

AGENDA

COMMITTEE ON AUDIT

Meeting: **3:30 p.m., Tuesday, March 21, 2023**
 Glenn S. Dumke Auditorium

Lateefah Simon, Chair
Yammilette Rodriguez, Vice Chair
Diana Aguilar-Cruz
Jack Clarke, Jr.
Lillian Kimbell
Jack McGrory
Jose Antonio Vargas

Consent 1. Approval of Minutes of the Meeting of January 24, 2023, *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**

January 24, 2023

Members Present

Lateefah Simon, Chair
Yammilette Rodriguez, Vice Chair
Diana Aguilar-Cruz
Jack Clarke, Jr.
Lillian Kimbell
Jack McGrory
Wenda Fong, Chair of the Board

Trustee Lateefah Simon called the meeting to order.

Approval of the Consent Agenda

The minutes of the November 15, 2022, 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 Simon 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 update on the 2022-23 audit plan. Follow-up on current and past assignments is being conducted on approximately 34 completed campus reviews. Attachment A summarizes the status of audit assignments by campus. Attachment B illustrates key activities and milestones for the 2022-23 audit plan year.

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; provide advisory services; support intergovernmental audits; and perform investigation reviews, as needed.

Audit and Advisory Services is currently engaged in the annual audit planning/risk assessment process, working with the 23 campuses and Chancellor's Office to identify key risks and evaluate risk priorities before formulating the audit plan for the 2023-2024 fiscal year. Interviews and meetings are being held with over 90 systemwide and campus executives and representatives across all divisions to discuss CSU priorities, challenges, and ways in which Audit and Advisory Services can address risks and provide support. The audit plan will be presented at the May 2023 Board of Trustees meeting.

ASSURANCE AUDITS AND DATA ANALYTICS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2022-23 audit plan. Eighteen audits have been completed and twenty 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>.

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 once all recommendations are 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 put in place 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

Audit and Advisory Services currently has three primary areas of focus for its core data analytics activities: credit cards, payroll, and travel. The data analytics team recently completed several interactive credit card dashboards. These interactive dashboards will be used to periodically communicate potential data anomalies to campus stakeholders. Campuses will have the ability to view and download the information for further research. Additionally, the data analytics team continues progress on refining analytics tests and dashboards for payroll-related data. For travel expenditures, the data analytics team has started reviewing travel expense transactions at seven campuses for possible anomalies and travel policy exceptions.

In addition to the core activities outlined above, we are currently working to develop a risk indicator dashboard. This dashboard will assist with the identification and assessment of key risk metrics at our campuses. We have identified ten risk metrics in the areas of finance, student affairs, human resources, and risk management. Some examples of these risk metrics include, but are not limited to, budget trends, management turnover, and insurance claims. These dashboards will provide a way to quantify and measure risks in key areas to further strengthen our risk assessment planning process.

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.

Additionally, Audit and Advisory Services assists with tracking external audits being conducted by state and federal agencies, offers assistance to campuses undergoing such audits, and acts as a liaison for the California State University system throughout the audit process when appropriate. The Joint Legislative Audit Committee (JLAC) held a hearing on June 27, 2022, to consider audit requests from legislators. At the hearing, JLAC approved two audits of the California State University: 1) an audit of California State University's handling of sexual harassment complaints (Title IX); 2) an audit of the California State University's compliance with the Native American Graves Protection and Repatriation Act (NAGPRA).

The California State Auditor (CSA) began both audits in November 2022. For the Title IX audit, the CSA audit team is conducting fieldwork at the Chancellor's Office and three campuses: Fresno, San Jose, and Sonoma. The audit team expects to issue recommendations for the Chancellor's Office and three campuses involved.

A separate CSA audit team is conducting fieldwork at Chico, Sacramento, San Diego, and San Jose as part of the NAGPRA audit. The audit team expects to issue recommendations to the Chancellor's Office and not to the individual campuses.

Both reports are scheduled to be released in June; however, those dates are subject to change. The scope and objectives of both audits are available on the CSA's website (<https://www.auditor.ca.gov/bsa/recent>).

