

AGENDA

COMMITTEE ON AUDIT

**Meeting:** 1:00 p.m., Tuesday, November 5, 2013  
Glenn S. Dumke Auditorium

Lupe C. Garcia, Chair  
Rebecca D. Eisen  
Steven M. Glazer  
William Hauck  
Hugo N. Morales

**Consent Items**

Approval of Minutes of Meeting of September 25, 2013

**Discussion Items**

1. Status Report on Current and Follow-Up Internal Audit Assignments, *Information*
2. ~~Audit Committee Charter, Action~~ **Deferred**
3. ~~Office of the University Auditor Charter, Action~~ **Deferred**
4. Intent to Reissue the Request for Proposal for External Auditor Contract, *Action*

**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 25, 2013**

**Members Present**

Lupe C. Garcia, Chair  
Steven M. Glazer  
Rebecca D. Eisen  
William Hauck  
A. Robert Linscheid, Chair of the Board  
Hugo N. Morales  
Timothy P. White, Chancellor

Chair Garcia called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of July 23, 2013, were approved as submitted.

**Public Speaker**

Mr. Patrick Gantt, president of the California State University Employees Union, expressed his concerns regarding the contract bidding process at the various campuses.

**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 24-25, 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 excellent progress in completing the recommendations within a reasonable time period. He reported that only two of the campuses have long-outstanding recommendations, and as per discussions with management, it is anticipated that these recommendations will be closed by the next Board meeting. He also reported that the CSU Chancellor's Office has systemwide recommendations regarding ADA Compliance and Academic Personnel that have been outstanding for several months. In addition, Mr. Mandel stated that the 2013 audit assignments are on track to be completed by the January 2014 Board meeting.

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Aud

Chair Garcia commended and thanked the campuses for their continued effort in addressing the recommendations in a timely manner. With respect to the systemwide issues, she stated that having recommendations that are 17 and 18 months outstanding is not satisfactory, and going forward, these items need to be addressed in a more timely manner. She indicated her understanding that further conversations with the chancellor and CSU Chancellor's Office management will take place to ensure that these systemwide policies speak specifically to training programs, providing clear guidance to help ensure that the proper training is provided to the appropriate individuals and that records are maintained for tracking purposes. Chair Garcia requested that she be provided an update on these outstanding items before the next Board meeting.

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 Services, and Conflict of Interest), high profile area (Sponsored Programs – Post Awards), core financial area (Credit Cards), and Construction. In addition, follow-up on current/past assignments (Special Investigations, Auxiliary Organizations, ADA Compliance, Academic Personnel, Title IX, Data Center Operations, Facilities Management, Identity Management, International Programs, Police Services, CSURMA, Credit Cards, Sensitive Data Security, Centers and Institutes and Sponsored Programs) is being conducted on approximately 40 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. Four campus/fifteen auxiliary reviews have been completed. One campus/four 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. Six reports have been completed.

#### 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. Two reports have been completed, and four reports are awaiting a campus response prior to finalization.

#### 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. Two reports have been completed, and four reports are awaiting a campus response prior to finalization.

#### 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. Four reports are awaiting a campus response prior to finalization, and report writing is being completed for two campuses.

### Student Health Services

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. Report writing is being completed for four campuses, and fieldwork is being conducted at one campuses.

### 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. Resource restrictions will not allow for an audit of Conflict of Interest during 2013; it will be reviewed as part of the 2014 audit plan.

### *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. One report has been completed, report writing is being completed for two campuses, and fieldwork is being conducted at two campuses.

*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. Six reports have been completed.

*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. Three reports have been completed, and one report is awaiting a campus response prior to finalization.

*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 40 current/past assignments (Special Investigations, Auxiliary Organizations, ADA Compliance, Academic Personnel, Title IX, Data Center Operations, Facilities Management, Identity Management, International Programs, Police Services, CSURMA, Credit Cards, Sensitive Data Security, Centers and Institutes and Sponsored Programs) 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 Internal Audit Assignments  
 (as of 10/18/2013)

