

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 2:45 p.m., Tuesday, January 22, 2008**  
**Glenn S. Dumke Auditorium**

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

#### **Consent Items**

Approval of Minutes of Meeting of November 13, 2007

#### **Discussion Items**

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Assignment of Functions to Be Reviewed by the Office of the University Auditor for Calendar Year 2008, *Action*
3. Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management, *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**

**November 13, 2007**

**Members Present**

Raymond W. Holdsworth, Chair  
Roberta Achtenberg, Chair of the Board  
Herbert L. Carter  
Melinda Guzman  
William Hauck  
Henry Mendoza  
Glen O. Toney

Chair Holdsworth called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of September 19, 2007, 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 November 13-14, 2007, Board of Trustees agenda.

Mr. Mandel stated that approximately 80 percent of the audit plan for calendar year 2007 had been completed. He further stated that the remaining assignments would be completed by the January 2008 Board meeting, at which time the audit plan for 2008 would be presented. He indicated that the campuses continue to make exceptional progress in the timely completion of the recommendations, and noted 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 reported that only two areas, (FISMA, California State Polytechnic University, Pomona, and Disaster and Emergency Preparedness, Chancellor's Office), had outstanding recommendations at nine months, but anticipated completion prior to the next committee meeting. He added that progress was also being made on the completion of recommendations pertaining to the six construction audits performed by KPMG for 2006/07.

Chair Holdsworth personally congratulated the campus presidents on the progress that had been made on the status report, not only for reducing the length of time in completing the recommendations but also for reducing the number of outstanding recommendations.

Chair Holdsworth discussed the current financial statement audit for fiscal year ended June 30, 2007. He thanked the campus presidents for their attention to the timely completion of the financial statement preparation process, noting that over 90 percent of the campuses had submitted their financial reporting packages by or before the deadline. He added that the systemwide reporting process should be completed by December 14.

### **Report on Construction Auditing in the CSU – 2006/07**

Mr. Mandel explained that for the 2006/07 fiscal year, construction auditing was performed for the California State University under a contract with KPMG. He then introduced Mr. Chris Ray, systemwide coordinating partner from KPMG, who presented the item on behalf of Mr. Geno Armstrong, principal responsible for KPMG's construction practice in the United States. Ms. Erika Alvord, manager from KPMG, was also present to answer any questions.

Mr. Ray stated that for fiscal year 2006/07, six construction projects were reviewed by KPMG with coordination from the Office of the University Auditor (OUA) and included the following:

- California State University, East Bay – *Pioneer Heights Phase II Student Housing*
- California State University, East Bay – *Valley Business and Technology Center*
- San Diego State University – *Social Sciences/Parking Structure 8*
- California State University, San Bernardino – *Science Building Annex Phase I*
- San Francisco State University – *Hensill Hall Renovation Project*
- Sonoma State University – *Darwin Hall Renovation Project*

Mr. Ray indicated that KPMG performed the construction reviews to determine compliance with Trustee policy and general business and industry standards. The eight main areas under review included design costs, construction bid process, construction change orders, project management inspection services, major equipment and materials, close-out process, liquidated damages, and project accounting.

Mr. Ray provided a summary of some of the observations noted during the audit. He stated that on three of the projects, work was performed by contractors before the formal contracts were fully executed – some of the work had been completed based solely on a notice to proceed from the campuses. On five of the projects, supporting documentation related to change orders was either limited or missing; and on two of the projects, the contractor mark-up was not consistently calculated based on the contract terms. In addition, instances were noted where the appropriate close-out process was not followed, time extensions were not negotiated on contemporary spaces as they occurred, and formal board approval was not received prior to committing the expansion of a project. Mr. Ray noted that some of the issues, specifically pertaining to project cost tracking and change orders, were reoccurring findings from prior construction audits. He suggested that Capital Planning, Design, and Construction (CPDC) may want to consider modifying the State University Administrative Manual to address some of these issues that continue to exist within the construction audits, in order to achieve consistency throughout the projects.

Trustee Mendoza asked Mr. Ray to highlight some of the material issues pertaining to the construction audits.

Mr. Ray reiterated that some of the material issues include obtaining fully executed contracts before the work has been completed and maintaining appropriate supporting documentation to facilitate the change order process.

