

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 10:35 a.m., Tuesday, May 21, 2013**  
**Glenn S. Dumke Auditorium**

Henry Mendoza, Chair  
William Hauck, Vice Chair  
Lupe C. Garcia  
Steven M. Glazer  
Hugo N. Morales

#### **Consent Items**

Approval of Minutes of Meeting of March 19, 2013

#### **Discussion Items**

1. Status Report on Current and Follow-Up Internal Audit Assignments, *Information*

**MINUTES OF THE MEETING OF  
COMMITTEE ON AUDIT**

**Trustees of The California State University  
Office of the Chancellor  
Glenn S. Dumke Conference Center  
401 Golden Shore  
Long Beach, California**

**March 19, 2013**

**Members Present**

Henry Mendoza, Chair  
William Hauck, Vice Chair  
Edmund G. Brown, Jr., Governor  
Lupe C. Garcia  
Steven M. Glazer  
Bob Linscheid, Chair of the Board  
Hugo N. Morales  
Glen O. Toney  
Timothy P. White, Chancellor

Chair Mendoza called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of January 22, 2013, were approved as submitted.

**Status Report on Current and Follow-up Internal Audit Assignments**

Mr. Larry Mandel, university auditor, presented the Status Report on Current and Follow-up Internal Audit Assignments, Agenda Item 1 of the March 19-20, 2013, 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 noted that the campuses are continuing to make good progress in this process. He reported that a few of the subject areas include long-outstanding recommendations. However, as per discussions with senior management at each of the campuses, the recommendations will be completed by the May Board meeting, except for a couple that will be completed by the end of the fiscal year due to resource requirements. In addition, Mr. Mandel stated that the audit assignments, including the construction projects, from the 2013 audit plan are currently in progress.

**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, 2012**

Mr. George V. Ashkar, assistant vice chancellor/controller, financial services, provided a status report on the corrective actions plans for the audit findings noted in the A-133 Single Audit Reports. He reminded the trustees that there were a total of six audit findings for fiscal year ended June 30, 2012. One of those findings was included in the university systemwide A-133 Single Audit Report and was related to verification control procedures in the administration of federal financial aid programs. He added that the other five audit findings involved auxiliary organizations at three campuses. Mr. Ashkar reported that corrective action plans for all findings have been completed, and supporting documentation has been reviewed by the Office of the University Auditor and the Financial Services Internal Control staff at the CSU Chancellor's Office.

Mr. Ashkar indicated that hard copies of all of the audit reports pertaining to the CSU Financial Statements for fiscal year ended June 30, 2012, had been forwarded to the Board members, along with executive summaries, providing comprehensive data as requested at the January Board meeting. He added that three short presentations prepared by KPMG were also forwarded to the committee members in order to assist in understanding the full scope of the CSU audit, including the various required financial statements, audits, and agreed-upon procedures. In addition, he stated that all of the reports related to the audit and the KPMG presentations have been posted to the CSU Business and Finance website.

Mr. Mendoza thanked Mr. Mandel, Mr. Ashkar, and their staffs for the great job in ensuring the timely and accurate completion of the corrective actions plans pertaining to the findings noted in the A-133 Single Audit Reports and Auxiliary Organization Audit Reports, specifically noting the value of Mr. Mandel's oversight in this process.

Mr. Ashkar reiterated that he and Mr. Mandel work very closely as it relates to the clearing of the audit findings. He also clarified that although the CSU does not have findings, there are adjustments from an accounting standpoint; however, they do not rise to the level of a materiality that would indicate a finding. He emphasized that the work that has been done, relative to staffing, training and planning, over the years to improve the integrity of the financial statements has been extremely successful and important to the CSU.

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 2013 audit plan and follow-up on past assignments. For the current year, assignments have been made to conduct reviews of Auxiliary Organizations, high-risk areas (International Programs, Sensitive Data Security, Centers and Institutes. Hazardous Materials Management, Student Health Centers, and Conflict of Interest), high profile area (Sponsored Programs – Post Awards), core financial area (Credit Cards), and Construction. In addition, follow-up on past assignments (Special Investigations, Auxiliary Organizations, ADA Compliance, Academic Personnel, Cost Allocation, Title IX, Data Center Operations, Facilities Management, Identity Management, International Programs, and Police Services) 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**

#### *Auxiliary Organizations*

The initial audit plan indicated that approximately 305 staff weeks of activity (29.7 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/30 auxiliaries. One campus/five auxiliaries are awaiting a response prior to finalization, report writing is being completed for two campuses/six auxiliaries, and fieldwork is being conducted at one campus/four auxiliaries.

