

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 3:00 p.m., Tuesday, March 22, 2011**  
**Glenn S. Dumke Auditorium**

Henry Mendoza, Chair  
Raymond W. Holdsworth, Vice Chair  
Nicole M. Anderson  
Carol R. Chandler  
Margaret Fortune  
George G. Gowgani  
Melinda Guzman  
William Hauck

#### **Consent Items**

Approval of Minutes of Meeting of January 25, 2011

#### **Discussion Items**

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Status Report on Corrective Action for the Findings in the California State University A-133 Single Audit Reports and Auxiliary Organization Audit Reports for the Fiscal Year Ended June 30, 2010, *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**

**January 25, 2011**

**Members Present**

Henry Mendoza, Chair  
Raymond W. Holdsworth, Vice Chair  
Nicole M. Anderson  
Margaret Fortune  
George G. Gowgani  
Melinda Guzman  
William Hauck  
Charles B. Reed, Chancellor  
Herbert L. Carter, Chair of the Board

Chair Mendoza called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of November 9, 2010, 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 January 25-26, 2011, Board of Trustees agenda.

Mr. Mandel reminded everyone that updates to the status report are displayed in green numerals and indicate progress toward or completion of outstanding recommendations since the distribution of the agenda. He reported that many of the campuses are continuing to make very good progress in the closing of outstanding recommendations. He noted that some of the campuses have long-outstanding recommendations and added that some of those issues pertain to the handling of funds within the auxiliary organizations. Mr. Mandel stated that the audit assignments from the 2010 audit plan (as shown on the left-hand side of the status report) would all be completed by the March 2011 board meeting. In addition, he indicated that several construction audit assignments were currently in progress and/or had been completed and that the campuses are completing the recommendations in a timely manner.

Aud.

Chair Mendoza asked for an explanation for the long-outstanding recommendations at California State University, East Bay; California State Polytechnic University, Pomona; and the CSU Chancellor's Office.

President Mohammad Qayoumi responded that there was a procedural question on how to close the item on Information Security; however, an agreement was reached with the Office of the University Auditor (OUA) in December, and the item will be completed by February 2011.

President Ortiz acknowledged that the item pertaining to Off-Campus Activities should have been completed within 12 months and stated that it would be closed by the March 2011 board meeting.

Dr. Benjamin F. Quillian, executive vice chancellor/chief financial officer, responded that the remaining three issues pertaining to Information Security require policy revisions, which are currently in process. Dr. Quillian acknowledged the risk and added that he has had discussions with the chief information officer and reported that these items would be completed very shortly.

Chair Mendoza expressed his concern for the long-outstanding recommendations and stated that it is his goal as chair for the Committee on Audit to help ensure that recommendations are closed no later than nine months.

Chancellor Reed asked Mr. Mandel to comment on the status of the recommendations pertaining to the auxiliary organizations.

Mr. Mandel explained that the recommendations regarding the auxiliary organizations at California State University, Fullerton; San Francisco State University; and California Polytechnic State University, San Luis Obispo have been held in abeyance until clear guidance emanates from the Review Committee on the Status of Auxiliaries. Upon issuance of new policies, the findings/recommendations will be reconsidered by the OUA.

Chancellor Reed stated that the prior assistant vice chancellor, financial services, was not able to finalize the policies before his retirement; therefore, there was no clear policy to audit against. He added that the completion of the new policies would be a priority.

Trustee Holdsworth expressed his concern regarding the long-outstanding recommendations pertaining to the auxiliary organizations and requested that specific timelines for both the completion of the new policies and completion of the recommendations be provided to the board.