Ms. Alvord stated that in her opinion, the main material issue would be uniformity in terms of construction cost tracking. Based on the past three years of performing construction audits for the system, she has noticed that there is no consistency among the campuses for this process and several different methods are being utilized.

Chancellor Reed asked Ms. Elvyra San Juan, assistant chancellor, CPDC to respond to KPMG's comments.

Ms. San Juan responded that modifications had been made to the State University Administrative Manual and General Conditions based on KPMG's recommendations. Regarding the issue pertaining to the tracking of project costs, she stated that an investigation would occur to determine which software systems and CMS PeopleSoft modules are being used by the campuses for this process. Ms. San Juan further stated that in addition to the CMS PeopleSoft financial system, some of the campuses use Excel spreadsheets that time shadow systems, which contributes to the inconsistency in reporting. Upon completion of the investigation, if appropriate, a monthly or quarterly reconciliation would be identified to ensure shadow systems track the CMS PeopleSoft financial reporting system, which is used as the official records of the university.

Trustee Mendoza inquired as to whether the issue was regarding unapproved change orders.

Mr. Ray responded that the issue pertained to proper supporting documentation for change orders, not approval of change orders.

Chair Holdsworth also responded to Trustee Mendoza stating that when the construction audits were completed, both Mr. Richard West, executive vice chancellor and chief financial officer, and Ms. San Juan reviewed the reports to determine ways to avoid reoccurring issues from campus to campus, e.g., changing systemwide policies and procedures.

Chair Holdsworth reminded the Trustees that 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 had been received and, after a thorough review and discussion of the recommendations with Chancellor Reed and the campus presidents, would be discussed at the January 2008 Board meeting.

Chancellor Reed presented an update to an investigation at the Sonoma State University campus related to a federal grant. He reported that several investigations had been completed by the

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## Audit

campus, the OUA manager of investigations, and the Bureau of State Audits; and as a result, findings had been provided to the criminal justice system. Chancellor Reed stated that he would provide the Trustees with updated information on the criminal investigation as it proceeds.

Chair 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, one audit awaits a campus response prior to finalization, report writing is being completed at four campuses, and fieldwork is taking place at one campus.

#### *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. Four campus/fifteen auxiliary reports have been completed, three campus/ten auxiliary reports are awaiting a campus response prior to finalization, and report writing is being completed at one campus/four 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. Five audit reports have been completed, and three audits await a campus response prior to finalization.

### *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. Two audits have been completed, one audit awaits a campus response prior to finalization, and report writing is being completed at five campuses.

### *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. Four audits have been completed, 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 2007/08 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 2/6/2008)

	<b>2007 ASSIGNMENTS</b>					<b>FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS</b>										
	FISMA	Aux Orgs	Contracts and Grants	Occ Hlth and Safety	Athletics Admin	Special Investigations		FISMA		Auxiliary Organizations			Dis & Emerg Preparedness		Athletics Administration	
						*Recs	**Mo.	*Recs	**Mo.	*No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK					AC			12/12	-	3	22/22	-			0/13	2
CHI			AC					7/7	-	3	6/6	-				
CI	FW									2	26/26	-	7/7	-		
DH	AC		AI					6/9	5	3	13/14	9	9/9	-		
EB			AI	AC				16/16	-	4	40/40	-				
FRE	AI		AC							6	47/47	-	3/3	-	15/15	-
FUL			AC	RW				7/9	5	4	31/31	-			9/9	-
HUM		RW			AC			14/14	-	4			7/7	-	0/9	3
LB	RW		AI		AC					3	19/19	-			9/14	5
LA		AI		RW				5/5	-	4						
MA								14/16	9	2	14/14	-				
MB	RW			AI						2	17/17	-				
NOR				RW	AC			8/8	-	5	30/30	-			12/12	-
POM		AC						10/10	-	3	16/24	5	4/4	-		
SAC			AC					10/10	-	5	36/36	-			13/13	-
SB	AC							3/3	-	3	17/17	-	6/6	-		
SD	AC	AC		RW				7/7	-	4	11/11	-	6/6	-	14/14	-
SF	AC			AC				11/11	-	4	32/32	-				
SJ		AC		RW				24/24	-	5	0/32	2			20/20	-
SLO					RW			10/10	-	2	13/13	-				
SM		AC						11/11	-	3	21/22	6				
SON	RW		AC				4/7	4		4	18/18	-	5/5	-		
STA	AC	AI						11/11	-	4						
CO	RW	AI								2			8/8	-		
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

