meeting of the Board of Trustees, the Committee on Audit reviews the audit assignments for the Office of the University Auditor (OUA) and approves the audit plan for the year. The California State University Risk Management Authority (CSURMA) was formed in January 1997 and its programs have never been audited; therefore, this subject area has been included in the audit plan as per discussions with Dr. Benjamin F. Quillian, executive vice chancellor/chief financial officer. In addition, Mr. Mandel noted that the OUA performed a risk assessment of the California State University (CSU) in the last quarter of 2011 to determine the areas of highest risk to the system. The results of that risk assessment indicated the following five areas: Facilities Management, Title IX, Data Center Operations, Identity Management and Common System Access, and International Programs. He indicated that audits would be performed at those campuses where a greater degree of risk was perceived for each of these areas. He then explained that audits are periodically performed of high profile areas in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system; therefore, Public Safety has also been selected as a subject area for 2012. Mr. Mandel reminded the trustees that FISMA (financial internal control) audits are no longer being conducted in the same manner as had been done for the past several years. As per an agreement with the Department of Finance, a different auditing approach is now being used that addresses core financial areas. This year the OUA will complete an audit of Cost Allocation and will review, among other things, the recovery of costs advanced on behalf of the campuses by their affiliated organizations. He indicated that along with the high-risk areas, Auxiliary Organizations and Construction audits would continue to be included in the 2012 audit plan, along with any requested special investigations. He explained that auxiliary organizations audits are conducted at each campus on a three-year cycle for the approximately 94 auxiliary organizations. In addition, another six to eight construction projects would also be reviewed in 2012. Mr. Mandel reminded the trustees that a systemwide compliance function within the OUA is currently being developed as part of the audit plan. Pilot projects are being performed at four campuses. An update on the compliance function will be provided at a future board meeting.

Chair Mendoza called for a motion to approve the committee resolution (RAUD 01-12-01). A motion was then made, and the resolution was passed unanimously to approve the audit plan for calendar year 2012.

Trustee Guzman asked if external auditors are utilized for some of the audits or are they all conducted by the internal auditing team. She stated her belief that it would be instructive to begin to understand the estimated costs involved in conducting large and small audits. She then encouraged Mr. Mandel to start to incorporate some of that thought process in future reporting, especially in light of these economic times.

Mr. Mandel responded that all audits are conducted by the internal auditing team.

Trustee Guzman requested further information regarding the audit of the International Programs.

Ms. Michelle Schlack, senior director, Office of the University Auditor, explained that the audit of International Programs will include a review of compliance with CSU executive orders pertaining to the study abroad program, including the evaluation of the controls regarding inbound students that come to the various campuses from international countries.

Trustee Guzman indicated that her question regarding the International Programs related to a conversation with Mr. Carlos González Gutiérrez, Mexico's consulate general based in Sacramento, California. She shared some of Mr. Gutierrez's concerns about the CSU study abroad program in Mexico. Mr. Gutiérrez had indicated to her that it was his understanding that CSU guidelines are harsher than University of California (UC) guidelines and that the CSU follows stricter rules. Ms. Guzman indicated that she is not criticizing these guidelines and believes in safety first, especially in light of the high-risk areas currently in Mexico. She understands that Mr. Gutiérrez sent Chancellor Reed a letter pertaining to this issue and inquired if there is an update.

Chancellor Reed responded that the CSU may be stricter than UC, but UC has its own facility in Mexico City, where they do most of their business. The CSU does not have any facilities in Mexico. He explained that he has tried to follow the state department's travel warnings and advisories and has also contracted with a company that gathers intelligence for use in making these decisions. He indicated that with Mexico, he has approved every faculty member that has requested to go to Mexico, but has not done so for the students. Chancellor Reed stated that one of his concerns is that during the weekend days students do not necessarily stay around the housing facilities that are provided and the danger is just too great based upon intelligence reports, but indicated that this issue will continue to be monitored. He stated that a decision was made to open an international program in Haifa, Israel beginning fall 2012, based upon their safety precautions for students.

Trustee Guzman commented that she would appreciate hearing more regarding the programs for inbound students after the completion of the audit on International Programs, especially if students will not be traveling to Mexico at this time. She hoped that the CSU will continue to invite Mexico's students to the United States in order to enrich some of the programs as a result.

Trustee Lang asked whether internal audit ever becomes involved in the areas of synergies or efficiencies, as it is her belief that it may be a resource that the CSU can use to guide and facilitate some of those projects.

Mr. Mandel responded that the OUA has not included these areas in the audit scope up to this point.