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	Student Health Services	Special Investigations	Auxiliary Organizations	ADA Compliance	Academic Personnel	Title IX	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.		
BAK		AC			AI				4	16/16												
CHI	AC					AC		5/8	3	25/25										2/2	-	
CI			AC		AI				3	15/15			4/4									
DH			AI		RW				3	19/19												
EB		AC		AC					3	21/21					6/6							
FRE		AC							6	25/25												
FUL						RW		4/4	4	28/28										3/3	-	
HUM	RW								4						4/4							
LB	AC		AI				RW		3	26/27			3/3		4/4							
LA	AC			AI					4	0/18			4/4								1/1	-
MA									2	4/4												
MB						FW			2	16/16												
NOR		AC		AI		RW			5	22/22					5/5							
POM	AC				RW	FW			3	9/11												
SAC							RW		6	36/36												
SB			AC	AI					3	28/28			5/5									
SD	FW	AC					RW		4				6/6								3/3	-
SF		AC	AI		AI				5	19/19												
SJ	AC						RW		5	19/26					4/4						7/7	-
SLO				AC		FW			4	12/12												
SM	AC			AI					3	10/22			4/4		4/4						2/2	-
SON					AI		FW		4	5/5												
STA	AI	AC							4													
CO	RW		AI						2													
SYS		RW											2/3		2/3					19	2/3	10

\* 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.

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 10/18/2013)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS												
	Data Center Operations	Facilities Management	Identity Mgmt/Comm Access	Police Services	CSURMA	International Programs	Credit Cards	Sen. Data Sec./Protect.	Centers and Institutes	Sponsored Programs		
	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.	*Recs **Mo.		
BAK		5/5 -					1/6	5				
CHI	1/2	13				2/6	6			0/6	2	
CI	7/7 -	4/4 -						0/8	5			
DH	4/4 -			7/7 -								
EB	6/6 -			12/12 -			3/6	5	0/8	4		
FRE				6/6 -			0/4	4				
FUL						4/4 -						
HUM			1/1 -			0/7	4					
LB	8/8 -					0/8	5					
LA						4/4 -						
MA		6/6 -										
MB			1/1 -									
NOR						8/8 -	0/4	4				
POM	8/8 -	4/4 -	2/3	9								
SAC		4/4 -				0/5	5					
SB						13/13	-	0/14	4			
SD			2/2	-	9/9	0/1	5					
SF						8/8	-	4/4	-			
SJ		4/4 -										
SLO			0/0	-						0/7	5	
SM												
SON						3/3	-					
STA						5/5	-	4/4	-			
CO					5/12	6						
SYS	0/8	7	0/2	9	1/3	5	0/3	7				

\* 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.

## **COMMITTEE ON AUDIT**

### **Audit Committee Charter**

#### **Presentation By**

Larry Mandel  
University Auditor

#### **Summary**

In an effort to align the Board of Trustees Committee on Audit with the best practices taking place within governing boards, an Audit Committee Charter was adopted in January 2005. The *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors recognizes that the internal audit activity must be organizationally independent to carry out internal audit responsibilities in an unbiased manner. The IPPF states that organizational independence is effectively achieved when the chief audit executive reports functionally to the board and defines such reporting in its Practice Advisory 1110-1. In an effort to keep the Audit Committee Charter current and aligned with best practices an updated Audit Committee Charter is proposed.

## **THE CALIFORNIA STATE UNIVERSITY**

### **AUDIT COMMITTEE CHARTER**

**RESOLVED**, By the Board of Trustees of the California State University, that the following updated Charter for the Committee on Audit is adopted.

#### **Purpose**

The purpose of the Committee on Audit is to assist the Trustees in fulfilling its oversight responsibilities for the financial reporting process, system of internal control over financial reporting, external and internal audit processes, and the university's process for monitoring compliance with laws and regulations.

#### **Composition and Meetings**

The Committee on Audit will consist of at least five members as determined by the Trustees through the Committee on Committees. Each committee member will be independent and at least one member must have accounting or financial expertise. Regular meetings of the Committee on Audit will be held on the same dates and in the same locations as regular meetings of the Trustees. Other meetings may be called as provided for in the Rules Governing the Board of Trustees.

#### **Responsibility and Authority**

The Committee on Audit functions under the Rules Governing the Board of Trustees and is responsible for the overall audit function within the California State University. In this context, the Committee on Audit shall:

1. Approve the selection or discharge of the external auditor, review the external auditors' planned audit scope and approach, approve any non-audit services provided by the external auditor, and resolve disagreements between management and the external auditor regarding financial reporting.
2. Review the results of the annual financial audit with the external auditor and management, including any difficulties encountered, and monitor the completion of recommendations.
3. Monitor the university's system of internal controls, including computerized information system controls and security; the adequacy of financial, accounting and operational policies and practices related to financial reporting; and the process for monitoring compliance with laws and regulations.

