

## AGENDA

### COMMITTEE ON AUDIT

**Meeting:** 9:15 a.m., Wednesday, November 10, 2021  
Glenn S. Dumke Auditorium

Adam Day, Chair  
Jane W. Carney, Vice Chair  
Julia I. Lopez  
Jack McGrory  
Anna Ortiz-Morfit  
Krystal Raynes  
Yammilette Rodriguez  
Lateefah Simon

**Consent** 1. Approval of Minutes of the Meeting of September 14, 2021, *Action*  
**Discussion** 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 14, 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 July 13, 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. Trustee Romey Sabalius commended Humboldt State University for satisfactorily implementing all their 2020 audit recommendations.

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 September 14-15, 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 recently completed 2020-2021 audit plan, as well as the current 2021-2022 audit plan. 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 has completed work on the 2020-2021 audit plan and has commenced work on the 2021-2022 audit plan. Fifty-five assurance audits were completed as part of the 2020-2021 audit plan. Twenty 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

In the 2020-21 audit plan year, we added more resources to our data analytics team, allowing us to start building a framework and plan for our data analytics program, with the aim to provide value and resources both to our internal audit team and to our campus partners. For example, we gathered real-time financial data and created dashboards to allow our audit managers additional insights on campus trends and anomalies when planning audits and performing the annual risk assessment. We also obtained data and perform tests remotely in areas such as credit cards and HR/Payroll and shared the results of these reviews with campus management. Towards the end of the plan year, we commenced moving some of our data streams to Amazon Web Services to allow us to perform more efficiently and facilitate future automation.

For the current plan year, we have implemented a process to integrate data analytics into every assurance audit we perform. This allows us to enhance our audits by identifying trends or anomalies during the audit planning process, selecting more relevant samples for review, and running analyses on the entire population of data when applicable. This data driven approach allows for additional focus on relevant areas, smarter sampling which lessens the burden on auditees, and ultimately a higher value for the CSU out of the work we perform.

One of the key objectives of our data analytics team is to partner with and provide data insights

to campus management. During our reviews and analysis of data sets, we share our results with campus management to better understand the anomalies and trends identified by our analytics, obtain a broader understanding of existing risks, and aid management in business decision making. One such example is credit card expenditure reports which we are providing to our campuses on a quarterly basis. To further our data insights goal, we have also developed a data insights newsletter to share information on our analytics tests and trends that we are seeing across our 23 campuses.

The focus for the current 2021-22 audit plan year is to continuously monitor credit cards by automating certain credit card tests and reviewing results for any anomalies or questionable transactions. We will also continue to perform HR/Payroll reviews with a refined scope, work towards automating our disbursements and procurement tests, and research other areas where data analytics can add value.

#### 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 report is expected to be released on November 18, 2021.

## OUTREACH AND ENGAGEMENT

In October 2021, Audit and Advisory Services hosted its Fifth Annual Campus Audit Liaisons Roundtable, a three-day event designed to facilitate communication and collaboration between Audit and Advisory Services and CSU campus audit representatives. The meeting included keynote addresses from Chancellor Joseph I. Castro and President Ellen J. Neufeldt, as well as informational sessions on topics such as fraud prevention, risk management, recent trends in audit, data analytics, and auxiliary organizations.

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## 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		
Channel Islands	Audits Currently in Progress	Student Fee Administration	2021		
Chico	Status of Recommendations	Academic Personnel	2020	5	5
Dominguez Hills	Audits Currently in Progress	Construction Management	2021		
	Status of Recommendations	Accounts Payable & Disbursements	2020	3	2 1
	Status of Recommendations	Post Award Administration	2020	6	2 4
East Bay	Status of Recommendations	Facilities Management	2020	3	3
	Status of Recommendations	Information Security	2020	13	1 12
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		
	Audits Currently in Progress	Information Security	2021		
	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	2	2
Humboldt	Audits Currently in Progress	Information Security	2021		
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	Audits Currently in Progress	Financial Aid	2021		
	Status of Recommendations	Service Learning and Internships	2020	3	3
Pomona	Audits Currently in Progress	Auxiliary-Owned Housing	2021		
	Status of Recommendations	Decentralized Computing	2020	11	11
Sacramento	Status of Recommendations	Information Security	2020	10	10
	Status of Recommendations	Professional and Continuing Education	2020	3	3
	Status of Recommendations	Service Learning	2021	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 October 19, 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	3
		Post Award Administration	2020	6	5 1
San Diego	Audits Currently in Progress	Student Fee Administration	2021		
	Status of Recommendations	Information Security	2020	9	9
		Procurement	2020	2	2
San Francisco	Audits Currently in Progress	Endowment Management	2021		
	Status of Recommendations	Facilities Management	2020	3	3
San Jose	Audits Currently in Progress	Counseling and Psychology Services	2021		
	Status of Recommendations	Construction Management	2020	4	4
		Fundraising and Gift Processing	2020	3	3
San Luis Obispo	Audits Currently in Progress	Counseling and Psychology Services	2021		
	Status of Recommendations	Information Security	2020	12	12
San Marcos	Audits Currently in Progress	Faculty Assigned Time and Additional Employment	2021		
	Status of Recommendations	Associated Students, Inc.	2020	3	3
		Information Security	2020	6	1 5
Sonoma	Audits Currently in Progress	Procurement	2021		
Stanislaus	Audits Currently in Progress	Police Services	2021		
	Status of Recommendations	Cloud Computing	2020	2	1 1
		Credit Cards	2020	2	2

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Closed (green) - Recommendations have been satisfactorily implemented

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Exceeds Agreed Upon Timeframe (red) - Recommendations have not been implemented within the agreed upon timeframe

Report as of October 19, 2021