

AGENDA

COMMITTEE ON AUDIT

Meeting: **2:10 p.m., Tuesday, January 25, 2022**
 Virtually via Teleconference

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 November 10, 2021, *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**

November 10, 2021

Members Present

Jane W. Carney, Vice Chair
Julia I. Lopez
Jack McGrory
Anna Ortiz-Morfit
Krystal Raynes
Yammilette Rodriguez
Lateefah Simon
Lillian Kimbell, Chair of the Board

Trustee Jane W. Carney called the meeting to order.

Approval of the Consent Agenda

The minutes of the September 14, 2021, meeting of the Committee on Audit were approved as submitted.

Status Report on Audit and Advisory Services Activities

Vice Chancellor and Chief Audit Officer Vlad Marinescu presented item number two, Status Report on Audit and Advisory Services Activities, as an information item. Mr. Marinescu's report provided updates for both audit plan year 2020-2021 and 2021-2022. The presentation included each of the five functional areas of the audit plans: assurance audits, data analytics, advisory services, investigations and intergovernmental audits, and outreach and engagement.

Following the presentation trustees inquired about the various affinity and working groups that Audit and Advisory Services participates in and a forthcoming California State Auditor report pertaining to federal COVID-19 funds. Trustee Carney commended the growth of the data analytics function within audit.

Trustee Carney adjourned the Committee on Audit.

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 the 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 current year 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 continues to make progress on the 2021-2022 audit plan. Eight audits have been completed and 24 audits are currently in-process. It is anticipated that on-campus fieldwork will resume in 2022. 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

Data analytics continues to provide input in the planning stage of every audit and advisory project to provide independent data sets and identify trends and anomalies during project planning. We are also currently creating and enhancing visualizations for audit managers to use during the annual risk assessment process.

Quarterly reports on credit card expenditure trends and analyses have been developed, and the report for the first quarter of the 2021-22 plan year has been provided to campus management. We are continually working towards automating additional credit card tests and reviewing results for any anomalies or questionable transactions. We have also refined the human resources/payroll review scope based on the results of our pilot reviews and fieldwork has been started at two additional 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.

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.

The unit also 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.

For example, on November 18, 2021, the California State Auditor (CSA) issued an audit report outlining observations and recommendations associated with the California State University's (CSU) and University of California's administration of federal Higher Education Emergency Relief Funds (HEERF) to mitigate certain costs associated with disruptions caused to students and campus operations by the COVID-19 pandemic. Although the report noted one minor \$3,900 error that was subsequently corrected, the report found no violation of law or policy. In addition, the CSA confirmed that at the three CSU campuses they reviewed, they found no violations of the terms of the grant agreements. The CSU is currently evaluating and considering the recommendations contained in the audit report and will provide follow-up reports to the CSA as required.

OUTREACH AND ENGAGEMENT

Audit and Advisory Services continues to partner and work with our campus and system stakeholders beyond what would be the usual course of business for an audit or advisory review in order to find opportunities to add value to the organization when possible. This includes partnering activities such as participating and leading affinity groups, providing support to campus and chancellor's office management, sharing information and common themes across campuses, and acknowledging feedback and insights provided by management. Outreach and engagement activities also include educational activities such as providing fraud prevention and awareness training for staff throughout the system and providing students with work experience and exposure to the audit profession.

Status Report on Current and Past Audit Assignments

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Status of Recommendations	Cloud Computing	2020	2	
		Sponsored Programs	2021	5	
Chancellor's Office	Audits Currently in Progress	Information Security	2021		
Channel Islands	No Reportable Recommendations	Student Fee Administration	2021	n/a	
Chico	Audits Currently in Progress	Chico State Enterprises	2021		
	Status of Recommendations	Academic Personnel	2020	5	
Dominguez Hills	Audits Currently in Progress	Construction Management	2021		
		Endowment Management	2021		
	Status of Recommendations	Accounts Payable & Disbursements	2020	3	
		Post Award Administration	2020	6	
East Bay	Audits Currently in Progress	Procurement	2021		
	Status of Recommendations	Facilities Management	2020	3	
		Information Security	2020	13	
Fresno	Audits Currently in Progress	Counseling and Psychology Services	2021		
		IT Disaster Recovery	2021		
	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	3	
Fullerton	Audits Currently in Progress	Information Security	2021		
	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	2	
		Construction Management	2021	3	
Humboldt	Audits Currently in Progress	Information Security	2021		
Long Beach	Audits Currently in Progress	Student Fee Administration	2021		
	Status of Recommendations	Sponsored Programs	2021	4	
Los Angeles	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	3	
Maritime Academy	Audits Currently in Progress	Information Security	2021		
	Status of Recommendations	Service Learning and Internships	2020	5	
Monterey Bay	Audits Currently in Progress	Student Union	2021		
Northridge	Audits Currently in Progress	Financial Aid	2021		
		Information Security	2021		
	Status of Recommendations	Service Learning and Internships	2020	3	
Pomona	Audits Currently in Progress	Auxiliary-Owned Housing	2021		
	Status of Recommendations	Decentralized Computing	2020	11	
Sacramento	Audits Currently in Progress	Endowment Management	2021		
	Status of Recommendations	Information Security	2020	10	
		Service Learning	2021	3	
San Bernardino	Audits Currently in Progress	Centers and Institutes	2021		
	Status of Recommendations	Post Award Administration	2020	6	
San Diego	Audits Currently in Progress	Student Fee Administration	2021		
		Information Security	2020	9	
	Status of Recommendations	Procurement	2020	2	
San Francisco	Audits Currently in Progress	Associated Students, Inc.	2021		
	Status of Recommendations	Facilities Management	2020	3	
	No Reportable Recommendations	Endowment Management	2021	n/a	
San Jose	Audits Currently in Progress	Student Health Services	2021		
	Status of Recommendations	Counseling and Psychology Services	2021	3	
San Luis Obispo	Audits Currently in Progress	Counseling and Psychology Services	2021		
	Status of Recommendations	Information Security	2020	12	
San Marcos	Audits Currently in Progress	Faculty Assigned Time and Additional Employment	2021		
	Status of Recommendations	Associated Students, Inc.	2020	3	
		Information Security	2020	6	
Sonoma	Audits Currently in Progress	Information Security	2021		
	Status of Recommendations	Procurement	2021	2	
Stanislaus	Audits Currently in Progress	Police Services	2021		
	Status of Recommendations	Credit Cards	2020	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 January 4, 2022