AGENDA

COMMITTEE ON AUDIT

Meeting: **3:00 p.m., Tuesday, September 24, 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 July 23, 2013

Discussion Items

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

Chair Mendoza called the meeting to order.

Approval of Minutes

The minutes of the meeting of May 21, 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 July 23, 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 very good progress in completing the recommendations within a reasonable time period. He reported that the CSU Chancellor's Office has systemwide recommendations regarding ADA Compliance and Academic Personnel that have been outstanding for several months due to ongoing union negotiations pertaining to training issues. In addition, Mr. Mandel stated that the 2013 audit assignments are on track to be completed by the end of the calendar year, except for Conflict of Interest, which will be postponed and included in the 2014 audit plan due to current resource constraints.

Chair Mendoza thanked the campus presidents for their effort in completing the recommendations in a timely manner.

Update on External Auditor Selection Process

George V. Ashkar, assistant vice chancellor and controller, provided an update on the selection of the external auditor. He reported that based on an April conference call with the evaluation team that included Trustee Garcia and Trustee Hauck, an opportunity was presented to the five firms that had submitted proposals in October 2012 to update their proposals with any changes. He stated that based on the four firms that submitted updates, the evaluation team that included Trustee Garcia met via conference call in June to determine which audit firms would be invited for interviews and to formulate interview questions designed to elicit more detailed information on the proposed audit plans. He further stated that the interview questions have been distributed to the two audit firms selected and will be collected and reviewed this week. He indicated that the interviews would be conducted on July 29th and anticipated that the evaluation team (which now includes Trustee Eisen as well as Trustee Garcia) will make a recommendation to the chair of the Committee on Audit at the September 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, and Centers and Institutes) 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. Three campus/eleven auxiliary reviews have been completed. One campus/four auxiliaries are awaiting a response prior to finalization, report writing is being completed for one campus/four auxiliaries, and fieldwork is being conducted at two campus/six 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. Four reports have been completed, and two reports are awaiting a campus response prior to finalization.

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. One report has been completed, three reports are awaiting a campus response prior to finalization, and report writing is being completed for two campuses.

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. One report has been completed, one report is awaiting a campus response prior to finalization, and report writing is being completed for four 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. One report is awaiting a campus response prior to

finalization, report writing is being completed for four campuses, and fieldwork is being conducted at one campus.

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 one campus, and fieldwork is being conducted at four 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. Report writing is being completed for one campus, 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. Five reports have been completed, and one report is awaiting a campus response prior to finalization.

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. Two reports have been completed, one report is awaiting a campus response prior to finalization, report writing is being completed for one project, and fieldwork is being conducted on 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 30 current/past assignments (Special Investigations, Auxiliary Organizations, ADA Compliance, Academic Personnel, 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 Internal Audit Assignments
(as of 8/30/2013)

| | 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 *Recs	Special Investigations **Mo.	Auxiliary Organizations ●No.	Auxiliary Organizations *Recs	Auxiliary Organizations **Mo.	ADA Compliance *Recs	ADA Compliance **Mo.	Academic Personnel *Recs	Academic Personnel **Mo.	Title IX *Recs	Title IX **Mo.
BAK			AC			RW					4	16/16	-						
CHI		AC					RW		4/8	8	3	25/25	-					2/2	-
CI			AC	AC		RW					3	15/15	-	4/4	-				
DH				AI		RW					3	17/19	6						
EB			AC		AI						3	21/21	-			6/6	-		
FRE			AI								6	25/25	-						
FUL							FW		0/4	1	4	28/28	-					3/3	-
HUM	FW	AI									4					4/4	-		
LB		AI		AI				FW			3	24/27	8	3/3	-	4/4	-		
LA	AI				RW						4		-	4/4	-			1/1	-
MA											2	4/4	-						
MB											2	16/16	-						
NOR			AC		RW		FW				5	22/22	-			5/5	-		
POM	AC					FW					3	0/11	3						
SAC		AC						FW			6	36/36	-						
SB					RW						3	28/28	-	5/5	-				
SD				AI				FW			4	24/24	-	6/6	-			3/3	-
SF			AC	RW		AI					5	19/19	-						
SJ	AC							RW			5	9/26	4			4/4	-	7/7	-
SLO					AC						4	12/12	-						
SM		AC			RW						3	0/22	3	4/4	-	4/4	-	2/2	-
SON		AC				RW					4	5/5	-						
STA	RW		AC								4								
CO	FW			RW							2								
SYS														2/3	18	2/3	17	1/3	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.
● The number of auxiliary organizations reviewed.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 8/30/2013)