Trustee Chandler inquired on the measures being taken regarding security protection of confidential information/data with the proliferation of hackers.

Mr. Michael Caldera, senior director, Office of the University Auditor, responded that the Sensitive Data Security and Protection audit conducted this past year is an ongoing continuation of our information security audit that we performed a couple of years ago. He explained that the scope is not so much on IT security controls as it is with sensitive data in general. He noted that the campuses are doing a great job in improving security of that data by being proactive. He stated that obviously the regulations are always changing and the OUA will continue to add security of data into all future IT audits. Mr. Caldera indicated that security reviews will also be included in this year's audits of Data Center Operations and Identity Management and Common System Access. He commented that these issues are important to the OUA and the board will continue to be kept abreast of any exposures to the system.

Report on the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management

Dr. Benjamin F. Quillian, executive vice chancellor/chief financial officer, stated that the CSU is subject to financial statement and compliance audits. He reported that fiscal year ended June 30, 2011 was very successful from an audit perspective. He noted that all of the system reports were completed on schedule and clean opinions were issued by KPMG.

Mr. George V. Ashkar, assistant vice chancellor/controller, presented the financial statements for the CSU system for fiscal year ended June 30, 2011. Mr. Ashkar reported that total revenues for the university were \$6.1 billion in 2010-11 and added that there was no significant change in total revenues from the prior year. University revenues by source included an increase of \$227 million in state noncapital appropriations, used primarily for payroll costs. There was also an increase of \$69 million in student tuition fees – this was used to increase classes for students and to mitigate reductions in student access and enrollment from budget cuts. He indicated that these increases were offset by a decrease in grants, contracts, and gifts, primarily due to the \$338 million decrease in federal funds under the American Recovery and Reinvestment Act (ARRA).

Mr. Ashkar reported that total operating expenses for the university increased by \$415 million (7.6 percent), from \$5.5 billion in 2009-10 to \$5.9 billion in 2010-11. Approximately \$244 million of the \$415 million increase in total operating expenses was due to the increase of salaries and benefits, mainly as a result of the termination of furloughs. He noted that instruction and other educational support account for approximately 70 percent of the total operating expenses.

Mr. Ashkar reported that there are no significant changes in total net assets in 2010-11. Total net assets as of June 30, 2011 were \$5.9 billion. The ending balance of the unrestricted net assets reached \$1.83 billion, and most were designated for very specific purposes (i.e., enterprise activities, campus-based programs, etc.).

Chair Mendoza inquired as to the balance of undesignated net assets and asked if assets designated by the board could also be undesignated by the board.

Mr. Ashkar responded that undesignated net assets are approximately \$600 million, and designated are approximately \$1.2 billion. He then stated his belief that assets could not be undesignated by the board.

Mr. Ashkar provided information pertaining to major events since June 30, 2011 as follows: The state budgeted appropriations for the university were reduced by \$650 million before adjustments, or 24 percent, to approximately \$2.10 billion in 2011-12. In December 2011, the university's fiscal year 2011-12 appropriations were further reduced by an additional \$100 million due to the \$1 billion shortfall in the state revenues. To mitigate the reductions in state appropriations, the university increased tuition fee rates approved by the board; reduced base resident student enrollment target for 2011-12 by roughly 10,000 full-time equivalent students to approximately 331,716; and instituted expense reduction measures (approximately \$292 million) across the campuses as well as the CSU Chancellor's Office.

Single Audit Report of Federal Funds

Mr. Ashkar presented the findings of the A-133 Single Audit Report. He stated that every year the CSU system issues a Single Audit Report that includes the 23 campuses and the CSU Chancellor's Office. He further stated that the report discloses the findings and questioned costs relating to the following: financial statements reported in accordance with Government Auditing Standards (GAS) and the federal awards in accordance with Office of Management and Budget (OMB) Circular A-133. He explained that an entity that expends \$500,000 or more in a year in federal awards is required to issue a single audit report. He stated that the federal awards recorded by the campuses, including financial aid and nonfinancial aid programs, are disclosed in the systemwide single audit report.

Mr. Ashkar then highlighted significant details in the report. He indicated that total federal awards received by the university decreased by \$142 million (from \$2.468 billion in fiscal year 2009-10 to \$2.326 billion in fiscal year 2010-2011). He added that the \$142 million reduction was a result of a \$200 million increase in grants and loans of student financial aid programs that was partly offset by a \$341 million decrease in ARRA funds provided through the State Fiscal Stabilization Fund.

