

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 1:15 p.m., Tuesday, May 19, 2015**  
**Glenn S. Dumke Auditorium**

Lupe C. Garcia, Chair  
Adam Day, Vice Chair  
Steven M. Glazer  
Rebecca D. Eisen  
Hugo N. Morales

#### **Consent Items**

Approval of Minutes of Meeting of March 24, 2015

#### **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 24, 2015**

**Members Present**

Rebecca D. Eisen, Acting Chair  
Steven M. Glazer  
Hugo N. Morales  
Lou Monville, Chair of the Board  
Timothy P. White, Chancellor

Trustee Eisen called the meeting to order.

**Approval of Minutes**

The minutes of the meeting of January 27, 2015, were approved as submitted.

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

Mr. Larry Mandel, vice chancellor and chief audit officer, and Ms. Janice Mirza, senior director, presented the item by providing a status report on the 2015 audit plan and follow-up on past audit assignments.

Ms. Mirza presented the Status Report on Current and Follow-Up Internal Audit Assignments. She reminded everyone that updates to the status report are displayed in green numerals and indicate progress toward or completion of recommendations since the distribution of the agenda. She reported that the campuses and the CSU Chancellor's Office continue to do a good job completing recommendations on a timely basis. She noted that the Sacramento campus has one long-outstanding recommendation pertaining to the Auxiliary Organizations audit that is due to a delay in software implementation; however, the recommendation is expected to be completed by the May 2015 Board meeting. Ms. Mirza stated that some of the 2015 audit assignments are currently in process, namely, Auxiliary Organizations, Information Security, Clery Act, College Reviews, and Information Technology Procurement. She added that other audit subjects would be initiated throughout the year.

## **Status Report on Corrective Actions for the Findings in the California State University Single Audit Report of Federal Funds for the Fiscal Year Ended June 30, 2014**

Mr. George Ashkar, assistant vice chancellor/controller for financial services, stated that as reported at the January 2015 Board meeting, there were no audit findings in the university's systemwide Single Audit Report of Federal Funds related to the financial statements for the system. Also, for the first time, there were no audit findings related to financial aid programs. There was one audit finding related to controls of non-financial aid federal awards; specifically, controls ensuring compliance with federal procurement, suspension and debarment requirements were deemed ineffective. However, no breach occurred as a result of the deficiencies in the controls process. Mr. Ashkar reported that corrective action has been taken to strengthen processes and controls to improve compliance with federal guidelines for competitive bidding and to add a certification clause to the CSU procurement general contract provisions where contractors will certify that they are not debarred, suspended or otherwise ineligible. Mr. Ashkar reminded the trustees that there were 16 audit findings for the auxiliary organizations and other financially reported component units that are 92 in total. These findings included three material weaknesses and 13 significant deficiencies involving ten auxiliary organizations at six different campuses. In addition, 12 of the findings were related to preparation of financial statements, and four findings were related to administration of federal awards. Mr. Ashkar stated that based on the review of campus and auxiliary documentary evidence by both the office of audit and advisory services and financial services staff, corrective action has been confirmed as completed.

Trustee Eisen asked for verification from the office of audit and advisory services as to whether corrective action has been completed.

Ms. Mirza responded that the office of audit and advisory services reviewed all campus and auxiliary documentary evidence supporting corrective action taken for the findings reported in the Single Audit Reports and confirmed that the corrective action is complete.

### **Report on Compliance with National Collegiate Athletic Association Requirements for Financial Data Reporting**

Mr. George Ashkar stated that colleges and universities with intercollegiate athletic programs in the National Collegiate Athletic Association (NCAA) have two NCAA requirements for reporting financial data. Members of the NCAA are subject to agreed-upon procedures reports of financial data related to athletic programs conducted by a qualified independent accountant. These reports are due to campus presidents on or before January 15 following the fiscal year end. In addition, campuses must report financial data to the NCAA online. Mr. Ashkar indicated that the NCAA reviews the financial data of Division I and Division II campuses as it relates to athletics, including student-athletic aid; coach salaries, bonuses, and benefits; recruiting; team travel; equipment, uniforms and supplies; game expenses; fundraising; medical expenses; and other administrative support. Mr. Ashkar stated that based on the review of the submitted reports, all Division I and Division II campuses are in compliance with NCAA reporting requirements.

Trustee Eisen asked for verification from the office of audit and advisory services as to whether campuses are in compliance with NCAA reporting requirements.

Ms. Mirza responded that the office of audit and advisory services reviewed the NCAA agreed-upon procedures reports and confirmed that all campuses are in compliance with NCAA reporting requirements.

The meeting was adjourned.

