

AGENDA

COMMITTEE ON AUDIT

Meeting: 8:50 a.m., Wednesday, July 14, 2004
Glenn S. Dumke Auditorium

Anthony M. Vitti, Chair
Roberta Achtenberg, Vice Chair
Debra Farar
Bob Foster
William Hauck

Consent Items

Approval of Minutes of Meeting of May 18, 2004

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**

May 18, 2004

Members Present

Shailesh J. Mehta, Chair
Roberta Achtenberg, Vice Chair
Debra S. Farar
William Hauck
Frederick W. Pierce, IV

Other Trustees Present

Murray L. Galinson
Kathleen Kaiser
M. Alexander Lopez
Charles B. Reed, Chancellor
Kyriakos Tsakopoulos
Anthony M. Vitti

Chancellor's Office Staff

David S. Spence, Executive Vice Chancellor and Chief Academic Officer
Richard P. West, Executive Vice Chancellor and Chief Financial Officer
Jackie McClain, Vice Chancellor, Human Resources
Christine Helwick, General Counsel
Larry Mandel, University Auditor

Chair Mehta called the meeting to order at 3:20 p.m.

Approval of Minutes

The minutes of the meeting of March 17, 2004, were approved as submitted.

Status Report on Current and Follow-up Internal Audit Assignments

Mr. Larry Mandel, university auditor, presented the item by reporting the status of the following audit assignments and follow-up reviews:

FISMA – Report writing is being completed on four campus reviews, and fieldwork is currently taking place at two campuses.

Auxiliary Organizations – Report writing is being completed at three campuses/ten auxiliaries.

Admissions – Report writing is being completed at one campus.

Human Resources – Report writing is being completed at one campus, and fieldwork is currently taking place at one campus.

Student Activities – Report writing is being completed at one campus.

As per the audit plan, 12 FISMA reviews, 27 auxiliary organization reviews, and 30 subject area reviews (10 in each subject area) will be completed this year.

Follow-up – Currently tracking approximately 50 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Financial Aid, Disability Support and Accommodations, Employee Relations, Risk Management and Insurance, and Disaster and Contingency Planning) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Construction – For fiscal year 2003/04, six construction projects are being reviewed by KPMG with coordination from the Office of the University Auditor. Four of these projects are in the report-writing stage, and two projects await a campus response prior to finalization.

Mr. Mandel stated that most of the campuses are making significant progress towards completing the outstanding recommendations.

Trustee Kaiser complimented the California Maritime Academy for the progress towards the completion of outstanding recommendations for auxiliary organizations. In addition, she inquired about the two outstanding recommendations pertaining to FISMA.

Dr. William B. Eisenhardt, president of the California Maritime Academy, responded that one of the recommendations pertains to the reconciliation of bank statements for the past several years and stated that temporary staff had been hired to complete this task and that controls are in place for future compliance with policies. He further stated that the other outstanding recommendation pertains to chargebacks and noted that a new policy is currently being drafted to address this issue.

Trustee Kaiser expressed her concern that since campuses are operating with staff reductions due to the budget situation, she would hope that consideration would be given for delays in completing the outstanding recommendations.

Mr. Mandel responded that the Office of the University Auditor assists the campuses in an effort to complete the recommendations timely, but stated that he recognizes the staffing limitations at the campuses.

Trustee Mehta acknowledged Trustee Kaiser's concern but stated his belief that outstanding recommendations, especially those with the most risk, should be addressed timely. In addition, he commented on the progress that the campuses have made over the past three years in completing recommendations and applauded the presidents for their efforts.

The meeting was adjourned at 3:25 p.m.

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 2004 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, Admissions/Evaluations, Human Resources, Student Activities, Information Systems, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Financial Aid, Disability Support and Accommodations, Employee Relations, Risk Management and Insurance, and Disaster/Contingency Planning) is currently being conducted on approximately 35 prior campus/auxiliary/investigative 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 2004 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, Admissions/Evaluations, Human Resources, Student Activities, Information Systems, and Construction.

FISMA

The audit plan indicated that approximately 136 staff weeks of activity (17 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. Report writing is being completed on six campus reviews.

Auxiliary Organizations

The audit plan indicated that approximately 243 staff weeks of activity (31 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/27 auxiliaries. Report writing is being completed on four campus/fourteen auxiliary reviews.