Mr. Ashkar continued his presentation by providing a summary of the six findings as a result of the A-133 Single Audit Report. Finding 11-01 related to control procedures in the review of the outstanding receivable balance. The federal awards findings, 11-02 through 11-06, related to control procedures in the administration of federal financial aid programs (e.g., William D. Ford direct loan program and the Pell Grant program). Mr. Ashkar stated that all campuses have prepared corrective action plans that are currently being implemented. He indicated that the CSU Chancellor's Office, in conjunction with the OUA, will review those plans to ensure appropriate corrective action is taken on the reported findings. He also indicated that in addition to the campus audits, there were 29 individual accounting firms auditing the financial statements of the various CSU auxiliaries. As a result of these reviews, 12 auxiliaries had 16 significant deficiencies and one auxiliary had a material weakness. Mr. Ashkar stated that he would provide

a progress report on the status of the completion of all of the corrective action plans at the next board meeting in March 2012.

Mr. Ashkar thanked all of the campus presidents and their accounting staffs for the great effort in completing all accounting deadlines, especially in light of a very complex audit. He also thanked his accounting staff for the efficient and comprehensive effort in completing the financial reporting process this year.

Mr. Ashkar then introduced the KPMG representatives: Mr. Mark Thomas, managing partner, and Tracy Hensley, partner in charge of the A-133 audit. Mr. Thomas reported that KPMG issued unqualified, clean opinions relating to the university's consolidated financial statements and the audit of federal funds for fiscal year ended June 30, 2011. He stated that the CSU audit is a monumental effort and included significant areas such as the self-insured risk pool, post-employment benefits, construction, a wide variety of endowment investments, as well as debt financing and refinancing. Mr. Thomas stated that if there were any difficulties or disagreements with management in performing the audit, KPMG would be required to communicate those to the board – he reported that none were noted.

Mr. Thomas stated that the other component of the annual audit is the single audit of federal funds. Because the CSU is a large recipient of federal funds, it is subject to OMB Circular A-133. He noted that the CSU receives approximately \$2.3 billion in federal funds, of that approximately \$2.2 billion is in student financial aid. He reported that KPMG and the CSU Chancellor's Office have spent a significant amount of time discussing the six findings noted in the audit to determine the root causes. He indicated that KPMG has also provided training to the campuses, along with remediation, to help prevent reoccurrences of these control deficiencies.

Trustee Hauck thanked Mr. Ashkar, his staff, and Mr. Thomas for their excellent work and for the tremendous progress that has been made over the years, especially in light of the complexity of the CSU and all the requirements necessary for completing the audit. He asked both Mr. Ashkar and Mr. Thomas whether there are any serious concerns regarding the financial operations of the auxiliary organizations and whether they are cooperating in terms of correcting deficiencies.

Mr. Ashkar stated that each year, three days of very intensive training on the financial reporting process is conducted for all of the campuses and auxiliary organizations. He added that auxiliary personnel and their external auditors participated in this training, enhancing their knowledge of the requirements from a reporting standpoint. He indicated that the auxiliaries are taking the findings very seriously and are implementing corrective actions. Mr. Ashkar stated his belief that the relationship with the auxiliaries is much closer from an accounting standpoint and great progress has been made in that regard.

Mr. Thomas stated that KPMG has seen significant increases in the level of accountability of the auxiliary organizations regarding the standards established for the audits. He further stated that in addition to all the requirements of a not-for-profit organization, there are CSU-specific executive orders, etc., that add to the complexity of the financial reporting process.

Dr. Quillian commented that recently issued qualifications are now required of the auxiliary auditors.

Chair Mendoza also commended and thanked everyone for their tremendous efforts in meeting the requirements of the audit.

The meeting adjourned.

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 2012 audit plan and follow-up on past assignments. For the current year, assignments have been made to conduct reviews of Auxiliary Organizations, CSURMA, high-risk areas (Facilities Management, Title IX, Data Center Operations, Identity Management and Common System Access, International Programs), high profile area (Public Safety), core financial area (Cost Allocation), and Construction. In addition, follow-up on past assignments (Auxiliary Organizations, Cashiering, IT Disaster Recovery, Financial Aid, Intercollegiate Athletics, Business Continuity, Fund Raising, Delegations of Authority, ADA Compliance, Sensitive Data Security, and Academic Personnel) is currently being conducted on approximately 55 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

Auxiliary Organizations

The initial audit plan indicated that approximately 314 staff weeks of activity (31.9 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/30 auxiliaries. Report writing is being completed at one campus/four auxiliaries, and fieldwork is being conducted on one campus.