#### **Assignment of Functions to Be Reviewed by the Office of the University Auditor for Calendar Year 2011**

Mr. Mandel stated that each year at the January meeting of the Board of Trustees, the Committee on Audit reviews the audit assignments for the OUA and approves the audit plan for the year. He explained that every five years, the legislature requires an audit of delegations of authority; therefore, this subject area has been included in the audit plan. Delegations of Authority is a

heavy-duty procurement audit that also includes motor vehicle inspection and use and leases of real property, easements, rights-of-way, and quick-claim transactions. He noted that the OUA performed a risk assessment of the CSU in the last quarter of 2010 to determine the areas of highest risk to the system. The results of that risk assessment indicated the following six areas: Sensitive Data Security and Protection; Information Technology Disaster Recovery Planning; Financial Aid; Academic Personnel; Americans with Disabilities Act; and Cashiering. He indicated that audits would be performed at those campuses where a greater degree of risk was perceived for each of these areas. Mr. Mandel also reminded the trustees that three of these areas (Information Technology Disaster Recovery, Cashiering, and Financial Aid) had been included in the 2010 audit plan for review at selected campuses and noted that these three areas will once again be included this year to encompass additional campuses.

Mr. Mandel also reminded the trustees that FISMA (financial internal control) audits are no longer being conducted in the same manner as has been done for the past 15 years. As per an agreement with the Department of Finance, a different auditing approach is now being used that addresses all high-risk areas. He indicated that along with the high-risk areas, Auxiliary Organizations and Construction audits would continue to be included in the 2011 audit plan. He explained that auxiliary organizations audits are conducted at each campus on a three-year cycle for the approximately 94 auxiliary organizations. In addition, another seven or eight construction projects would also be reviewed in 2011. A systemwide compliance function within the OUA is also currently being developed as part of the audit plan.

Chair Mendoza called for a motion to approve the committee resolution (RAUD 01-11-01). A motion was then made, and the resolution was passed unanimously to approve the audit plan for calendar year 2011.

Trustee Carter asked whether auxiliary organizations audits would be conducted against existing policies or against whatever new policies are developed based on the report from the Review Committee on the Status of Auxiliaries.

Mr. Mandel responded that audits would be conducted against existing policy where no changes were made and against new policy as is it implemented.

Trustee Holdsworth directed a question to Mr. Mark Thomas, managing partner, KPMG, regarding the high-risk areas selected for the 2011 audit plan, asking for his opinion on whether any other areas should have been included. He also asked Mr. Thomas if there were any trends that the CSU should be aware of in relation to what other universities and/or major governmental agencies are doing in this area.

Mr. Thomas responded that he and Mr. Mandel spend a great deal of time discussing various audit issues. He explained that he has met face-to-face with Mr. Mandel as part of this audit process to specifically discuss risk areas, auxiliary organizations, changes within the OUA, etc. Mr. Thomas stated that in reviewing the risk areas as noted in the OUA audit plan, he agrees with the selection.

Aud.

Trustee Holdsworth expressed his concern regarding the high visibility of information security at the campuses and asked Mr. Thomas's opinion as to whether the CSU is adequately protected, especially from hackers, etc.

Mr. Thomas responded that he was not sure that anybody has completely adequate coverage in the area of information security, but it is an area that KPMG spends a great deal of time with at the CSU Chancellor's Office, as does Mr. Mandel's staff. He reminded the trustees that a couple of years ago the CSU had significant deficiencies in internal controls relating to information security, which prohibited KPMG from relying on any system-generated controls throughout the audit process. He added that subsequent to that, KPMG spent about 18 months alongside the CSU Chancellor's Office as corrections were made to that system. Mr. Thomas stated that it is an ongoing evaluation, but he has seen great positive momentum in that area.

Mr. George V. Ashkar, assistant vice chancellor/controller, added to Mr. Thomas's comments by stating that a large amount of effort from financial services staff in conjunction with the OUA, KPMG, and the campuses has resulted in the creation of segregation of duties policies and/or mitigating controls, eliminating any findings this year pertaining to information security.

### **Report on the Financial Statements and Audit Findings for the Fiscal Year Ended June 30, 2010**

Dr. Quillian informed the trustees that he personally met with Mr. Thomas on several occasions to discuss the findings from the audit of the university's financial statements. In addition, Dr. Quillian stated that Mr. Ashkar, Mr. Thomas, and he had also met with Chair Mendoza to discuss the findings and recommendations and is pleased to report that the financial statement preparation process by the campuses and the type of findings noted are some of the best ever. He also informed the trustees that KPMG also audited the university's compliance with the requirements applicable to each of its federal programs for fiscal year ended June 30, 2010.