## **COMMITTEE ON AUDIT**

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

#### **Presentation By**

Larry Mandel  
Vice Chancellor and Chief Audit Officer  
Office of Audit and Advisory Services

#### **Summary**

This item includes both a status report on the 2015 audit plan and follow-up on past assignments. For the 2015 year, assignments were made to conduct reviews of Auxiliary Organizations, high-risk areas (Information Security, Clery Act, Information Technology Procurement, Payment Card Industry Data Security Standards, Admissions, Cloud Computing, Scholarships, and Student Activities), a high profile area (College Reviews), and Construction. In addition, follow-up on current/past assignments (Special Audit, Auxiliary Organizations, Sensitive Data Security, Sponsored Programs, Student Health Services, Conflict of Interest, Lottery Funds, Accessible Technology, Executive Travel, Information Security, and Continuing Education) was being conducted on approximately 34 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 267 staff weeks of activity (25.8 percent of the plan) would be devoted to auditing internal compliance/internal control at eight campuses/31 auxiliaries. Report writing is being completed for two campuses/seven auxiliaries, and one campus/four auxiliaries report is awaiting a campus response prior to finalization.

#### *High-Risk Areas*

##### Information Security

The initial audit plan indicated that approximately 37 staff weeks of activity (3.7 percent of the plan) would be devoted to 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. Five campuses will be reviewed. Report writing is being completed for two campuses.

#### Clery Act

The initial audit plan indicated that approximately 50 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of campus Clery Act policies and procedures to ensure compliance with CSU and federal requirements; review and testing of processes to compile required disclosures and statistics for the Annual Security Report (ASR); verification of the availability of educational programs for security awareness, and the prevention and reporting of crime; review and testing of ASR dissemination to required parties; review of campus good-faith efforts to comply with changes to the Clery Act imposed by the Violence Against Women Reauthorization Act (VAWA) for the 2014 ASR and progress in meeting the changes by the July 2015 deadline; and review of content and delivery of training. Six campuses will be reviewed. Report writing is being completed for four campuses, and fieldwork is being conducted at one campus.

#### Information Technology Procurement

The initial audit plan indicated that approximately 34 staff weeks of activity (3.3 percent of the plan) would be devoted to a review of policies and practices related to information technology procurement. Specific goals will include determining whether administration and management of information technology procurement activities provide an effective internal control environment, adequate local policies and operational procedures, current written delegations, and observance of good business practices in compliance with CSU policy. Five campuses will be reviewed. Report writing is being completed for two campuses, and fieldwork is being conducted at one campus.

#### Payment Card Industry Data Security Standards

The initial audit plan indicated that approximately 14 staff weeks of activity (1.4 percent of the plan) would be devoted to a review of campus and auxiliary compliance with regulations specific to Payment Card Industry (PCI) Data Security Standards related to the security and protection of credit cards systems and data. The review would specifically include compliance with the new PCI 3.0 standard. Two campuses will be reviewed.

### Admissions

The initial audit plan indicated that approximately 50 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of the evaluation of student records, including residency determination; processing admission applications, including use of supplemental admission criteria for impacted majors or campuses, transfer students, and redirection of eligible applicants; security of applicant data; application fee processing and granting of fee waivers; and compliance with state legislation and CSU requirements. Six campuses will be reviewed.

### Cloud Computing

The initial audit plan indicated that approximately 11 staff weeks of activity (1.1 percent of the plan) would be devoted to a review of campus and/or auxiliary activities pertaining to cloud computing, including review of policies and procedures to ensure compliance with CSU and other agency requirements; review of campus administration and oversight including but not limited to service availability, data ownership and backup and recovery, establishing contractual relationships with third-party service providers, and if sensitive data is maintained by a third party, review of involvement of campus information security personnel in the decision process; documentation of campus expectations for handling and securing the data; contract language covering security expectations; and monitoring third-party performance. One systemwide report will be issued.

### Scholarships

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 and/or auxiliary activities pertaining to scholarships, including establishing student eligibility, awarding, and recordkeeping and protection of sensitive information; coordination between the financial aid department and awarding departments; and review of disbursement procedures for awarded scholarships. Six campuses will be reviewed.

### Student Activities

The initial audit plan indicated that approximately 50 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of activities relating to social and co-curricular programs, recreational sports, student clubs and organizations; review of policies and procedures to ensure compliance with CSU and other agency requirements; review of campus administration and oversight of student activities; review and appropriate testing for compliance with charters, bylaws and/or other governing documents for selected student organizations, clubs and other programs; review and testing to ensure appropriate staffing of student programs by qualified

individuals and volunteers, including student leaders; and assessment to determine that required policies regarding non-discrimination, alcohol and drugs, and hazing are monitored and enforced. Six campuses will be reviewed.

