

AGENDA

COMMITTEE ON AUDIT

Meeting: 2:45 p.m., Tuesday, July 18, 2000
Glenn S. Dumke Conference Center

Frederick W. Pierce IV, Chair
Harold Goldwhite, Vice Chair
Murray L. Galinson
Shailesh J. Mehta
Neel I. Murarka
Stanley T. Wang

Consent Items

Approval of Minutes of Meeting of May 9, 2000

Discussion Items

1. Status Report on Current and Follow-up Internal Audit Assignments,
Information
2. Quality Assurance Review of the Office of the University Auditor,
Information

**MINUTES OF 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 9, 2000**

Members Present

Stanley T. Wang, Chair
Harold Goldwhite, Vice Chair
Roberta Achtenberg
Neel I. Murarka
Dee Dee Myers
Frederick W. Pierce IV
Ali C. Razi

Other Trustees Present

William Hauck, Chairman of the Board
William D. Campbell
Martha C. Fallgatter
Debra S. Farar
Murray L. Galinson
Laurence K. Gould, Jr.
Ralph R. Pesqueira
Charles B. Reed, Chancellor

Chancellor's Office Staff

Douglas X. Patiño, Vice Chancellor, University Advancement
Christine Helwick, General Counsel
Larry Mandel, University Auditor
Sam Strafaci, Senior Director, Employee Relations

Approval of Minutes

Chair Wang called the meeting to order at 2:47 p.m. The minutes of the March 14, 2000, meeting were approved as submitted.

Status Reports 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 – four are in the report writing stage, and fieldwork is being performed at one campus.

Auxiliary Reviews – report writing is being performed for the four auxiliaries reviewed at the San Francisco campus. Fieldwork is being performed at four auxiliaries on the San Bernardino campus and four auxiliaries on the Sonoma campus. Mr. Mandel explained that, as reviews are completed for each campus auxiliary, they are presented in a single report covering all auxiliaries on each campus.

Student Health Centers – one is in the report writing stage, and fieldwork is being performed on three campuses.

Hazardous Materials Management – one is in the report writing stage, and fieldwork is being performed on two campuses.

Public Safety – one is in the report writing stage, and fieldwork is being performed on one campus.

Follow-up Reviews – thirty-nine prior audits are being tracked to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Construction Audit Assignments – Peat Marwick is currently writing reports for six campus reviews, and an exit conference is scheduled for May 19 to discuss the San Jose (Central Plant) and Humboldt assignments. In mid-June, the results of the San Marcos, Hayward, Channel Islands, and San Jose (Earthquake Replacement) assignments will be reviewed. Mr. Mandel pointed out that only one recommendation remains outstanding from last year, and this recommendation is within the six-month period. He emphasized that staff from CPD&C have been very cooperative in their efforts to bring the recommendations to closure, and he anticipates that the remaining open item will be satisfactorily addressed in a timely fashion.

Mr. Mandel went on to state that, for the current year, approximately 48 campus reviews and 35 auxiliary reviews are scheduled to be performed. At the July board meeting, he will discuss auxiliary reviews and the length of time required to complete each review.

Chair Hauck asked Mr. Mandel whether the audit staff was receiving adequate cooperation from the campuses with regard to auxiliary audits.

Mr. Mandel stated that, approximately six weeks prior to an auxiliary review, each campus is contacted and asked to provide specific information required to prepare for this review. He explained that campuses gather various types of documents and information prior to the reviews, and his staff has not experienced difficulties in receiving the requested information. The campuses have been very cooperative in this respect.

Chair Wang thanked the campuses for their efforts in helping to attain closure of the audit recommendations and added that campuses were achieving the goal of closing all recommendations within a one-year timeframe. He touched upon the internal audit-training program for campuses—a program to be developed by the Office of the University Auditor involving self-audits performed by campuses—and emphasized that the purpose is to improve operations.

Adjournment

The meeting adjourned at 2:54 p.m.

BRIEF

Information Item

Agenda Item 1

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 2000 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, Hazardous Material Management, Student Health Centers, Public Safety Information Systems, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Risk Management, Continuing Education, Student Records and Operations, and Maintenance of Plant) is currently being conducted on 40 prior campus and three auxiliary organization reviews. Attachment A, summarizing the reviews in tabular form, will be distributed at the committee meeting.

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Agenda Item 1
July 18-19, 2000

COMMITTEE ON AUDIT

Status Report on Current and Follow-up Internal Audit Assignments

At the January 2000 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, Hazardous Materials Management, Student Health Centers, Public Safety, Information Systems, and Construction.

FISMA

The audit plan indicated that approximately 130 staff weeks of activity (18 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. One audit has been completed, one audit is awaiting a campus response prior to finalization, and report writing is being completed on four campus reviews.

