CORRECTED

AGENDA

COMMITTEE ON AUDIT

Meeting: **3:40 p.m., Tuesday, January 24, 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 November 15, 2022, *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 15, 2022

Members Present

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

Wenda Fong, Chair of the Board
Jolene Koester, Interim Chancellor

Trustee Yammilette Rodriguez called the meeting to order.

Approval of the Consent Agenda

The minutes of the September 13, 2022, meeting of the Committee on Audit were approved as submitted.

Status Report on Audit and Advisory Services Activities

Vlad Marinescu, vice chancellor and chief audit officer, presented item number two, Status Report on Audit and Advisory Services Activities, as an information item. As part of the 2021-22 audit plan year, Audit and Advisory Services performed a variety of both risk- and value-based auditing activities. Risk-based auditing centers around the objective of providing assurance to the board of trustees that management controls are designed and operating effectively. Value-based auditing focuses on activities that go beyond traditional assurance reviews and include additional services and collaboration with management to improve the overall organization. Over the last year, audit has strategically increased engagement in this area, in order to better serve the CSU.

In fiscal year 2021-22, 49 assurance audits were completed at the 23 campuses and chancellor's office. These audits covered 23 distinct topics, some of which included, but were not limited to, auxiliary organizations, construction, endowment management, procurement, and sponsored programs. Eleven information technology audits were completed which included reviews of information security, IT disaster recovery, and decentralized computing. Audit topics are determined through the annual risk assessment process each year, which is performed using both quantitative and qualitative factors, as well as input from both systemwide and campus management. Completed audit reports are posted on the Cal State website. Both campus and chancellor's office management have demonstrated that they are fully committed to partnering with audit to implement audit recommendations and working together to continuously strengthen the internal control environment at each campus and systemwide.

In addition to performing audits of key areas based on the risk-assessment process, Audit and Advisory Services identifies strategic topics which consider audit observations, emerging risks, and potential solutions that require a systemwide approach, rather than an individual campus solution. Strategic topics take into consideration additional opportunities to add value beyond the issuance of an audit report and monitoring of management remediation action plans. Mr. Marinescu highlighted two strategic topics that audit focused on in 2021-22: vendor master file controls and information security. In the fall of 2021, Audit and Advisory Services issued a Vendor Master File – Best Practices and Audit Issues guide that was shared with finance leaders across the CSU and held discussions with the Chancellor's Office information systems group to evaluate system capabilities surrounding vendor management. Those collective efforts resulted in the introduction of two system-based modifications to provide campuses with a solution to monitor inactive vendors and changes to vendor records. Additionally, Audit and Advisory Services convened an information technology audit work group to look at common IT audit observations with the aim of identifying root causes for these observations and potential systemwide solutions.

Mr. Marinescu thanked the 23 campuses and Chancellor's Office for their collaboration and partnership, and also acknowledged the work of the Audit and Advisory Services division staff on the 2021-22 audit plan.

Trustee Faigin inquired about viewing completed audit reports on the Cal State website and Mr. Marinescu noted that he would provide information on the audit webpage to the board.

Trustee Rodriguez 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 37 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.

Pursuant to IIA Standards and the division's quality assurance improvement program, ongoing monitoring of Audit and Advisory activities for audit plan year 2021-22 has been completed. Based on this internal review, Audit and Advisory Services generally conforms with IIA Standards, as well as division policies and procedures.

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. Thirteen audits have been completed and twenty-two 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

The data analytics team continues to monitor credit card data by reviewing potential anomalies and policy exceptions. For example, for the April to June 2022 quarter, 15 campuses were reviewed for possible separated employees with active cards and/or travel card purchase exceptions. For human resources/payroll reviews, reviews have been completed at ten campuses and the team has begun building dashboards for continuous monitoring.

Additionally, the data analytics team has started designing risk assessment dashboards that will provide key financial, employee, student, and risk management matrices for the audit risk assessment 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 California State Auditor (CSA) began its audit of the California State University's handling of sexual harassment complaints (Title IX) on November 1, 2022. The CSA audit team is conducting fieldwork at the Chancellor's Office and three campuses: Fresno, San Jose, and Sonoma. The CSA began its audit of the California State University's compliance with the Native American Graves Protection and Repatriation Act (NAGPRA) on November 30, 2022. As part of the audit, the CSA will review four campuses: Chico, San Jose, Sacramento, and San Diego. The CSA estimates both audits 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).

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.

