AGENDA

COMMITTEE ON AUDIT

Meeting: **9:00 a.m., Wednesday, November 14, 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 September 11, 2018, *Action*

Discussion
2. 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

September 11, 2018

Members Present

Hugo N. Morales, Vice Chair
Jack McGrory
Lateefah Simon
Adam Day, Chairman of the Board

Trustee Hugo Morales called the meeting to order.

Public Comments

Ejmin Hakobian addressed the committee regarding his concerns about various matters at California State University, Los Angeles.

Approval of Minutes

The minutes of July 24, 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. Audit assignments for 2018 for 22 areas are currently in process and include a variety of topics.

Mr. Mandel reported that the campuses and the Office of the Chancellor continue to complete recommendations on a timely basis. Consultative reviews continue to be offered through the advisory services function, the continuous audit initiative proceeds, and investigations are performed as needed.
Additionally, Mr. Mandel provided information on an upcoming external audit to be performed by the California State Auditor entitled California State University—Parking Program and Accounts

Outside the State Treasury. Included in the review are the Office of the Chancellor and four campuses—Channel Islands, Fullerton, Sacramento, and San Diego. Additional information on the audit scope and objectives is available on the state auditor's website.

Trustee Morales inquired as to how campus audit plans are determined and how this process relates to perceived risk. Ms. Janice Mirza, assistant vice chancellor and deputy chief audit officer, provided information on the annual risk assessment process and the factors considered in the development of custom-tailored campus audit plans.

Trustee Morales 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. Twenty-seven campus reports have been completed, fieldwork is being conducted at seven campuses, report writing is being completed for four 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. Nine campus reports have been completed, fieldwork is being conducted at two campuses, report writing is being completed for two 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. Four campus reports have been completed, fieldwork is being conducted at 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. Three campus reports have been completed, fieldwork is being conducted for one project, 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. 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 11/8/2018)

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments *Recs	**Mo.
Bakersfield	Athletics Fund-Raising	2017	AC	5/5	-
	Cashiering	2018	AC	0/7	4
	Sponsored Programs - Post Award	2018	FW		
	Information Security	2018	FW		
Channel Islands	Counseling & Psychological Services	2018	AC	0/8	3
	University Auxiliary Services	2018	FW		
Chico	Academic Department Fiscal Review	2018	AC	5/10	5
	Information Security	2018	AC	0/7	2
	Student Health Services	2018	AC	0/6	1
	Centers and Institutes	2018	FW		
Dominguez Hills	Const. - Central Plt. Cooling Twr. & Domestic and Fire Water Line Repl.	2018	AC	0/0	-
	Centers and Institutes	2018	AC	0/6	3
	International Activities	2018	AI		
East Bay	International Activities	2018	AC	6/6	-
	Cloud Computing	2018	AC		
Fresno	Student Organizations	2018	AC	4/4	-
	Agricultural Foundation	2018	AC	2/3	3
	Fresno Athletic Corporation	2018	AC	0/10	2
	Cloud Computing	2018	RW		
Fullerton	Information Security	2018	AC	0/7	5
	Student Health Services	2018	AC	2/5	5
	Const. - One Banting	2018	AC	0/5	1
	Cal State Fullerton Philanthropic Fdn.	2018	FW		
Humboldt	Extended Education	2017	AC	5/5	-
	Information Security	2018	AC	0/5	3
	Cashiering	2018	AC	0/2	2
	Special Investigation - Procurement Card Purchases	2018	AC	0/5	1
Long Beach	Student Organizations	2018	AC	7/7	-
	Const. - Pkg. Lot 7 Expansion & Psy. Brain Lab Renovation	2018	AC	1/1	-
	Cashiering	2018	AC	0/3	1
	The Forty-Niner Shops, Inc.	2018	FW		
Los Angeles	Police Services	2018	AC	2/2	-
	Decentralized Computing	2018	RW		
	Facilities Management	2018	RW		
Maritime Academy	Hazardous Materials Management	2018	AC	9/9	-
	Associated Students	2018	AI		
Monterey Bay	Hazardous Materials Management	2018	AC	10/10	-
	IT Disaster Recovery	2018	AC	0/3	3
	Foundation of CSU Monterey Bay	2018	RW		
Northridge	Student Organizations and Sport Clubs	2017	AC	5/5	-
	Northridge Foundation	2018	AC	1/8	2
	Sponsored Programs - Post Award	2018	AI		

Status Report on Current and Past Audit Assignments (as of 11/8/2018)

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments *Recs	**Mo.
Pomona	Cashiering	2018	AC	4/4	-
	Information Security	2018	AC	3/12	3
	Special Investigation - Reimb. Claims, Time Rptg. & Add'l Employment	2017	AC	6/8	2
	Associated Students Incorporated	2018	RW		
Sacramento	Sponsored Programs - Post Award	2018	AC	2/3	6
	IT Disaster Recovery	2018	AC	0/4	1
	Associated Students of CSU, Sacramento	2018	FW		
	Const. - Student Housing, Phase II	2018	FW		
San Bernardino	Emergency Management	2018	AC	0/5	3
	Const. - Std. Housing & Dining Commons	2018	RW		
San Diego	Student Disability Support	2018	AC	7/7	-
	Academic Department Fiscal Review	2018	AC	2/2	-
	Decentralized Computing	2018	AI		
San Francisco	Decentralized Computing	2017	AC	18/18	-
	Centers and Institutes	2018	AC	0/4	4
	Sponsored Programs - Pre Award	2018	AC	0/2	2
	Accounts Receivable	2018	AI		
	Student Organizations	2018	FW		
San Jose	Decentralized Computing	2018	AC	**11/13**	5
	Housing and Residential Services	2018	AC	0/9	1
	The Student Union of San Jose State Univ.	2018	FW		
San Luis Obispo	IT Disaster Recovery	2018	AC	**1/4**	6
	Student Health Services	2018	AC	3/4	5
	Cal Poly Corporation	2018	AI		
San Marcos	Student Health Services	2018	AC	7/7	-
	Sponsored Programs - Pre Award	2018	AC	0/3	3
Sonoma	Student Organizations	2018	AC	**2/6**	5
	IT Disaster Recovery	2018	AC	0/10	2
	Sonoma State Enterprises	2018	RW		
Stanislaus	Instructionally Related Activity Fees	2018	AI		
	Information Security	2018	FW		
Chancellor's Office	Information Security	2017	AC	7/9	8
	Sponsored Programs - Post Award	2018	AC	0/0	-
	FRE - Const. - Jordan Research Building	2017	AC	**1/1**	-
	Emergency Management	2018	AC	0/4	1
Systemwide	Student Organizations	2017	AC	0/1	7 [1]

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.
[1] Approved extended completion date of 12/31/18.

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