Mr. Ashkar presented the financial statements for the CSU system for fiscal year ended June 30, 2010. He expressed his appreciation to the campus accounting units and commended the presidents and their staffs, as well as the CSU Chancellor's Office financial services staff, for their achievements and diligent hard work for the success in completing the financial statement process. He stated that in spite of furloughs and staff constraints, the campuses met all deadlines for legal closing reports to the State Controller's Office and all generally accepted accounting principles leading up to the CSU consolidated financial statements. Mr. Ashkar was particularly proud of the fact that for the first time in many years, there were no systemwide financial findings.

Mr. Ashkar reported that the general fund appropriation increased by \$196 million from the previous year (still \$621 million below the 2007-2008 funding level) used primarily in payroll costs. In addition, student fee revenues increased by \$219 million from the previous year due to a student fee rate increase (used to increase classes for students and mitigate reduction in student access and enrollment from the state budget cuts).

Mr. Ashkar reported that total revenues for the university increased from \$5.7 billion in 2008-2009 to \$6.1 billion in 2009-2010. The major sources in total revenue included the following: increases in general fund appropriation and student fee revenues (as noted above); and an increase of \$446.4 million in grants, contracts, and gifts (including an increase of \$179.5 million in federal AARA funds that partially offset the state non-capital appropriation reduction and an increase of \$230.9 million in Pell Grant and other financial aid grants). He added that these increases were partially offset by a decrease of \$201.8 million in state capital appropriations (which means less funds available to build new facilities) and a decrease of \$196.7 million in other operating and non-operating revenues.

Mr. Ashkar reported that total operating expenses for the university decreased from \$5.7 billion in 2008-2009 to \$5.5 billion in 2009-2010 (4.7 percent increase), mainly due to reduced travel and payroll cost savings from furloughs, and was partially offset by student grants and scholarships, as well as depreciation and amortization. He noted that instruction and educational support account for approximately 70 percent of the total operating expenses; educational support includes research, public service, academic support, student services, and student grants and scholarships.

Mr. Ashkar reported that net assets increased from \$5.4 billion in 2008-2009 to \$5.9 billion in 2009-2010 (9.4 percent increase). He added that this was due primarily to an increase of \$789.3 million in Unrestricted Net Assets (due to an increase in state non-capital appropriation and student fee revenue and overall savings in operating expenses in fiscal year 2009-2010). He also noted that the decrease of \$276.6 million in Restricted Expendable Net Assets is mainly due to spending down of existing capital appropriations and not receiving new capital appropriations.

Mr. Ashkar provided information pertaining to major events since June 30, 2010, as follows: The state non-capital appropriation budget approved by the legislature for fiscal year 2010-2011 is \$2.62 billion, \$270 million above the 2009-2010 funding level of \$2.35 billion, and marks the first partial restoration of state funding since 2007-2008; in fiscal year 2010-2011, there was a one-time receipt of additional \$106.6 million of ARRA funds and an increase in student fee rates that is expected to generate \$88.8 million in new student tuition and fees, net of financial aid.

### **Single Audit Report of Federal Funds**

Mr. Ashkar presented the findings of the A-133 Single Audit Report. He stated that every year the CSU system issues a Single Audit Report that includes the 23 campuses and the CSU Chancellor's Office. He further stated that the report discloses the findings and questioned costs relating to the following: financial statements reported in accordance with Government Auditing Standards (GAS) and the federal awards in accordance with Office of Management and Budget (OMB) Circular A-133. He explained that an entity that expends \$500,000 or more in a year in federal awards is required to issue a Single Audit Report. He noted that the federal awards reported by the campuses, including financial aid and non-financial aid programs, are disclosed in the systemwide single audit report.

Aud.