### *High Profile Area*

#### College Reviews

The initial audit plan indicated that approximately 49 staff weeks of activity (4.8 percent of the plan) would be devoted to a review of college/department administrative and financial controls, such as handling of cash and cash equivalents, expenditure processing, contracting activities, acquisition and tagging of sensitive equipment, and use of trust funds; and review of faculty assigned time, release time and special payments. Six campuses will be reviewed. Report writing is being completed for five campuses.

### *Construction*

The initial audit plan indicated that approximately 47 staff weeks of activity (4.6 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. Report writing is being completed for one project, one report is awaiting a campus response prior to finalization, and fieldwork is being conducted for one project.

### *Advisory Services*

The initial audit plan indicated that approximately 216 staff weeks of activity (20.8 percent of the plan) would be devoted to partnering with management to identify solutions for business issues, offering opportunities to improve the efficiency and effectiveness of operating areas, and assisting with special requests, while ensuring the consideration of related internal control issues. Reviews are ongoing.

### *Technology Support*

The initial audit plan indicated that approximately 14 staff weeks of activity (1.3 percent of the plan) would be devoted to technology support for non-information technology specific audits and advisory services reviews. The provision of support is ongoing.



### *Investigations*

The Office of Audit and Advisory Services 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/Special Projects*

The Office of Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or to participate on committees such as those related to information systems implementation and policy development, and to perform special projects. Special projects for 2015 will include the implementation of automated working papers in the Office of Audit and Advisory Services. Forty staff weeks have been set aside for this purpose, representing approximately 3.8 percent of the audit plan.

### *Follow-ups*

The audit plan indicated that approximately 15 staff weeks of activity (1.5 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of Audit and Advisory Services is currently tracking approximately 34 current/past assignments (Special Audit, Auxiliary Organizations, Sensitive Data Security, Sponsored Programs, Student Health Services, Conflict of Interest, Lottery Funds, Accessible Technology, Executive Travel, Information Security, and Continuing Education) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

### *Annual Risk Assessment*

The Office of Audit and Advisory Services annually conducts a risk assessment to determine the areas of highest risk to the system. Eight staff weeks have been set aside for this purpose, representing approximately 0.8 percent of the audit plan.

### *Administration*

Day-to-day administration of the Office of Audit and Advisory Services represents approximately 4.3 percent of the audit plan.

Status Report on Current and Follow-Up Internal Audit Assignments  
 (as of 4/24/2015)

2015 ASSIGNMENTS											FOLLOW-UP PAST/CURRENT ASSIGNMENTS				
Aux Orgs	Info Security	Clery Act	College Reviews	IT Procure	PCI	Adm	Cloud Comptg	Scholar	Student Activity	Special Audit	Auxiliary Organizations	Sen. Data Sec./Protect.			
										*Recs **Mo.	●No. *Recs **Mo.	*Recs **Mo.			
BAK											4	32/35	7		
CHI			RW								3	25/25	-		
CI											3	32/32	-	8/8	
DH											3	19/19	-	9/9	
EB		FW									3	31/31	-		
FRE	RW										6	5/36	6		
FUL				RW							4	28/28	-		
HUM		RW									4	30/30	-		
LB	RW										4			6/6	
LA		RW									4	18/18	-		
MA											2	4/4	-		
MB											2	0/23	2		
NOR			RW								5	22/22	-		
POM			RW								2	11/11	-		
SAC			RW								5	40/41	12		
SB	AI										4			14/14	
SD		RW									4	21/21	-		
SF	RW										3			10/10	
SJ										17/18	8				
SLO		RW									3	8/11	5		
SM											4	22/22	-		
SON				RW							3	5/5	-		
STA											4	14/14	-		
CO				FW							2	5/5	-	12/12	
SYS														1/2	
														8	

\* 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 4/24/2015)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS																
	Sponsored Programs		Student Health Svcs.		Conflict of Interest		Lottery Funds		Accessible Technology		Executive Travel		Information Security		Continuing Education	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK							2/2	-					0/10	5		
CHI	6/6	-			3/3	-							0/21	3		
CI	0/1	5								6/6	-					
DH									6/6	-						
EB							2/2	-							3/3	-
FRE					1/1	-	3/3	-								
FUL	10/10	-			2/2	-									0/2	5
HUM							1/1	-					4/4	-		
LB			6/6	-							3/3	-				
LA									5/5	-						
MA	7/7	-														
MB	3/3	-			1/1	-										
NOR	8/8	-														
POM	3/3	-							7/7	-	1/4	4			3/5	5
SAC			9/9	-	5/5	-										
SB															7/7	-
SD			14/14	-					7/7	-	0/6	5				
SF	4/4	-							1/1	-						
SJ			17/17	-							9/9	-				
SLO	7/7	-														
SM									4/4	-						
SON	0/0	-	7/7	-			1/1	-								
STA	6/7	9	6/6	-											0/3	3
CO					1/1	-	7/7	-								
SYS			2/4	10	4/6	7	0/2	5								

\* 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.

