

**AGENDA**  
**COMMITTEE ON AUDIT**

**Meeting:** **8:30 a.m., Wednesday, September 20, 2006**  
Glenn S. Dumke Auditorium

Raymond W. Holdsworth, Chair  
Debra S. Farar, Vice Chair  
Herbert L. Carter  
Carol R. Chandler  
George G. Gowgani  
William Hauck  
Glen O. Toney

**Consent Items**

Approval of Minutes of Meeting of July 19, 2006

**Discussion Items**

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Status Report on the Year-End Audited Financial Closing Process, *Information*
3. Appointment of an External Audit Firm – Status Report on Contract Award Protest, *Information*

**MINUTES OF THE MEETING OF THE  
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 19, 2006**

**Members Present**

Raymond W. Holdsworth, Chair  
Debra S. Farar, Vice Chair  
Roberta Achtenberg, Chair of the Board  
Herbert L. Carter  
Carol R. Chandler  
George G. Gowgani  
William Hauck

Chair Holdsworth called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of May 17, 2006, 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 18-19, 2006, Board of Trustees agenda.

Mr. Mandel stated that the campuses continue to make excellent progress in completing the recommendations, and reported that since the Agenda Book mail-out, there had been several updates to the status report.

Trustee Holdsworth asked Dr. Hamid Shirvani, president, California State University (CSU), Stanislaus, to address the campus' outstanding recommendation pertaining to FISMA (financial internal control review).

Dr. Shirvani responded that the issue pertains to the creation of an information security process and would be the priority of the campus' newly hired chief information officer, who begins employment on August 1, 2006.

## Audit

Trustee Holdsworth advised Dr. Shirvani to request any necessary assistance from the chancellor's office, especially since internal controls are paramount for the security of information.

Trustee Chandler asked if restrictions had changed regarding disaster and emergency preparedness as a result of the September 11, 2001, attack and to whom does the CSU report to on these matters – government, state, different counties, or a combination of the three.

Chancellor Reed responded that the reporting agency depends on the incident. He explained that the CSU system is a part of the local government's mutual aid system and is also in constant contact with the state homeland security office.

### **Progress Report on the Corrective Action Plans for the Audit Findings of the Consolidated Financial Statements and in the Single Audit Report for the Year Ended June 30, 2005**

Mr. Dennis Hordyk, assistant vice chancellor, financial services, presented the item. He reported that corrective action plans for the four findings related to the audit of federal funds pursuant to Office of Management and Budget A-133 for the year ended June 30, 2005, had been completed or are in progress as follows:

Humboldt State University has completed its corrective action plan (with validation from the university auditor) pertaining to the reconciliation process for the Direct Loan Program for student financial aid.

San Francisco State University has completed its corrective action plans (with validation from the university auditor) for the two findings pertaining to effort reporting for payroll costs and subrecipient monitoring of grants.

California State University, San Bernardino is making progress on the completion of the finding pertaining to the reconciliation process for the Direct Loan Program for student financial aid. The campus estimates completion of its corrective action plan by the September 2006 Board meeting.

Mr. Hordyk recalled the finding in the Single Audit Report for the year ended June 30, 2005, that was the result of several campuses' inability to complete accurate financial reporting packages on a timely basis and in accordance with Generally Accepted Accounting Principles (GAAP). He then provided a progress report regarding the financial statement preparation process for the year ended June 30, 2006. Mr. Hordyk reported that the CSU had closed its financial books on a legal basis approximately two weeks earlier than the prior year, resulting in more confidence that the closing process would be completed on a timely basis. However, he stated that many of the campuses were still having difficulty filling vacant accounting positions, especially those requiring a CPA designation. He added that all campuses had made staff adjustments to place greater emphasis on the GAAP closing process. He cautioned that several of the campuses may

continue to have problems this fall but their progress would be monitored throughout this difficult process. Mr. Hordyk stated that progress reports regarding the financial statement preparation process would be provided at future Board meetings.

Trustee Holdsworth addressed the presidents stating that they should evaluate the status of the financial statement preparation process at their respective campuses to determine if any assistance is needed from the chancellor's office in order to ensure a timely completion. He stated that any anticipated problems or requests should be addressed now rather than waiting until October or November.