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	3 3
		Academic Department Fiscal Review	2022	5	5
Chancellor's Office	Status of Recommendations	Information Security	2021	7	6 1
Channel Islands	Audits Currently in Progress	Police Services	2022		
	Status of Recommendations	IT Disaster Recovery	2022	6	6
Chico	Audits Currently in Progress	Information Security	2022		
	Status of Recommendations	Chico State Enterprises	2021	4	2 2
		Academic Department Fiscal Review	2022	2	2
Dominguez Hills	Audits Currently in Progress	Information Security	2022		
	Status of Recommendations	Endowment Management	2021	3	3
East Bay	Audits Currently in Progress	Student Health Services	2022		
	Status of Recommendations	Procurement and Inventory	2021	3	3
Fresno	Audits Currently in Progress	Construction Management	2022		
		Human Resources and Training Compliance	2022		
Fullerton	Audits Currently in Progress	Construction Management	2022		
	Status of Recommendations	Auxiliary Services Corporation	2021	7	7
		Procurement and Inventory	2022	3	3
Humboldt	Audits Currently in Progress	Human Resources and Training Compliance	2022		
	Status of Recommendations	Information Security	2021	5	4 1
		Police Services	2021	7	6 1
Long Beach	Audits Currently in Progress	Athletics Fiscal Administration	2022		
		Executive Travel and Hospitality	2022		
	Status of Recommendations	Decentralized Computing	2021	13	3 10
		Student Fee Administration	2021	2	2
Los Angeles	Audits Currently in Progress	University Auxiliary Services	2022		
	Status of Recommendations	Associated Students, Inc.	2021	4	4
		Computer Security Incident Response	2022	5	5
Maritime Academy	Status of Recommendations	Information Security	2021	10	7 3
		Vendor Administration and Payments	2022	3	3
Monterey Bay	Audits Currently in Progress	Accessible Technology	2022		
	Status of Recommendations	Construction Management	2021	2	2
		Procurement and Vendor Administration	2022	4	4
Northridge	Audits Currently in Progress	The University Corporation	2022		
	Status of Recommendations	Information Security	2021	5	5
Pomona	Audits Currently in Progress	Foundation	2022		
		Information Security	2022		
	Status of Recommendations	Facilities Management	2021	10	5 5
		Academic Department Fiscal Review	2022	2	1 1
Sacramento	Status of Recommendations	Athletics Fiscal Administration	2022	5	5
San Bernardino	Audits Currently in Progress	Information Security	2022		
	Status of Recommendations	Centers and Institutes	2021	5	3 2
		Human Resources and Training Compliance	2021	13	13
San Diego	Status of Recommendations	Student Fee Administration	2021	2	1 1
		Student Organizations	2022	2	2
San Francisco	Audits Currently in Progress	Training Compliance	2022		
	Status of Recommendations	Associated Students, Inc.	2021	8	6 2
		Decentralized Computing	2021	6	6
		Construction Management	2022	2	2
San Jose	Audits Currently in Progress	Athletics Fiscal Administration	2022		
		Information Security	2022		
	Status of Recommendations	Decentralized Computing	2021	9	3 6
		Vendor Administration and Payments	2022	1	1
San Luis Obispo	Audits Currently in Progress	Athletics Fiscal Administration	2022		
		IT Disaster Recovery	2022		
	Status of Recommendations	Information Security	2020	12	11 1
San Marcos	Audits Currently in Progress	Human Resources and Training Compliance	2022		
Sonoma	Status of Recommendations	Information Security	2021	16	16
		Academic Department Fiscal Review	2022	5	5
Stanislaus	Status of Recommendations	Construction Management	2021	5	5

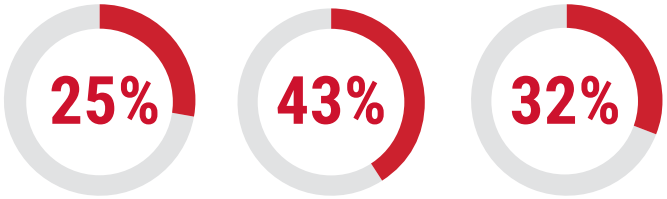
*Status
Closed (green) - Recommendations have been satisfactorily implemented
Open (blue) - Implementation of recommendations is in progress and within the agreed upon timeframe
Exceeds Agreed Upon Timeframe (red) - Recommendations have not been implemented within the agreed upon timeframe

Report as of January 3, 2023

The California State University

AUDIT HIGHLIGHTS

2022-23 ASSURANCE AUDITS



COMPLETED | IN-PROGRESS | PLANNED

- 17% Academic Administration
- 16% Auxiliary Organizations
- 13% Compliance, HR and Risk Management
- 22% Finance and Administration
- 23% Information Technology
- 8% Student Activities and Services
- 1% University Relations and Advancement

2021-22 AUDIT RECOMMENDATIONS

49	235	158
AUDITS	TOTAL RECS	CLOSED

CALIFORNIA STATE AUDITOR (CSA)

CSA AUDITS OF TITLE IX AND NAGPRA COMPLIANCE ARE IN PROGRESS.

RISK ASSESSMENT

THE 2023-24 ANNUAL RISK ASSESSMENT COMMENCED IN JANUARY 2023.

DATA ANALYTICS – PLATFORM MIGRATION

BUILD PLATFORM	DASHBOARDS	MIGRATION	IDENTIFY NEW DATA SETS	DESIGN & IMPLEMENT
Build new AWS environment	Build new dashboards using AWS tools	Migrate existing data sets and dashboards to new platform	Identify new data sets	Design and implement new data analytics
Status: Complete	**Status: In Progress**	**Status: In Progress**	**Anticipated Start: July 2023**	**Anticipated Start: July 2023**