In addition to the JLAC approved audits described previously, the CSA prepares biennial reports on high-risk issues that "the CSA identifies as high risk for their potential of waste, fraud, abuse

or mismanagement, or that have major challenges associated with their economy, efficiency, or effectiveness.” In 2013, the CSA identified affordability in higher education as a high-risk issue for both the California State University and University of California systems. Since then, the CSA has continued to assess affordability as a high-risk issue every two years. The CSA began the review with an entrance conference on February 10, 2023. The goal of their review is to update the status of high-risk issues from their last report and determine if the issues will stay on the high-risk list.

The last report was issued in August 2021 and found that although the CSU has taken some steps to improve affordability, those actions have not fully addressed or resolved affordability challenges. The full report can be found at <https://www.auditor.ca.gov/pdfs/reports/2021-601.pdf>. “The Higher Education – Affordability” section starts on page 9.

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. In January 2023, representatives of the Audit and Advisory Services management team attended the annual Auxiliary Organizations Association (AOA) conference and presented on relevant audit topics, including information security. Additionally, representatives of the Audit and Advisory Services management team will present at the CSU Business Conference in April 2023.

STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Status of Recommendations	Information Security	2021	6	<div><div>6</div></div>
		Academic Department Fiscal Review	2022	5	<div><div>1</div><div>4</div></div>
Chancellor's Office	Status of Recommendations	Information Security	2021	7	<div><div>7</div></div>
Channel Islands	Audits Currently in Progress	Police Services	2022		
	Status of Recommendations	IT Disaster Recovery	2022	6	<div><div>3</div><div>3</div></div>
Chico	Audits Currently in Progress	Information Security	2022		
	Status of Recommendations	Chico State Enterprises	2021	4	<div><div>3</div><div>1</div></div>
		Academic Department Fiscal Review	2022	2	<div><div>2</div></div>
Dominguez Hills	Audits Currently in Progress	Information Security	2022		
East Bay	Status of Recommendations	Student Health Services	2022	5	<div><div>5</div></div>
Fresno	Audits Currently in Progress	Human Resources and Training Compliance	2022		
	No Reportable Recommendations	Construction Management	2022	n/a	
Fullerton	Audits Currently in Progress	Construction Management	2022		
	Status of Recommendations	Procurement and Inventory	2022	3	<div><div>1</div><div>2</div></div>
Humboldt	Audits Currently in Progress	Human Resources and Training Compliance	2022		
	Status of Recommendations	Information Security	2021	5	<div><div>5</div></div>
		Police Services	2021	7	<div><div>7</div></div>
Long Beach	Audits Currently in Progress	Executive Travel and Hospitality	2022		
	Status of Recommendations	Decentralized Computing	2021	13	<div><div>13</div></div>
		Athletics Fiscal Administration	2022	5	<div><div>5</div></div>
Los Angeles	Audits Currently in Progress	University Auxiliary Services	2022		
	Status of Recommendations	Computer Security Incident Response	2022	5	<div><div>5</div></div>
Maritime Academy	Status of Recommendations	Information Security	2021	10	<div><div>7</div><div>3</div></div>
		Vendor Administration and Payments	2022	3	<div><div>3</div></div>
Monterey Bay	Audits Currently in Progress	Accessible Technology Initiative	2022		
	Status of Recommendations	Procurement and Vendor Administration	2022	4	<div><div>4</div></div>
Northridge	Audits Currently in Progress	The University Corporation	2022		
	Status of Recommendations	Information Security	2021	5	<div><div>1</div><div>4</div></div>
Pomona	Audits Currently in Progress	Foundation	2022		
		Information Security	2022		
	Status of Recommendations	Facilities Management	2021	10	<div><div>10</div></div>
		Academic Department Fiscal Review	2022	2	<div><div>2</div></div>
Sacramento	Audits Currently in Progress	Capital Public Radio	2022		
	Status of Recommendations	Athletics Fiscal Administration	2022	5	<div><div>5</div></div>