4. Review the annual internal audit plan, discuss the extent to which it addresses high-risk areas with the University Auditor and management, and approve the final audit plan and all major changes to the plan.
5. Review internal audit reports and responses, and monitor the completion of recommendations.
6. Approve the internal audit mission statement, charter, and other governance documents related to internal audit activities in the University.
7. Assure the effectiveness of the internal audit function, including its organizational structure, adequacy of staffing and budget, and performance relative to its annual plan; ensure there are no unjustified restrictions or limitations; and concur in the appointment or dismissal of the University Auditor.

The following resolution is recommended for approval:

**RESOLVED**, By the Committee on Audit of the California State University Board of Trustees that the updated Charter for the Committee on Audit is adopted, as detailed in Agenda Item 2 of the Committee on Audit at the November 5-6, 2013 meeting, be approved.

## COMMITTEE ON AUDIT

### Office of the University Auditor Charter

#### Presentation By

Larry Mandel  
University Auditor

#### Summary

The Office of the University Auditor currently operates under a University Auditor Charter that was last updated in March 2005. The *International Professional Practices Framework (IPPF)* promulgated by the Institute of Internal Auditors requires that the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter and that the chief audit executive periodically review the internal audit charter and present it to senior management and the board for approval. The IPPF is considered the auditing standard for agency audit departments within the state of California. In an effort to keep the University Auditor Charter current and aligned with best practices taking place within the audit industry, both within and outside higher education, an updated University Auditor Charter is proposed. The Charter has also been updated to bring it into alignment with the BOT Rules of Procedure. The proposed update also incorporates the addition of advisory services and proposes that the department name be changed to the Office of Audit and Advisory Services to recognize this addition.

## THE CALIFORNIA STATE UNIVERSITY

### OFFICE OF ~~THE UNIVERSITY AUDITOR~~ AUDIT AND ADVISORY SERVICES CHARTER

**RESOLVED**, By the Board of Trustees of the California State University, that the following updated Office of Audit and Advisory Services ~~the University Auditor~~ Charter is adopted.

#### Establishment

Education Code Section 89045, enacted by Chapter 1406 of the Statutes of 1969, provides for the establishment of an internal auditing function reporting directly to the Trustees of the California State University.

#### Nature

Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve operations.

#### Mission Statement

The mission of the Office of ~~the University Auditor~~ Audit and Advisory Services is to assist university management and the Trustees in the effective discharge of their fiduciary and administrative responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. This assistance is provided through a series of independent and objective operational and compliance audits, internal control reviews, investigations services, and consulting advisory services designed to add value and improve operations.

#### Scope of Work

The Office of ~~the University Auditor~~ Audit and Advisory Services provides university management and the Trustees with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. Major objectives include evaluating providing on-going assurance that critical risks exposures relating to governance, operations, and information systems; monitoring are being mitigated to acceptable levels and the California State University is operating efficiently and effectively the effectiveness and efficiency of controls; and adding value by contributing to the improvement of governance, risk management, operations and control processes, and by promoting continuous improvement; and effective control at reasonable costs enhancing awareness and understanding of risk and control; and promoting appropriate ethics and values.

The scope of internal auditing work includes of the Office of Audit and Advisory Services is to determine whether university's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioning effectively to ensure:

- Risk management processes are effective and significant risks are appropriately identified, assessed, and managed.
- The potential for the occurrence of fraud is evaluated and fraud risk is managed.
- Reviewing the reliability and integrity of financial, and operating operational, and managerial information is and the means used to identify, measure, classify, and report such information accurate, reliable, and timely.
- Actions and decisions are in Reviewing the systems established to ensure compliance with those policies, plans, procedures, applicable laws, and regulations, policies, procedures, contracts, and standards which could have a significant impact on operations and reports, and determining whether the university is in compliance.
- Reviewing the means of safeguarding assets and verifying the existence of such assets, as appropriate Resources are acquired economically, used efficiently, accounted for accurately, and protected adequately.
- Appraising the economy and efficiency with which resources are employed Programs, plans, and objectives support and align with the university's mission and are achieved.
- Information technology governance and systems support achievement of the university's strategic goals and security practices adequately protect information assets.
- Reviewing operations and programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned Quality and continuous improvement are fostered in the university's risk management and control processes.
- Reviewing the governance process with executive management to ensure effective organizational performance management accountability and promotion of promotes appropriate ethics and values and ensures effective organizational performance management and accountability.