### **Appointment of an External Auditor for the Financial Audit of the CSU System**

Mr. Richard West, executive vice chancellor and chief financial officer, presented the item. He noted that at a prior Board meeting, a recommendation was made for the appointment of KPMG as the external auditor of the CSU system through a Request for Proposal (RFP) process. However, since KPMG was the sole bidder, it was decided that a new RFP bid process would be initiated with a change in the qualification criteria in order to encourage competition in this market. He stated that consolidation of external auditing firms in this market has resulted in a scarcity of qualified professional assistance in this area due to the demands on the auditing profession.

Mr. West reported that the new RFP for the selection of the external auditor was issued in March 2006. As a result, an evaluation team comprised of campus and chancellor's office representatives (including the university auditor) was formed to review proposals offered by prospective firms. He stated that before the bid process was initiated, meetings were held with many audit firms to discuss the scope and complexity of the CSU audit and to encourage them to submit a proposal. PriceWaterhouseCoopers, Ernst and Young, Moss Adams, and Macias Gini each had meetings with CSU staff. He noted that Moss Adams and PriceWaterhouseCoopers are nationally recognized for conducting higher education audits, and also noted that Macias Gini has conducted audits at community colleges and therefore has higher education experience as well. Of the four firms, Moss Adams and PriceWaterhouseCoopers formally declined to submit a bid. Therefore, at the close of the bidding, proposals were received from two firms, KPMG and Macias Gini.

Mr. West stated that the proposal evaluation was based on the best value approach, which is a common approach the CSU uses for evaluating a variety of RFP processes. He further stated that this approach is a formal, legal process that identifies the criteria and the expectations of the bidders so that their proposals can be evaluated with a quantitative approach as well as based on the judgment of the team. He explained that the responses were evaluated based on five categories: 1) project management team qualifications and experience, 2) proposed work plan and methodology, 3) technical expertise of the firm, 4) organizational resources, and 5) cost. He further explained that cost is 40 percent of the evaluation criteria, but it is designed to be only 40 percent in order to get the best value per dollar without necessarily having the lowest bidder

## Audit

automatically being awarded the contract. Mr. West noted that throughout the current process and as noted in previous years, the main issue is capacity in the industry, specifically capacity consistent with higher education experience. He indicated that the logistics of the chancellor's office and the 23 campuses throughout the state create real challenges for any firm to respond with the number of person hours and number of individuals required to perform on the audit within the scheduled time frame.

Mr. West indicated that the KPMG proposal was identified as the higher qualified response, especially due to their experience in higher education. He also indicated that although the Macias Gini firm is a quality public accounting firm and has conducted audits in the California community college system and other public accounting, the evaluation team determined that their proposal scored lower than KPMG's proposal in meeting logistical requirements. He stated that although subcontracting is permitted under the RFP, 60 percent of the total awarded hours in the Macias Gini proposal was to be provided by the subcontractor, and there was no unqualified support for making those hours available at the required time frame. He further stated that Macias Gini offered a commitment for a timely completion, but did not have a persuasive work plan to provide assurance.

Mr. West stated that the proposal included a five-year term to encourage more firms to bid because it allowed a greater period of time to amortize the cost of increased staff with the expertise required for this audit. He noted that there is a difference of \$3 million over the five-year period in the two proposals (KPMG and Macias Gini). Macias Gini had the lower cost amount; however, that amount was qualified by Macias Gini in that changes in audit standards may well require a negotiated adjustment to the audit costs. KPMG provided an unqualified price, with no additional costs associated with new standards. Mr. West indicated that in the last five years, there had been approximately 12 accounting standards changes that would have to be accommodated in the work plan. Even independent of that qualification, the evaluation team's recommendation is that the value, the work plan, and quality would yield a higher quality per dollar value. Mr. West then recommended to the Board that KPMG be appointed as the external auditor for the CSU for the years ending June 30, 2007, through June 30, 2011.

Trustee Guzman expressed her concerns regarding the recommendation of the appointment of KPMG as the University's external auditor. Her main concern is that KPMG has performed the audit for the last eight years, and the current recommendation includes five years plus three additional one-year options, which would, if exercised, total 16 consecutive years. She added that even by removing the three additional one-year options, it is still unacceptable under any business standard to contract with the same auditing firm for 13 years. Trustee Guzman reminded the Trustees that at the November 2005 Board meeting, the qualifications criteria was presented and reviewed because KPMG had been the sole bidder. At that time, a discussion took place regarding the number of firms that would likely be eligible to respond based on the criteria. She noted that it was reported that the criteria outlined restricted the bidding process to possibly four or five large firms, but that the market restricts it to two: PriceWaterhouseCoopers, a firm that audits the University of California system and other large higher education institutions, and

