

AGENDA

COMMITTEE ON AUDIT

Meeting: 10:00 a.m., Wednesday, January 26, 2005
Glenn S. Dumke Auditorium

Anthony M. Vitti, Chair
Roberta Achtenberg, Vice Chair
Herbert L. Carter
Moctesuma Esparza
Debra Farar
Bob Foster
William Hauck
Raymond W. Holdsworth

Consent Items

Approval of Minutes of Meeting of November 17, 2004

Discussion Items

1. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
2. Assignment of Functions to Be Reviewed by the Office of the University Auditor for Calendar Year 2005, *Action*
3. Audit Committee Charter, *Action*
4. Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management, *Information*
5. Single Audit Report of Federal Funds, *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**

November 17, 2004

Members Present

William Hauck, Acting Chair
Herbert L. Carter
Debra S. Farar
Bob Foster
Murray L. Galinson, Chair of the Board
Raymond W. Holdsworth

Trustee Hauck called the meeting to order.

Approval of Minutes

The minutes of the meeting of September 15, 2004, 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 November 16-17, 2004, Board of Trustees agenda.

Mr. Mandel stated that most of the campuses have completed the outstanding recommendations and noted the considerable effort by the campuses in their timeliness for completion.

Report on Construction Auditing in the CSU – 2003/04

Mr. Mandel presented the item by announcing that after a competitive bidding process, KPMG has, once again, been awarded the construction auditing contract for a three-year period beginning with fiscal year 2004/05. Mr. Mandel then introduced Mr. Mark Thomas, systemwide coordinating partner, KPMG, who discussed the construction assignments for 2003/04.

Mr. Thomas stated that KPMG performs post-completion construction reviews with coordination from the Office of the University Auditor. He indicated that six projects were reviewed for fiscal year 2003/04 and included construction at the San Bernardino, San Marcos, San Jose, Monterey

Bay, Los Angeles, and Sonoma campuses. He further indicated that areas under review included design costs, the bid process, subcontracting procedures, change orders, project management, accounting, liquidated damages, and cost verification of major equipment. He explained that the construction auditing report includes mostly procedural findings, with recommendations to benefit future construction projects at the campuses.

Mr. Thomas stated that beginning with fiscal year 2004/05, a new KPMG team with a completely different perspective on construction will be performing the reviews. He further stated that a whole new level of detail will be reviewed, including the processes in place throughout the construction to monitor budgets and cost estimates.

Chancellor Reed commented that the report on Construction Auditing in the CSU is beneficial in that it provides management with recommendations to prevent similar problems on future projects, such as the handling of complaints filed by the subcontractors, the subcontractor's relationship to the contractor, and the cost of various materials.

Trustee Kaiser inquired as to whether the construction auditing process would incorporate CSU's new standards pertaining to sustainability and greater energy efficiency.

Mr. Thomas explained that KPMG performs post-completion audits, and it would not be cost-beneficial to audit throughout the construction project. However, he indicated that the review of the new standards could be incorporated into the work plan if a decision was made to do so.

Trustee Holdsworth asked if KPMG performs construction reviews for other university systems.

Mr. Thomas responded that KPMG performs construction reviews for other university systems as well as many other public entities.

Trustee Holdsworth asked whether best practices guidelines had been provided to the assistant vice chancellor, Capital Planning, Design and Construction.

Mr. Thomas responded affirmatively, and stated that the KPMG team continually compares against industry norms and practices.

Trustee Holdsworth inquired as to whether all of the campuses are provided the results of the comparisons for their consideration before the start of a new construction project.

Mr. Thomas responded that many of the recommendations included in the report on Construction Auditing in the CSU (2003/04) pertain to adjustments to the State Administrative Manual, etc., resulting in a benefit to all of the campuses.

Trustee Holdsworth offered his opinion that the best practices guidelines would be beneficial to all of the campuses to help ensure compliance, especially regarding the issuance of contracts.

The meeting 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 2004 audit plan and follow-up on past assignments. For the current year, assignments have been made to conduct reviews of FISMA (financial internal controls), Auxiliary Organizations, Admissions/Evaluations, Human Resources, Student Activities, Information Systems, and Construction. In addition, follow-up on past assignments (FISMA, Auxiliary Organizations, Disability Support and Accommodations, Employee Relations, Risk Management and Insurance, and Disaster/Contingency Planning) is currently being conducted on approximately 25 prior campus/auxiliary/investigative 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

At the January 2004 meeting of the Committee on Audit, an audit plan calling for the review of the following subject areas was approved: FISMA (financial internal controls), Auxiliary Organizations, Admissions/Evaluations, Human Resources, Student Activities, Information Systems, and Construction.

