

## AGENDA

### COMMITTEE ON AUDIT

**Meeting:** 9:00 a.m., Wednesday, January 23, 2019  
Glenn S. Dumke Auditorium

Douglas Faigin, Chair  
Hugo N. Morales, Vice Chair  
Jack McGrory  
Lateefah Simon

- Consent** 1. Approval of Minutes of the Meeting of November 14, 2018, *Action*
- Discussion** 2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*  
3. Calendar Year 2019 Audit Plan, *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**

**November 14, 2018**

**Members Present**

Douglas Faigin, Chair  
Jack McGrory  
Lateefah Simon  
Adam Day, Chairman of the Board

Trustee Douglas Faigin called the meeting to order.

**Public Comments**

Gina Voight of the California State University Employees Union spoke about a California State Auditor report pertaining to health and safety compliance.

**Approval of Minutes**

The minutes of September 11, 2018, were approved as submitted.

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

Mr. Larry Mandel, vice chancellor and chief audit officer, provided a status on the 2018 audit plan and follow-up on past audit assignments. Mr. Mandel explained 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. All but one of the audit assignments for 2018 are currently in process or complete and include a variety of topics. The final audit assignment of the current year audit plan is scheduled to begin in late November.

Mr. Mandel reported that the campuses and the Office of the Chancellor continue to complete recommendations on a timely basis and that Audit and Advisory Services is working with the San Luis Obispo campus to clear the remaining recommendations from their information technology disaster recovery audit. Consultative reviews continue to be offered through the advisory services function, the continuous audit initiative proceeds, and investigations are performed as needed.

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Additionally, Audit and Advisory Services' investigations unit tracks intergovernmental audits conducted by the California State Auditor and other governmental entities, providing support and services to the Office of the Chancellor and campuses undergoing such audits.

Trustee Faigin noted that audit reports are published on the California State University website.

Trustee Faigin adjourned the Committee on Audit.

## **COMMITTEE ON AUDIT**

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

#### **Presentation By**

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

#### **Summary**

This item includes both a status report on the 2018 audit plan and follow-up on past assignments. For the 2018 year, assignments were made to develop and execute individual campus audit plans; conduct audits of Information Technology (IT), Sponsored Programs and Construction; implement continuous auditing techniques; and to provide advisory services and investigation reviews. Follow-up on current and past assignments was also being conducted on approximately 40 completed campus reviews. Attachment A summarizes the audit assignments in tabular form.

## **AUDITS**

### General Audits

The organizational redesign for Audit and Advisory Services provides for individual campus audit plans that are better aligned with campus and auxiliary organization risks. Risk assessments and initial audit plans have been completed for all campuses. Thirty-four campus reports have been completed, report writing is being completed for five campuses, and four reports are awaiting a campus response prior to finalization.

### Information Technology Audits

The initial audit plan indicated that reviews of Information Security, IT Disaster Recovery, Cloud Computing, and Decentralized Computing would be performed at those campuses where a greater degree of risk was perceived for each topic. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues. Eleven campus reports have been completed, report writing is being completed for two campuses, and two reports are awaiting a campus response prior to finalization.

### Sponsored Programs

The initial audit plan indicated that reviews of both post-award and pre-award activities would be performed. Post-award areas to be reviewed include operational, administrative, and financial controls to determine adherence to both sponsor terms and conditions, and applicable policies, procedures, and regulations. Pre-award reviews emphasize compliance with conflict-of-interest and training requirements. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues relating to sponsored programs activities. Five campus reports have been completed, and report writing is being completed for one campus.

### Construction

The initial audit plan indicated that reviews of recently completed construction projects, including activities performed by the campus, general contractor, and selected subcontractors would be performed. Areas to be reviewed include approval of project design, budget and funding; administration of the bid and award process; the closeout process; and overall project accounting and reporting. Four campus reports have been completed, and report writing is being completed for one review.

## ADVISORY SERVICES

Audit and Advisory Services partners 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. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Reviews are ongoing.

## INVESTIGATIONS

Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged misappropriations or conflicts of interest. Further, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor and directly from the CSU Chancellor's Office. In addition, the investigations unit tracks external audits being conducted by state and federal agencies, acts as a liaison for the CSU throughout the audit process, and offers assistance to campuses undergoing such audits.

## CONTINUOUS AUDITING TECHNIQUES

The initial audit plan indicated that continuous auditing techniques for more focused and higher quality audits would be implemented and used to review credit card data for twelve campuses. Continuous auditing uses data analytics tools and techniques to analyze large volumes of data, look for anomalies and trends, and complement the existing risk assessment process. Reviews are ongoing.

## COMMITTEES/SPECIAL PROJECTS

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.

## AUDIT SUPPORT

### Annual Risk Assessment

Audit and Advisory Services annually conducts a risk assessment to determine the areas of highest risk to the system, as well as campus-specific risks.

