

AGENDA

COMMITTEE ON AUDIT

Meeting: **10:30 a.m., Wednesday, September 25, 2024**
Glenn S. Dumke Auditorium

Lillian Kimbell, Chair
Anna Ortiz-Morfit, Vice Chair
Jean Picker Firstenberg
Yammilette Rodriguez
Christopher Steinhauser
Darlene Yee-Melichar

Consent 1. Approval of Minutes, *Action*

Discussion 2. Status Report on Audit and Advisory Services Activities, *Information*

**MINUTES OF THE MEETING OF THE
COMMITTEE ON AUDIT**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

July 23, 2024

Members Present

Lillian Kimbell, Chair
Anna Ortiz-Morfit, Vice Chair
Jean Picker Firstenberg
Yammilette Rodriguez
Christopher Steinhauser
Darlene Yee-Melichar
Jack B. Clarke, Jr., Chair of the Board

Trustee Lillian Kimbell called the meeting to order.

Approval of the Consent Agenda

The minutes of the May 21, 2024, meeting of the Committee on Audit were approved as submitted.

Item two, Status Report on Audit and Advisory Services Activities, was an information item.

Trustee Kimbell 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 recently completed 2023-24 audit plan, as well as the current 2024-25 audit plan. Attachment A provides a summary of key accomplishments from the 2023-24 plan year. Attachment B summarizes the status of audit assignments by university.

For the current year audit plan, assignments were made to execute individual university 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.

ASSURANCE AUDITS

Status of In-Process and Completed Audits

Audit and Advisory Services has completed all 2023-24 audits and has commenced work on the 2024-25 audit plan. Forty-eight audits have been completed as part of the 2023-24 audit plan. Eleven audits are currently in process as part of the 2024-25 audit plan. Follow-up on current and past assignments is being conducted on 45 completed university reviews. Completed audit reports are posted on the California State University website at <https://www.calstate.edu/csu-system/transparency-accountability/audit-reports>.

The status of university progress toward implementing recommendations for completed audits is included in Attachment B. Prior year audits that have open recommendations are also included in Attachment B and are removed from the report once all recommendations are completed.

Both university management and audit management are responsible for tracking the implementation/completion status of audit recommendations contained in university audit reports. During the audit process, university 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 university senior leadership team (president and/or VP/CFO) to resolve any delays. In rare instances in which delays cannot be resolved during discussions between university and audit management, the chancellor and audit committee chair and/or vice chair may help resolve delays, as needed.

Corrective action is reviewed on an on-going basis, and each year we typically review follow-up documentation submitted to our office on approximately 200 recommendations from completed audits. We also conduct follow-up reviews for select prior-year audits to ensure that implemented corrective actions continue to operate effectively.

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 university 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 of alleged fiscal improprieties. Investigations are performed both at the request of an individual university 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 universities undergoing such audits, and acts as a liaison for the California State University system throughout the audit process when appropriate.

On May 14, 2024, the Joint Legislative Audit Committee (JLAC) approved an audit regarding affordable student housing. The audit will provide information related to the University of California, the CSU, and the California Community Colleges' efforts to provide affordable student housing. The audit started on September 16, 2024. The auditors are in the planning phase of the audit and expect to select three CSU campuses as part of their review. The scope and objectives of

the audit are available on the State Auditor's website at: <https://www.auditor.ca.gov/wp-content/uploads/2024/05/2024-111-Scope-and-Objectives.pdf>.

The CSA started its audit of community college transfers in July 2023. The audit reviewed California's higher education systems' efforts to improve the rate of community college transfers to the California State University and University of California. For the CSU, the audit examined information systemwide and at two selected campuses – Stanislaus and San Diego. The audit is scheduled to be released on September 24, 2024, and will be available on the State Auditor's website at: <https://www.auditor.ca.gov/reports/2023-123/>.

INTERNAL AUDIT FRAMEWORK AND STANDARDS

Education Code Section 89045, enacted by Chapter 1406 of the Statutes of 1969, provides for the establishment of an internal auditing function reporting directly to the Trustees of the California State University. Audit and Advisory Services assists university management and the Trustees in the effective discharge of their fiduciary and administrative responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Additionally, Audit and Advisory Services serves the university in a manner that is consistent with the International Professional Practices Framework and the Code of Ethics as promulgated by the Institute of Internal Auditors, including organizational independence, as outlined in the Audit and Advisory Services Charter.

Audit and Advisory Services is organizationally independent and free from interference in determining the scope of internal audits, performing work, and communicating results. To ensure organizational independence, Audit and Advisory Services reports functionally to the Trustees of the California State University, and administratively to the Chancellor.