Mr. Ashkar then highlighted significant details in the report. He indicated that total federal awards received by the university increased by \$520 million (from \$1.948 billion in fiscal year 2008-2009 to \$2.468 billion in fiscal year 2009-2010). He added that this increase is mainly due to \$337 million in student financial aid programs and approximately \$180 million in ARRA funds provided through the State Fiscal Stabilization Fund.

Mr. Ashkar continued his presentation by providing a summary of the five findings as a result of the A-133 Single Audit Report. He reported that findings 10-01 through 10-04 related to control procedures in the administration of federal financial aid programs (i.e., Pell Grant and Federal Family Education Loans). Finding 10-05 related to control procedures in the administration of contracts funded through a federal grant program. Mr. Ashkar stated that all campuses have prepared corrective action plans that are currently being implemented. He indicated that the Chancellor's Office, in conjunction with the OUA, will review those plans to ensure appropriate corrective action is taken on the reported findings. He also reported that the auxiliary organizations were audited by approximately 28 individual accounting firms. As a result of these reviews, there were three auxiliaries that had material weaknesses; all have prepared corrective actions plans and will be reviewed accordingly. Mr. Ashkar stated that he would provide a progress report on the status of the completion of all of the corrective action plans at the next board meeting in March 2011.

Mr. Ashkar then introduced Mr. Mark Thomas, managing partner for KPMG, who reported that KPMG issued unqualified, clean opinions relating to the university's consolidated financial statements and the audit of federal funds for fiscal year ended June 30, 2010.

Trustee Holdsworth congratulated Chancellor Reed and the campus presidents, along with their accounting staffs, for the great effort provided this year for the timely completion of the financial reporting process and for the report of no systemwide findings, especially in light of the fact that each year the audits get more and more complex.

Chair Mendoza also commended and thanked the campuses for their tremendous efforts in meeting the requirements of the audit.

The meeting adjourned.

## **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 2011 audit plan and follow-up on past assignments. For the current year, assignments have been made to conduct reviews of Auxiliary Organizations, Delegations of Authority, high-risk areas (IT Disaster Recovery, Cashiering, Americans with Disabilities Act (ADA), Sensitive Data Security/Protection, Academic Personnel, and Financial Aid) and Construction. In addition, follow-up on past assignments (Auxiliary Organizations, Information Security, Emergency Preparedness, Off-Campus Activities, Main and Satellite Cashiering, Post Award, IT Disaster Recovery, Financial Aid, Intercollegiate Athletics, HIPPA, and Business Continuity) is currently being conducted on approximately 50 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 2011 meeting of the Committee on Audit, an audit plan calling for the review of the following subject areas was approved: Auxiliary Organizations, high-risk areas (IT Disaster Recovery, Cashiering, ADA, Sensitive Data Security/Protection, Academic Personnel, and Financial Aid) and Construction.

#### *Auxiliary Organizations*

The initial audit plan indicated that approximately 314 staff weeks of activity (31.9 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/30 auxiliaries. Report writing is being completed at one campus/six auxiliaries, while fieldwork is being conducted at one campus/six auxiliaries.

### *Delegations of Authority*

The initial audit plan indicated that approximately 89 staff weeks of activity (9.1 percent of the plan) would be devoted to a review of 10 campuses to ensure proper management of the processes for administration of purchasing and contracting activities, motor vehicle inspections, and real and personal property transactions. Report writing is being completed at five campuses, while fieldwork is being conducted at three campuses.

### *High-Risk Areas*

#### Information Technology Disaster Recovery

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing the planned data processing recovery functions following a catastrophic event; disaster recovery plans; testing and exercising of plans; plan maintenance, communications, and training; data recovery; and necessary retention of key records. Six campuses will be reviewed. Report writing is being completed at one campus, while fieldwork is being conducted at one campus.

#### Cashiering

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing cash receipt controls; accountability for cash; safeguarding of cash; and accurate recordkeeping. Six campuses will be reviewed. Fieldwork is being completed at one campus.

#### ADA

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing compliance with federal, state and local rules and regulations that relate to the ADA. Six campuses will be reviewed.