- Communication of risk and control information to appropriate areas of the organization, and coordination of activities of and communication of information among various governance groups occur as needed.

### **Responsibility and Authority**

The Office of ~~the University Auditor~~ Audit and Advisory Services functions under the policies established by the Trustees of the California State University and university management. Additionally, the Office of ~~the University Auditor~~ Audit and Advisory Services serves the university in a manner that is consistent with the *International Standards for the Professional Practices of Internal Auditing Framework* and the *Code of Ethics* as promulgated by the Institute of Internal Auditors. In this context, the University Auditor is responsible for:

- All administrative duties and requirements pertaining to the operation of the Office of ~~the University Auditor~~ Audit and Advisory Services, including the establishment of policies for auditing and advisory services and direction of the ~~Office of the University Auditor's office's~~ technical and administrative functions, and represents the California State University system in all relationships with external audit agencies.
- Developing and executing a comprehensive risk-based audit program for the evaluation of management controls provided over all university and auxiliary organization activities, although the Board of Trustees reserves the right to assign the Office of ~~the University Auditor~~ Audit and Advisory Services to review any area within its jurisdiction.
- Performing advisory services at the request of 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.
- Examining the effectiveness of all levels of management in their stewardship of university and auxiliary organization resources and their compliance with established policies and procedures.
- Recommending improvement of management controls designed to safeguard university and auxiliary organization resources and to ensure compliance with government laws and regulations.
- Reviewing procedures and records for their adequacy to accomplish intended objectives, and appraising policies and plans relating to the activity or function under ~~audit~~ review.

- Conducting investigations of alleged incidences of fraud, waste and abuse, and improper governmental activities.
- Authorizing the publication of reports on the results of accepted audit examinations, including recommendations for improvement.
- Appraising the adequacy of the action taken by operating management to correct reported deficient conditions; accepting adequate corrective action.
- Conducting special examinations and providing consulting services at the request of management.

The Office of ~~the University Auditor~~Audit and Advisory Services is free from interference in determining the scope of auditing, performing work, and communicating results; and has full, free and unrestricted access to all records (manual and electronic), property, and personnel of the university and recognized auxiliary organizations. The Office of ~~the University Auditor~~Audit and Advisory Services is free to review and appraise all policies, plans, and procedures.

Internal auditing and advising is a staff function and, as such, has no authority to make operating decisions, to direct anyone in operations, or to take action or implement any of its recommendations. \_These tasks are the responsibility of the university and auxiliary management.

### **Independence**

To permit the rendering of impartial and unbiased judgments essential to the proper conduct of audits, internal auditors will be independent of the activities they audit.

### **Policies and Procedures**

The following general operating statement for direction of all activities of the Office of ~~the University Auditor~~Audit and Advisory Services is adopted consistent with the provisions of Government Code Sections 1236 and 13400 et seq., Education Code Sections 89045 and 89761.

#### Audit Planning, Direction, and Supervision

- Oversight of the audit function provided by the Office of ~~the University Auditor~~Audit and Advisory Services, including the priority of work assignments, shall be the responsibility of the Committee on Audit, which shall report on such matters to the Board of Trustees.

- An audit plan will be prepared annually by the University Auditor and ~~submitted to the Executive Audit Committee for review. Composition of the membership of the Executive Audit Committee shall be determined by the Chancellor. After review by the Executive Audit Committee, the audit plan shall be~~ submitted for approval by the Board through the Committee on Audit. \_Audit topics will be selected based upon: a detailed risk assessment that is performed annually; legislatively mandated reviews noted in Education Code §89045 and Government Code §13400 et seq.; and in the action taken by the Trustees' Committee on Audit in agenda item 2 at the January 1999 meeting (currently reflected in the Chancellor's Executive Order 698).
- Unscheduled audits/investigations of the Office of the Chancellor or of any campus can be requested by the Trustees or the Chancellor. \_Unscheduled audits/investigations of a campus can also be requested by the campus president but must be approved by the Chancellor.
- The University Auditor will be responsible for the sufficiency of audit resources; assignment of fieldwork to staff and contracted agencies; and the timely completion of, and reporting on, audits.
- Communication liaison and consultation with the Committee on Audit will be maintained by the University Auditor, through the Chair of the Committee.