FISMA

The audit plan indicated that approximately 136 staff weeks of activity (17 percent of the plan) would be devoted to auditing financial internal controls on 12 campuses. Five audits have been completed, one audit await a campus response prior to finalization, report writing is being completed on four campus reviews, and fieldwork is currently taking place at one campus.

Auxiliary Organizations

The audit plan indicated that approximately 243 staff weeks of activity (31 percent of the plan) would be devoted to auditing internal compliance/internal control at 8 campuses/27 auxiliaries. Four campuses/fourteen auxiliaries have been completed, and report writing is being completed on four campus/thirteen auxiliary reviews.

Admissions/Evaluations

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the plan) would be devoted to a review of ten campuses to ensure proper management of admissions and evaluations activities through a review of the related control environment; processing of applications for admission; evaluations of student records; application fee and waiver controls; and the protection of confidential admission and evaluation data. Two audits have been completed, four audits await a campus response prior to finalization, and report writing is being completed on two campus reviews. Due to a reduction in available staff, only seven of the original ten audits of this area will be completed.

Human Resources

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the plan) would be devoted to a review of ten campuses to ensure proper management of human resources activities through a review of the related control environment; recruitment and advertising practices; the selection and orientation of new employees; employee compensation and selected benefits programs; and the protection of confidential employee information. Two audits have been completed, four audits await a campus response prior to finalization, and report writing is being completed on two campus reviews. Due to a reduction in available staff, only eight of the original ten audits of this area will be completed.

Student Activities

The audit plan indicated that approximately 97 staff weeks of activity (12 percent of the audit plan) would be devoted to a review of ten campuses to evaluate the effectiveness of operating controls and governance processes pertaining to student activities (including intramural and club sports but excluding intercollegiate athletics), student clubs and organizations (including the fraternities and sororities), and student judicial affairs. Two audits have been completed, three audits await a campus response prior to finalization, and report writing is being completed on three campus reviews. Due to a reduction in available staff, only eight of the original ten audits of this area will be completed.

Information Systems

The audit plan indicated that approximately 43 staff weeks of activity (5 percent of the plan) would be devoted to review of systemwide projects such as: Disaster Recovery, Common Management Systems (CMS), and Web Security. In addition, support will be provided in the area of financial internal controls for both campus (FISMA) and auxiliary audits. Review and training are ongoing.

Follow-ups

The audit plan indicated that approximately 30 staff weeks of activity (4 percent of the plan) would be devoted to follow-up on prior audit recommendations. The Office of the University Auditor is currently tracking approximately 25 prior audits (FISMA, Auxiliary Organizations, Disability Support and Accommodations, Employee Relations, Risk Management and Insurance, and Disaster/Contingency Planning) to determine the appropriateness of the corrective action taken for each recommendation and whether additional action is required.

Consultations and Investigations

The audit plan indicated that approximately 43 staff weeks of activity (5 percent of the plan) would be devoted to campus consultations and special requests. 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. Typically, the special requests are investigative in nature and often are the result of alleged defalcations or conflicts of interest.

Construction

The audit plan indicated that approximately five staff weeks of activity (1 percent of the plan) would be devoted to coordination of construction auditing. For the 2003/04 fiscal year, six construction projects are being reviewed by KPMG with coordination from the Office of the University Auditor. Areas under review include construction bid process, change orders, project management services, contractor compliance, liquidated damages, and cost verification of major equipment and construction components. All six audits have been completed.

Training

The audit plan indicated that approximately ten staff weeks of activity (1 percent of the plan) would be devoted to training in control self-assessment. The program consists of a two-day workshop where risk assessment/mitigation and internal control training will be provided and a targeted risk assessment profile will be developed. In addition, the Office of the University Auditor is planning two, one-day workshops on various aspects of audit coordination and process.

