AGENDA

COMMITTEE ON AUDIT

Meeting: **1:50 p.m., Tuesday, January 30, 2024**
Glenn S. Dumke Auditorium

Yammilette Rodriguez, Chair
Jean Picker Firstenberg, Vice Chair
Leslie Gilbert-Lurie
Lillian Kimbell
Jonathan Molina Mancio
Lateefah Simon
Christopher Steinhauser
Darlene Yee-Melichar

Consent

1. Approval of Minutes of the Meeting of November 7, 2023, *Action*
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

November 7, 2023

Members Present

Yammilette Rodriguez, Chair
Jean Picker Firstenberg, Vice Chair
Leslie Gilbert-Lurie
Lillian Kimbell
Jonathan Molina Mancio
Lateefah Simon
Christopher Steinhauser
Darlene Yee-Melichar
Wenda Fong, Chair of the Board

Trustee Yammilette Rodriguez called the meeting to order.

Approval of the Consent Agenda

The minutes of the September 12, 2023, 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 2022-23 audit plan year, Audit and Advisory Services performed a variety of both risk- and value-based auditing activities. The risk-based auditing activities centered around the objective of providing assurance to the board that management controls are designed and operating effectively. Audit and Advisory Services also engaged in value-based auditing activities, which focused on activities that go beyond the more traditional assurance reviews.

In fiscal year 2022-23, 52 assurance audits were completed at the 23 campuses and the chancellor's office. These audits covered 19 distinct topics, some of which included, but were not limited to, information security, student health services, and executive travel and hospitality. Audit topics are determined through the annual risk assessment process each year. Both a customized campus approach, as well as a systemwide perspective, is taken into consideration. Vice Chancellor Marinescu highlighted three of the systemwide topics that were reviewed and noted that systemwide themes are selected based on a variety of factors, such as management feedback or regulatory changes, and performing these audits at more than one campus allows for a broader understanding of these subjects and can help identify best practices and areas for improvement to share out systemwide. Completed audit reports are posted on the Cal State website.

Additionally, audit management works with campus management after an audit is completed in order to ensure that corrective action is completed timely. Follow up reviews are performed for certain audits in which it is deemed that controls were not designed and operating effectively to provide reasonable assurance that risks and objectives were being managed

The use of data analytics in audit enables greater efficiencies and improved audit quality. Large data sets can be monitored and reviewed for anomalies and trends with a high degree of automation. The Audit and Advisory Services data analytics team continues to build a robust data analytics program, which includes providing support to the assurance and advisory teams, creating and managing dashboards, and performing periodic testing of data analytics results.

Vice Chancellor Marinescu discussed division operational excellence initiatives and priorities. He also shared information about the quality assurance review of Audit and Advisory Services that recently commenced and the results of which will be presented to the Committee on Audit in the spring of 2024.

Audit and Advisory Services Charter

Vice Chancellor Marinescu presented item number three, Audit and Advisory Services Charter, as an action item. The Institute of Internal Auditors (IIA) for the professional practice of internal auditing require that the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter and that the chief audit executive periodically review the internal audit charter and present it to senior management and the board for approval. Vice Chancellor Marinescu discussed the proposed revisions to the charter and noted that the document was last reviewed by the Committee on Audit in January 2014. The proposed revisions to the charter are intended to strengthen alignment with IIA standards and streamline the organization and flow of the document, while ensuring compliance with applicable laws and Board of Trustees policies. Audit management also benchmarked the document against more than 35 other university internal audit charters. The changes do not alter the authority, responsibility, or activities of Audit and Advisory Services.

The revised Audit and Advisory Services Charter was approved.

Audit Committee Charter

Vice Chancellor Marinescu presented item number four, Audit Committee Charter, as an action item. He reviewed the proposed revisions to the charter and noted that the document was last reviewed by the Committee on Audit in January 2014. While the Institute of Internal Auditors (IIA) for the professional practice of internal auditing does not require periodic review of this document, the Audit Committee Charter is reviewed in conjunction with the Audit and Advisory Services Charter. The changes to the charter do not alter the authority, responsibility, or activities of Audit and Advisory Services or the Committee on Audit.

