

AGENDA

COMMITTEE ON AUDIT

Meeting: 12:15 p.m., Tuesday, September 18, 2012
Glenn S. Dumke Auditorium

Henry Mendoza, Chair
Steven M. Glazer
William Hauck
Glen Toney

Consent Items

Approval of Minutes of Meeting of July 17, 2012

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 17, 2012

Members Present

Henry Mendoza, Chair
William Hauck
Glen O. Toney
Charles B. Reed, Chancellor
Bob Linscheid, Chair of the Board

Chair Mendoza called the meeting to order.

Approval of Minutes

The minutes of the meeting of May 8, 2012, 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 16-17, 2012, Board of Trustees agenda.

Mr. Mandel reminded the trustees 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 stated that the campuses are continuing to make excellent progress on the closing of outstanding recommendations in a reasonable time period. He added that the campuses are also beginning to close the long-outstanding recommendations pertaining to the auxiliary organizations that were held in abeyance pending compliance with new systemwide policies regarding trust funds. He reported that California State Polytechnic University, Pomona was the first campus to complete the recommendations pertaining to trust funds and has provided a model that can be used by other campuses in preparing corrective action plans. Mr. Mandel then stated that the audit assignments from the 2012 audit plan are in progress and anticipated completion by the end of the calendar year.

Chair Mendoza commended President Ortiz for completing the long-outstanding recommendations pertaining to trust funds and requested that the remaining campuses do so as soon as possible.

Mr. Mandel added that the Office of the University Auditor would be visiting the campuses this summer to assist in this process with the hope that most of the recommendations would be completed by the next board meeting.

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

Mr. George V. Ashkar, assistant vice chancellor/controller, financial services, provided a status report on the corrective action plans for the six findings noted in the A-133 Single Audit Reports. He reported that all six findings have been closed based on the review of campus supporting documentation by the Office of the University Auditor and the Financial Services Internal Control staff at the CSU Chancellor's Office.

Chair Mendoza thanked Mr. Ashkar and the campus presidents and their staffs for the tremendous effort in the closing of these recommendations and for their assistance with the overall completion of the A-133 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, IT Disaster Recovery, Financial Aid, Delegations of Authority, ADA Compliance, Sensitive Data Security, and Academic Personnel) 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

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. One campus/four auxiliary reviews have been completed, three campus/12 auxiliaries are awaiting a response prior to finalization, report writing is being completed for one campus/five auxiliaries, and fieldwork is being conducted at one campus/three auxiliaries.

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. Three reports have been completed, and three reports await a campus response prior to finalization.

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. Three reports have been completed, two reports await a campus response prior to finalization, and report writing is being completed for 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. Two reports have been completed, one report awaits a campus response prior to finalization, and report writing is being completed for three campuses.

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. Report writing is being completed for one campus, and fieldwork is being conducted at one campus.

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. Report writing is being completed for three campuses, and fieldwork is being conducted at one campus.

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. Six campuses will be reviewed. Fieldwork is being conducted at one campus.

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. Six campuses will be reviewed. All reports have been completed.

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. One report has been completed, one report awaits a campus response prior to finalization, report writing is being completed for two projects, and fieldwork is being conducted 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. The start-up of the compliance function has been suspended as campuses deal with severe reductions in budget resources. The resources allocated to this function will be redirected toward a more robust program of advisory/consultative services within the Office of the University Auditor.

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 20 prior audits (Auxiliary Organizations, Cashiering,

IT Disaster Recovery, Financial Aid, 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.

Status Report on Current and Follow-Up Internal Audit Assignments
 (as of 8/30/2012)

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	Police Services	CSURMA	Auxiliary Organizations	IT Disaster Recovery	*No.	*Recs	**Mo.	*Recs	**Mo.
BAK				AC					16/16		4	16/16	-	4/4	-
CHI		AC	RW						19/20		3	19/20	#		
CI			RW	AC					15/15		3	15/15	-	7/7	-
DH			AC						22/22		3	22/22	-	4/4	-
EB			AI						18/21		3	18/21	8	4/4	-
FRE	AC						RW		25/25		6	25/25	-		
FUL	AC	AI				RW			0/28		4	0/28	3/#		
HUM	AC				FW				25/25		4	25/25	-		
LB	FW		AC								3				
LA		AI							13/13		4	13/13	-	1/1	-
MA				AI					2/4		2	2/4	5	5/5	-
MB									10/16		2	10/16	6	4/4	-
NOR	AC										5			1/1	-
POM			RW	AC					12/12		3	12/12	-	7/7	-
SAC	AC			AI					36/36		6	36/36	-	5/5	-
SB	AI					FW					3			3/3	-
SD		AC			RW				23/24		4	23/24	#		
SF	AI					RW					5		#	6/6	-
SJ		AC		AI					46/47		5	46/47	#		
SLO	AC								12/12		4	12/12	#		
SM		RW							13/13		3	13/13	-		
SON	AI	AC									4				
STA						RW			18/18		4	18/18	-		
CO									0/0		2	0/0	-		
SYS	AC													0/3	6

* 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 compliance with new systemwide policies.

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 Internal Audit Assignments
 (as of 8/30/2012)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS											
	Financial Aid		Delegations of Authority		ADA Compliance		Sensitive Data Security/Protection		Academic Personnel		
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	
BAK	3/3	-									
CHI	3/3	-	8/8	-							
CI					4/4	-					
DH											
EB									3/6	8	
FRE											
FUL	11/11	-	8/8	-			3/3	-			
HUM	3/3	-							4/4	-	
LB			6/6	-	3/3	-			4/4	-	
LA					4/4	-	1/1	-			
MA											
MB	3/3	-	2/2	-							
NOR	4/4	-	5/5	-					5/5	-	
POM			6/6	-							
SAC	3/3	-					1/1	-			
SB	5/5	-	8/8	-	5/5	-					
SD	6/6	-	6/6	-	6/6	-	0/0	-			
SF	1/1	-									
SJ									4/4	-	
SLO			8/8	-			0/2	7			
SM	5/5	-			4/4	-			4/4	-	
SON	5/5	-					8/8	-			
STA											
CO											
SYS	1/4	5	5/7	10	0/3	6			0/3	5	

* 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 compliance with new systemwide policies.

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