Admissions/Evaluations

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the plan) would be devoted to a review of ten campuses to ensure proper management of admissions and evaluations activities through a review of the related control environment; processing of applications for admission; evaluations of student records; application fee and waiver controls; and the protection of confidential admission and evaluation data. Report writing is being completed on one campus review, and fieldwork is currently taking place at two campuses.

Human Resources

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the plan) would be devoted to a review of ten campuses to ensure proper management of human resources activities through a review of the related control environment; recruitment and advertising practices; the selection and orientation of new employees; employee compensation and selected benefits programs; and the protection of confidential employee information. Report writing is being completed on two campus reviews, and fieldwork is currently taking place at two campuses.

Student Activities

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the audit plan) would be devoted to a review of ten campuses to evaluate the effectiveness of operating controls and governance processes pertaining to student activities (including intramural and club sports but excluding intercollegiate athletics), student clubs and organizations (including the fraternities and sororities), and student judicial affairs. Report writing is being completed on three campus reviews, and fieldwork is currently taking place at one campus.

Information Systems

The audit plan indicated that approximately 43 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 30 staff weeks of activity (4 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 35 prior audits (FISMA, Auxiliary Organizations, Financial Aid, Disability Support and Accommodations, Employee Relations, Risk Management and Insurance, and Disaster/Contingency Planning) 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 (5 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.

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 2003/04 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. One audit has been completed, three audits await a response prior to completion, and two audits are in the report writing stage.

Training

The audit plan indicated that approximately ten staff weeks of activity (1 percent of the plan) would be devoted to training in control self-assessment. The program consists of a two-day workshop where risk assessment/mitigation and internal control training will be provided and a targeted risk assessment profile will be developed. In addition, the Office of the University Auditor is planning two, one-day workshops on various aspects of audit coordination and process.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 7/23/2004)

	2004 ASSIGNMENTS					FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS																
	FISMA	Aux Orgs	Admiss	Human Res	Stdnt Act	FISMA		Auxiliary Organizations			Financial Aid		Disabil Support and Accom		Employee Relations		Risk Mgt and Insurance		Disaster/Cont Ping			
						*Recs	**Mo.	•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK						12/12	-	3	42/42	-			10/12	13					5/5	-		
CHI	RW							3	55/55	-	5/5						7/7	-				
CI																						
DH						9/12	5	3	30/30	-	1/1	-										
FRE						13/13	-	6	107/107	-			5/5	-	4/5	8						
FUL					RW	6/6	-	4	32/32	-			8/8	-	2/2	-				8/8	-	
HAY	RW							4	63/65	13	4/4	-			1/5	5	8/10	8				
HUM						4/4	-	3	53/53	-			16/16	-			6/8	6				
LB				FW	RW	10/10	-	3	16/27	3			3/3	-	3/3	-						
LA	RW	RW						4			6/6	-					7/7	-	0/7	3		
MA						14/14	-	2	21/21	-												
MB				FW		0/25	3	2	40/40	-	5/5	-								3/14	5	
NOR	RW							5	46/46	-			3/3	-	2/2	-						
POM		RW				9/9	-				8/8	-					6/6	-	1/3	6		
SAC				RW		13/13	-	5	65/65	-							7/7	-	3/12	4		
SB			FW			21/21	-	3	27/33	8			9/9	-								
SD		RW	FW			12/12	-	4			7/7	-	2/2	-	1/7	4			9/9	-		
SF				RW		8/8	-	4	42/48	7	5/5	-					8/8	-				
SJ			RW			9/9	-	4	93/93	-			4/4	-	2/2	-	8/8	-				
SLO	RW							2	27/29	12							2/11	4	7/9	5		
SM	RW	RW									2/2	-			9/9	-			9/9	-		
SON					RW	14/14	-	4	44/44	-			0/0	-								
STA					FW	9/9	-	4	50/50	-	4/4	-			0/8	6						
CO						7/10	5	2	16/16	-												
SYS											8/8	-	7/8	12			0/7	3				

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 use 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. **Numbers/letters in red are updates since the agenda mailout.**

**The number of months recommendations have been outstanding (since the formal campus exit conference).
• The number of auxiliary organizations reviewed.