KPMG, the firm currently auditing the CSU system that has higher education experience. She also reminded the Trustees that at the November 2005 Board meeting, she stated her belief that it was unacceptable to have an RFP process directed toward one firm, and she currently stands by that statement. During that same meeting, she noted that she recommended the consideration of joint ventures or splitting of the contract which would provide for another set of eyes to audit the University's records and increase the pool of firms that might otherwise be eligible to bid. In her opinion, the CSU has failed to consider these options. She stated that even though Sarbanes-Oxley may not apply specifically to the CSU as a public entity, in today's business environment, it is her belief that it is prudent to get another set of eyes and to rotate accounting firms at reasonable intervals. Trustee Guzman acknowledged that CSU staff met with auditing firms and, in fact, met with the Macias Gini firm regarding the submittal of a bid. However, she further stated her understanding that the audit committee itself never met with Macias Gini, but may have done so with KPMG in the past.

Trustee Guzman stated that her concerns were heightened when she saw the agenda item for the Committee on Organization and Rules proposing that the selection of the external auditor remain independent with the Committee on Audit, but acknowledged that it was removed from the agenda. She asked the Board to direct General Counsel and perhaps other outside consultants to provide the Board with advice regarding prudent practices, including Sarbanes-Oxley, before considering delegating full authority to the Committee on Audit. She also requested that the Board review whether all options have been considered before awarding this contract to KPMG. Trustee Guzman strongly stated that she would be voting no on the recommendation to award the contract to KPMG because she cannot in good faith vote yes to support a proposal that would allow one firm to perform CSU's accounting for 13 years based on appropriate business standards in today's environment.

Trustee Hauck respectfully disagreed with Trustee Guzman's conclusion. He explained that the CSU audit is a very complex project involving more than 100 KPMG employees. He offered his belief that turnover of the individuals performing the audit would provide for some different eyes on the financial statements. He noted that there was a time in the history of this organization when the CSU did not have any financial statements, and it has taken quite a while to get to a point where we now have competent and thorough financial statements. He expressed his concern regarding the decrease in the market from the standpoint of qualified accounting firms. Trustee Hauck stated that he was not aware of any technical criticism of the financial statements that have been rendered by KPMG. He acknowledged that in the best of all possible worlds, it would be a good idea to rotate audit firms at periodic intervals. However, since PriceWaterhouseCoopers declined to bid, he indicated his belief that it is incumbent upon us to recognize the quality of the KPMG work, the importance of the accuracy of this work, and the value gained from their experience in performing this audit. He then asked that the resolution for the appointment of KPMG be approved.

Trustee Galinson expressed his concerns regarding the appointment of KPMG as the external auditor. He agreed philosophically with Trustee Guzman and stated that in his business

## Audit

experience, audit firms changed periodically in order to provide a new set of eyes and to prevent close relationships from being developed. However, he stated that one of the problems the CSU is faced with today is that our choices are limited due to the decrease in audit firms. He noted that although the CSU is not governed by Sarbanes-Oxley, it clearly states that the audit firm should be selected independently by the audit committee, not by the board. He stated that voting for an auditing firm that has been involved with the CSU for so many years is not his preference, but believes there is very little choice.

Trustee Esparza also expressed his concerns regarding the appointment of KPMG and the lack of pursuit of other alternatives. He reported that as noted by national experts, Sarbanes-Oxley indicates that audit firms should be changed every three to five years. He then asked whether or not the Committee on Audit met with KPMG and Macias Gini or other candidates. He also offered his belief that audit committees by their very nature are suppose to have individuals with deep knowledge about auditing in order to have independence or the expected oversight to make these kinds of judgments. He added that otherwise, it is a hollow process and one where the entire board would take the full brunt and responsibility. He noted that he agreed with Trustee Guzman's recommendation and suggested that the appointment of the external auditor be reviewed again by the Committee on Audit. He also suggested that the Board consider whether or not the Committee on Audit fulfills the fiduciary requirements provided by Sarbanes-Oxley, even if the CSU is not formally subject to the act.