### **Assignment of Functions to Be Reviewed by the Office of the University Auditor for Calendar Year 2008**

#### **Presentation By**

Larry Mandel  
University Auditor

#### **Summary**

At the first meeting of the new year, the Committee on Audit selects the audit assignments for the Office of the University Auditor. The following is an audit plan for calendar year 2008.

#### **FINANCIAL INTEGRITY AND STATE MANAGER'S ACCOUNTABILITY ACT OF 1983**

In 1983, the California legislature passed the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA). This act requires that state agencies establish and maintain a system of internal accounting and administrative control. To ensure that the agency fully complies with requirements, the head of each agency is required to prepare and submit a report on the adequacy of the systems of internal accounting and administrative control following the end of each odd-numbered fiscal year.

These audits will review compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests which require annualized data, either the 2006/07 or 2007/08 (as appropriate) fiscal year will be the primary period reviewed. In certain instances, we are concerned with representations of the most current data. In those cases, the test period will normally be the two months prior to our arrival on campus. Specifically, we will review and test the following areas:

Cash Receipts	Payroll/Personnel
Receivables	Fixed Assets
Purchasing	Fiscal Information Technology
Revolving Fund	Investments
Cash Disbursements	Trust Funds

The depth of our review in each area will depend upon an initial risk assessment for each campus. Twelve FISMA audits are planned for calendar year 2008. This represents 130 staff weeks of audit effort, which amounts to approximately 15 percent of the audit plan.

#### SUBJECT 1

To be determined by the Committee on Audit. If the subject matter lends itself to an audit of average length, it is estimated that ten campus audits will take place during calendar year 2008. This represents 97 staff weeks of audit effort, which is approximately 11 percent of the audit plan.

#### SUBJECT 2

To be determined by the Committee on Audit. If the subject matter lends itself to an audit of average length, it is estimated that ten campus audits will take place during calendar year 2008. This represents 97 staff weeks of audit effort, which is approximately 11 percent of the audit plan.

#### SUBJECT 3

To be determined by the Committee on Audit. If the subject matter lends itself to an audit of average length, it is estimated that ten campus audits will take place during calendar year 2008. This represents 97 staff weeks of audit effort, which is approximately 11 percent of the audit plan.

#### AUDITS OF AUXILIARY ORGANIZATIONS

In order to provide assurance to the Board that adequate oversight is being maintained over auxiliaries, the Office of the University Auditor administers an audit program covering internal compliance/internal controls. It is estimated that 28 auxiliary reviews will take place during calendar year 2008. This represents 298 staff weeks of audit effort, which is approximately 35 percent of the audit plan.

#### INFORMATION SYSTEMS

Technology support will be provided in the area of financial internal controls for both campus (FISMA) and auxiliary organization audits, in addition to subject area reviews. Forty-five staff weeks are planned during calendar year 2008. This represents approximately 5 percent of the audit plan.

#### FOLLOW-UPS

The purpose of this category is to follow-up on prior audit recommendations. The Office of the University Auditor reviews the responsiveness of the corrective action taken for each recommendation and determines whether additional action may be required. In certain instances, it may be necessary to revisit the campus to ascertain whether the corrective action taken is

achieving the desired results. All recommendations are tracked until each is satisfactorily addressed. Reports of follow-up activity are made at each meeting of the Committee on Audit. Twenty-three staff weeks have been set aside for this purpose, representing approximately 3 percent of the audit plan.

#### CONSULTATION

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. Eight staff weeks have been set aside for this purpose, representing approximately 1 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

In addition to the above, construction auditing will be a continuing focus of the Office of the University Auditor. For the 2007/08 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.

#### RISK ASSESSMENT

Triennially, the Office of the University Auditor prepares, in conjunction with each campus, a systemwide risk assessment. Four staff weeks have been set aside for this purpose, representing approximately 1 percent of the audit plan.

