

AGENDA

COMMITTEE ON AUDIT

Meeting: 8:00 a.m., Wednesday, May 11, 2005
Glenn S. Dumke Auditorium

Roberta Achtenberg, Chair
Herbert L. Carter
Moctesuma Esparza
Debra Farar
Bob Foster
William Hauck
Raymond W. Holdsworth

Consent Items

Approval of Minutes of Meeting of March 15, 2005

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**

March 15, 2005

Members Present

Anthony M. Vitti, Chair
Roberta Achtenberg, Vice Chair
Herbert L. Carter
Moctesuma Esparza
Debra S. Farar
Bob Foster
Murray L. Galinson, Chair of the Board
William Hauck
Raymond W. Holdsworth
Charles B. Reed, Chancellor

Trustee Vitti called the meeting to order.

Approval of Minutes

The minutes of the meeting of January 26, 2005, 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 March 15-16, 2005, Board of Trustees agenda.

Mr. Mandel commended the campuses for continuing to complete the outstanding recommendations in a timely manner.

Trustee Kaiser inquired about the outstanding recommendations pertaining to FISMA at California State University, Monterey Bay.

Dr. Peter P. Smith, president, California State University, Monterey Bay, responded that a reconciliation policy was established to address the recommendations; however, actual reconciliations must also be completed. He added that due to staffing constraints and the number of outstanding reconciliations, it would be a lengthy process.

Both Trustee Holdsworth and Trustee Kaiser commended the campus presidents and their staffs for the progress made in completing the outstanding recommendations.

Office of the University Auditor Charter

Mr. Mandel explained that the Office of the University Auditor currently operates under both a management charter and a set of policies and procedures, both of which have been previously approved by the Committee on Audit. In an effort to update the mandates contained within each of these documents, a combined document, to be known as the Office of the University Auditor Charter (Charter) was presented for review and approval. He noted that the Charter addresses the following areas and is aligned with the requirements of both the Education Code (Section 89045) and the Government Code (Section 1236): nature of activity, mission statement, scope of work, responsibility and authority, independence, and policies and procedures.

Trustee Vitti called for a motion to approve the Committee resolution. A motion was then made and the resolution was passed unanimously to approve the Office of the University Auditor Charter.

Trustee Vitti adjourned the meeting.

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 2005 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, Continuing Education, Housing/Residential Services, Student Records and Registration, Information Systems, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Disaster/Contingency Planning, Admissions, Human Resources, and Student Activities) is currently being conducted on approximately 30 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 2005 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, Continuing Education, Housing/Residential Services, Student Records and Registration, Information Systems, and Construction.

FISMA

The audit plan indicated that approximately 132 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 one campus review, and fieldwork is currently taking place at four campuses.

Auxiliary Organizations

The audit plan indicated that approximately 241 staff weeks of activity (29 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/27 auxiliaries. One campus/three auxiliaries await a response prior to finalization, and fieldwork is currently taking place at one campus/six auxiliaries.

Continuing Education

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 the processes for administration of continuing education and extended learning operations as self-supporting entities; budgeting procedures, fee authorizations, and selection and management of courses; faculty workloads and payments to faculty and other instructors; enrollment procedures and maintenance of student records; and reporting of continuing education activity and maintenance of CERF contingency reserves. Report writing is being completed on one campus review.

Housing/Residential Services

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 on-campus residence halls and the programming of activities for residential students; support of activities afforded students in locating suitable housing; review of Dormitory Revenue Fund Operations and residence hall costs; processes for establishing housing fees; and maintenance of residence halls. Report writing is being completed on one campus review, and fieldwork is currently taking place at one campus.

Student Records/Registration

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 ensure proper administration of database recordkeeping and registration systems; procedures for creating and changing records; and security measures protecting against unauthorized or inadvertent modification, removal or destruction of records. Vacant positions, together with recruitment challenges, have necessitated the postponement of a review of this subject.

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 28 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 30 prior audits (FISMA, Auxiliary Organizations, Disaster/Contingency Planning, Admissions, Human Resources, and Student Activities) 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 76 staff weeks of activity (9 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. In addition, whistleblower investigations will now be performed on an ongoing basis, both by referral from the State Auditor, and directly from the chancellor's office.