Trustee Holdsworth reminded the Trustees that last year a sole source recommendation for KPMG was proposed. Instead, it was decided that several independent firms would be solicited with two requirements: 1) capacity to field 120-130 auditors qualified at any one particular time, and 2) higher education experience. Trustee Holdsworth explained that as chair he encouraged a number of these firms to submit a proposal. He added that he personally did not meet with the Macias Gini firm, but other CSU representatives met with them to discuss the proposal. He noted that full and open competition was encouraged. He further explained that based on discussions with these firms, the term of the contract was increased to five years in an effort to solicit a larger number of bidding firms. He stated that even with the five-year term, several firms did not have the capacity to conduct such an audit.

Trustee Holdsworth noted that there are several firms who are involved in reviews of the auxiliaries, not just KPMG, and that this would be an excellent way of developing capacity for the future.

Trustee Achtenberg requested that Ms. Christine Helwick, general counsel, provide insight regarding the requirements of Sarbanes-Oxley, specifically pertaining to periodic changes in audit firms.

Ms. Helwick responded that she would need to research this item before speaking with precision. However, her best recollection is that although there is no legal requirement for a change in audit firm, there is a best practice recommendation of periodic change in order to ensure independence.

Chancellor Reed stated his belief that Sarbanes-Oxley requires the principal who supervises the audit to rotate after a specified number of years; rotating the firm is not required.

Trustee Guzman stated that she felt uncomfortable with the comments regarding Macias Gini. Since Macias Gini was not present to discuss the issue and since Chair Holdsworth had not met with the firm, she wanted it reflected on the record for the Committee that Macias Gini had done the CalSTRS audit, the city of Los Angeles audit, the city of San Diego audit, and other community college districts.

Trustee Holdsworth indicated that while he had not personally met with Macias Gini, Mr. West, Mr. Mandel, and the evaluation team did meet more than once with them. He also noted that nothing has been stated to indicate that Macias Gini is not a competent firm and that they have not done those types of audits. He added that Macias Gini's experience record was reviewed by the members of the selection panel.

The committee recommended approval of the proposed resolution (RA 07-06-02).

Because this was an action item and involved a contractual commitment that goes beyond the audit function, it required action by the full Board. A motion was made and the resolution was passed to enter into a master service contract with KPMG LLP for the performance of a variety of audit tasks for the five fiscal years ending June 30, 2007, 2008, 2009, 2010, and 2011.

## **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 2006 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, Delegations of Authority, Disaster and Emergency Preparedness, Athletics Administration, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Continuing Education, and Housing and Residential Services) 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 2006 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, Delegations of Authority, Disaster and Emergency Preparedness, Athletics Administration, and Construction.

#### *FISMA*

The initial audit plan indicated that approximately 144 staff weeks of activity (17 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. One audit has been completed, one audit awaits a campus response prior to finalization, and report writing is being completed on four campuses.

#### *Auxiliary Organizations*

The initial audit plan indicated that approximately 257 staff weeks of activity (31 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/29 auxiliaries. One campus/four auxiliary reports await a campus response prior to finalization, and report writing is currently taking place at four campuses/fifteen auxiliaries.

Audit

Agenda Item 1

September 19-20, 2006

Page 2 of 3

*Delegations of Authority*

The initial 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 purchasing and contracting activities, motor vehicle inspections, and real and personal property transactions. Three audits have been completed, report writing is being completed at three campuses, and fieldwork is currently taking place at one campus.

*Disaster and Emergency Preparedness*

The initial 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 and/or compliance with bond resolutions, Trustee policy, and systemwide directives; contingency and disaster recovery planning; backup communications; building safety and emergency egress including provisions for individuals with disabilities; the extent of plan testing; and relationships with state and federal emergency management agencies. One audit has been completed, report writing is being completed at four campuses, and fieldwork is currently taking place at two campuses.

*Athletics Administration*

The initial 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/review of the general control environment for athletics and control activities undertaken to assure implementation of appropriate institutional systems, policies and procedures for financial oversight, and stewardship of athletics. Report writing is being completed at three campuses, while fieldwork is currently taking place at one campus.

*Information Systems*

The initial 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 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 (FISMA, Auxiliary Organizations, Continuing Education, and Housing and Residential Services) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

*Consultations*

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. Thirty-four staff weeks have been set aside for this purpose, representing approximately 4 percent of the audit plan.

*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 chancellor's office. Thirty-six staff weeks have been set aside for this purpose, representing approximately 4 percent of the audit plan.

*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 2005/06 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. Five staff weeks have been set aside for this purpose, representing approximately 1 percent of the audit plan. Two audits are complete, while four audits await a response prior to completion.

