

AGENDA

COMMITTEE ON AUDIT

Meeting: 11:30 a.m., Thursday, November 21, 2024
Glenn S. Dumke Auditorium

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

Consent

1. Approval of Minutes, *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**

September 25, 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 July 23, 2024, 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 2023-24 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. Value-based auditing activities focused on activities that go beyond the more traditional assurance reviews.

In fiscal year 2023-24, 48 assurance audits were completed at the 23 universities and the chancellor's office. These audits covered 27 distinct topics, some of which included, but were not limited to, information security, financial aid, youth programs, and business continuity and IT disaster recovery. Audit topics were determined through the annual risk assessment process. Both a customized university approach, as well as a systemwide perspective, was taken into consideration. Audit and Advisory Services reviewed and validated corrective action for 193

recommendations from both current and prior year audits. Additionally, follow up reviews were 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. Mr. Marinescu highlighted three topics that were reviewed as part of the audit plan: executive travel and hospitality, financial aid administration, and business continuity and IT disaster recovery.

The use of data analytics in audit has enabled greater efficiencies and improved audit quality. One of the core functions of Audit and Advisory Services' data analytics function is assurance and advisory project support. In 2023-24, the data analytics team produced 141 queries that supported 30 audit and advisory projects. The data analytics team also performed continuous monitoring of credit card transactions and Concur travel expenses.

Mr. Marinescu discussed division value-added activities including the sharing of notable audit observations systemwide, advisory services, and support for external audits of the CSU. He also shared information on organizational excellence programs, including professional development, quality assurance, and client satisfaction feedback.

Trustees inquired about an audit from 2022-23 with open recommendations and two audits with a substantial number of observations. Mr. Marinescu explained that the implementation of recommendations from the 2022-23 audit is on track and within the agreed upon timeframe, and that university management is committed to remediating and addressing all issues for the two audits that were noted to have a substantial number of observations. Trustees commended the expressed commitment to continuous improvement and feedback from stakeholders, the completion of the 2023-24 audit plan, and inquired as to how the CSU is preparing for the California State Auditor (CSA) audit of affordable student housing. Mr. Marinescu shared information on the CSU's process for preparing for CSA audits.

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 update on the 2024-25 audit plan. Attachment A summarizes the status of audit assignments by university. Attachment B illustrates key activities and milestones for the 2024-25 audit plan year.

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.

In October 2024 Audit and Advisory Services hosted its annual systemwide roundtable meeting designed to facilitate communication and collaboration between Audit and Advisory Services and university representatives/audit liaisons from the 23 universities. This year's meeting included discussion on a wide variety of topics such as artificial intelligence, information security, fraud and investigations, data analytics, and notable observations from recent audits.

ASSURANCE AUDITS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2024-25 audit plan. Five audits have been completed and 19 audits are currently in process. Follow-up on current and past assignments is being conducted on 39 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 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 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 fieldwork phase of the audit and have selected three CSU campuses as part of their review. The three campuses are Cal State Fullerton, Fresno State, and San Francisco State. 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 audit report on community college transfers was issued on September 24, 2024. The audit directed five recommendations to the Chancellor's Office. The CSA requires detailed follow-up responses on the implementation of the report's recommendations at 60 days, six months, and one year after the report's release, and annually thereafter if recommendations are still open. Audit and Advisory Services is responsible for coordinating the CSU's follow-up responses to the audit. A copy of the full report can be found on the State Auditor's website (<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.

The Institute of Internal Auditors has released Global Internal Audit Standards that will become effective in January 2025 and replace the International Professional Practices Framework and the Code of Ethics. Audit and Advisory Services is currently in the process of performing a readiness assessment to ensure alignment and adherence with the revised standards and will share additional information with the Committee on Audit in early 2025.

