AGENDA

COMMITTEE ON AUDIT

Meeting: **11:35 a.m., Tuesday, November 17, 2020**
Virtually via Teleconference

Adam Day, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Jean P. Firstenberg
Jack McGrory
Peter J. Taylor

Consent   1. Approval of Minutes of the Meeting of September 22, 2020, *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

September 22, 2020

Members Present

Adam Day, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Jean P. Firstenberg
Jack McGrory
Hugo N. Morales
Peter J. Taylor

Lillian Kimbell, Chair of the Board

Trustee Adam Day called the meeting to order. Before proceeding with the approval of the consent agenda, Trustee Day acknowledged the new format of the status report on current and past internal audit assignments.

Approval of Minutes

The minutes of July 21, 2020, were approved as submitted.

Status Report on Audit and Advisory Services Activities

With the concurrence of the committee, Trustee Day presented agenda item 2 as a consent information item.

Trustee Day adjourned the Committee on Audit.

COMMITTEE ON AUDIT

Status Report on Audit and Advisory Services Activities

Presentation By

Vlad Marinescu
Interim Chief Audit Officer
Audit and Advisory Services

Summary

This item provides an update on internal audit activities and initiatives. It also includes both a status report on the 2020-2021 audit plan and follow-up on completed audit assignments. Follow-up on current and past assignments is being conducted on approximately 35 completed campus reviews. Attachment A summarizes the status of audit assignments by campus.

For the 2020-2021 audit plan year, 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.

In addition to continuing progress on the audit plan, Audit and Advisory Services recently held its *Fourth Annual Audit and Advisory Services/Campus Audit Liaisons Roundtable.* The event serves as a forum for communication and collaboration between the Audit and Advisory Services division staff and designated campus audit liaisons/representatives. This year's sessions were facilitated virtually via Zoom and covered topics including but not limited to the CARES Act, emergency management, information security, conducting virtual audits, data analytics, and legal updates. Chancellor Timothy P. White, Executive Vice Chancellor and Chief Financial Officer Steve Relyea, and Audit Committee Vice Chair Jane W. Carney all provided keynote remarks at the event.

AUDITS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2020-2021 audit plan. Sixteen audits have been completed as part of the 2020-2021 audit plan and 20 audits are currently in-process. Completed audit reports are posted on the California State University website at https://www2.calstate.edu/csu-system/transparency-accountability/audit-reports.

Audits providing coverage of a broad range of organizational areas are being performed remotely and include some of the following topics: academic personnel, accounts payable and disbursements, auxiliary organizations, cloud computing, construction, faculty reassigned time and additional employment, housing and residential services, information security, professional and continuing education, and sponsored programs - post award. Scheduled reviews may also include campus-specific concerns or follow-up on prior campus issues.

The status of campus progress toward implementing recommendations for completed 2020-2021 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 estimated 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.

Continuous Auditing and Data Analytics

As discussed in the September audit activity report, Audit and Advisory Services is conducting a second phase of credit card and procurement card reviews for all 23 campuses and the chancellor's office that will be completed within the 2020-2021 audit plan year. Four campus reviews of credit card and procurement card data have been completed as of October 31 and are considered the first round of this second phase review. In the next round, eight campuses will be reviewed with an expected completion date of December 31.

For the first four campus reviews, Audit and Advisory Services worked with campus personnel to perform validation on a limited number of transactions to provide assurance that credit card controls are working as expected, and to increase the usefulness of the results to campus

management. We reviewed a total of 1,744 active cardholders and 8,790 transactions and did not note any fraudulent charges. We did, however, identify some areas for improvement, and have reported these issues to the campuses for remediation. For example, we found 12 instances where credit card accounts were not timely deactivated after employee separation. All of these accounts have since been closed. We also noted opportunities for campuses to decrease their credit exposure by closing or reducing limits on cards with little or no use. We found that about 33 percent of the open accounts reviewed had no transactions during the annual period reviewed. For an additional 31 percent of open accounts, the cardholder's highest individual and/or monthly transaction total had never reached more than 25 percent of the associated credit limit in fiscal year 2019-2020.

Fieldwork is in progress at three campuses as part of pilot data analytics reviews in the areas of human resources/payroll and disbursements/expenditures. It is anticipated that the three pilots will be substantially completed by the end of calendar year 2020.

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. Whistleblower 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.

Earlier this year, the investigations unit began providing fraud awareness and prevention training throughout the CSU system. The fraud awareness and prevention training program shares insights and common findings from investigations and so far, has been provided to approximately 200 employees throughout the system, including chief administrators, business officers, and campus audit liaisons. In addition, individual campuses can and are in the process of scheduling fraud awareness and prevention training sessions that are custom tailored to various

groups on campus such as accounts payable personnel, business and finance analysts, and academic personnel such as department chairs, deans, and provosts. Investigations often involve allegations related to travel and hospitality claims and procurement card transactions, so the program highlights CSU-specific examples that cover each of those areas and provides practical guidance on how to prevent and detect fraud.

COMMITTEES/SPECIAL PROJECTS

Members of Audit and Advisory Services serve on various chancellor's office and systemwide committees and affinity groups/workgroups. Audit and Advisory Services also provides consultation to the campuses and assists with performing special projects.

