AGENDA

COMMITTEE ON AUDIT

Meeting: **1:00 p.m., Tuesday, September 14, 2021**
Virtually via Teleconference

Adam Day, Chair
Jane W. Carney, Vice Chair
Jack McGrory
Anna Ortiz-Morfit
Krystal Raynes
Lateefah Simon

Consent   1. Approval of Minutes of the Meeting of July 13, 2021, *Action*
2. Status Report on Audit and Advisory Services Activities, *Information*

MINUTES OF THE MEETING OF
COMMITTEE ON AUDIT

Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium*
401 Golden Shore
Long Beach, California

July 13, 2021

Members Present

Adam Day, Chair
Jane W. Carney, Vice Chair
Jack McGrory
Anna Ortiz-Morfit
Krystal Raynes
Lateefah Simon
Lillian Kimbell, Chair of the Board

Trustee Adam Day called the meeting to order.

Approval of the Consent Agenda

The minutes of the May 18, 2021, meeting of the Committee on Audit were approved as submitted.

Item number two, Status Report on Audit and Advisory Services Activities, was an information item.

Item number three, Report on Financial Statements Audit Corrective Actions, was an information item.

Trustee Day adjourned the Committee on Audit.

*PLEASE NOTE: Due to the Governor's proclamation of a State of Emergency resulting from the threat of COVID-19, and pursuant to the Governor's Executive Orders N-25-20 and N-29-20 issued on March 12, 2020, and March 17, 2020, respectively, all members of the Board of Trustees may participate in meetings remotely, either by telephonic or video conference means. Out of consideration for the health, safety and well-being of the members of the public and the Chancellor's Office staff, the July 13-14, 2021, meeting of the CSU Board of Trustees was conducted entirely virtually via Zoom teleconference.

COMMITTEE ON AUDIT

Status Report on Audit and Advisory Services Activities

Presentation By

Vlad Marinescu
Vice Chancellor and Chief Audit Officer
Audit and Advisory Services

Summary

This item provides an update on internal audit activities and initiatives. It also includes a status report on both the 2020-2021 and 2021-2022 audit plans, as well as follow-up on completed audit assignments. Follow-up on current and past assignments is being conducted on approximately 27 completed campus reviews. Attachment A summarizes the status of audit assignments by campus.

For the 2021-2022 audit plan, assignments were made to execute individual campus audit plans and conduct financial, operational, compliance, and information technology audits; use continuous auditing techniques and data analytics tools; and provide advisory services and investigation reviews.

ASSURANCE AUDITS AND DATA ANALYTICS

Status of In-Process and Completed Audits

Audit and Advisory Services is wrapping up work on the 2020-2021 audit plan and has commenced work on the 2021-2022 audit plan. Fifty-two audits have been completed as part of the 2020-2021 audit plan and the remaining 2020-2021 audits are progressing through the report writing and campus review process. Twelve audits are currently in process as part of the 2021-2022 audit plan and are being performed remotely. Audit management continues to evaluate when in-person on site fieldwork will resume. Completed audit reports are posted on the California State University website at https://www2.calstate.edu/csu-system/transparency-accountability/audit-reports.

The assurance audits portion of the audit plan focuses on the core support areas of Finance and Administration; Information Technology; and Compliance, Human Resources and Risk Management. Additionally, assurance audits include reviews in the areas of Academic Administration; Student Activities and Services; and University Relations and Advancement. Auxiliary Organizations are also included in the audit plan and are covered by applicable

subject-area reviews, as well as stand-alone audits of auxiliary organization entities. Scheduled reviews may include campus-specific concerns or follow-up on prior campus issues.

The status of campus progress toward implementing recommendations for completed audits is included in Attachment A. Prior year audits that have open recommendations are also included in Attachment A and are removed from the report the meeting following all recommendations having shown as completed.

Both campus management and audit management are responsible for tracking the implementation/completion status of audit recommendations contained in campus audit reports. During the audit process, campus management identifies a target completion date for addressing each audit recommendation. Target completion dates are subject to approval by audit management prior to the audit report being finalized. Implementation timelines are reviewed for appropriateness, reasonableness, and timeliness, which also includes evaluating the nature and level of risk and whether any mitigating controls can or should be implemented on an interim basis while audit recommendations are being implemented.

If there are difficulties or unexpected delays in addressing/completing audit recommendations within the agreed upon timeframes, escalation processes for resolution are followed by audit management. Audit management first contacts the campus senior leadership team (president and/or VP/CFO) to resolve any delays. In rare instances in which delays cannot be resolved during discussions between campus and audit management, the chancellor and audit committee chair and/or vice chair may help resolve delays, as needed.

Data Analytics

Audit and Advisory Services continues to expand our data sets and we are migrating our analytics environment to an Amazon Web Services cloud, which will enable us to scale our analytics database. Additional benefits to migrating to a cloud-based environment include improved performance, high availability, and security, which are all key components of any data analytics program.

For the 2021-2022 audit plan year, credit card tests will be automated and quarterly reports on credit card data trends and analyses are being developed to share with campuses on an on-going basis. Fieldwork has been completed for the review of human resources/payroll at the remaining two pilot campuses. Based on the results of the four pilot reviews, human resources/payroll analytics are being refined for on-going reviews in the 2021-2022 audit plan year.

The first issue of the data insights publication has been developed and will be sent to all campuses. Data Insights is a newsletter that provides campuses with data analytics review results, trends, and resources. It also provides information as to how data analytics helps to improve campus operations.