The revised Audit Committee Charter was approved.

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 2023-24 audit plan. Attachment A summarizes the status of audit assignments by campus. Attachment B illustrates key activities and milestones for the 2023-24 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. Follow-up on current and past assignments is being conducted on 29 completed campus reviews.

The division of Audit and Advisory Services is currently undergoing a Quality Assurance Review (QAR) as required under the IIA International Standards for the Professional Practice of Internal Auditing. This process is led by an external team of three higher education audit professionals. The team visited the Chancellor's Office in December 2023 as part of the review. The results of the QAR will be presented to the CSU Board of Trustees Committee on Audit at an upcoming meeting.

ASSURANCE AUDITS AND DATA ANALYTICS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2023-24 audit plan. Eight audits have been completed and twenty-three audits are currently in process. 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 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 recently completed the development of 12 new credit card dashboards which were recently shared with campus management and credit card administrators. These dashboards will enable campus stakeholders to proactively review and address potential anomalies. The dashboards will be refreshed by our team on a quarterly basis.

In addition, the data analytics team recently completed its internal periodic monitoring of campus credit card and Concur travel data. The team reviewed 177 transactions and follow-up was performed where necessary. For payroll reviews, overtime and additional employment dashboards have been completed and the team is continuing to work on other payroll-related dashboards such as employee leave and bonus payments. To validate analytics tests on bonus payments, the team is currently performing reviews at two 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 of alleged fiscal improprieties. Investigations are performed 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) started its audit of community college transfers in July 2023. The audit is reviewing California's higher education systems' efforts to improve the rate of community college transfers to the California State University and University of California. The audit is currently in progress and the estimated completion date is summer 2024. The scope and objectives of the audit are available on the State Auditor's website at: https://www.auditor.ca.gov/pdfs/analyses/2023-123.pdf.

In December 2023 and January 2024, the CSU submitted the required six-month responses for the CSA Native American Graves Protection and Repatriation Act (NAGPRA) and Title IX audits, respectively. The responses provide information on the status of the CSU's implementation of the audit recommendations and can be viewed on the CSA's website once they are assessed by the CSA:

- https://auditor.ca.gov/reports/recommendations/2022-107 - for NAGPRA
- https://auditor.ca.gov/reports/recommendations/2022-109 - for Title IX

The one-year follow-up response to the CSA NAGPRA audit is due in June 2024 and the Title IX response is due in July 2024.

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.

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.

STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Chancellor's Office	Status of Recommendations	Payroll and Benefits Reporting	FY 22-23	2	2
		Emergency Management	FY 23-24	2	2
Channel Islands	Audits Currently in Progress	Computer Security Incident Response	FY 23-24		
		University Auxiliary Services	FY 23-24		
Chico	Audits Currently in Progress	Endowment Management	FY 23-24		
	Status of Recommendations	Information Security	FY 22-23	14	5 9
Dominguez Hills	Status of Recommendations	Associated Students	FY 22-23	8	8
		Information Security	FY 22-23	8	1 7
		Property and Equipment	FY 23-24	12	12
East Bay	Audits Currently in Progress	Construction Management	FY 23-24		
		East Bay Foundation	FY 23-24		
	Status of Recommendations	Executive Travel and Hospitality	FY 22-23	1	1
		Information Security Follow-Up	FY 22-23	1	1
Fresno	Audits Currently in Progress	Executive Travel and Hospitality	FY 23-24		
		Information Security	FY 23-24		
Fullerton	Audits Currently in Progress	Business Continuity and IT Disaster Recovery	FY 23-24		
	Status of Recommendations	Executive Travel and Hospitality	FY 22-23	1	1
Humboldt	Status of Recommendations	Human Resources and Training Compliance	FY 22-23	14	14
		International Programs	FY 23-24	5	5
Long Beach	Audits Currently in Progress	Information Security	FY 23-24		
	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	5	5
		Youth Programs	FY 23-24	5	5
Los Angeles	Audits Currently in Progress	Financial Aid	FY 23-24		
	Status of Recommendations	University Auxiliary Services	FY 22-23	8	8
		Accessible Technology	FY 23-24	3	3
Maritime Academy	Audits Currently in Progress	Financial Aid	FY 23-24		
Monterey Bay	Audits Currently in Progress	Executive Travel and Hospitality	FY 23-24		
		Financial Aid	FY 23-24		
	Status of Recommendations	Accessible Technology Initiative	FY 22-23	6	1 5
Northridge	Audits Currently in Progress	Business Continuity and IT Disaster Recovery	FY 23-24		
	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	6	5 1
		The University Corporation	FY 22-23	7	7
Pomona	Audits Currently in Progress	Associated Students, Inc.	FY 23-24		
	Status of Recommendations	Information Security	FY 22-23	6	6
Sacramento	Audits Currently in Progress	Executive Travel and Hospitality	FY 23-24		
	Status of Recommendations	Capital Public Radio	FY 22-23	17	17
San Bernardino	Audits Currently in Progress	Athletics Fiscal Administration	FY 23-24		
San Diego	Audits Currently in Progress	Research Foundation	FY 23-24		
	Status of Recommendations	Aztec Shops	FY 22-23	5	3 2
		Academic Department Fiscal Review	FY 23-24	2	2
San Francisco	Audits Currently in Progress	University Corporation	FY 23-24		
	Status of Recommendations	Training Compliance	FY 22-23	3	3
San Jose	Audits Currently in Progress	Endowment Management	FY 23-24		
	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	6	3 3
		Information Security	FY 22-23	5	5
San Luis Obispo	Audits Currently in Progress	Financial Aid	FY 23-24		
	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	7	7
San Marcos	Status of Recommendations	Accessible Technology Initiative	FY 22-23	6	6
		Counseling and Psychological Services	FY 23-24	2	2
Sonoma	Audits Currently in Progress	Construction Management	FY 23-24		
	Status of Recommendations	Business Continuity and IT Disaster Recovery	FY 23-24	10	10
Stanislaus	Audits Currently in Progress	Information Security	FY 23-24		

*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

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AUDIT HIGHLIGHTS

2023-24 ASSURANCE AUDITS

COMPLETED | IN-PROGRESS | PLANNED

- 8% Academic Administration
- 17% Administration and Compliance
- 16% Auxiliary Organizations
- 20% Business and Finance
- 23% Information Technology
- 10% Student Activities and Services
- 6% University Relations and Advancement

2022-23 AUDIT RECOMMENDATIONS

52	221	164
AUDITS	TOTAL RECS	CLOSED

CALIFORNIA STATE AUDITOR (CSA)

THE CSA AUDIT OF COMMUNITY COLLEGE TRANSFERS IS CURRENTLY IN PROGRESS.

THE CSU SUBMITTED THE REQUIRED SIX-MONTH RESPONSES FOR THE CSA AUDITS OF NAGPRA AND TITLE IX.

ANNUAL RISK ASSESSMENT

SYSTEMWIDE ASSESSMENT	SYSTEMWIDE ASSESSMENT	AUXILIARY ASSESSMENT	CAMPUS ASSESSMENTS	FINALIZE AUDIT PLAN
Review and update universe of potential audit topics.	Interviews with systemwide executives.	Review of campus auxiliary organizations.	Meet with campus stakeholders and create customized campus audit plans.	Present 2024-25 audit plan for review and approval.
Status: Complete	**Status: In Progress**	**Status: In Progress**	**February 2024**	**May 2024**