AUDIT SUPPORT

Audit Planning Process and Risk Assessment

In order to better align with the CSU's annual initiatives and goals, effective September 2020 Audit and Advisory Services transitioned its annual audit plan from a calendar year plan to a fiscal year aligned plan. The 2020 annual audit plan has been extended from a 12-month plan to an 18-month plan, spanning January 1, 2020 through June 30, 2021. In order to ensure that the extended audit period for the 2020-2021 audit plan addresses relevant CSU risks, audit management engaged in a risk assessment refresh which is being used to ensure that the remaining planned audits align with assessed risks. For the fiscal year 2021-2022 audit plan, audit management will engage in a comprehensive risk assessment process beginning in the spring of 2021 which will drive the audit plan to be presented at the July 2021 Board of Trustees' Committee on Audit for review and approval.

The Audit and Advisory Services annual audit planning process incorporates risk questionnaires and other surveys, management interviews, audit history, and other factors. 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 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

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Audits Currently in Progress	Cloud Computing	2020		
		Housing and Residential Services	2020		
Chancellor's Office	Status of Recommendations	Accessible Technology	2019	7	4 (green) 3 (blue)
		Health and Safety	2019	5	5 (green)
Channel Islands	Audits Currently in Progress	Conference Services	2020		
	Status of Recommendations	Faculty Reassigned Time and Additional Employment	2019	4	4 (blue)
		Health and Safety	2019	6	5 (green) 1 (blue)
		Information Security	2020	9	8 (green) 1 (blue)
Chico	Audits Currently in Progress	Academic Personnel	2020		
	Status of Recommendations	Housing and Residential Services	2019	11	11 (green)
Dominguez Hills	Audits Currently in Progress	Post Award Administration	2020		
East Bay	Audits Currently in Progress	Information Security	2020		
	Status of Recommendations	IT Disaster Recovery	2019	4	4 (green)
Fresno	Status of Recommendations	Professional and Continuing Education	2020	3	3 (blue)
Fullerton	Status of Recommendations	Associated Students, Inc.	2019	11	11 (green)
	No Reportable Recommendations	Service Learning	2020	n/a	
Humboldt	Audits Currently in Progress	University Center	2020		
	Status of Recommendations	Facilities Management	2020	6	6 (blue)
Long Beach	Audits Currently in Progress	Accounts Payable & Disbursements	2020		
	Status of Recommendations	Construction Management	2019	3	3 (green)
		Emergency Management	2019	6	5 (green) 1 (blue)
		Foundation	2020	3	2 (green) 1 (blue)
Los Angeles	Audits Currently in Progress	Faculty Reassigned Time and Additional Employment	2020		
		Information Security	2020		
Maritime Academy	Status of Recommendations	IT Disaster Recovery	2019	3	3 (blue)
		Foundation	2020	8	6 (green) 2 (blue)
Monterey Bay	Audits Currently in Progress	Professional and Continuing Education	2020		
	Status of Recommendations	Health and Safety	2019	13	13 (green)
		Information Security	2020	11	4 (green) 7 (blue)
Northridge	Status of Recommendations	Cloud Computing	2019	3	3 (green)
		Emergency Management	2019	5	5 (green)
Pomona	Audits Currently in Progress	Housing and Residential Services	2020		
	Status of Recommendations	Health and Safety	2019	7	7 (green)
Sacramento	Audits Currently in Progress	Accounts Payable & Disbursements	2020		
	Status of Recommendations	Health and Safety	2019	5	5 (green)

*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 November 4, 2020

Status Report on Current and Past Audit Assignments

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
San Bernardino	Audits Currently in Progress	Philanthropic Foundation	2020		
	Status of Recommendations	Post Award Administration	2020	6	3 (green), 3 (blue)
San Diego	Audits Currently in Progress	Information Security	2020		
	Status of Recommendations	Health and Safety	2019	6	5 (green), 1 (blue)
		Emergency Management	2020	7	2 (green), 5 (blue)
San Francisco	Status of Recommendations	Emergency Management	2019	11	10 (green), 1 (blue)
		Minors on Campus	2020	5	5 (blue)
San Jose	Audits Currently in Progress	Construction Management	2020		
		Fundraising and Gift Processing	2020		
	Status of Recommendations	Facilities Management	2019	5	5 (green)
		Special Investigation	2019	8	8 (blue)
		Professional and Continuing Education	2020	5	1 (green), 4 (blue)
San Luis Obispo	Audits Currently in Progress	Associated Students, Inc.	2020		
		Construction Management	2020		
		Information Security	2020		
	Status of Recommendations	Sponsored Programs	2019	5	3 (green), 2 (blue)
		Housing and Residential Services	2020	12	12 (blue)
San Marcos	Status of Recommendations	Emergency Management	2020	6	6 (green)
Sonoma	Status of Recommendations	Health and Safety	2019	11	11 (green)
		Accessible Technology	2020	5	5 (blue)
	No Reportable Recommendations	Travel and Hospitality	2020	n/a	
Stanislaus	Status of Recommendations	Emergency Management	2020	4	3 (green), 1 (blue)

*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 November 4, 2020