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 2004/05 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. Two audits await a response prior to completion, and four audits are in the report writing stage.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 5/31/2005)

	2005 ASSIGNMENTS					FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS										
	FISMA	Aux Orgs	Cont Educ	Housing/ Res Svcs	Stdnt Records Reg	FISMA		Auxiliary Organizations			Admissions		Human Resources		Student Activities	
						*Recs	**Mo.	•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK						13/13	-	3	42/42	-					0/9	3
CHI			RW			6/6	-	3	31/32	10			0/7	3		
CI		AI				23/23	-	2								
DH	FW					12/12	-	3	36/36	-	6/6	-				
EB						15/17	9	4	65/65	-						
FRE		FW				8/8	-	6							0/6	3
FUL						6/6	-	4	32/32	-	3/4	4			5/5	-
HUM				FW		4/4	-	3	53/53	-						
LB				RW		7/7	-	3	27/27	-			5/5	-	5/5	-
LA						7/7	-	4	31/42	5						
MA						14/14	-	2	21/21	-	2/6	5				
MB						25/25	-	2	40/40	-			0/9	5		
NOR						11/11	-	5	46/46	-	2/2	-				
POM						9/9	-	3	23/24	8						
SAC						13/13	-	5	65/65	-			4/7	6		
SB						8/8	-	3	33/33	-	3/3	-	3/5	5		
SD	RW							4	14/21	6	5/6	7				
SF	FW							4	48/48	-			3/3	-	2/8	4
SJ						9/9	-	4	93/93	-	4/5	9				
SLO						8/14	6	2	29/29	-						
SM						12/12	-	3	34/34	-						
SON	FW							4	21/21	-					7/7	-
STA	FW							4	50/50	-					11/11	-
CO						10/10	-	2	16/16	-			2/2	-		
SYS																
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 used 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.										

Status Report on Current and Follow-Up Construction Audit Assignments
(as of 5/31/2005)

	Project No.	Project	Contractor	Project Cost	Start Date	Comp. Date	Managed By	Current *	Follow-Up	
									RECS	*MO.
2004/05	SD-351	Chem-Geol/BAM Renovation	C.E. Wylie Construction	\$23,340,000	7/16/2001	Aug-03	Campus	AI		
	FR-100011	Sav-Mart Center Complex	Clark Construction	\$116,037,000	12/1/2001	Nov-03	Campus	RW		
	CI-778	Student Housing Phase i	HMH/Ambling West	\$17,249,000	4/4/2003	Aug-04	CPDC	AI		
	LB-603	Peterson Hall Addition	Skidmore Contracting	\$34,374,000	1/22/2001	Sep-04	Campus	RW		
	NO-10057	Univ Student Union Renov	Ford	\$14,000,000	10/21/2003	Dec-04	Campus	RW		
	SA-10031	Modoc Hall	Brown Construction	\$19,343,000	10/28/2002	Dec-03	Campus	RW		
2003/04	SB-45199	Social Behavioral Science	Soltek Pacific	\$32,387,000	4/4/2000	Dec-02	Campus	AC	5/5	-
	SJ-358	Joint Library	Hensel Philips	\$142,149,000	8/17/2000	Apr-03	Campus	AC	5/5	-
	MB-406	Science/Academic Center	Mauldin-Dorfmeier	\$20,134,000	7/24/2001	Jul-03	Campus	AC	2/2	-
	LA-162999	Bookstore/Dining Services	Bernards Brothers	\$28,217,000	7/20/2001	Jul-03	Campus	AC	5/5	-
	SO-100061	Student Housing, Phase I	Wright Contracting	\$35,691,000	4/1/2001	Aug-03	Campus	AC	8/8	-
	SM-408	Library Information Center	S J Amoroso	\$48,141,000	7/25/2001	Sep-03	Campus	AC	9/9	-
*FW = Field Work in Progress; RW = Report Writing in Progress; AI = Audit Incomplete (awaiting response); AC = Audit Complete										
**The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.										
***The number of months that recommendations have been outstanding (since the formal exit conference).										