#### Audit Reporting, Follow-Up Procedures, and Program Accountability

- Copies of all audit reports will be made available electronically on the Office of ~~the University Auditor's~~ Audit and Advisory Services' website. Notification letters providing a link to the audit reports are sent to the Board of Trustees, State Auditor, Committee on Higher Education, Joint Legislative Audit Committee, Joint Legislative Budget Committee, Department of Finance, and Legislative Analyst's Office. In addition, each of the campus presidents and the CSU Advocacy State Relations department receive emails with a link indicating that reports have been posted to the OUA website.
- The President or Chancellor, or their designees, will communicate to the University Auditor in writing the progress made towards implementing the plan of corrective action noted in the response to the audit. \_The University Auditor, or designee, will review the responsiveness of the corrective action taken and determine 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 findings will be tracked until corrective action is taken. \_Reports of follow-up activity will be made at each meeting of the Committee on Audit.

- At each meeting of the Committee on Audit, the University Auditor will report the assignment workload showing the status of audits in progress, workload backlog, and disposition taken on completed audit assignments.
- An external assessment, such as a quality assurance review, will be conducted at least once every five years by a qualified, independent reviewer or review team from outside the California State University. Results of the review will be communicated to the Board through the Committee on Audit.

#### Coordination of Work

- The University Auditor is the point of contact for all entrance and exit conferences held with the Office of the Chancellor by external audit agencies.
- The University Auditor will coordinate all system responses to audits performed by external audit agencies.
- The University Auditor is the point of contact for questions concerning the reporting of fiscal improprieties to state agencies (currently reflected in the Chancellor's Executive Order 813929).
- The University Auditor will coordinate internal audit effort with the external auditors to reduce the potential for duplication of audit effort.

#### Budget, Personnel and Operational Procedures for the Office of ~~the University Auditor~~ Audit and Advisory Services

- For purposes of general administration, staff personnel, budget and space, there shall exist an administrative relationship to the Chancellor.
- Except for certain personnel actions related to the position of University Auditor noted below, the Office of ~~the University Auditor~~ Audit and Advisory Services is subject to all the rules and procedures established by the Chancellor's Office.
- The Board of Trustees, upon recommendation by the Chancellor, evaluates the University Auditor~~An independent consultant appointed by the Committee on Audit will prepare triennial performance appraisals of the University Auditor. The consultant will solicit the opinions of Trustees, and system and campus personnel necessary to evaluate performance. The Committee on Audit will discuss performance expectations and the results of the appraisal with the University Auditor in closed session.~~

- All matters concerning the employment, dismissal, and salary for the position of University Auditor will be initiated by the Chancellor and brought to the Board, through the Committee on Audit, for approval.

The following resolution is recommended for approval:

**RESOLVED,** By the Committee on Audit of the California State University Board of Trustees that the updated Office of Audit and Advisory Services Charter is adopted (subject to non-substantive changes), as detailed in Agenda Item 3 of the Committee on Audit at the November 5-6, 2013 meeting, be approved.

## **COMMITTEE ON AUDIT**

### **Intent to Reissue the Request for Proposal for External Auditor Contract**

#### **Presentation by**

George Ashkar  
Assistant Vice Chancellor/Controller  
Financial Services

#### **Summary**

The CSU cancelled Request for Proposal (RFP) #3771 that had been issued previously, and will restart the process after the November 2013 Board meeting. Under the direction of the Committee on Audit, a new RFP will be issued for the purpose of soliciting proposals from qualified independent audit firms with the intent of establishing a CSU master service contract for the performance of a variety of financial and other audits, beginning with the 2014-2015 fiscal year audit. More detailed information including the timeline will be provided to the Board in January 2014. Board approval is requested to extend the existing contract with KPMG for one additional year to perform the 2013-2014 fiscal year audit, given that the RFP process will not be concluded in sufficient time to allow for proper planning and preparation.

#### **Recommendation**

The following resolution is presented for approval:

**RESOLVED**, by the Board of Trustees of the California State University, that the request to extend the existing contract with KPMG for one additional year to perform the 2013-2014 fiscal year audit, is approved.