CSURMA

The initial audit plan indicated that approximately 12 staff weeks of activity (1.2 percent of the plan) would be devoted to a review at the headquarters office to ensure proper management of the processes for administration of the various risk management programs.

High-Risk Areas

Facilities Management

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing cost allocations, deferred maintenance; building and grounds conditions; sustainable building practices; material and equipment inventory; and work order scheduling and control systems. Six campuses will be reviewed, and fieldwork is being conducted on one campus.

Title IX

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of compliance with federal and state laws, trustee policy, systemwide directives, and campus policies and procedures; roles and responsibilities of Title IX coordinators; review of notification requirements; grievance and complaint procedures for students, faculty, staff, and third parties; testing of campus efforts to investigate and resolve complaints; processes to monitor and report gender equity in campus programs including athletics; collection, analysis, and reporting of campus statistics; and the protection of sensitive and confidential information. Six campuses will be reviewed, and fieldwork is being conducted on one campus.

Data Center Operations

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to review of data center operations, including policies, physical security, environmental controls, processing and scheduling controls, backup and recovery processes, and emergency preparations. Six campuses will be reviewed, and report writing is being completed at one campus.

Identity Management and Common Systems Access

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of authorization processes used to validate the identity of users and ensure that users are appropriate, including server security hosting the directory services, the authentication process, and procedures used to create and maintain the user credentials. Six campuses will be reviewed.

International Programs

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of program approvals, fiscal administration and controls; risk management processes; curriculum and credit transfers; utilization of third-party providers; compliance with U.S. Department of State and other regulatory international travel requirements; and processes used to recruit international students, verify student credentials, and provide support on campus. Six campuses will be reviewed.

High Profile Area

Public Safety

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of policies and procedures; compliance with state-mandated standards and training requirements; trained and certified public safety personnel; timely response to incidents; appropriate use of force; approval, control and maintenance over sensitive or special equipment; crime reporting; adjudication of internal investigations or personnel complaints; and unauthorized use of law enforcement data.

Core Financial Area

Cost Allocation

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to a review of the development, approval, and maintenance of campus cost allocation plans; recovery of costs; management oversight and approval of plans; indirect rate formation; direct cost capture; and billing and collection processes. Two reports await a campus response prior to finalization, report writing is being completed at three campuses, and fieldwork is being conducted on one campus.

Construction

The initial audit plan indicated that approximately 52 staff weeks of activity (5.3 percent of the plan) would be devoted to a review of design budgets and costs; the bid process; invoice processing and change orders; project management, architectural, and engineering services; contractor compliance; cost verification of major equipment and construction components; the closeout process and liquidated damages; and overall project accounting and reporting. Seven projects will be reviewed, and report writing is being completed for one project.

Compliance Function

The initial audit plan indicated that approximately 86 staff weeks of activity (8.7 percent of the plan) would be devoted to an initial inventory of compliance activities and owners, and a determination of major areas of compliance risk.

Information Systems

The initial audit plan indicated that approximately 45 staff weeks of activity (4.6 percent of the plan) would be devoted to technology support for all high-risk and auxiliary audits. Reviews and training are ongoing.

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 CSU Chancellor's Office. Forty-three staff weeks have been set aside for this purpose, representing approximately 4.3 percent of the audit plan.

Special Projects

The Office of the University Auditor is periodically called upon to provide non-investigative support to the CSU Chancellor's Office/campuses. Ninety-one staff weeks have been set aside for this purpose, representing approximately 9.2 percent of the audit plan.

Follow-ups

The audit plan indicated that approximately 11 staff weeks of activity (1.1 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 55 prior audits (Auxiliary Organizations, Cashiering, IT Disaster Recovery, Financial Aid, Intercollegiate Athletics, Business Continuity, Fund Raising, Delegations of Authority, ADA Compliance, Sensitive Data Security, and Academic Personnel) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Consultations Committees

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. Twenty-four staff

weeks have been set aside for this purpose, representing approximately 2.4 percent of the audit plan.

Annual Risk Assessment

The Office of the University Auditor annually conducts a risk assessment to determine the areas of highest risk to the system. Four staff weeks have been set aside for this purpose, representing approximately 0.4 percent of the audit plan.

Committees

Staff of the Office of the University Auditor is periodically called upon to sit on systemwide committees to offer an audit perspective. Seven staff weeks have been set aside for this purpose, representing approximately 0.7 percent of the audit plan.