***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 February 28, 2023

STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

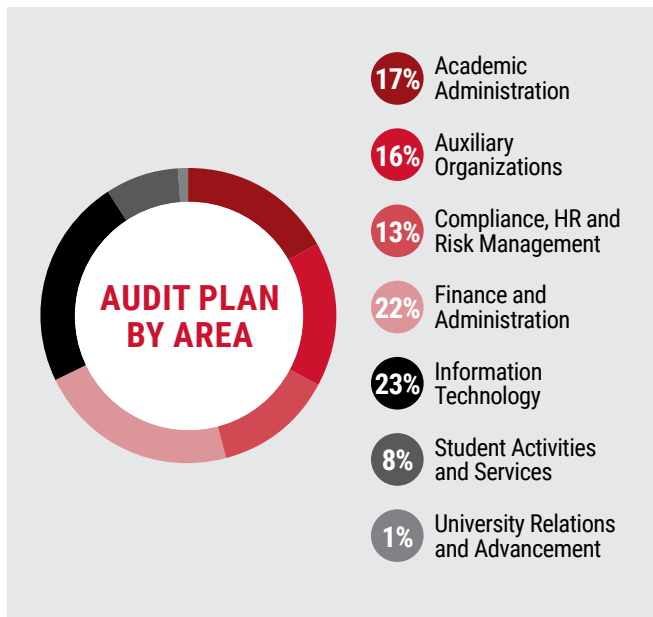
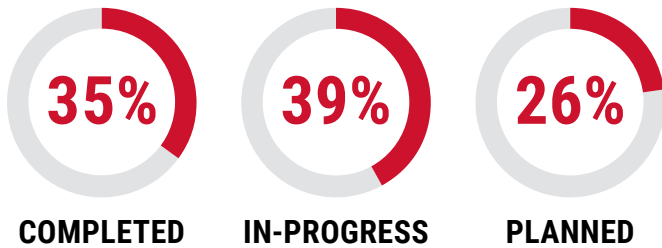
Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
San Bernardino	Audits Currently in Progress	Police Services	2022		
	Status of Recommendations	Centers and Institutes	2021	5	<div><div>3</div><div>2</div></div>
		Human Resources	2021	13	<div><div>13</div></div>
		Information Security	2022	6	<div><div>2</div><div>4</div></div>
San Diego	Status of Recommendations	Student Fee Administration	2021	2	<div><div>2</div></div>
		Student Organizations	2022	2	<div><div>2</div></div>
San Francisco	Audits Currently in Progress	Training Compliance	2022		
	Status of Recommendations	Associated Students, Inc.	2021	8	<div><div>6</div><div>2</div></div>
		Decentralized Computing	2021	6	<div><div>6</div></div>
		Construction Management	2022	2	<div><div>2</div></div>
San Jose	Audits Currently in Progress	Athletics Fiscal Administration	2022		
	Status of Recommendations	Decentralized Computing	2021	9	<div><div>8</div><div>1</div></div>
		Vendor Administration and Payments	2022	1	<div><div>1</div></div>
San Luis Obispo	Audits Currently in Progress	Athletics Fiscal Administration	2022		
	Status of Recommendations	Information Security	2020	12	<div><div>11</div><div>1</div></div>
		IT Disaster Recovery	2022	3	<div><div>3</div></div>
San Marcos	Audits Currently in Progress	Human Resources and Training Compliance	2022		
Sonoma	Audits Currently in Progress	Philanthropic Foundation	2022		
	Status of Recommendations	Information Security	2021	16	<div><div>9</div><div>7</div></div>
		Academic Department Fiscal Review	2022	5	<div><div>5</div></div>
Stanislaus	Audits Currently in Progress	Student Health Services	2022		

*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 February 28, 2023

AUDIT HIGHLIGHTS

2022-23 ASSURANCE AUDITS



2021-22 AUDIT RECOMMENDATIONS



ANNUAL RISK ASSESSMENT PROCESS

PHASE I
SYSTEMWIDE REVIEW

PHASE II
CAMPUS REVIEW

PHASE III
IDENTIFY RISK THEMES

PHASE IV
FORMULATE CAMPUS AUDIT PLANS

PHASE V
FORMULATE SYSTEMWIDE AUDIT PLAN

CALIFORNIA STATE AUDITOR (CSA)



AUDITS OF TITLE IX AND NAGPRA COMPLIANCE ARE CURRENTLY BEING PERFORMED BY THE CALIFORNIA STATE AUDITOR

KEY MILESTONES



AUDIT & ADVISORY SERVICES PARTICIPATED IN AND PRESENTED AT THE JANUARY 2023 AOA CONFERENCE



THE DATA ANALYTICS TEAM IS BUILDING A DASHBOARD TO IDENTIFY RISK INDICATORS



THE 2023-24 AUDIT PLAN WILL BE PRESENTED AT THE MAY MEETING OF THE BOARD OF TRUSTEES