

AGENDA

COMMITTEE ON AUDIT

Meeting: 9:45 a.m., Wednesday, September 25, 2019
Glenn S. Dumke Auditorium

Jack McGrory, Chair
Hugo N. Morales, Vice Chair
Silas H. Abrego
Jane W. Carney
Douglas Faigin
Jean P. Firstenberg
Wenda Fong
Lateefah Simon

- Consent**
1. Approval of Minutes of the Meeting of July 23, 2019, *Action*
 2. Status Report on Current and Follow-up Internal Audit Assignments, *Information*
- Discussion**
3. Status Report on the California State Auditor Report on Accounts Outside the State Treasury and Campus Parking Programs, *Information*
 4. Status Report on Consideration of Opportunities for Continued Program Enhancement of the Institutional Control Environment, *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**

July 23, 2019

Members Present

Jack McGrory, Chair
Hugo N. Morales, Vice Chair
Silas Abrego
Jane W. Carney
Douglas Faigin
Jean P. Firstenberg
Wenda Fong
Lateefah Simon
Adam Day, Chairman of the Board

Trustee Jack McGrory called the meeting to order.

Public Comments

The committee heard from six speakers primarily commenting on California State Auditor Report 2018-127 Regarding Financial Accounts Invested Outside the State Treasury and Campus Parking Programs.

Approval of Minutes

The minutes of May 21, 2019, were approved as submitted.

Status Report on Current and Follow-up Internal Audit Assignments

With the concurrence of the committee, Trustee McGrory presented agenda item 2 as a consent information item.

Quality Assessment Review of The California State University System Internal Audit Program

Mr. Larry Mandel, vice chancellor and chief audit officer, introduced the item explaining that The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing requires that internal audit functions obtain quality assessment reviews every five years to assess conformance with IIA Standards and the IIA Code of Ethics and to appraise the quality of operations. Mr. Mandel shared that a Quality Assessment Review (QAR) team comprised of three higher education audit executives visited the Chancellor's Office in January 2019 to conduct the review.

Mr. Mandel introduced Kimberly F. Turner, chief audit executive of the Texas Tech University System, who led the review. Ms. Turner presented information to the committee on the scope and methodology of the review, the overall opinion as to conformance with standards, strengths of the CSU's internal audit function, and opportunities for continued program enhancement of the institutional control environment. Trustee Kimbell inquired with Ms. Turner about the status of consideration of the various opportunities for continued program enhancement. Mr. Mandel clarified that management will discuss and decide which to go forward with. Trustee McGrory stated that a status report ought to come back to the committee at a future meeting and Chancellor White noted that an analysis of the suggestions will be conducted. Trustee Hugo Morales inquired as to whether the review team received access to all requested documents and personnel and Ms. Turner confirmed that all requested items were provided.

Status of California State Auditor Report 2018-127 Regarding Financial Accounts Invested Outside the State Treasury and Campus Parking Programs

Chancellor White provided introductory remarks regarding the audit report, emphasizing that work groups have been formed to implement the audit recommendations and that CSU leadership values recommendations from objective audits conducted by the system's own audit division, from the state auditor, and from bona fide outside firms. Chancellor White indicated that in the case of this particular audit report, the nature of the CSU's designated reserve funds were mischaracterized.

Mr. Mandel summarized the audit report noting that the audit was conducted by the state auditor at the direction of the Joint Legislative Audit Committee and included four campuses and the Office of the Chancellor. With regard to parking and alternative transportation programs, the audit report affirmed that CSU revenues were appropriately spent, and that CSU earnings were disbursed correctly. However, the number of parking spaces built during the 10-year period did not keep pace with enrollment growth at the four campuses and alternative transportation programs were not always fully explored. Regarding monies invested by the CSU in state trust accounts, the audit report found that CSU policies and practices appropriately safeguard the accounts, but CSU's reserve policy did not specify recommended minimum levels of reserves. In addition, although the CSU provided publications and presentations with financial information about reserves, net assets, and investment balances, the audit report's assessment was that two particular examples did not provide information about \$1.5 billion in designated reserves maintained in state trust accounts.

Mr. Mandel introduced Mr. Brad Wells, associate vice chancellor, who provided additional information on financial transparency and designated reserves. There are three categories for designated reserves—short-term obligations, capital outlay, and operations. In September 2017, trustees discussed the need for campuses to strive to increase designated reserves over time to enhance financial resiliency in anticipation of future fiscal challenges. Mr. Wells highlighted a number of public reports that include information about reserves, net assets, and investment balances. Additionally, Mr. Wells referenced a Public Policy Institute of California report entitled *Reserves Provide Financial Stability* which highlights the CSU's prudent saving strategy as key to preserving student access in the face of the next recession.