#### *High-Risk Areas*

#### International Programs

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of program approvals, fiscal administration and controls; risk

management processes; curriculum and credit transfers; utilization of third-party providers; compliance with U.S. Department of State and other regulatory international travel requirements; and processes used to recruit international students, verify student credentials, and provide support on campus. Six campuses will be reviewed. Two reports are awaiting a campus response prior to finalization, report writing is being completed for three campuses, and fieldwork is being conducted at one campus.

#### Sensitive Data Security

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of 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. Report writing is being completed for three campuses, and fieldwork is being conducted at one campus.

#### Centers and Institutes

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of campus policies and procedures for establishing, operating, monitoring, reviewing, and discontinuing centers, institutes, and similar entities; fiscal administration and controls; faculty workload including the potential for conflicts of interest; policies and procedures for identifying and reporting allegations of misconduct in research and other related activities; and campus processes for reporting entity activities including the implementation status of campus policies and procedures to the CSU Chancellor's Office. Six campuses will be reviewed. Fieldwork is being conducted at three campuses.

#### Hazardous Materials Management

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of the systems and procedures for controlling the purchase, generation, storage, use and disposal of hazardous materials and wastes; employee training; emergency response plans; reporting requirements; and compliance with federal and state regulations. Six campuses will be reviewed. Report writing is being completed for one campus, and fieldwork is being conducted at one campus.

#### Student Health Centers

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of compliance with federal and state laws, Trustee policy, and CSU Chancellor's Office directives; establishment of a student health advisory committee;

accreditation status; staffing, credentialing and re-credentialing procedures; 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. Six campuses will be reviewed.

#### Conflict of Interest

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of the process for identification of designated positions; monitoring, tracking and review of disclosures relating to conflicts of interest, such as research disclosures; faculty and CSU designated officials reporting; employee/vendor relationships; ethics training; and patent and technology transfer. Six campuses will be reviewed.

#### *High Profile Area*

#### Sponsored Programs – Post Awards

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of contract/grant budgeting and financial planning; indirect cost administration including cost allocation; cost sharing/matching and transfer processes; effort-reporting, fiscal reporting, and progress reporting; approval of project expenditures; sub-recipient monitoring; and management and security of information systems. Six campuses will be reviewed.

#### *Core Financial Area*

#### Credit Cards

The initial audit plan indicated that approximately 43 staff weeks of activity (4.2 percent of the plan) would be devoted to a review of credit card administration; compliance with campus policies and procedures; approval to use credit cards; monitoring and review of credit card purchases; enforcement of sanctions for misuse; and processes to deactivate credit cards upon employee termination or transfer. Six campuses will be reviewed. Two reports are awaiting a campus response prior to finalization, report writing is being completed for three campuses, and fieldwork is being conducted at one campus.

#### *Construction*

The initial audit plan indicated that approximately 44 staff weeks of activity (4.3 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. Six projects will be reviewed. One report awaits a campus response prior to finalization, report writing is being completed for one project, and fieldwork is being conducted for one project.

#### *Advisory Services*

The initial audit plan indicated that approximately 171 staff weeks of activity (16.7 percent of the plan) would be devoted to partnering with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Reviews are ongoing.

#### *Information Systems*

The initial audit plan indicated that approximately 45 staff weeks of activity (4.4 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 4.2 percent of the audit plan.

#### *Committees*

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. Seven staff weeks have been set aside for this purpose, representing approximately 0.7 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-five staff weeks have been set aside for this purpose, representing approximately 4.9 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 25 prior audits (Special Investigations, Auxiliary Organizations, ADA Compliance, Academic Personnel, Cost Allocation, Title IX, Data Center Operations, Facilities Management, Identity Management, International Programs, and Police Services) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

*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 Construction Audit Assignments**  
(as of 5/1/2013)