Status Report on Current and Follow-Up Internal Audit Assignments
(as of 1/24/05)

	2004 ASSIGNMENTS					FOLLOW-UP ON PAST/CURRENT ASSIGNMENTS													
	FISMA	Aux Orgs	Admiss	Human Res	Stdnt Act	FISMA		Auxiliary Organizations			Disaster/ Cont Plng		Admissions		Human Resources		Student Activities		
						*Recs	**Mo.	*No.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	*Recs	**Mo.	
BAK					RW	13/13	-	3	42/42	-	5/5	-							
CHI	AC			RW		0/6	4	3	0/32	6									
CI						20/23	6	2											
DH			AI	RW		12/12	-	3	32/36	7									
FRE					AI	6/8	9	6	107/107	-									
FUL	RW		AI		AC	6/6	-	4	32/32	-	8/8	-					3/5	2	
HAY	AC					5/17	5	4	65/65	-									
HUM	RW	RW					-	3											
LB				AI	AI	7/7	-	3	27/27	-									
LA	AC	AC				5/7	6	4	0/42	1	7/7	-							
MA	RW		AI					2	21/21	-									
MB				AI		23/25	9	2	40/40	-	14/14	-							
NOR	AC		RW			11/11	-	5	46/46	-									
POM	RW	AC					-	3	16/24	4	3/3	-							
SAC				AC		13/13	-	5	65/65	-	12/12	-			0/7	2			
SB			AI	AI		8/8	-	3	33/33	-									
SD		AC	AC		RW	12/12	-	4	0/21	2	9/9	-	0/6	3					
SF				AC	AI	8/8	-	4	48/48	-					1/3	4			
SJ	FW	RW	AC					4					0/5	5					
SLO	AI							2	29/29	-	9/9	-							
SM	AC	AC				0/12	4	3	34/34	-	9/9	-							
SON					AC	14/14	-	4	21/21	-							7/7	-	
STA		RW			RW	9/9	-	4											
CO		RW		AI		10/10	-	2											
SYS			RW	RW	RW						4/10	6							
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. A "0" in a column is used as a place holder until such time as documentation is provided to the OUA evidencing that a recommendation has been satisfactorily addressed; significant progress may have been made prior to that time. Numbers/letters in red are updates since the agenda mailout. **The number of months recommendations have been outstanding (since the formal campus exit conference). • The number of auxiliary organizations reviewed.													

Status Report on Current and Follow-Up Construction Audit Assignments
(as of 1/24/05)

[illegible]

COMMITTEE ON AUDIT

Assignment of Functions to Be Reviewed by the Office of the University Auditor for Calendar Year 2005

Presentation By

Larry Mandel
University Auditor

Summary

At the first meeting of the new year, the Committee on Audit selects the audit assignments for the Office of the University Auditor. The following is an audit plan for calendar year 2005.

FINANCIAL INTEGRITY AND STATE MANAGER'S ACCOUNTABILITY ACT OF 1983

In 1983, the California legislature passed the Financial Integrity and State Manager's Accountability Act of 1983 (FISMA). This act requires that state agencies establish and maintain a system of internal accounting and administrative control. To ensure that the agency fully complies with requirements, the head of each agency is required to prepare and submit a report on the adequacy of the systems of internal accounting and administrative control following the end of each odd-numbered fiscal year.

These audits will review compliance with state and federal laws, Board of Trustee policies, and Office of the Chancellor policies, letters, and directives. For those audit tests which require annualized data, either the 2003/04 or 2004/05 (as appropriate) fiscal year will be the primary period reviewed. In certain instances, we are concerned with representations of the most current data. In those cases, the test period will normally be the two months prior to our arrival on campus. Specifically, we will review and test the following areas:

Cash Receipts	Payroll/Personnel
Receivables	Fixed Assets
Purchasing	Fiscal Information Technology
Revolving Fund	Investments
Cash Disbursements	Trust Funds

Twelve FISMA audits are planned for calendar year 2005. This represents 132 staff weeks of audit effort, which amounts to approximately 17 percent of the audit plan.

SUBJECT 1

To be determined by the Committee on Audit. If the subject matter lends itself to an audit of average length, it is estimated that ten campus audits will take place during calendar year 2005. This represents 97 staff weeks of audit effort, which is approximately 12 percent of the audit plan.

SUBJECT 2

To be determined by the Committee on Audit. If the subject matter lends itself to an audit of average length, it is estimated that ten campus audits will take place during calendar year 2005. This represents 97 staff weeks of audit effort, which is approximately 12 percent of the audit plan.

SUBJECT 3

To be determined by the Committee on Audit. If the subject matter lends itself to an audit of average length, it is estimated that ten campus audits will take place during calendar year 2005. This represents 97 staff weeks of audit effort, which is approximately 12 percent of the audit plan.

AUDITS OF AUXILIARY ORGANIZATIONS

In order to provide assurance to the Board that adequate oversight is being maintained over auxiliaries, the Office of the University Auditor administers an audit program covering internal compliance/internal controls. It is estimated that 27 auxiliary reviews will take place during calendar year 2005. This represents 241 staff weeks of audit effort, which is approximately 29 percent of the audit plan.