### Administration

Day-to-day administration of the Audit and Advisory Services division includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system and SharePoint website, and department quality assurance and improvement.

Status Report on Current and Past  
Audit Assignments  
(as of 1/17/2019)

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Bakersfield	Cashiering	2018	AC	7/7	-
	Sponsored Programs - Post Award	2018	RW		
	Information Security	2018	RW		
Channel Islands	Counseling & Psychological Services	2018	AC	0/8	5
	University Auxiliary Services	2018	RW		
Chico	Academic Department Fiscal Review	2018	AC	8/10	7
	Information Security	2018	AC	0/7	4
	Student Health Services	2018	AC	0/6	3
	Centers and Institutes	2018	RW		
Dominguez Hills	Const. - Central Plt. Cooling Twr. & Domestic and Fire Water Line Repl.	2018	AC	0/0	-
	Centers and Institutes	2018	AC	0/6	5
	International Activities	2018	AC	0/9	3
East Bay	International Activities	2018	AC	6/6	-
	Cloud Computing	2018	AC	0/3	3
Fresno	Student Organizations	2018	AC	4/4	-
	Agricultural Foundation	2018	AC	3/3	-
	Fresno Athletic Corporation	2018	AC	3/10	4
	Cloud Computing	2018	AC	0/2	1
Fullerton	Information Security	2018	AC	7/7	-
	Student Health Services	2018	AC	5/5	-
	Const. - One Banting	2018	AC	0/5	4
	Cal State Fullerton Philanthropic Fdn.	2018	AC	0/3	1
Humboldt	Information Security	2018	AC	3/5	6
	Cashiering	2018	AC	1/2	4
	Special Investigation - Procurement Card Purchases	2018	AC	5/5	-
Long Beach	Student Organizations	2018	AC	7/7	-
	Const. - Pkg. Lot 7 Expansion & Psy. Brain Lab Renovation	2018	AC	1/1	-
	Cashiering	2018	AC	1/3	3
	The Forty-Niner Shops, Inc.	2018	RW		
Los Angeles	Police Services	2018	AC	2/2	-
	Decentralized Computing	2018	AC	0/4	1
	Facilities Management	2018	AI		
Maritime Academy	Hazardous Materials Management	2018	AC	9/9	-
	Associated Students	2018	AC	0/5	3
Monterey Bay	Hazardous Materials Management	2018	AC	10/10	-
	IT Disaster Recovery	2018	AC	2/3	5
	Foundation of CSU Monterey Bay	2018	AC	0/8	1
Northridge	Northridge Foundation	2018	AC	2/8	4
	Sponsored Programs	2018	AC	0/5	2

**Status Report on Current and Past  
Audit Assignments  
(as of 1/17/2019)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Pomona	Cashiering	2018	AC	4/4	-
	Information Security	2018	AC	12/12	-
	Special Investigation - Reimb. Claims, Time Rptg. & Add'l Employment	2017	AC	8/8	-
Sacramento	Associated Students Incorporated	2018	AC	1/4	2
	Sponsored Programs - Post Award	2018	AC	2/3	8
	IT Disaster Recovery	2018	AC	0/4	3
	Associated Students of CSU, Sacramento	2018	RW		
San Bernardino	Const. - Student Housing, Phase II	2018	RW		
	Emergency Management	2018	AC	0/5	5
San Diego	Const. - Std. Housing & Dining Commons	2018	AC	0/1	2
	Student Disability Support	2018	AC	7/7	-
	Academic Department Fiscal Review	2018	AC	2/2	-
San Francisco	Decentralized Computing	2018	AI		
	Centers and Institutes	2018	AC	3/4	7
	Sponsored Programs - Pre Award	2018	AC	0/2	4
	Accounts Receivable	2018	AC	0/4	1
San Jose	Student Organizations	2018	AI		
	Decentralized Computing	2018	AC	13/13	-
	Housing and Residential Services	2018	AC	3/9	3
San Luis Obispo	The Student Union of San Jose State Univ.	2018	RW		
	IT Disaster Recovery	2018	AC	3/4	8
	Student Health Services	2018	AC	3/4	8
	Cal Poly Corporation	2018	AC	0/7	2
San Marcos	Student Health Services	2018	AC	7/7	-
	Sponsored Programs - Pre Award	2018	AC	2/3	6
Sonoma	Student Organizations	2018	AC	6/6	-
	IT Disaster Recovery	2018	AC	0/10	4
	Sonoma State Enterprises	2018	AC	0/5	1
Stanislaus	Instructionally Related Activity Fees	2018	AC	0/1	2
	Information Security	2018	RW		
Chancellor's Office	Information Security	2017	AC	9/9	-
	Sponsored Programs - Post Award	2018	AC	0/0	-
	Emergency Management	2018	AC	0/4	3
Systemwide	Student Organizations	2017	AC	0/1	10 <sup>1</sup>

**Status**

FW - Field Work In Progress

RW - Report Writing in Progress

AI - Audit Incomplete (awaiting formal exit conference and/or campus response)

AC - Audit Complete

**Follow-Up**

\* The number of recommendations satisfactorily addressed followed by the number of recommendations in the original report.