**Status Report on Current and Follow-Up Internal Audit Assignments**  
 (as of 8/31/2006)

	FISMA	2006 ASSIGNMENTS				FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS								
		Aux Orgs	Deleg of Authority	Disaster and Emerg Prep	Athletics Admin	FISMA		Auxiliary Organizations			Continuing Education		Housing & Residential Svcs	
						*Recs	**Mo.	•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK		RW				0/12	3	3	22/22	-				
CHI	AI							3	32/32	-	8/9	9		
CI						0/13	2	2	26/26	-				
DH		RW				5/5	-	3	36/36	-				
EB	RW							4	8/40	4				
FRE		RW				0/7	4	6	45/47	10				
FUL	AI			RW		7/7	-	4			5/5	-		
HUM				FW		10/10	-	3	25/25	-				
LB	RW	AC				12/13	5	3		-	3/5	7	10/10	-
LA	RW							4	42/42	-	2/2	-		
MA						7/7	-	2	0/14	4	0/12	7		
MB						0/8	2	2	6/17	5				
NOR	AC	RW				1/8	3	5					9/9	-
POM				RW		11/11	-	3	24/24	-	5/7	7	11/11	-
SAC					RW	13/13	-	5	34/36	8				
SB		RW				8/9	6	3						
SD			AC	FW		7/7	-	4	21/21	-			10/10	-
SF	RW	RW				6/6	-	4					7/7	-
SJ		AC		RW		16/16	-	4	42/42	-				
SLO	RW							2	6/13	3			4/4	-
SM	RW		FW					3	34/34	-	3/5	4		
SON				RW		6/6	-	4	21/21	-			10/10	-
STA			AC			15/16	11	4	27/27	-				
CO		RW	FW			4/4	-	2	11/11	-				
SYS											0/6	3	0/8	4

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.

\*\*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 8/31/2006)

## **COMMITTEE ON AUDIT**

### **Status Report on the Year-End Audited Financial Closing Process**

#### **Presentation By**

Dennis Hordyk  
Assistant Vice Chancellor  
Financial Services

#### **Summary**

In January 2006, the University's audited financial statements for the year ending June 30, 2005, were presented to the Board. The external auditors identified a reportable material weakness in internal controls for the system and made recommendations to correct this condition. The Trustees asked at that time, and at subsequent meetings, for regular updates on corrective actions that have been implemented to correct the material weakness and the impact on the closing process for year ending June 30, 2006.

#### **Background**

During the audit process last year, KPMG noted several substantial issues that hindered the campuses' abilities to complete accurate financial reporting packages in accordance with Generally Accepted Accounting Principles (GAAP). As a result only nine campuses met the reporting timeline of October 18, 2005, and the remaining fourteen campuses continued to submit required financial information to the Chancellor's Office through December 23, 2005. The auditors recommended that the University evaluate the current process, as well as consider the skill-set, training and time-availability of the individuals performing this function.

#### **Management Response**

Chancellor's Office staff worked with the campus vice presidents for business and administration, and their staff, to develop a plan to assure there are adequate controls in place for the financial statement preparation process into the future. The plan included an increase in staff training in this area throughout the system, establishing guidelines for adequate staffing levels with knowledgeable professionals with GAAP expertise and competitive compensation for recruitment and retention of these staff.

A new training department has been added to the Chancellor's Office and recruitment for staff in this department has begun. The training staff will work with the campuses to identify the full scope of an adequate training program. Campuses have been asked to have a minimum of two

Audit

Agenda Item 2

September 19-20, 2006

Page 2 of 2

GAAP-qualified staff to ensure adequate coverage in this functional area. To assist with recruitment and retention, new classifications with competitive salaries were introduced.

### **Current Status**

The closing process has begun throughout the system, with audit fieldwork already starting at several of the campuses. While it will take a few years to fully implement all the corrective actions, and even though campuses continue to have difficulty hiring qualified staff in this area, there is every expectation that the plans put in place this past year will result in a timely closing process for the University's financial statements.

## **COMMITTEE ON AUDIT**

### **Appointment of an External Audit Firm – Status Report on Contract Award Protest**

#### **Presentation By**

Raymond W. Holdsworth  
Chair  
Committee on Audit

Debra S. Farar  
Vice Chair  
Committee on Audit

#### **Summary**

In August 2006, Macias Gini & Co. LLP submitted a formal protest to the award of a CSU Master Service Contract for independent financial audit services to the firm of KPMG LLP. The chair and vice chair of the Committee on Audit will report on the protest review.