INFORMATION SYSTEMS

Information Systems areas of review will include systemwide projects such as: Disaster Recovery, Common Management Systems (CMS), and Web Security. In addition, support will be provided in the area of financial internal controls for both campus (FISMA) and auxiliary organization audits. Forty-three staff weeks are planned during calendar year 2005. This represents approximately 5 percent of the audit plan.

FOLLOW-UPS

The purpose of this category is to follow-up on prior audit recommendations. The Office of the University Auditor reviews the responsiveness of the corrective action taken for each recommendation and determines 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 recommendations are tracked until each is satisfactorily addressed. Reports of follow-up activity are made at each meeting of the Committee on Audit. Twenty-eight staff weeks have been set aside for this purpose, representing approximately 3 percent of the audit plan.

CONSULTATION AND INVESTIGATIONS

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. Typically, the special requests are investigative in nature and often are the result of alleged defalcations or conflicts of interest. In addition, whistleblower investigations will now be performed on an ongoing basis, both by referral from the State Auditor, and directly from the chancellor's office. Seventy-six staff weeks have been set aside for this purpose, representing approximately 9 percent of the audit plan.

CONSTRUCTION

In addition to the above, construction auditing will be a continuing focus of the Office of the University Auditor. For the 2004/05 fiscal year, six construction projects are being reviewed by KPMG with coordination from the Office of the University Auditor. Areas under review include construction bid process, change orders, project management services, contractor compliance, liquidated damages, and cost verification of major equipment and construction components. Five staff weeks have been set aside for this purpose, representing approximately 1 percent of the audit plan.

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The following resolution is recommended for approval:

RESOLVED, By the Committee on Audit of the Board of Trustees of The California State University, that the 2005 internal audit plan, including FISMA, Information Systems, Auxiliary Organizations, Construction, Consultations/Investigations, _____, _____ and _____ (to be determined by the committee) be approved.

**OFFICE OF THE UNIVERSITY AUDITOR
 RESULTS OF 2002 RISK ASSESSMENT**

PROSPECTIVE AUDIT TOPICS (TOP 50% OF RISK)

	TOPIC	LAST TIME AUDITED BY THE OUA
1	Employee Relations/Collective Bargaining	2003
2	Financial Aid	2002
3	Contracts and Grants	2001
4	Procurement	FISMA*
5	Payroll Services	FISMA*
6	Financial Reporting	Never Audited
7	Admissions and Evaluations	2004
8	Development/Fund-Raising	2002
9	Continuing Education/Extended Learning	1998-99
10	Disaster/Contingency Plng/Emergency Prep	2003
11	Environmental Management	Never Audited
12	Treasury Functions	FISMA*
13	Cashiering and Ticket Sales	FISMA*
14	Risk Management and Insurance	2003
15	Human Relations/Personnel Services	2004
16	Intercollegiate Athletics	Never Audited
17	Accounts Receivable	FISMA*
18	Public Safety	2000
19	Accounts Payable	FISMA*
20	Hazardous Materials Management	2000
21	Student Records and Registration	1999
22	Student Activities/Organizations	2004
23	Occupational Health and Safety	1997
24	Housing/Residential Services	More Than 10 Yrs
25	Disability Support and Accommodations	2002
26	Parking	More Than 10 Yrs
27	Trust Funds	FISMA*
28	Child Care Centers	Aux Orgs
29	Student Health Centers	2000

*FISMA = Financial Integrity and State Manager's Accountability Act of 1983 which requires financial internal control reviews of all campuses once every two years. Items 4, 5, 12, 13, 17, 19, and 27 are covered within the FISMA audit cycle. Item 28 is covered during auxiliary organization reviews.

**OFFICE OF THE UNIVERSITY AUDITOR
SELECTION OF AUDIT TOPICS FOR 2005**

The purpose of this attachment is to present additional information to assist the Committee on Audit in deciding the audit assignments for the Office of the University Auditor for 2005. The list below reflects the topics developed by the 2002 risk assessment process exclusive of priorities that are addressed by recent assignments and/or mandatory audits, e.g., Financial Integrity and State Manager's Accountability Act (FISMA), Delegations of Authority (Purchasing/Contracting, Leasing, Motor Vehicles - Education Code Section 89045(d)), and Auxiliary Organization Reviews.