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Agenda Item 2  
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The following resolutions are recommended for approval:

**RESOLVED,** By the Committee on Audit of the Board of Trustees of The California State University, that the 2008 internal audit plan, including FISMA, Information Systems, Auxiliary Organizations, Construction, Consultations, Investigations, \_\_\_\_\_, \_\_\_\_\_ and \_\_\_\_\_ (to be determined by the committee) be approved.

**OFFICE OF THE UNIVERSITY AUDITOR  
 RESULTS OF 2005 RISK ASSESSMENT**

HIGHEST RISK AREAS

Subject Area	Last Time Audited by the Office of the University Auditor
Information Security	Never Audited
Disaster and Emergency Preparedness	2006
Athletics Administration	2006&2007
Occupational Health and Safety	2007
Contracts and Grants	2007
Hazardous Materials Management	2000
Development/Fund-Raising	2002
Public Safety	2000
Student Records and Registration	1999
Student Health Centers	2000

The third audit performed in 2006 was Delegations of Authority, an audit of leases/licenses, purchasing/contracts, and motor vehicles. This audit, a requirement of the Education Code, is to be performed once every five years.

**OFFICE OF THE UNIVERSITY AUDITOR  
SELECTION OF AUDIT TOPICS FOR 2008**

The purpose of this attachment is to present additional information to assist the Committee on Audit in deciding the audit assignments for the Office of the University Auditor for 2008. The list below reflects the highest risk areas as determined by the 2005 risk assessment process exclusive of priorities that are addressed by recent assignments and/or mandatory audits, e.g., Financial Integrity and State Manager's Accountability Act (FISMA), Delegations of Authority (Purchasing/Contracting, Leasing, Motor Vehicles - Education Code Section 89045(d)), and Auxiliary Organization Reviews.

Information Security

Hazardous Materials Management

Development/Fund-Raising

Public Safety

Student Records and Registration

Student Health Centers

The following information is not necessarily complete. A complete survey of risks, controls, and associated audit procedures can only be compiled through the audit process. Accordingly, the descriptions should be read with the understanding that they are preliminary and presented for discussion purposes, and may change after audit survey/work commences.

### **Information Security**

Information security includes the activities/measures undertaken to protect the confidentiality, integrity, and access/availability of information including systems to limit collection of information, control access to data and assure that individuals with access to data do not utilize the data for unauthorized purposes, encrypt data in storage and transmission, and implement physical and logical security measures for all sources.

Potential impacts include:

- inappropriate disclosures of protected information;
- identity theft;
- adverse publicity;
- excessive costs;
- inability to achieve institutional objectives and goals; and
- increased exposure to enforcement actions by regulatory agencies.

Proposed audit scope would include a review of the systems and managerial/technical measures for ongoing evaluation of data/information collected; identifying confidential, private or sensitive information; authorizing access; securing information; detecting security breaches; and security incident reporting and response.

### **Hazardous Materials Management**

Hazardous materials management includes the systems and procedures for controlling the purchase, generation, storage, treatment, use and disposal of hazardous materials (HAZMAT) and wastes and responding to hazardous spills, and compliance with regulatory permit and reporting requirements.

Potential impacts include:

- injury of staff, faculty, and students;
- environmental damage;
- adverse publicity;
- excessive costs and legal liabilities;
- facilities that present inordinate health risks;
- regulatory fines and sanctions; and
- inability to identify HAZMAT and respond to emergency situations.

Proposed audit scope would include review of compliance with federal and state regulations; development and implementation of HAZMAT communication and training programs and an emergency plan; HAZMAT identification and warnings and

accessibility of material safety data sheets; HAZMAT purchasing, receiving, and storage; workplace safety inspections; and the hazardous waste identification and disposal program.

### **Development/Fund-Raising**

Development includes institutional or university advancement and fund-raising.

Potential impacts include:

- inadequate non-state funding;
- acceptance of gifts that are inconsistent with public policy;
- erroneous valuation of non-monetary gifts;
- non-compliance with Internal Revenue Service regulations;
- use of funds that conflict with donor intentions/potential violations of trust arrangements; and
- inaccurate reporting of donations and development activity.