#### Sensitive Data Security/Protection

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing policies and procedures for handling confidential information, communication and employee training; tracking and monitoring access to sensitive data; and retention practices of key records. Six campuses will be reviewed.

### Academic Personnel

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to reviewing recruitment and hiring practices for compliance with employment laws and regulations; evaluation of employees as required per collective bargaining agreements; administration of the family medical leave and other employee programs; and protection of sensitive and confidential information. Six campuses will be reviewed.

### Financial Aid

The initial audit plan indicated that approximately 43 staff weeks of activity (4.4 percent of the plan) would be devoted to auditing funding arrangements; compliance with federal and state laws, trustee policy, and systemwide directives; reliability, confidentiality, and integrity of information; effectiveness, efficiency, and economy of operations; and attainment of established objectives and goals. Six campuses will be reviewed.

### *Construction*

The initial audit plan indicated that approximately 52 staff weeks of activity (5.3 percent of the plan) would be devoted to a review of design budgets and costs; the bid process; invoice processing and change orders; project management, architectural, and engineering services; contractor compliance; cost verification of major equipment and construction components; the closeout process and liquidated damages; and overall project accounting and reporting. Seven projects will be reviewed. Report writing is being completed for one project, while fieldwork is being conducted for one project.

### *Compliance Function*

The initial audit plan indicated that approximately 86 staff weeks of activity (8.7 percent of the plan) would be devoted to an initial inventory of compliance activities and owners, and a determination of major areas of compliance risk.

### *Information Systems*

The initial audit plan indicated that approximately 45 staff weeks of activity (4.6 percent of the plan) would be devoted to technology support for all high-risk and auxiliary audits. Reviews and training are ongoing.

### *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 CSU Chancellor's Office. Forty-three staff weeks have been set aside for this purpose, representing approximately 4.3 percent of the audit plan.

### *Special Projects*

The Office of the University Auditor is periodically called upon to provide non-investigative support to the CSU Chancellor's Office/campuses. Fifty-seven staff weeks have been set aside for this purpose, representing approximately 5.8 percent of the audit plan.

### *Follow-ups*

The audit plan indicated that approximately 11 staff weeks of activity (1.1 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 50 prior audits (Auxiliary Organizations, Information Security, Emergency Preparedness, Off-Campus Activities, Main and Satellite Cashiering, Post Award, IT Disaster Recovery, Financial Aid, Intercollegiate Athletics, HIPPA, and Business Continuity) 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. Seventeen staff weeks have been set aside for this purpose, representing approximately 1.7 percent of the audit plan.

### *Committees*

Staff of the Office of the University Auditor is periodically called upon to sit on systemwide committees to offer an audit perspective. Seven staff weeks have been set aside for this purpose, representing approximately 0.7 percent of the audit plan.

*Annual Risk Assessment*

The Office of the University Auditor annually conducts a risk assessment to determine the areas of highest risk to the system. Four staff weeks have been set aside for this purpose, representing approximately 0.4 percent of the audit plan.

**Status Report on Current and Follow-Up Internal Audit Assignments**  
(as of 3/7/2011)

	2011 ASSIGNMENTS								FOLLOW-UP PAST/CURRENT ASSIGNMENTS								
	Aux Orgs	Deleg of Auth	IT Dis Recov	Cashiering	ADA	Sen Data Security/ Protection	Academic Personnel	Financial Aid	Auxiliary Organizations			Information Security		Emergency Preparedness		Off Campus Activities	
									•No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK									3	19/19	-					5/5	-
CHI		RW							3	12/20	10	28/28	-	10/10	-		
CI									3	10/10	-	15/15	-				
DH									3	22/22	-	19/19	-				
EB									4	30/30	-	12/12	-	8/8	-		
FRE	FW								6			22/22	-				
FUL									4	31/32	#	16/16	-	2/2	-	8/8	-
HUM									4	15/15	-			8/8	-	6/6	-
LB		RW							3	34/34	-	21/21	-				
LA			RW						4	11/11	-	7/7	-			6/6	-
MA									2	15/15	-			6/6	-		
MB		RW							2	15/15	-	22/22	-				
NOR		FW							5	27/27	-	16/16	-			6/6	-
POM		RW							3	9/12	4	16/16	-	7/7	-	5/5	-
SAC	RW								6			23/23	-			9/9	-
SB		FW							3	30/30	-						
SD		FW							4	21/24	8	14/14	-			6/6	-
SF									5	29/30	#	19/19	-	3/3	-		
SJ									5	21/47	5	25/25	-	7/7	-	6/6	-
SLO		RW		FW					4	23/24	#	27/27	-				
SM									3	4/13	5	7/7	-	2/2	-		
SON									4	12/12	-	20/20	-				
STA									4	17/17	-	27/27	-	6/6	-		
CO									2	4/4	-	19/19	-				
SYS												0/9	7	5/6	10	5/11	9