- | | |
|---|--------------------------------------|
| 6. Financial Reporting | 21. Student Records and Registration |
| 9. Continuing Education/Extended Learning | 23. Occupational Health and Safety |
| 11. Environmental Management | 24. Housing/Residential Services |
| 16. Intercollegiate Athletics | 26. Parking |

The following information is not necessarily complete. A complete survey of risks, controls, and associated audit procedures can only be compiled through the audit process. Accordingly, the descriptions should be read with the understanding that they are preliminary and presented for discussion purposes, and may change after audit survey/work commences.

6. Financial Reporting

Financial reporting includes all forms of financial reports and the systems and procedures in use to provide constituent groups with accurate, timely, and useful financial information.

Potential impacts include:

- excessive costs incurred in reporting of financial information;
- inaccurate and/or untimely financial reports;
- unauthorized access to financial data;
- reporting of financial data that does not meet user needs; and
- publication of misleading financial statements.

Proposed audit procedures would include review of existing financial reporting procedures and processes for: compliance with state law, Trustee policy and Chancellor's Office directives; establishment and maintenance of a financial reporting system commensurate with user needs; efficiency and effectiveness of operations; and attainment of objectives and goals.

9. Continuing Education/Extended Learning

Continuing education/extended learning includes special sessions, extension programs, and other self-supporting instructional programs and operation of the Continuing Education Revenue Fund (CERF) and related trust accounts.

Potential impacts include:

- loss of budgetary control;
- inappropriate subsidies;
- inaccurate reporting; and
- increased exposure to enforcement actions by regulatory agencies.

Proposed audit scope would include review of: the processes for administration of continuing education and extended learning operations as self-supporting entities; budgeting procedures, fee authorizations, and selection and management of courses; faculty workloads and payments to faculty and other instructors; enrollment procedures and maintenance of student records; and reporting of continuing education activity and maintenance of CERF contingency reserves.

11. Environmental Management

Environmental management includes activities of the CSU in complying with federal and state environmental regulations.

Potential impacts include:

- degradation of the environment;
- excessive costs;
- increased exposure to enforcement actions by regulatory agencies; and
- inability to meet program needs.

Proposed audit scope would include review of compliance with federal and state environmental laws and regulations.

16. Intercollegiate Athletics

Intercollegiate athletics involves all activities pertaining to the sports programs administered in accordance with the rules and regulations of the National Collegiate Athletic Association.

Potential impacts include:

- admission of student athletes who do not show reasonable promise of being successful in a course of study leading to an academic degree;
- continuing eligibility of student athletes to participate in intercollegiate athletics based on academic progress that will not assure graduation within a specific time frame;
- infractions of National Collegiate Athletic Association (NCAA) rules and regulations that significantly impact the university in terms of lost revenues, adverse publicity, and NCAA sanctions;
- inequities in funding and participation opportunities between the men's and women's athletic programs;
- inappropriate use of funds raised and spent in intercollegiate athletics; and
- inappropriate use of state resources or funds budgeted for instructionally related activities in intercollegiate athletics.

Proposed Audit Scope

Based on a study commissioned by the Association of College and University Auditors (ACUA), 75 percent of survey respondents (196 institutions - 71 percent of which participated at the NCAA Division I level) performed annual internal audits of the athletic department in addition to whatever work was being done under the NCAA mandate with independent CPAs. In priority order, this internal audit work covered:

- compliance audits of internal controls;
- financial audits;
- audits of compliance with NCAA rules and regulations; and
- operational testing for efficient and effective use of resources.

21. Student Records and Registration

Student records and registration includes database integrity, security and confidentiality, and the enrollment process.

Potential impacts include:

- adverse publicity;
- excessive costs;
- erroneous records;
- release of inappropriate information; and
- low customer service.

Proposed audit scope would include review of: database recordkeeping and registration systems, procedures for creating and changing records, and security measures protecting against unauthorized or inadvertent modification, removal, or destruction of records.

23. Occupational Health and Safety

Occupational health includes required employee health examinations, evaluation of job and workplace conditions, safety training, and programs for complying with federal and state occupational regulations.

Potential impacts include:

- personal injury; and
- increased exposure to enforcement actions by regulatory agencies.

Proposed audit scope would include review of the controls which relate to employee safety and mitigation of imperiling job-related conditions or potential hazards in the workplace.

24. Housing/Residential Services

Housing/residential services includes the support activities afforded students in locating suitable housing, operation of the on-campus residence halls, and programming of activities for residential students.