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	
	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.
BAK			5/5	-									0/6	3				
CHI	1/2	11									2/6	4						
CI	7/7	-	4/4	-											0/8	3		
DH	4/4	-					7/7	-										
EB	6/6	-					12/12	-					0/6	3				
FRE							6/6	-										
FUL					1/1	-					4/4	-						
HUM																		
LB	8/8	-																
LA											4/4	-						
MA			6/6	-														
MB					1/1	-												
NOR											0/8	6	0/4	2				
POM	7/8	11	4/4	-	0/3	7												
SAC			4/4	-							0/5	3						
SB											11/13	7						
SD					2/2	-	9/9	-			0/1	3						
SF			4/4	-							8/8	-	4/4	-				
SJ																		
SLO							5/5	-									0/7	3
SM					0/0	-												
SON											3/3	-						
STA											5/5	-	2/4	5				
CO									0/12	4								
SYS	0/8	5	0/2	7	0/3	3	0/3	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.

Status Report on Current and Follow-Up Construction Audit Assignments
(as of 8/30/2013)

	Project No.	Project	Contractor	Construction Cost	Start Date	Comp. Date	Managed By	Current *	Campus Follow-Up **RECS	Campus Follow-Up ***MO.	CPDC Follow-Up **RECS	CPDC Follow-Up ***MO.
2012	CH-207	Student Housing Expansion	Sundt Construction	$42,389,891	7/16/2008	Nov-10	Campus	AC	4/4	-	1/1	-
	LA-100002	Science Repl. Bldg. Wing B	Bernards Bros.	$44,649,000	8/11/2008	Jun-11	Campus	AC	4/4	-	1/1	-
	SJ-867	Std. Union Expansion & Ren.	Lathrop Construction	$65,075,000	10/18/2010	Mar-13	Campus	AC	4/4	-		
	SF-396	J. Paul Leonard/Sutro Library	douglas e. barnhart	$79,598,425	4/28/2008	Dec-11	Campus	AC	5/5	-		
	SAC-699	Recreation Wellness Center	McCarthy Building Co.	$46,108,373	10/3/2008	Dec-10	Campus	AC	4/4	-	1/1	-
	FUL-689	Std. Housing, Phase 3 and 4	PCL Const. Services	$113,717,000	12/13/2008	Jul-11	Campus	AC	1/1	-		
	LB-614	Peterson Hall 3 Repl. Bldg.	Hunt Construction Group	$81,049,858	4/1/2008	May-11	Campus	AC	4/4	-		
2013	SLO-757	Recreation Center Expansion	Sundt Construction	$47,352,337	12/29/2009	Jun-12	Campus	AC	0/4	5		
	NO-690	Student Recreation Center	CW Driver	$48,373,731	12/21/2009	Mar-12	Campus	AC	0/0	-		
	PO-145	College of Business Admin.	CW Driver	$26,975,196	12/10/2010	Feb-12	Campus	AI				
	HU-401	College Creek Apartments	Brown Construction	$41,955,981	11/9/2008	May-12	Campus	RW				
	CI-221	North Hall Ren. & Addition	HMH Construction	$24,159,625	9/3/2010	Sep-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 recommedations in the original report.

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