AGENDA

COMMITTEE ON AUDIT

Meeting: **11:35 a.m., Tuesday, September 22, 2020**
Virtually via Teleconference

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

Consent
1. Approval of Minutes of the Meeting of July 21, 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

July 21, 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. Trustee Day introduced the new interim chief audit officer for the California State University, Vlad Marinescu.

Approval of Minutes

The minutes of May 12, 2020, were approved as submitted.

Status Report on Current and Follow-up Internal Audit Assignments

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

Report on Financial Statements Audit Corrective Actions

With the concurrence of the committee, Trustee Day presented agenda item 3 as a consent 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 21-22, 2020 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
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 audit plan and follow-up on completed audit assignments. Follow-up on current and past assignments is being conducted on approximately 47 completed campus reviews. Attachment A summarizes the status of audit assignments by campus.

For the 2020 audit plan year, assignments were made to execute individual campus audit plans and conduct audits of information technology (IT), sponsored programs, and construction; use continuous auditing techniques and data analytics tools; and provide advisory services and investigation reviews.

In addition to continuing progress on the 2020 audit plan and conducting engagements remotely, audit management has focused on several key priorities/initiatives since the time of the last board meeting. Audit and Advisory Services will be transitioning from an audit plan that corresponds to the calendar year to an audit plan that is aligned with the CSU fiscal year. This decision was made in consultation with the audit committee chair and the chancellor. The period of the 2020 audit plan will be extended through June 30, 2021, in order to facilitate the transition. The 2020 audit plan will be referred to as the 2020-2021 audit plan going forward. As part of the transition to an audit plan year that is aligned with the CSU fiscal year, audit management is conducting a supplemental risk assessment in order to plan audits for the remainder of the 2020-2021 audit plan and account for new and evolving risks emerging due to COVID-19. Further information on the risk assessment/audit planning process is described in the audit planning section of this report.

As discussed in prior audit activity status reports, Audit and Advisory Services issued a temporary/interim policy for audit operations after the COVID-19 crisis emerged in March 2020. Given that the pandemic will persist for the foreseeable future, a more permanent operating policy to supersede the prior version has been developed in consultation with the audit committee chair and chancellor and distributed to campus presidents. The updated policy provides both the campuses and Audit and Advisory Services with the necessary level of flexibility to meet assurance objectives and operate within the pandemic environment.

AUDITS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2020-2021 audit plan despite the unexpected challenges and delays caused by the COVID-19 pandemic. Thirteen audits have been completed as part of the 2020-2021 audit plan and 16 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, construction, housing and residential services, information security, professional and continuing education, sponsored programs - post award, and travel and hospitality. 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 or not 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

Audit analytics is a functional area within Audit and Advisory Services that has steadily emerged over the past few years. Audit and Advisory Services launched its first continuous audit and data analytics programs in 2018 with limited staff personnel resources assigned to the area. An audit position has been temporarily assigned to assist the data analytics unit as audit management looks to accelerate progress in developing the capacity and sophistication of data analytics programs.

Audit management has been working to document and refine a comprehensive framework and strategy for continuous audit and data analytics programs, with the goal of continuing short-term progress while also creating long-term sustainable programs. In addition to integrating audit analytics into the traditional audits being performed at campuses, there are three core areas that Audit and Advisory Services is building and refining continuous audit reviews for: credit cards and procurement cards (phase two); human resources and payroll; and disbursements and expenditures. The objective for reviews in these core areas is to use data to identify and analyze possible anomalies and fraud indicators. The potential for data analytics reviews in the information technology area is also being explored, as well as building the capacity to perform trend analysis in the travel and hospitality areas.

The second phase of credit card and procurement card reviews for all 23 campuses and the chancellor's office is currently in process and anticipated to wrap up within the audit plan year. The first phase review completed 12 campuses in the 2018 audit plan year and the remaining 12 campuses in the 2019 audit plan year, whereas the current review endeavors to look at all 23 campuses and the chancellor's office within one audit plan year. It is anticipated that the first pilot review for human resources and payroll will be completed by the end of the calendar year. After the first pilot is completed, subsequent pilots will be performed at additional campuses before test dashboards are finalized. The disbursements and expenditures review dashboard has been incorporated into the audit program for a traditional audit that is currently in process. This will provide an opportunity to test the dashboard and will help inform refinements before it is deployed as part of analytical reviews of disbursements and expenditures at other campuses.

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. Despite the challenges presented by the COVID-19 pandemic, campuses have continued to request advisory reviews 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. 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 system throughout the audit process, and offers assistance to campuses undergoing such audits. Currently, the investigations unit staff is assisting with special engagements as well as developing a fraud awareness training program to be offered to campuses to help them 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 assist with performing special projects.