Potential impacts include:

- noncompliance with bond requirements;
- unaffordable, unattractive and unsafe residence halls;
- low occupancy and loss of revenue; and
- excessive costs and property damage.

Proposed audit scope would include review of Dormitory Revenue Fund operations, residence hall costs, processes for establishing housing fees, maintenance of residence halls, and activity programs.

26. Parking

Parking includes activities of the CSU in providing parking facilities including establishing parking fees, issuance of parking permits, making parking arrangements for guests and visitors, operating parking facilities, collecting parking funds, and enforcing parking regulations.

Potential impacts include:

- inadequate parking accessibility and spaces;
- excessive costs;
- constituent complaints and service problems; and
- loss of parking revenue.

Proposed audit scope would include review of: compliance with rules and regulations; parking fees and the permit process; and enforcement activities.

**OFFICE OF THE UNIVERSITY AUDITOR
FUNCTIONS AUDITED DURING PAST TEN YEARS**

YearFunction

2004 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)
Auxiliary Organizations
Admissions
Human Relations
Student Activities
Construction

2003 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)
Auxiliary Organizations
Employee Relations
Risk Management and Insurance
Disaster/Contingency Planning
Construction

2002 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)
Auxiliary Organizations
Development
Financial Aid
Disability Support and Accommodations
Construction

2001 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)
Auxiliary Organizations
Delegations of Authority (Procurement, Motor Vehicles, Agreements, and Leases)
Development
Contracts and Grants
Construction

2000 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)
Auxiliary Organizations
Hazardous Materials Management
Public Safety
Student Health Centers
Construction

ATTACHMENT C

Audit Item 2

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1999 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

Auxiliary Organizations

Continuing Education/Extended Education

Operation and Maintenance of Plant

Student Records and Registration

Construction

1998 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

Risk Management and Insurance

Continuing Education/Extended Education

Construction

1997 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

Occupational Health

Seismic Safety and Disaster Readiness

Construction

1996 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

Delegations of Authority (Procurement, Motor Vehicles, Agreements, and Leases)

Development

Construction

1995 Financial Integrity and State Manager's Accountability Act (Financial Internal Controls)

Development

Hazardous Materials Management Follow-up

Construction

COMMITTEE ON AUDIT

Audit Committee Charter

Presentation By

Larry Mandel
University Auditor

Summary

In an effort to align the Board of Trustees (BOT) Committee on Audit with the best practices taking place within governing boards, an Audit Committee Charter is proposed. It should be noted that the CSU Committee on Audit has never had a charter. Although the Committee on Audit is defined in the BOT Rules of Procedure, the text falls short of what would be considered to be the purpose and responsibilities of the Committee. The NACUBO Advisory Report on Sarbanes-Oxley (SOX) includes a recommendation that the audit committee should have a charter that includes role and authority language. The *International Standards for the Professional Practice of Internal Auditing* recognizes the importance of an audit committee charter in its Practice Advisory 2060-2, which states that the chief audit executive should assist the audit committee in ensuring the adequacy of its charter. The importance of a written charter has long been recognized by many committees and increasingly has been incorporated into guidance and rules.

THE CALIFORNIA STATE UNIVERSITY
AUDIT COMMITTEE CHARTER (RA 01-05-01)

RESOLVED, By the Board of Trustees of the California State University, that the following 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, ~~and the code of ethics~~.

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 of management 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 of Procedure 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, 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 financial reporting 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 and the adequacy of financial, accounting and operational policies and practices related to financial reporting; ~~and review the process for communicating the code of ethics, and for monitoring compliance therewith.~~
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.
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 the adequacy of its staffing and budget, performance relative to its annual plan, the existence of unjustified restrictions or limitations, and concurrence in the appointment or dismissal of the University Auditor.

COMMITTEE ON AUDIT

Report of the Systemwide Audit in Accordance with Generally Accepted Accounting Principles Including the Report to Management

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

Summary

The systemwide audit in accordance with generally accepted accounting principles and the report to management will be discussed. Representatives from KPMG, LLP, the external audit firm hired by the California State University to conduct the audit, will be available to respond to questions. A copy of the report is enclosed for your review.

COMMITTEE ON AUDIT

Single Audit Report of Federal Funds

Presentation By

Dennis Hordyk
Assistant Vice Chancellor
Financial Services

Summary

The single audit report of federal funds and the related management letter for all campuses and the Chancellor's Office will be reviewed and discussed at the meeting. Representatives from KPMG, LLP, the external audit firm hired by the California State University to conduct the audit, will be available to respond to questions. A copy of the report is enclosed for your review.