AUDIT AND ADVISORY SERVICES

2023-24 YEAR-IN-REVIEW

48 **ASSURANCE
AUDITS**



Providing assurance to the Board that controls are designed and operating effectively

INTERGOVERNMENTAL AUDITS

Served as the systemwide liaison for Clery Act and Community College Transfers audits conducted by the California State Auditor



REAL TIME

Alerts of fraudulent activity sent to campuses

22

**VALUE-ADDED
ADVISORY REVIEWS**



Advisory projects providing proactive feedback to university management

193

**CORRECTIVE ACTION
SUBMISSIONS VALIDATED**

**DEVELOPED AND
IMPLEMENTED
SUPPLIER CONTROL
SELF-ASSESSMENT**

QAR



Received highest possible rating on Quality Assurance Review

COMMUNICATION

Notable observations shared with management to bring awareness to opportunities for improvement noted systemwide



141 **DATA SETS
REVIEWED**

In support of Audit and Advisory projects

248
**RECOMMENDATIONS
ISSUED**



STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Status of Recommendations	Computer Security Incident Response	FY 23-24	2	2
		Parking Operations	FY 23-24	9	9
Chancellor's Office	Audits Currently in Progress	Multi-Campus Centers and Institutes	FY 24-25		
		Sensitive Data Management	FY 24-25		
	Status of Recommendations	Payroll and Benefits Reporting	FY 22-23	2	2
Channel Islands	Status of Recommendations	University Auxiliary Services	FY 23-24	9	3 6
Chico	Status of Recommendations	Endowment Management	FY 23-24	2	2
		Executive Travel and Hospitality	FY 23-24	1	1
Dominguez Hills	Audits Currently in Progress	Americans with Disabilities Act	FY 24-25		
		Property and Equipment	FY 23-24	12	6 6
East Bay	Status of Recommendations	Construction Management	FY 23-24	5	5
		East Bay Foundation	FY 23-24	10	8 2
Fresno	Status of Recommendations	Executive Travel and Hospitality	FY 23-24	2	2
		Fleet Services	FY 23-24	9	9
		Information Security	FY 23-24	13	1 12
Fullerton	Audits Currently in Progress	Philanthropic Foundation	FY 24-25		
		Americans with Disabilities Act	FY 23-24	3	2 1
		Business Continuity and IT Disaster Recovery	FY 23-24	7	5 2
Humboldt	Status of Recommendations	International Programs	FY 23-24	5	2 3
Long Beach	Audits Currently in Progress	Academic Personnel	FY 24-25		
		Information Security	FY 23-24	9	8 1
		Youth Programs	FY 23-24	5	1 4
Los Angeles	Audits Currently in Progress	Construction	FY 24-25		
		Accessible Technology	FY 23-24	3	1 2
		Financial Aid	FY 23-24	2	2
Maritime Academy	Status of Recommendations	Financial Aid	FY 23-24	4	3 1
Monterey Bay	Status of Recommendations	Executive Travel and Hospitality	FY 23-24	2	1 1
		Financial Aid	FY 23-24	3	1 2
		Follow Up - Otter Student Union	FY 23-24	3	1 2
Northridge	Audits Currently in Progress	Youth Programs	FY 24-25		
		Business Continuity and IT Disaster Recovery	FY 23-24	2	2
Pomona	Status of Recommendations	Follow-Up - Auxiliary-Owned Housing	FY 23-24	2	2
		Fundraising and Gift Processing	FY 23-24	4	4
Sacramento	Status of Recommendations	Capital Public Radio	FY 22-23	17	11 6
		Youth Programs	FY 23-24	5	5

*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

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	Executive Travel and Hospitality	FY 24-25		
	Status of Recommendations	Athletics Fiscal Administration	FY 23-24	8	8
		Follow Up - Human Resource Management	FY 23-24	4	4
		University Enterprises Corporation	FY 23-24	18	18
San Diego	Status of Recommendations	Information Security	FY 23-24	17	17
		Research Foundation	FY 23-24	1	1
San Francisco	Audits Currently in Progress	Police Services	FY 24-25		
	Status of Recommendations	Information Security	FY 23-24	10	9 1
		University Corporation	FY 23-24	6	3 3
San José	Audits Currently in Progress	Executive Travel and Hospitality	FY 24-25		
	Status of Recommendations	Endowment Management	FY 23-24	3	3
		The Student Union of San José State University	FY 23-24	4	4
San Luis Obispo	Status of Recommendations	Accessible Technology Initiative	FY 23-24	4	4
		Financial Aid	FY 23-24	2	2
San Marcos	Audits Currently in Progress	Information Security	FY 24-25		
	Status of Recommendations	San Marcos Foundation	FY 23-24	2	2
Sonoma	Status of Recommendations	Business Continuity and IT Disaster Recovery	FY 23-24	10	1 9
		Construction Management	FY 23-24	3	2 1
Stanislaus	Status of Recommendations	Information Security	FY 23-24	15	15
		Professional and Continuing Education	FY 23-24	1	1

*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