

## **AGENDA**

### **COMMITTEE ON AUDIT**

**Meeting: 11:30 a.m., Tuesday, July 23, 2013**  
**Glenn S. Dumke Auditorium**

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

#### **Consent Items**

Approval of Minutes of Meeting of May 21, 2013

#### **Discussion Items**

1. Status Report on Current and Follow-Up Internal Audit Assignments, *Information*
2. Update on External Auditor Selection Process, *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**

**May 21, 2013**

## **Members Present**

William Hauck, Vice Chair  
Lupe C. Garcia  
Steven M. Glazer  
Lou Monville, Acting Chair of the Board  
Hugo N. Morales  
Timothy P. White, Chancellor

Vice Chair Hauck called the meeting to order.

## **Approval of Minutes**

The minutes of the meeting of March 19, 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 May 20-22, 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 this process. He reported that the CSU Chancellor's Office has systemwide recommendations pertaining to ADA Compliance and Academic Personnel that have been outstanding for several months. He added that these items have been discussed with the chair of the Committee on Audit and are expected to be completed by the July Board meeting. In addition, Mr. Mandel stated that the audit assignments, including the construction projects, from the 2013 audit plan are currently in progress and anticipated completion by the end of the calendar year.

The committee was 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 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 and Credit Cards) is being conducted on approximately 30 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 auxiliary reviews have been completed. Two campuses/six auxiliaries are awaiting a response prior to finalization, report writing is being completed for one campus/four 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. One report has been completed, four reports are awaiting a campus response prior to finalization, and report writing is being completed for 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. Two reports are awaiting a campus response prior to finalization, and report writing is being completed for three 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. Report writing is being completed for three campuses, and 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 three campuses, 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. Fieldwork is being conducted at one campus.

### *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 have been

completed, three reports are awaiting a campus response prior to finalization, and report writing is being completed for 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. Two reports have been completed, and report writing is being completed 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 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 7/2/2013)

FOLLOW-UP PAST/CURRENT ASSIGNMENTS												

\* 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 7/2/2013)

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

\* 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.

[illegible]

## **COMMITTEE ON AUDIT**

### **Update on External Auditor Selection Process**

#### **Presentation By**

George V. Ashkar  
Assistant Vice Chancellor/Controller  
Financial Services

#### **Summary**

As directed by the Board of Trustees at the November Board meeting, the Chancellor's Office has been working with Trustee Mendoza, the Chair of the Committee on Audit, seeking guidance and participation from the members of the Committee on Audit to move forward with the selection of an audit firm, beginning with the next fiscal year.

The evaluation team, consisting of four campus representatives and five Chancellor's Office personnel including one non-voting representative from the procurement office, had a conference call with Trustees Garcia and Hauck in April to discuss the status and next steps. As a result, a communication piece was sent out to the five audit firms that had submitted proposals last October to give them an opportunity to update their proposals with any changes since then. Four of the five audit firms submitted updates, but there were no material changes from their initial proposals as the changes were mainly staffing changes.

The evaluation team had another conference call in June, with Trustee Garcia participating, to select the audit firms to interview based on the results of the evaluation of their proposals, and to formulate the interview questions to seek more detailed information on their proposed audit plans. These questions will be sent out to the two audit firms selected for interview and responses to the questions will be collected before the interview. The interview date has not been determined at the time of drafting the agenda, though it is expected to be scheduled in late July. A formal recommendation to the Audit Committee is planned for the September Board meeting.