\*\* The number of months recommendations have been outstanding from date of report.

<sup>1</sup> Approved extended completion date of 12/31/18.

Numbers/letters in green are updates since the agenda mailout.



## COMMITTEE ON AUDIT

### Calendar Year 2019 Audit Plan

#### Presentation By

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

#### Background

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. Audit and Advisory Services assists 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. Additionally, Audit and Advisory Services serves the university in a manner that is consistent with the *International Professional Practices Framework* and the *Code of Ethics* as promulgated by the Institute of Internal Auditors.

#### Summary

Audit and Advisory Services presents its audit plan for the calendar year at the January meeting of the Board of Trustees, Committee on Audit for review and approval. At the November 2016 meeting of the Board of Trustees, Audit and Advisory Services provided details regarding the implementation of an organizational redesign to be phased in over a four-year period, with implementation activities commencing in July 2016. Implementation activities proceed as planned and include two new auditor positions for fiscal year 2019-2020, which are reflected in the below audit plan. The following item is an audit plan for calendar year 2019, which is year three of the redesign phase-in period.

#### Audit Plan

AUDITS – 68% of Plan

#### General Audits (53%)

The newly redesigned organizational structure provides for individual campus audit plans that are better aligned with campus and auxiliary organization risks and systemwide goals and strategies, as well as the implementation of continuous auditing techniques for more focused and higher quality audits. Continuous auditing uses data analytics tools and techniques to analyze large volumes of data, look for anomalies and trends, and complement the existing risk assessment process.

In-person interviews with campus management have been completed to build upon information learned in previous risk assessments in order to identify campus specific/unique topics to be reviewed. While audit plans for the last two years have included a variety of audit topics, the 2019 audit plan includes a lesser variety of audit topics because Audit and Advisory Services has committed to conduct Health and Safety audits at all campuses as a follow-up to the health and safety audits performed by the California State Auditor in 2018. In addition, continuous audit techniques will be used to review credit card data for the twelve campuses not reviewed in 2018 to identify potential risks and to evaluate compliance with policies and procedures.

#### **Information Technology Audits (8%)**

The audit plan includes reviews of Information Security and other information technology topics. Areas to be reviewed include, but are not limited to Information Technology Disaster Recovery, Cloud Computing, and Accessible Technology. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues and will be performed at those campuses where a greater degree of risk was perceived for each of these areas.

#### **Sponsored Programs (4%)**

The audit plan includes reviews of both post-award and pre-award activities. Post-award reviews will emphasize review of operational, administrative, and financial controls to determine whether processes and expenditures are in accordance with both sponsor terms and conditions, and applicable policies, procedures, and regulations. Pre-award reviews will emphasize compliance with conflict-of-interest and training requirements. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues relating to sponsored programs activities.

#### **Construction (3%)**

The audit plan includes reviews of recently completed construction projects, including activities performed by the campus, general contractor, and selected subcontractors. Areas to be reviewed include, but are not limited to, approval of project design, budget and funding; administration of the bid and award process; the closeout process; and overall project accounting and reporting.

#### **ADVISORY SERVICES – 15% of Plan**

Audit and Advisory Services will partner 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. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns.

#### INVESTIGATIONS – 7% of Plan

Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged misappropriations or conflicts of interest. Further, whistleblower investigations are performed on an ongoing basis, both by referral from the state auditor and directly from the CSU Chancellor's Office. In addition, the investigations unit tracks external audits conducted by state and federal agencies, acts as a liaison for the system throughout the audit process, and offers assistance to campuses undergoing such audits.

#### COMMITTEES/SPECIAL PROJECTS – 1% of Plan

Audit and Advisory Services is periodically called upon to provide consultation to the campuses and/or participate on committees such as those related to information systems implementation and policy development, and to perform special projects.

#### AUDIT SUPPORT – 9% of Plan

##### **Annual Risk Assessment**

Audit and Advisory Services annually performs individual campus risk assessments, using management interviews, surveys, audit history, and other factors to score an audit universe of topics in order to determine the topics of highest risk to each campus and the system. Periodically, other audit topics are selected for review due to their high profile nature in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system.

##### **Administration**

Day-to-day administration of Audit and Advisory Services includes such tasks as scheduling, personnel administration, maintenance of department standards and protocols, administration of the department's automated workpaper system and SharePoint website, and department quality assurance and improvement.

The following resolution is recommended for approval:

**RESOLVED**, By the Committee on Audit of the California State University Board of Trustees that the Calendar Year 2019 Audit Plan, as detailed in Agenda Item 3 of the Committee on Audit at the January 22-23, 2019 meeting, be approved.