

AGENDA

COMMITTEE ON AUDIT

Meeting: 3:15 p.m., Wednesday, Tuesday 13, 2007
Glenn S. Dumke Auditorium

Raymond W. Holdsworth, Chair
Kenneth Fong, Vice Chair
Herbert L. Carter
George G. Gowgani
Melinda Guzman
William Hauck
Ricardo Icaza
Henry Mendoza
Glen O. Toney

Consent Items

Approval of Minutes of Meeting of September 19, 2007

Discussion Items

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Report on Construction Auditing in the California State University–2006-07, *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 19, 2007

Members Present

Raymond W. Holdsworth, Chair
Kenneth Fong, Vice Chair
Roberta Achtenberg, Chair of the Board
Herbert L. Carter
William Hauck
Ricardo F. Icaza

Chair Holdsworth called the meeting to order.

Approval of Minutes

The minutes of the meeting of July 10, 2007, were approved as submitted.

Chair Holdsworth reported that the external auditors had begun the financial statement audit for fiscal year ending June 30, 2007. He discussed the schedule for the completion of the financial statement preparation process and provided the following due dates:

- ▶ Auxiliary organizations – end of September 2007
- ▶ Campuses – October 18, 2007
- ▶ Systemwide reporting – December 14, 2007

Chair Holdsworth addressed the presidents, stating that they should evaluate the current 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 indicated that under the new Sarbanes-Oxley guidelines, the external auditors are no longer able to provide guidance in this process, but noted that chancellor's office staff would be readily available with any needed assistance.

Chair Holdsworth stated that based on discussions at prior Committee meetings, a chief audit executive from the Florida State System performed an examination of the current risks to the system versus the size of the audit staff currently in place. He stated that the final report would be issued at the end of September 2007 and would be discussed at the November 2007 Board meeting.

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 September 18-19, 2007, Board of Trustees agenda.

Mr. Mandel indicated that the campuses continue to make excellent progress in the timely completion of the recommendations and should be congratulated for their efforts. He reported that since the Agenda Book mail-out, there had been several updates to the status report regarding the completion of the outstanding recommendations. Mr. Mandel indicated that all recommendations have now been completed for both Continuing Education and Delegations of Authority subject areas. He added that KPMG completed all six construction audits for 2006/07 and that the campuses and the chancellor's office were currently in the process of completing the recommendations.

Chair Holdsworth also personally congratulated the campus presidents on the progress that had been made on the status report in completing the recommendations in a timely manner. He emphasized the importance of controls in maintaining transparency within the university system.

Trustee Holdsworth 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 2007 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, Contracts and Grants, Occupational Health and Safety, Athletics Administration, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Disaster and Emergency Preparedness, and Athletics Administration) is currently being conducted on approximately 25 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 2007 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, Contracts and Grants, Occupational Health and Safety, Athletics Administration, and Construction.

FISMA

The initial audit plan indicated that approximately 130 staff weeks of activity (15 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. Five audits have been completed, and fieldwork is taking place at two campuses.

Auxiliary Organizations

The initial audit plan indicated that approximately 286 staff weeks of activity (34 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/29 auxiliaries. Three campus/ten auxiliary reports have been completed, two campus/eight auxiliary reports are awaiting a campus response prior to finalization, and report writing is being completed at two campuses/six auxiliaries.

Contracts and Grants

The initial audit plan indicated that approximately 97 staff weeks of activity (11 percent of the plan) would be devoted to a review of 10 campuses on solicitation activities and project approval; contract/grant budgeting and financial planning; cost accounting, allocation, and transfer processes; and award administration. Two audit reports have been completed, four audits await a campus response prior to finalization, and report writing is being completed at one campuses.

Occupational Health and Safety

The initial audit plan indicated that approximately 97 staff weeks of activity (11 percent of the plan) would be devoted to oversight of the campus injury and illness prevention program (IIPP), job and workplace conditions, employee health examinations and medical monitoring, health and safety training, work-related accidents, and programs for complying with federal and state occupational regulations. One audit has been completed, two audits await a campus response prior to finalization, report writing is being completed at three campuses, and fieldwork is currently taking place at one campus.

Athletics Administration

The initial audit plan indicated that approximately 79 staff weeks of activity (9 percent of the audit plan) would be devoted to a review of five to seven 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. Three audits have been completed, one audit awaits a campus response prior to finalization, and report writing is being completed at one campus.

Information Systems

The initial audit plan indicated that approximately 45 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 25 prior audits (FISMA, Auxiliary Organizations, Disaster and Emergency Preparedness, and Athletics Administration) 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-eight 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. Forty-five staff weeks have been set aside for this purpose, representing approximately 5 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 2006/07 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. All six audits have been completed.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 10/26/2007)

	2007 ASSIGNMENTS					FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS								
	FISMA	Aux Orgs	Contracts and Grants	Occ Hlth and Safety	Athletics Admin	FISMA		Auxiliary Organizations			Dis & Emerg Preparedness		Athletics Administration	
						*Recs	**Mo.	•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK					AI	12/12	-	3	22/22	-				
CHI			AI			7/7	-	3	6/6	-				
CI						13/13	-	2	26/26	-	7/7	-		
DH	AC		AI			0/9	3	3	11/14	7	9/9	-		
EB				AC		16/16	-	4	40/40	-				
FRE	FW		AC				-	6	47/47	-	3/3	-	4/15	6
FUL			AI	RW		0/9	3	4	31/31	-			9/9	-
HUM					AC	10/14	7	3	25/25	-	6/7	8		
LB			RW		AC	13/13	-	3	19/19	-			1/14	3
LA		AI		FW		5/5	-	4						
MA						7/16	7	2	14/14	-				
MB				AI		8/8	-	2	17/17	-				
NOR				RW	AC	8/8	-	5	30/30	-			12/12	-
POM		AC				7/10	9	3	0/24	3	4/4	-		
SAC			AC			3/10	6	5	36/36	-			13/13	-
SB	AC					0/3	2	3	17/17	-	6/6	-		
SD	AC	AC		RW		1/7	5	4	8/11	4	6/6	-	14/14	-
SF	AC			AI		11/11	-	4	32/32	-				
SJ		AI		RW		10/24	6	4		-			20/20	-
SLO					RW	10/10	-	2	13/13	-				
SM		AC				11/11	-	3	0/22	4				
SON	FW		AI				-	4	18/18	-	5/5	-		
STA	AC	RW				0/11	4	4		-				
CO		RW				4/4	-	2		-	7/8	9		
SYS											6/6	-		
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.								

COMMITTEE ON AUDIT

Report on Construction Auditing in the California State University–2006-07

Presentation By

Larry Mandel
University Auditor

Chris Ray
Systemwide Coordinating Partner, KPMG

Summary

For the 2006/07 fiscal year, construction auditing was performed for the CSU under a contract with KPMG. The contract called for six construction projects to be reviewed with coordination from the Office of the University Auditor. Areas under review included construction bid process, change orders, project management services, contractor compliance, liquidated damages, and cost verification of major equipment and construction components. Representatives from KPMG, the external audit firm hired by the California State University to conduct the audit, will make a presentation and respond to questions. A copy of the report is enclosed for your review.