Auxiliary Organizations

The audit plan indicated that approximately 165 staff weeks of activity (23 percent of the plan) would be devoted to auditing internal compliance/internal control at 11 campuses. Report writing is being completed on three campus reviews/eleven auxiliaries.

Hazardous Materials Management

The audit plan indicated that approximately 101 staff weeks of activity (15 percent of the plan) would be devoted to a review of 11 campuses on training; inventory procedures; labeling and other forms of warnings; Material Safety Data Sheets (MSDS); hazardous waste registration, permit, and manifesting; emergency and contingency planning; and hazardous waste disposal programs. Report writing is being completed on five campus reviews.

Student Health Centers

The audit plan indicated that approximately 101 staff weeks of activity (15 percent of the plan) would be devoted to a review of 11 campuses on establishment of health services and fees; qualifications and continuing education of SHC practitioners; control of fee revenue; budgetary controls; expenditures; maintenance of SHC accreditation status; security of medical records; and pharmacy controls. One audit is awaiting a campus response prior to finalization, and report writing is being completed on four campus reviews.

Public Safety

The audit plan indicated that approximately 101 staff weeks of activity (15 percent of the audit plan) would be devoted to a review of 11 campuses on communication of policies and procedures; relationships with external agencies; compliance with state-mandated POST standards and training requirements; budgetary and expenditure controls over public safety and parking funds; administration and accounting for POST funds and other special monies; cancellation of parking citations; accumulation and reporting of crime statistics; access controls over law enforcement data and confidentiality of records; effective use of physical assets and human resources; and controls over crime scene evidence and public safety equipment. Report writing is being completed on three campus, while fieldwork continues at two campuses.

Information Systems

The audit plan indicated that approximately 40 staff weeks of activity (5 percent of the plan) would be devoted to review of systemwide projects such as Year 2000, Disaster Recovery, Collaborative Management Systems (CMS), Systemwide Internal Partnership (SIP), and Electronic Commerce. In addition, training and support will be provided in the area of financial internal controls (FISMA) for both campus and auxiliary audits. Review and training are ongoing.

Follow-ups

The audit plan indicated that approximately 25 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 40 prior campus and three auxiliary organization reviews (FISMA, Auxiliary Organizations, Student Records, Operation and Maintenance of Plant, and Continuing Education) 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 (6 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.

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Audit

Agenda Item 1

July 18-19, 2000

Construction

For the 1999/2000 fiscal year, six construction projects are being reviewed by KPMG Peat Marwick 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 audits have been completed, while four are awaiting management responses.

BRIEF

Information Item

Agenda Item 2

COMMITTEE ON AUDIT

Quality Assurance Review of the Office of the University Auditor

Presentation By

Larry Mandel
University Auditor

Summary

Government Code Section 1236 requires that all state agencies that conduct internal audits do so in conformity with the *Standards for the Professional Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors. Government Code Section 8546.5 assigns the Department of Finance the responsibility to ensure that such standards are utilized.

The Department of Finance has agreed that a Quality Assurance Review, conducted by a team of chief audit executives from peer institutions using guidelines provided by the Institute, would fulfill Government Code requirements.

ITEM

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Agenda Item 2
July 18-19, 2000

COMMITTEE ON AUDIT

Quality Assurance Review of the Office of the University Auditor

As required by Government Code Section 8546.5, the Department of Finance (Department), Office of State Audits and Evaluations, periodically conducts reviews of state agency internal audit departments. In addition, the Association of College and University Auditors (ACUA) recommends that Quality Assurance Reviews be conducted of internal auditing departments at least once every five years. The last Quality Assurance Review of the Office of the University Auditor was conducted in 1995.

In January of this year, the Department announced its plans to review the Office of the University Auditor (OUA). The proposed review team was to be made up of members of the Department who were familiar with the inner workings of internal audit staffs at various state agencies. At that time, a request was made to substitute a review team composed of chief audit executives from state educational systems across the country. The use of a review team composed of such individuals follows a process which has been used by many universities throughout the United States with positive outcomes. The Department agreed that the results of a review by peers from within the higher education community could be more beneficial than one conducted by those from another state agency.

The purpose of the review will be to issue an opinion on the OUA's compliance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* cover the areas of independence, professional proficiency, scope of work, and management of the Internal Audit Office.

The review will be conducted in accordance with the guidelines provided in the Institute of Internal Auditors' *Quality Assurance Manual* as adapted for educational institutions by the Association of College and University Auditors. It is intended that the review team begin the review in October 2000 and have it completed in all phases by the end of the calendar year. A report will be presented to the Board of Trustees during the meeting of the Committee on Audit in January 2001.