AUDIT SUPPORT

Audit Planning Process and Risk Assessment

Audit and Advisory Services has traditionally employed a calendar year audit plan which was presented at the January meeting of the Board of Trustees' Committee on Audit for review and approval.

In order to better align with the CSU's annual initiatives and goals, and the CSU fiscal year which runs from July 1 to June 30, Audit and Advisory Services will be transitioning its annual audit plan from a calendar year plan to a fiscal year plan. The 2020 annual audit plan will be extended from a 12-month plan to an 18-month plan, spanning January 1, 2020 through June 30, 2021. An additional benefit to transitioning to a fiscal year audit plan will be utilizing the additional time gained (six months from January 1, 2021 - June 30, 2021) to execute on any audits that were delayed as a result of the COVID-19 pandemic.

In order to ensure that the extended audit period for the 2020-2021 audit plan addresses relevant CSU risks, audit management is actively engaging in a risk assessment refresh which will be 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 approximately March 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	Housing and Residential Services	2020		
	Status of Recommendations	Student Union	2019	6	6 (green)
Chancellor's Office	Status of Recommendations	Accessible Technology	2019	7	4 (green) 3 (blue)
		Health and Safety	2019	5	1 (green) 4 (blue)
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	9 (blue)
Chico	Audits Currently in Progress	Academic Personnel	2020		
	Status of Recommendations	Housing and Residential Services	2019	11	3 (green) 8 (blue)
Dominguez Hills	Status of Recommendations	International Activities	2018	9	9 (green)
		Health and Safety	2019	15	15 (green)
East Bay	Status of Recommendations	IT Disaster Recovery	2019	4	2 (green) 2 (blue)
Fresno	Audits Currently in Progress	Professional and Continuing Education	2020		
	Status of Recommendations	Associated Students, Inc.	2019	9	9 (green)
Fullerton	Audits Currently in Progress	Service Learning	2020		
	Status of Recommendations	Accessible Technology	2019	2	2 (green)
		Associated Students, Inc.	2019	11	10 (green) 1 (blue)
Humboldt	Audits Currently in Progress	University Center	2020		
	Status of Recommendations	Facilities Management	2020	6	6 (blue)
Long Beach	Status of Recommendations	Construction Management	2019	3	3 (blue)
		Emergency Management	2019	6	4 (green) 2 (blue)
		Health and Safety	2019	15	15 (green)
		Special Investigation	2019	5	5 (green)
		Foundation	2020	3	3 (blue)
Los Angeles	Audits Currently in Progress	Information Security	2020		
Maritime Academy	Status of Recommendations	IT Disaster Recovery	2019	3	3 (blue)
		Foundation	2020	8	8 (blue)
Monterey Bay	Audits Currently in Progress	Professional and Continuing Education	2020		
	Status of Recommendations	Health and Safety	2019	13	3 (green) 10 (blue)
		Information Security	2020	11	11 (blue)
Northridge	Status of Recommendations	Cloud Computing	2019	3	1 (green) 2 (blue)
		Health and Safety	2019	5	5 (blue)
Pomona	Audits Currently in Progress	Housing and Residential Services	2020		
	Status of Recommendations	Health and Safety	2019	7	5 (green) 2 (blue)
Sacramento	Audits Currently in Progress	Accounts Payable & Disbursements	2020		
	Status of Recommendations	Associated Students, Inc.	2018	10	10 (green)
		Health and Safety	2019	5	3 (green) 2 (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 September 9, 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	2 / 4
San Diego	Status of Recommendations	Health and Safety	2019	6	5 / 1
		Emergency Management	2020	7	1 / 6
San Francisco	Status of Recommendations	Emergency Management	2019	11	11
		Information Security	2019	9	9
		Minors on Campus	2020	5	5
San Jose	Audits Currently in Progress	Construction Management	2020		
		Fundraising and Gift Processing	2020		
	Status of Recommendations	Facilities Management	2019	5	5
		Information Security	2019	4	4
		Special Investigation	2019	8	8
		Professional and Continuing Education	2020	5	5
San Luis Obispo	Audits Currently in Progress	Associated Students, Inc.	2020		
		Construction Management	2020		
	Status of Recommendations	Sponsored Programs	2019	5	3 / 2
		Housing and Residential Services	2020	12	12
San Marcos	Status of Recommendations	IT Disaster Recovery	2019	4	4
		Special Investigation	2019	6	6
		Emergency Management	2020	6	2 / 4
Sonoma	Audits Currently in Progress	Travel and Hospitality	2020		
	Status of Recommendations	Health and Safety	2019	11	11
		Accessible Technology	2020	5	5
Stanislaus	Status of Recommendations	Post Award Administration	2019	4	4
		Emergency Management	2020	4	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 September 9, 2020