

AGENDA

COMMITTEE ON AUDIT

Meeting: **2:30 p.m., Tuesday, July 24, 2018**
 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 May 15, 2018, *Action*

Discussion 2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
 3. Revenue Generation Enhancement Opportunities, *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**

May 15, 2018

Members Present

Douglas Faigin, Chair
Hugo N. Morales, Vice Chair
Silas H. Abrego
Lillian Kimbell
Peter J. Taylor
Rebecca Eisen, Chair of the Board
Timothy P. White, Chancellor

Trustee Douglas Faigin called the meeting to order.

Public Comments

Representatives of the California Faculty Association and California State University Employees Union spoke about Assembly Bill 2505, student mental health services, and a recent California State Auditor report pertaining to health and safety compliance.

Approval of Minutes

The minutes of March 21, 2018, were approved as submitted.

Status Report on Corrective Actions for the Findings in the California State University and Auxiliary Organizations Audit Reports for the Fiscal Year Ended June 30, 2017

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

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. Audit assignments for 2018 covering 15 areas are currently in process and include a variety of topics. Mr. Mandel noted that the four general campus audit teams are advancing the new campus-focused approach for Audit and Advisory Services in order to provide more meaningful and customized audits to the campuses and improve awareness of perceived issues and risks occurring at the campus level and at the chancellor's office.

Mr. Mandel reported that the campuses and the Chancellor's Office continue to complete recommendations on a timely basis. Consultative reviews continue to be offered through the advisory services function and investigations are performed as needed.

Trustee Taylor inquired about credit card reviews not appearing on the status report matrix and it was clarified that they are part of analytical reviews of large data sets obtained through systemwide information systems as part of the continuous audit initiative. Trustee Faigin provided a reminder that audit reports are available on the Audit and Advisory Services Web page.

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 35 completed campus reviews. Attachment A summarizes the audit assignments in tabular form.

AUDITS

General Audits

The new organization structure 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. Twelve campus reports have been completed, fieldwork is being conducted at two campuses, report writing is being completed for eight campuses, and five 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. Three campus reports have been completed, fieldwork is being conducted at two campuses, report writing is being completed for three 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. Two campus reports have been completed, report writing is being completed for one campus, and one report is awaiting a campus response prior to finalization.

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. Fieldwork has been completed for the first phase of one review, report writing is being completed for one review, and one report is awaiting a campus response prior to finalization.

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 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 7/18/2018)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Bakersfield	Athletics Fund-Raising	2017	AC	0/5	7
	Cashiering	2018	AI		
Channel Islands	Counseling & Psychological Services	2018	RW		
Chico	Facilities Management	2017	AC	7/7	-
	Academic Department Fiscal Review	2018	AI		
	Information Security	2018	RW		
	Student Health Services	2018	FW		
Dominguez Hills	Student Organizations	2017	AC	6/6	-
	Const. - Central Plt. Cooling Twr. & Domestic and Fire Water Line Repl.	2018	FW/RW		
	Centers and Institutes	2018	RW		
East Bay	Sponsored Programs - Post Award	2017	AC	4/5	7
	International Activities	2018	AC	0/6	3
	Cloud Computing	2018	FW		
Fresno	Const. - Jordan Research Building	2017	AC	1/4	3
	Student Organizations	2018	AC	0/4	3
	Agricultural Foundation	2018	RW		
	Fresno Athletic Corporation	2018	RW		
Fullerton	Cashiering	2017	AC	7/7	-
	Information Security	2018	AC	0/7	2
	Student Health Services	2018	AC	0/5	1
	Const. - One Banting	2018	RW		
Humboldt	Extended Education	2017	AC	4/5	7
	Information Security	2018	AI		
	Cashiering	2018	RW		
Long Beach	Student Organizations	2018	AC	1/7	3
	Const. - Pkg. Lot 7 Expansion & Psy. Brain Lab Renovation	2018	AI		
	Cashiering	2018	FW		
Los Angeles	Police Services	2018	AI		
Maritime Academy	Hazardous Materials Management	2018	AC	0/9	3
Monterey Bay	Hazardous Materials Management	2018	AC	0/10	2
	IT Disaster Recovery	2018	RW		
Northridge	Student Organizations and Sport Clubs	2017	AC	3/5	4
	Northridge Foundation	2018	RW		
Pomona	Emergency Management	2017	AC	6/6	-
	Cashiering	2018	AC	3/4	2
	Information Security	2018	AI		
Sacramento	Information Security	2017	AC	11/11	-
	Centers and Institutes	2017	AC	4/4	-
	Sponsored Programs - Post Award	2018	AC	1/3	2
	IT Disaster Recovery	2018	FW		