Annual Risk Assessment

The Office of the University Auditor annually conducts a risk assessment to determine the areas of highest risk to the system. Four staff weeks have been set aside for this purpose, representing approximately 0.4 percent of the audit plan.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 3/9/2012)

	2012 ASSIGNMENTS									FOLLOW-UP PAST/CURRENT ASSIGNMENTS						
	Aux Orgs	Cost Alloc	Title IX	Data Ctr Ops	Facilities Mgmt	Identity Mgmt/Comm Access	Int'l Prog	Public Safety	CSURMA	Auxiliary Organizations			Cashiering		IT Disaster Recovery	
										●No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK										4	4/16	6	2/3	6	4/4	-
CHI										3	19/20	#				
CI					FW					3	9/15	6			0/7	7
DH				RW						3	22/22	-	4/4	-	4/4	-
EB										3					4/4	-
FRE		RW								6	22/25	7	8/8	-		
FUL	RW									4	31/32	#				
HUM		RW								4	25/25	-	4/4	-		
LB										3	34/34	-				
LA										4	13/13	-			1/1	-
MA										2					5/5	-
MB										2			3/3	-	4/4	-
NOR		AI								5	27/27	-	1/1	-	1/1	-
POM										3	11/12	#			7/7	-
SAC		AI								6	27/36	9	3/3	-	0/5	6
SB										3	30/30	-	2/2	-	1/3	7
SD										4	23/24	#				
SF	FW									5	29/30	#	1/1	-	4/6	7
SJ			FW							5	46/47	#				
SLO		RW								4	0/12	3/#	2/2	-		
SM										3	13/13	-	5/5	-		
SON		FW								4	12/12	-				
STA										4	18/18	-	8/8	-		
CO										2	0/0	-				
SYS													0/2	4		

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.
** The number of months recommendations have been outstanding (since the formal campus exit conference).
● The number of auxiliary organizations reviewed.
Represents recommendations that are being held in abeyance pending the issuance of new systemwide policies.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 3/9/2012)

	FOLLOW-UP PAST/CURRENT ASSIGNMENTS															
	Financial Aid		Intercollegiate Athletics		Business Continuity		Fund Raising		Delegations of Authority		ADA Compliance		Sensitive Data Security/Protection		Academic Personnel	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK					3/3	-										
CHI	1/3	4							8/8	-						
CI					2/2	-					0/4	4				
DH																
EB			9/9	-												
FRE			4/4	-												
FUL	11/11	-					13/13	-	8/8	-			0/3	4		
HUM	3/3	-					6/6	-								
LB			5/5	-					6/6	-	1/3	6				
LA			2/2	-	1/1	-					4/4	-				
MA							13/13	-								
MB	0/3	4							2/2	-						
NOR	4/4	-	2/2	-					4/5	9						
POM									6/6	-						
SAC	0/3	2											0/1	4		
SB	5/5	-							6/8	9	2/5	8				
SD	6/6	-			2/2	-			3/6	9	0/6	6	0/0	-		
SF	1/1	-														
SJ					2/2	-									0/4	3
SLO									8/8	-						
SM	0/5	2	3/3	-							4/4	-			0/4	2
SON	5/5	-					5/5	-					0/8	5		
STA							8/8	-								
CO							4/4	-								
SYS			0/2	9	1/1	-	2/3	7	0/7	4						
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. ** The number of months recommendations have been outstanding (since the formal campus exit conference). • The number of auxiliary organizations reviewed. # Represents recommendations that are being held in abeyance pending the issuance of new systemwide policies.											

COMMITTEE ON AUDIT

Status Report on Corrective Action for the Findings in the California State University A-133 Single Audit Reports and Auxiliary Organization Audit Reports for the Fiscal Year Ended June 30, 2011

Presentation by

George Ashkar
Assistant Vice Chancellor/Controller
Financial Services

Summary

Audit finding 2011-01 was related to incomplete controls over the review of the outstanding receivable balances. Corrective action to strengthen internal controls over the review of accounts receivable has been completed. Audit findings 2011-02 through 2011-06 were related to internal control over the administration of the Federal student financial aid programs (including Pell Grants and Federal loans) at various campuses. Corrective action for 2011-02 is still in progress while it is being addressed through a combination of a systemwide directive and campus control procedures. Corrective action for 2011-03 through 2011-06 at individual campuses affected by the findings is still under review at this time.

There was one auxiliary organization with a material weakness in internal control over financial reporting processes related to the recording of accrued expenses at yearend. Corrective action is under review at this time. We expect this to be done by the date of the Board of Trustees meeting.