AGENDA

COMMITTEE ON AUDIT

Meeting: **3:30 p.m., Tuesday, May 15, 2018**
Glenn S. Dumke Auditorium

Douglas Faigin, Chair
Hugo N. Morales, Vice Chair
Silas H. Abrego
Lillian Kimbell
Peter J. Taylor

Consent

1. Approval of Minutes of the Meeting of March 21, 2018, *Action*
2. 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, *Information*

Discussion

3. Status Report on Current and Follow-up Internal Audit Assignments, *Information*

**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**

March 21, 2018

Members Present

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

Trustee Douglas Faigin called the meeting to order.

Public Comments

Representatives of the California State University Employees Union spoke about management instructions provided to campus staff communicating with auditors, as well as recent state audit findings and the CSU Systemwide Investment Fund Trust.

Approval of Minutes

The minutes of January 31, 2018, were approved as submitted.

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. Seven reports from the 2017 audit plan are awaiting a formal exit conference or campus management response before they can be finalized. Audit assignments for 2018 covering 12 areas are currently in process and include a variety of topics. Mr. Mandel also provided an update on the continuous auditing initiative noting that credit card data obtained from the Chancellor's Office for 12 campuses will be reviewed to identify potential risks and to evaluate compliance with policies and procedures.

Mr. Mandel reported that the campuses and the Chancellor's Office continue to do a good job completing recommendations on a timely basis. Consultative reviews continue to be offered through the advisory services function and investigations are performed as needed. Mr. Mandel also noted that the California State Auditor is currently wrapping up an external audit of health and safety compliance at four CSU campuses and plans to publicly issue the report on April 17, 2018.

Trustee Faigin adjourned the Committee on Audit.

COMMITTEE ON AUDIT

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

Presentation By

Mary Ek
Assistant Vice Chancellor/Controller
Financial Services

Summary

As presented at the January 2018 California State University Board of Trustees meeting, there were three audit findings related to internal controls over administration of federal financial aid funds at several campuses in the California State University's Single Audit Reports of federal funds for the fiscal year ended June 30, 2017. The Chancellor's Office staff has reviewed documentary evidence submitted by campuses, and confirmed completion of corrective actions for the audit findings.

In addition to the Single Audit findings above, there were also audit findings relating to some of the separately issued auxiliary organization financial statements and Single Audit Reports. The Chancellor's Office staff has reviewed documentary evidence submitted by the auxiliary organizations and confirmed completion of corrective actions for the audit findings.

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 25 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. Two campus reports have been completed, fieldwork is being conducted at two campuses, report writing is being completed for seven campuses, and six 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. Fieldwork is being conducted at one campus, and report writing is being completed for five campuses.

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. One campus report has been completed, and report writing is being completed for one campus.

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, and report writing is being completed for one review.

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. In addition, whistleblower investigations are being performed on an ongoing basis, both by referral from the state auditor and directly from the CSU Chancellor's Office.

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. Credit card data is being reviewed for three campuses.

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 5/10/2018)

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	4
	Cashiering	2018	RW		
Channel Islands		2018			
Chico	Facilities Management	2017	AC	1/7	4
	Academic Department Fiscal Review	2018	RW		
	Information Security	2018	FW		
Dominguez Hills	Business Continuity	2017	AC	2/2	-
	Student Organizations	2017	AC	0/6	3
	Const. - Central Plt. Cooling Twr. & Domestic and Fire Water Line Repl.	2018	FW/RW		
East Bay	Sponsored Programs - Post Award	2017	AC	1/5	4
	International Activities	2018	AC	0/6	1
Fresno	Hazardous Materials Management	2017	AC	7/7	-
	Const. - Jordan Research Building	2017	AI		
	Student Organizations	2018	AI		
Fullerton	Cashiering	2017	AC	0/7	3
	Information Security	2018	RW		
	Student Health Services	2018	RW		
Humboldt	Extended Education	2017	AC	0/5	5
	Information Security	2018	RW		
Long Beach	Sponsored Programs - Post Award	2017	AC	4/4	-
	Student Organizations	2018	AI		
	Const. - Pkg. Lot 7 Expansion & Psy. Brain Lab Renovation	2018	RW		
Los Angeles	Student Health Services	2017	AC	4/4	-
	Student Organizations	2017	AC	4/4	-
	Police Services	2018	RW		
Maritime Academy	Hazardous Materials Management	2018	AC	0/9	1
Monterey Bay	Hazardous Materials Management	2018	AI		
Northridge	Student Organizations and Sport Clubs	2017	AC	0/5	2
Pomona	Emergency Management	2017	AC	3/6	2
	Cashiering	2018	AI		
	Information Security	2018	RW		
Sacramento	Information Security	2017	AC	8/11	7
	Centers and Institutes	2017	AC	1/4	5
	Sponsored Programs - Post Award	2018	RW		

Status Report on Current and Past
Audit Assignments
(as of 5/10/2018)

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments *Recs	**Mo.
San Bernardino	Police Services	2017	AC	0/3	3
	Emergency Management	2018	FW		
San Diego	Facilities Management	2017	AC	7/7	-
	Const. - Open Air Theater Improvements and Confucius Institute Renovation	2017	AC	6/6	-
	Student Disability Support	2018	AI		
	Academic Department Fiscal Review	2018	FW		
San Francisco	International Activities	2017	AC	1/2	9
	Academic Department Fiscal Review	2017	AC	**2/4**	6
	Special Investigation	2017	AC	2/2	-
	Decentralized Computing	2017	AC	0/18	2
	Centers and Institutes	2018	RW		
San Jose	Tower Foundation	2017	AC	3/3	-
	Sponsored Programs - Post Award	2017	AC	1/1	-
	Decentralized Computing	2018	RW		
San Luis Obispo	IT Disaster Recovery	2018	RW		
	Student Health Services	2018	RW		
San Marcos	Information Security	2017	AC	0/5	5
	Service Learning and Internships	2017	AC	**2/2**	**-**
	Student Health Services	2018	AI		
Sonoma	Information Security	2017	AC	0/7	4
	Student Organizations	2018	RW		
Stanislaus	Student Disability Support	2017	AC	1/7	3
Chancellor's Office	Information Security	2017	AC	0/9	2
	Sponsored Programs - Post Award	2018	AC	0/0	-
Systemwide	Sponsored Programs - Indirect Costs	2017	AC	0/1	3
	Student Organizations	2017	AC	0/1	2

Status
FW - Field Work In Progress
RW - Report Writing in Progress
AI - Audit Incomplete (awaiting formal exit conferenceand/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.