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 and work is being performed remotely.

INVESTIGATIONS AND INTERGOVERNMENTAL AUDITS

Audit and Advisory Services is periodically called upon to provide investigative reviews, which are often the result of alleged misappropriations or conflicts of interest. Investigations are performed on an ongoing basis, both at the request of an individual campus or the chancellor's office and by referral from the state auditor. Additionally, the investigations unit tracks external audits being 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.

The California State Auditor (CSA) recently identified 18 state agencies, including the California State University (CSU), that are responsible for managing a portion of federal COVID-19 funds. The CSU and University of California are among the entities being audited regarding the administration of these funds. The audit is currently underway and will evaluate the role of the Chancellor's Office in overseeing the funds and providing guidance to the campuses on their use. The funds are administered at the campus level, and as a result the CSA has selected three CSU campuses to review: Chico, Long Beach, and Sonoma. The estimated release date for the report is currently November 2021.

OUTREACH AND ENGAGEMENT

Audit and Advisory Services recently had the opportunity to showcase our vision for and progress in building data analytics and continuous auditing programs in the CSU at the Pacific Northwest Higher Education Internal Audit (PNWHEIA) Conference. Our presentation highlighted how data analytics has been incorporated into audit planning, the two full cycle reviews of credit card data completed at all 23 campuses and the Chancellor's Office, the development of human resources and payroll tests, and the building of data analytics dashboards.

Additionally, Audit and Advisory Services presented refresher information on the CSU travel policy, as well as tips for reviewing travel expense claims to all CSU vice presidents of administration and finance at their August 2021 affinity group meeting. In the coming year, the investigations unit of Audit and Advisory Services will continue to provide fraud awareness and prevention training throughout the CSU system in order to share insights and common findings from investigations—with a general focus on the areas of procurement card transaction and travel and hospitality claims.

AUDIT SUPPORT

Pursuant to IIA Standards and the division's quality assurance improvement program, ongoing monitoring of Audit and Advisory activities for audit plan year 2020-21 has been completed. Based on this internal review, Audit and Advisory Services generally conforms with IIA Standards, as well as division policies and procedures.

Status Report on Current and Past Audit Assignments

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Audits Currently in Progress	Sponsored Programs	2021		
	Status of Recommendations	Cloud Computing	2020	2	2
Chancellor's Office	Audits Currently in Progress	Information Security	2021		
	No Reportable Recommendations	Procurement	2020	n/a	
Channel Islands	Status of Recommendations	Conference Services	2020	2	2
Chico	Status of Recommendations	Academic Personnel	2020	5	5
Dominguez Hills	Status of Recommendations	Accounts Payable & Disbursements	2020	3	3
		Post Award Administration	2020	6	5 1
East Bay	Status of Recommendations	Facilities Management	2020	3	3
		Information Security	2020	13	13
Fresno	Audits Currently in Progress	IT Disaster Recovery	2021		
	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	3	3
Fullerton	Audits Currently in Progress	Construction Management	2021		
	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	2	2
Humboldt	Status of Recommendations	Procurement	2020	1	1
		University Center	2020	14	14
Long Beach	Audits Currently in Progress	Sponsored Programs	2021		
Los Angeles	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	3	3
Maritime Academy	Audits Currently in Progress	Information Security	2021		
	Status of Recommendations	Service Learning and Internships	2020	5	5
Monterey Bay	Audits Currently in Progress	Student Union	2021		
Northridge	Status of Recommendations	Service Learning and Internships	2020	3	3
Pomona	Audits Currently in Progress	Decentralized Computing	2020		
		Auxiliary-Owned Housing	2021		
Sacramento	Audits Currently in Progress	Information Security	2020		
		Service Learning	2021		
	Status of Recommendations	Professional and Continuing Education	2020	3	3

*Status
Closed (green) - Recommendations have been satisfactorily implemented
Open (blue) - Implementation of recommendations is in progress and within the agreed upon timeframe
Exceeds Agreed Upon Timeframe (red) - Recommendations have not been implemented within the agreed upon timeframe

Report as of August 24, 2021

Status Report on Current and Past Audit Assignments

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
San Bernardino	Status of Recommendations	Facilities Management	2020	3	1 / 2
		Post Award Administration	2020	6	5 / 1
San Diego	Audits Currently in Progress	Procurement	2020		
	Status of Recommendations	Information Security	2020	9	9
San Francisco	Audits Currently in Progress	Endowment Management	2021		
	Status of Recommendations	Emergency Management	2019	11	11
		Facilities Management	2020	3	3
San Jose	Audits Currently in Progress	Counseling and Psychology Services	2021		
	Status of Recommendations	Construction Management	2020	4	2 / 2
		Fundraising and Gift Processing	2020	3	3
San Luis Obispo	Status of Recommendations	Information Security	2020	12	12
San Marcos	Status of Recommendations	Associated Students, Inc.	2020	3	3
		Information Security	2020	6	1 / 5
Sonoma	Audits Currently in Progress	Procurement	2021		
Stanislaus	Status of Recommendations	Cloud Computing	2020	2	2
		Credit Cards	2020	2	2

*Status
Closed (green) - Recommendations have been satisfactorily implemented
Open (blue) - Implementation of recommendations is in progress and within the agreed upon timeframe
Exceeds Agreed Upon Timeframe (red) - Recommendations have not been implemented within the agreed upon timeframe

Report as of August 24, 2021