**Status Report on Current and Past
Audit Assignments
(as of 7/18/2018)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
San Bernardino	Police Services	2017	AC	1/3	5
	Emergency Management	2018	AI		
San Diego	Student Disability Support	2018	AC	0/7	2
	Academic Department Fiscal Review	2018	AI		
	Decentralized Computing	2018	FW		
San Francisco	International Activities	2017	AC	1/2	11
	Academic Department Fiscal Review	2017	AC	2/4	8
	Decentralized Computing	2017	AC	0/18	4
	Centers and Institutes	2018	AC	0/4	1
	Sponsored Programs - Pre Award	2018	RW		
San Jose	Decentralized Computing	2018	AC	0/13	2
	Housing and Residential Services	2018	RW		
San Luis Obispo	IT Disaster Recovery	2018	AC	0/4	2
	Student Health Services	2018	AC	0/4	2
San Marcos	Information Security	2017	AC	5/5	-
	Student Health Services	2018	AC	0/7	3
	Sponsored Programs - Pre Award	2018	AI		
Sonoma	Information Security	2017	AC	5/7	6
	Student Organizations	2018	AC	0/6	1
	IT Disaster Recovery	2018	RW		
Stanislaus	Student Disability Support	2017	AC	5/7	5
Chancellor's Office	Information Security	2017	AC	0/9	4
	Sponsored Programs - Post Award	2018	AC	0/0	-
	SD - Const. - Open Air Theater Improv. and Confucius Institute Renov.	2017	AC	0/1	5
	FRE - Const. - Jordan Research Building	2017	AC	0/1	3
	Emergency Management	2018	RW		
Systemwide	Sponsored Programs - Indirect Costs	2017	AC	0/1	5
	Student Organizations	2017	AC	0/1	4

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.

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

COMMITTEE ON AUDIT

Revenue Generation Enhancement Opportunities

Presentation By

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

Summary

This item proposes that the vice chancellor and chief audit officer, in consultation with the Committee on Audit, conduct a review of system-wide and campus' policies, procedures and outcomes related to revenue generation beyond state appropriations, student fees, and philanthropy. The goal is to identify potential new revenue enhancement opportunities for the California State University system and provide a report for the consideration of the Committee on Finance.

Background

Fiscal pressures on state government, along with other factors, regularly result in insufficient funding for the California State University system and over time have resulted in difficult decisions to raise student tuition and reduce costs that affect student access and success. The California State University is the nation's largest four-year institution of higher education and is essential for the economic growth and future of the state. Accordingly, identifying reliable new potential revenue generation opportunities is an important priority of both the trustees and management wishing to properly resource the University, minimize future increases in tuition and ensure continuing and deserved financial support for faculty and staff.

The final report of the Sustainable Financial Model for the California State University Task Force provides recommendations across five major areas—one of which includes revenue generation—within the context of supporting quality education and student achievement. Of the report's 21 recommendations, eight are related to emphasizing long-term revenue generation. The implementation of these revenue generation-related recommendations is on-going and a status report was provided to the board in March 2018.

In addition to the task force's work in identifying long-term revenue enhancement opportunities, other workgroups such as the Chief Administrators and Business Officers (CABO) group have also discussed and are analyzing additional revenue generation ideas. There may be additional

new revenue sources that have not yet been pursued—including, but not limited to, inviting responsible and acceptable entities to purchase on-campus advertising opportunities, corporate partnerships and initiating revenue-enhancing online degree programs such as those already offered by public universities in other states. It will be necessary to procure the services of an outside contractor/consultant to accomplish this work in a timely fashion.

Recommended Action

The following resolution is recommended for approval:

RESOLVED, By the Committee on Audit of the California State University Board of Trustees that the vice chancellor and chief audit officer, in consultation with the Committee on Audit, is hereby granted authority to select an outside contractor through the normal open bid process to identify potential revenue enhancement opportunities for the California State University system and that a final report be provided to the Committee on Finance within six months of the contractor initiating the work. The Committee on Finance will evaluate the report, which shall include background information on opportunities, feasibility and specific guidance with timelines for implementing new revenue enhancements.