

AGENDA

COMMITTEE ON AUDIT

Meeting: 3:30 p.m., Tuesday, November 12, 2002
Glenn S. Dumke Auditorium

Shailesh J. Mehta, Chair
Kyriakos Tsakopoulos, Vice Chair
William Hauck
Dee Dee Myers
Erene S. Thomas
Anthony M. Vitti

Consent Items

Approval of Minutes of Meeting of September 17, 2002

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
September 17, 2002**

Members Present

Shailesh J. Mehta, Chair
Kyriakos Tsakopoulos, Vice Chair
Erene S. Thomas

Other Trustees Present

Debra S. Farar, Chair of the Board
William D. Campbell
Martha Fallgatter
Harold Goldwhite
M. Alexander Lopez
Frederick W. Pierce, IV
Charles B. Reed, Chancellor

Chancellor's Office Staff

Louis Caldera, Vice Chancellor, University Advancement
Christine Helwick, General Counsel
Larry Mandel, University Auditor
Jackie R. McClain, Vice Chancellor, Human Resources
Richard P. West, Executive Vice Chancellor and Chief Financial Officer

Chair Mehta called the meeting to order at 3:28 p.m.

Approval of Minutes

The minutes of the meeting of July 16, 2002, were approved as submitted.

Status Report 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 – One audit has been completed, four audits await a campus response prior to finalization, and report writing is being completed on one campus review.

Auxiliary Organizations – Three campus/ten auxiliary reviews await a response prior to finalization, and report writing is being completed on one campus/six auxiliary reviews.

Financial Aid – Report writing is being completed on six campus reviews, while fieldwork is currently taking place at two campuses.

Disability Support and Accommodations – One audit awaits a campus response prior to finalization, report writing is being completed on five campus reviews, and fieldwork is currently taking place at two campuses.

Development – Three audits await a campus response prior to finalization, report writing is being completed on five campus reviews, and fieldwork is currently taking place at one campus.

As per the audit plan, audits will be performed for the subject areas at about ten campuses each this year – approximately 29 auxiliary organizations and 12 FISMA areas.

Follow-up – Currently tracking 42 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Development, Contracts and Grants, and Delegations of Authority) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Construction – For fiscal year 2001/2002, six construction projects are being reviewed by KPMG with coordination from the Office of the University Auditor. Two projects have been completed, two projects await a campus response prior to finalization, and report writing is being completed on two projects.

Mr. Mandel stated that four campuses have outstanding recommendations at or beyond the 12-month period and the Office of the University Auditor has been assisting them with the closing of these recommendations.

Mr. Mandel noted that the review of auxiliary organizations is running behind schedule and will not be completed within the assigned time frame due to the diversion of resources to complete unplanned investigations. He reiterated his statement to the Committee at its January 2002 meeting that due to this increase in special investigations, a request for additional resources will be presented at the January 2003 Board of Trustees' meeting.

Mr. Mandel commended Mr. J. Patrick Drohan, Assistant Vice Chancellor, Capital Planning, Design and Construction and the campuses for their diligence in completing the follow-up process for 2000/2001 construction projects in a timely manner. He noted that only one recommendation remains outstanding.

The meeting was adjourned at 3:32 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 2002 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, Development, Financial Aid, Disability Support and Accommodations, Information Systems, and Construction. In addition, follow-up on past assignments (Special Investigations, FISMA, Auxiliary Organizations, Development, Contracts and Grants, and Delegations of Authority) is currently being conducted on approximately 35 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 2002 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, Development, Financial Aid, Disability Support and Accommodations, 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. Two audits have been completed, three audits await a campus response prior to finalization, report writing is being completed on one campus review, while fieldwork is currently taking place at three campuses.

Auxiliary Organizations

The audit plan indicated that approximately 261 staff weeks of activity (32 percent of the plan) would be devoted to auditing internal compliance/internal control at 9 campuses/29 auxiliaries. One campus/three auxiliary reviews have been completed, two campus/seven auxiliary reviews await a response prior to finalization, and report writing is being completed on two campuses/nine auxiliary reviews.

Development

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the plan) would be devoted to a review of 10 campuses on cash contributions and donations of property and services, controls over the analysis of development needs, identification of prospective donors, solicitation and acknowledgment of donations, valuation of nonmonetary donations, recording gifts and posting to accounting records, expending donated funds, and preparation of reports on development activity. Two campus reviews have been completed, one audit awaits a campus response prior to finalization, report writing is being completed on six campus reviews, while fieldwork is currently taking place at one campus.

Financial Aid

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the plan) would be devoted to a review of 10 campuses on identification of financial aid resources, establishing student budgets, packaging financial aid awards, coordinating financial aid benefits, managing financial aid funds, complying with federal and state program requirements, securing financial aid applicant information, and preparing financial aid reports. Report writing is being completed on eight campus reviews, while fieldwork is currently taking place at one campus.

Disability Support and Accommodations

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the audit plan) would be devoted to a review of 10 campuses on CSU programs for disabled employees, students and visitors. This would include accessibility of facilities, provision of enabling supportive services and use of adaptive technologies. Two campus reviews have been completed, report writing is being completed on seven 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, Collaborative 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 26 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 35 prior audits (Special Investigations, FISMA, Auxiliary Organizations, Hazardous Materials Management, Development, Contracts and Grants, and Delegations of Authority) 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 5 staff weeks of activity (1 percent of the plan) would be devoted to coordination of construction auditing. For the 2001/02 fiscal year, six construction projects are being reviewed by KPMG 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. Four projects have been completed, while two projects await a campus response prior to finalization.

Training

The audit plan indicated that approximately 6 staff weeks of activity (1 percent of the plan) would be devoted to training in control self-assessment. A Management Risk Assessment and Assurance program has been developed and is being implemented at those campuses indicating an interest in such a program during 2002. The proposed program consists of individual workshops where risk assessment/mitigation and internal control training will be provided and a targeted risk assessment profile will be developed. The program has been initiated at three campuses with two more in the planning stage.