Project No.	Project	Contractor	Construction Cost	Start Date	Comp. Date	Managed By	Current *	Campus Follow-Up		CPDC Follow-Up	
								**RECS	***MO.	**RECS	***MO.
2012	CH-207	Student Housing Expansion									
	LA-100002	Science Repl. Bldg. Wing B	\$42,389,891	7/16/2008	Nov-10	Campus	AC	4/4	-	1/1	-
	SJ-867	Std. Union Expansion & Ren.	\$44,649,000	8/11/2008	Jun-11	Campus	AC	4/4	-	1/1	-
	SF-396	J. Paul Leonard/Sutro Library	\$65,075,000	10/18/2010	Mar-13	Campus	AC	4/4	-		
	SAC-699	Recreation Wellness Center	\$79,598,425	4/28/2008	Dec-11	Campus	AC	5/5	-		
	FUL-689	Std. Housing, Phase 3 and 4	\$46,108,373	10/3/2008	Dec-10	Campus	AC	0/4	5	0/1	5
	LB-614	Peterson Hall 3 Repl. Bldg.	\$113,717,000	12/13/2008	Jul-11	Campus	AC	1/1	-		
			\$81,049,858	4/1/2008	May-11	Campus	AC	0/4	2		
2013	SLO-757	Recreation Center Expansion									
	NO-690	Student Recreation Center	\$47,352,337	12/29/2009	Jun-12	Campus	AI				
	PO-145	College of Business Admin.	\$48,373,731	12/21/2009	Mar-12	Campus	RW				
			\$26,975,196	12/10/2010	Feb-12	Campus	FW				

\*FW = Field Work in Progress; RW = Report Writing in Progress; AI = Audit Incomplete (awaiting formal exit conference and/or response); AC = Audit Complete

\*\*The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.

\*\*\*The number of months that recommendations have been outstanding.

Status Report on Current and Follow-Up Internal Audit Assignments  
 (as of 5/1/2013)

	2013 ASSIGNMENTS										FOLLOW-UP PAST/CURRENT ASSIGNMENTS				
	Aux Orgs	Int'l Prog	Credit Cards	Sen Data Security/Protection	Ctrs and Instit	Haz Mat Mgmt	Spon Prog	Health Ctrs	Conflict of Interest	Special Investigations	Auxiliary Organizations	ADA Compliance			
									*Recs **Mo.	*No. *Recs **Mo.	*Recs **Mo.	*Recs **Mo.			
BAK			RW							4	16/16	-			
CHI		AI							1/8	4	0/25	2			
CI			RW			FW				3	15/15	-			
DH			RW							3	22/22	-			
EB					FW					3	21/21	-			
FRE			FW							6	25/25	-			
FUL										4	28/28	-			
HUM		FW								4	25/25	-			
LB		RW	FW							3	16/27	4			
LA	FW									4		4/4			
MA										2	2/4	13			
MB										2	16/16	-			
NOR			RW							5	22/22	-			
POM	RW									3					
SAC		RW								6	36/36	-			
SB			RW		FW					3	28/28	-			
SD		RW								4	24/24	-			
SF						RW				5	19/19	-			
SJ	AI		AI							5		#			
SLO					FW					4	12/12	-			
SM	RW									3		4/4			
SON		AI								4	5/5	-			
STA			AI							4	18/18	-			
CO										2	0/0	-			
SYS												2/3			
												14			

\* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.  
 \*\* The number of months recommendations have been outstanding.  
 ● The number of auxiliary organizations reviewed.  
 # Represents recommendations that are being held in abeyance pending compliance with new systemwide policies.

FW = Field Work In Progress  
 RW = Report Writing in Progress  
 AI = Audit Incomplete (awaiting formal exit conference and/or campus response)  
 AC = Audit Complete

Status Report on Current and Follow-Up Internal Audit Assignments  
 (as of 5/1/2013)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS																
	Academic Personnel		Cost Allocation		Title IX		Data Center Operations		Facilities Management		Identity Mgmt/Comm Access		International Programs		Police Services	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK									5/5	-						
CHI			2/2	-	1/2	7										
CJ					1/7	7			4/4	-						
DH					4/4	-								7/7	-	
EB	6/6	-			5/6	8								1/12	3	
FRE			4/4	-										6/6	-	
FUL					3/3	-						1/4	6			
HUM	4/4	-	2/2	-							1/1	-				
LB	4/4	-				8/8	-					4/4	-			
LA					1/1	-										
MA									3/6	9						
MB											1/1	-				
NOR	5/5	-	2/2	-								0/8	2			
POM						0/8	7		4/4	-						
SAC			0/0	-					3/4	8						
SB												0/13	3			
SD					3/3	-					2/2	-		0/9	2	
SF														8/8	-	
SJ	4/4	-			7/7	-			4/4	-						
SLO			2/2	-												
SM	4/4	-			2/2	-					0/0	-		0/5	3	
SON			0/0	-												
STA													3/5	7		
CO																
SYS	2/3	13	1/1	-	0/3	4										

\* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.

\*\* The number of months recommendations have been outstanding.

● The number of auxiliary organizations reviewed.

# Represents recommendations that are being held in abeyance pending compliance with new systemwide policies.