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.  
\*\* The number of months recommendations have been outstanding (since the formal campus exit conference)  
• The number of auxiliary organizations reviewed.  
# Represents recommendations that are being held in abeyance pending the issuance of new systemwide policies.

**Status Report on Current and Follow-Up Internal Audit Assignments**  
(as of 3/7/2011)

	FOLLOW-UP PAST/CURRENT ASSIGNMENTS													
	Cashiering		Post Award		IT Disaster Recovery		Financial Aid		Intercollegiate Athletics		HIPPA		Business Continuity	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK					0/4	3							0/3	2
CHI														
CI											1/1	-	0/2	3
DH											0/0	-		
EB					2/4	5			0/4	5	0/1	5		
FRE			1/3	7							0/2	4		
FUL							0/11	6						
HUM			0/7	4			2/3	5						
LB									5/5	-				
LA									1/2	3	2/2	-	0/1	1
MA					0/5	4								
MB					4/4	-								
NOR	1/1	-			0/1	1	1/4	4						
POM					1/7	6								
SAC	3/3	-												
SB	2/2	-					0/5	4						
SD			1/4	7			0/6	4					0/2	4
SF	1/1	-	3/3	-										
SJ			2/2	-									1/2	4
SLO														
SM	5/5	-							1/3	3				
SON							0/5	5						
STA	0/8	11												
CO			0/3	7										
SYS	0/1	8												
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. ** The number of months recommendations have been outstanding (since the formal campus exit conference). • The number of auxiliary organizations reviewed. # Represents recommendations that are being held in abeyance pending the issuance of new systemwide policies.									



## **COMMITTEE ON AUDIT**

### **Status Report on Corrective Action for the Findings in the California State University A-133 Single Audit Reports and Auxiliary Organization Audit Reports for the Fiscal Year Ended June 30, 2010**

#### **Presentation by**

George Ashkar  
Assistant Vice Chancellor/Controller  
Financial Services

#### **Summary**

Audit findings 2010-01 through 2010-04 were related to internal control over the administration of the federal student financial aid programs (including Pell Grants and Federal loans) at various campuses. The findings require the design, implementation, documentation, thorough review and chancellor office approval of the corrective action plans. Audit finding 2010-05 was related to compliance with labor standards provisions of the Davis-Bacon Act in the administration of a federal grant for construction provided through the College Cost Reduction and Access Act at a campus. Corrective action is tentatively complete for all audit findings, based on the documentary evidence from the campuses that revised policies and procedures to address the findings were implemented and followed. At the time of the writing of this item, submission of the necessary documentation for review by the Office of the University Auditor and then final approval by chancellor's office staff has yet to be completed. This is expected to be done by the date of the March meeting of the Board of Trustees.

There were three auxiliary organizations with material weaknesses in internal control over financial reporting processes. Corrective action plans are required to be designed, implemented, documented, thoroughly reviewed and approved by the chancellor's office. Corrective action is complete at all three auxiliaries, based on the documentary evidence from the auxiliaries that revised policies and procedures to address the findings were implemented and followed. At the time of the writing of this item, submission of the necessary documentation for review by the Office of the University Auditor and then final approval by chancellor's office staff has yet to be completed. We expect this to be done by the date of the CSU Board of Trustees meeting.