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	5 4
Chancellor's Office	Audits Currently in Progress	Logical Access and Security	FY 24-25		
		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	Audits Currently in Progress	Site Authority	FY 24-25		
	Status of Recommendations	University Auxiliary Services	FY 23-24	9	1 8
Chico	Audits Currently in Progress	Youth Programs	FY 24-25		
	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		
	Status of Recommendations	Property and Equipment	FY 23-24	12	1 11
East Bay	Audits Currently in Progress	Sensitive Data Management	FY 24-25		
		Supplier Administration and Payments	FY 24-25		
	Status of Recommendations	East Bay Foundation	FY 23-24	10	4 6
Fresno	Status of Recommendations	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		
	Status of Recommendations	Americans with Disabilities Act	FY 23-24	3	2 1
		Business Continuity and IT Disaster Recovery	FY 23-24	7	5 2
Humboldt	Audits Currently in Progress	Sponsored Programs Foundation	FY 24-25		
	Status of Recommendations	International Programs	FY 23-24	5	1 4
Long Beach	Audits Currently in Progress	Philanthropic Foundation	FY 24-25		
	Status of Recommendations	Information Security	FY 23-24	9	8 1
		Youth Programs	FY 23-24	5	1 4
		Academic Personnel	FY 24-25	3	3
Los Angeles	Status of Recommendations	Accessible Technology	FY 23-24	3	1 2
		Construction	FY 24-25	8	8
Maritime Academy	Status of Recommendations	Financial Aid	FY 23-24	4	4
Monterey Bay	Status of Recommendations	Executive Travel and Hospitality	FY 23-24	2	2
		Financial Aid	FY 23-24	3	1 2
		Follow Up - Otter Student Union	FY 23-24	3	3
Northridge	Audits Currently in Progress	Cloud Computing	FY 24-25		
		Youth Programs	FY 24-25		
Pomona	Status of Recommendations	Follow-Up - Auxiliary-Owned Housing	FY 23-24	2	2
		Fundraising and Gift Processing	FY 23-24	4	4
Sacramento	Audits Currently in Progress	Information Security	FY 24-25		
	Status of Recommendations	Capital Public Radio	FY 22-23	17	2 15
		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	Construction	FY 24-25		
	Status of Recommendations	Athletics Fiscal Administration	FY 23-24	8	<div style="display: flex; justify-content: space-between;">26</div>
		University Enterprises Corporation	FY 23-24	18	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">18</div>
		Executive Travel and Hospitality	FY 24-25	2	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">2</div>
San Diego	Audits Currently in Progress	Counseling and Psychological Services	FY 24-25		
	Status of Recommendations	Information Security	FY 23-24	17	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">17</div>
		Research Foundation	FY 23-24	1	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">1</div>
San Francisco	No Reportable Recommendations	Police Services	FY 24-25	n/a	
	Status of Recommendations	Information Security	FY 23-24	10	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">10</div>
		University Corporation	FY 23-24	6	<div style="background-color: green; color: white; padding: 2px; text-align: center;">6</div>
San José	No Reportable Recommendations	Executive Travel and Hospitality	FY 24-25	n/a	
	Status of Recommendations	The Student Union of San José State University	FY 23-24	4	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">4</div>
San Luis Obispo	Audits Currently in Progress	Faculty Assigned Time and Additional Employm..	FY 24-25		
	Status of Recommendations	Accessible Technology Initiative	FY 23-24	4	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">4</div>
San Marcos	Audits Currently in Progress	Information Security	FY 24-25		
	Status of Recommendations	San Marcos Foundation	FY 23-24	2	<div style="display: flex; justify-content: space-between;">11</div>
Sonoma	Audits Currently in Progress	Admissions	FY 24-25		
	Status of Recommendations	Business Continuity and IT Disaster Recovery	FY 23-24	10	<div style="display: flex; justify-content: space-between;">19</div>
		Construction Management	FY 23-24	3	<div style="background-color: green; color: white; padding: 2px; text-align: center;">3</div>
Stanislaus	Status of Recommendations	Professional and Continuing Education	FY 23-24	1	<div style="background-color: blue; color: white; padding: 2px; text-align: center;">1</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

AUDIT HIGHLIGHTS

2024-25 ASSURANCE AUDITS



2023-24 AUDIT RECOMMENDATIONS



2022-23 AUDIT RECOMMENDATIONS



SYSTEMWIDE AUDIT ROUNDTABLE

AUDIT AND ADVISORY SERVICES HELD ITS ANNUAL SYSTEMWIDE MEETING OF UNIVERSITY AUDIT LIAISONS IN OCTOBER 2024

STATE AUDITOR UPDATES

SEPTEMBER 2024: AUDIT OF AFFORDABLE STUDENT HOUSING AT CA COLLEGES STARTED

NOVEMBER 2024: 60-DAY RESPONSE TO THE COMMUNITY COLLEGE TRANSFERS DUE

SUMMER 2025: ANNUAL RESPONSES DUE FOR TITLE IX AND NAGPRA AUDITS