Proposed audit scope would include campus development offices, foundations and other organizational constituencies involved in development; cash contributions and donations of property and services; and controls over the analysis of development needs; identification of prospective donors; solicitation and acknowledgment of donations; valuation of non-monetary donations; recording gifts and posting to accounting records; expending donated funds; and preparation of reports on development activity.

### **Public Safety**

Public safety includes police activities and law enforcement, parking program administration and enforcement, and crime reporting.

Potential impacts include:

- lack of, out-of-date, or undistributed policies and procedures;
- undeveloped or unused measures for self-evaluation and improvement;
- poor or undefined relationships with external agencies;
- inefficient use of physical assets or human resources;
- non-compliance with state-mandated standards and training requirements;
- unauthorized use of law enforcement data;
- inadequate crime reporting;
- lack of control or poor maintenance over sensitive or special equipment;
- excessive costs;

- lost parking fine revenue;
- inadequate control or supervision over activities having safety or liability considerations; and
- poor adjudication of internal investigations or personnel complaints.

Proposed audit scope would include review of compliance with federal and state laws, Trustee and campus policy, and Chancellor's Office directives; staffing and scheduling; participation in disaster planning and the CSU Critical Response Unit; certifications and training; budgeting controls and chargebacks; dispatch operations, field reporting, and case monitoring; internal investigations; evidence and equipment controls; accumulation and reporting of crime statistics; integrity and security of public safety records, files, and information; and parking citations revenue, and funds.

### **Student Records and Registration**

Student records and registration includes database integrity, security and confidentiality, and the enrollment process.

Potential impacts include:

- adverse publicity;
- excessive costs;
- erroneous records;
- release of inappropriate information; and
- low customer service.

Proposed audit scope would include review 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.

### **Student Health Centers**

Student health centers includes the provision of basic and augmented health services through campus student health facilities, and pharmacy operations.

Potential impacts include:

- substandard medical care;
- inconsistent accessibility;
- erroneous dispensing or theft of pharmaceuticals;
- inadequate health education and staff training;

- excessive costs and fees;
- legal liabilities;
- operational ineffectiveness and inefficiency; and
- unauthorized disclosure of personal information.

Proposed audit scope would include review of compliance with federal and state laws, Trustee policy, and Chancellor's Office directives; establishment of a student health advisory committee; accreditation status; staffing, credentialing and re-credentialing procedures; monitoring of the quality and effectiveness of patient care; safety and sanitation procedures, including staff training; budgeting procedures; fee authorization, cash receipt/disbursement controls and trust fund management; pharmacy operations, security and inventory controls; and the integrity and security of medical records.

**OFFICE OF THE UNIVERSITY AUDITOR  
FUNCTIONS AUDITED DURING PAST TEN YEARS**

**Year Function**

2007 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Athletics Administration
- Contracts and Grants
- Occupational Health and Safety
- Construction

2006 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Athletics Administration
- Delegations of Authority
- Disaster and Emergency Preparedness
- Construction

2005 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Continuing Education
- Housing/Residential Services
- Construction

2004 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Admissions
- Human Relations
- Student Activities
- Construction

2003 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Employee Relations
- Risk Management and Insurance
- Disaster/Contingency Planning
- Construction

2002 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Development
- Financial Aid
- Disability Support and Accommodations
- Construction

2001 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Delegations of Authority (Procurement, Motor Vehicles, Agreements, and Leases)
- Development
- Contracts and Grants
- Construction

2000 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Hazardous Materials Management
- Public Safety
- Student Health Centers
- Construction

1999 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Auxiliary Organizations
- Continuing Education/Extended Education
- Operation and Maintenance of Plant
- Student Records and Registration
- Construction

1998 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

- Risk Management and Insurance
- Continuing Education/Extended Education
- Construction

**COMMITTEE ON AUDIT**

**Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management**

**Presentation By**

Richard P. West  
Executive Vice Chancellor and  
Chief Financial Officer

Colleen Nickles  
Assistant Vice Chancellor  
Financial Services

**Summary**

The Systemwide audit in accordance with generally accepted accounting principles and the report to management will be discussed. Representatives from KPMG, LLP, the external audit firm hired by the California State University to conduct the audit, will be available to respond to questions. A copy of the report is enclosed for your review.