Mr. Mandel provided information on the timeline for required status reports to the state auditor during the period in which the audit recommendations are being implemented, noting that the recommendations are anticipated to be implemented within one year. Following the presentation, the trustees discussed the report and shared a number of viewpoints and considerations relating to the characterization of the report, governance of the university's reserves, reporting transparency, and the need to revisit suggestions related to campus parking programs.

Trustee McGrory 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 2019 audit plan and follow-up on past assignments. For the 2019 year, assignments were made to develop and execute individual campus audit plans; conduct audits of Information Technology (IT), Sponsored Programs and Construction; use continuous auditing techniques; provide advisory services and investigation reviews; and continue implementation activities for the redesign of Audit and Advisory Services. Follow-up on current and past assignments was also being conducted on approximately 39 completed campus reviews. Attachment A summarizes the audit assignments in tabular form.

AUDITS

General Audits

The organizational redesign for Audit and Advisory Services provides for individual campus audit plans that are better aligned with campus and auxiliary organization risks and systemwide goals and strategies. Risk assessments and initial audit plans have been completed for all campuses. Audit plans include a Health and Safety audit at each campus as a follow-up to the health and safety audits performed by the California State Auditor in 2018. Thirteen campus reports have been completed, fieldwork is being conducted at five campuses, report writing is being completed for six campuses, and four 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 Accessible Technology 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. Two campus reports have been completed, fieldwork is being completed at one campus, report writing is being completed for three 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 reviews emphasize review of operational, administrative, and financial controls to determine whether processes and expenditures are in accordance with 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. Three campus reports have been completed and fieldwork is being conducted at one campus.

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, but are not limited to approval of project design, budget and funding; administration of the bid and award process; the closeout process; and overall project accounting and reporting. Two campus reports have been completed, fieldwork is being conducted at one campus, and one report is awaiting a campus response prior to finalization.

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, acts as a liaison for the system throughout the audit process, and offers assistance to campuses undergoing such audits.

CONTINUOUS AUDITING TECHNIQUES

The initial audit plan indicated that continuous auditing techniques would be used to review credit card data for the 12 campuses not reviewed in 2018 to identify potential risks and to evaluate compliance with policies and procedures. 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 performs individual campus risk assessments, using management interviews, surveys, audit history, and other factors to score an audit universe of topics in order to determine the topics of highest risk to each campus and the system. Periodically, other audit topics are selected for review due to their high profile nature in order to assure the board that appropriate policies and procedures are in place to mitigate risk to the system.

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 9/20/2019)

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
Bakersfield	Sponsored Programs - Post Award	2018	AC	4/5	7
	Information Security	2018	AC	6/6	-
	Const. - Humanities Office Bldg. & Humanities Classrooms	2019	AC	4/4	-
Channel Islands	Health and Safety	2019	AI		
	University Auxiliary Services	2018	AC	8/8	-
Chico	Health and Safety	2019	FW		
	Centers and Institutes	2018	AC	3/5	6
	Health and Safety	2019	AI		
Dominguez Hills	Housing and Residential Services	2019	RW		
	International Activities	2018	AC	8/9	11
East Bay	Health and Safety	2019	RW		
	Educational Foundation	2019	AC	2/3	6
Fresno	Health and Safety	2019	RW		
	Information Security	2019	AC	0/10	1
Fullerton	Health and Safety	2019	AI		
	Sponsored Programs	2019	AC	4/4	-
	Health and Safety	2019	AC	0/9	2
Humboldt	Associated Students, Inc.	2019	RW		
	Health and Safety	2019	AC	1/17	3
Long Beach	The Forty-Niner Shops, Inc.	2018	AC	14/18	6
	Information Security	2019	AC	0/4	3
	Health and Safety	2019	AC	0/15	1
	Emergency Management	2019	RW		
Los Angeles	Health and Safety	2019	AC	10/10	-
	Const. - Rongxiang Xu Bioscience Inn. Cntr.	2019	FW		
Maritime Academy	Foundation	2019	FW		
	Health and Safety	2019	AC	0/7	3
Monterey Bay	University Corporation	2019	AC	4/9	3
	Sponsored Programs - Post Award	2019	AC	1/4	3
Northridge	Health and Safety	2019	AC	1/11	3
	Health and Safety	2019	AC		
Pomona	Const. - Student Services Building	2019	AI		
	Professional & Continuing Education	2019	RW		
Sacramento	Sponsored Programs - Post Award	2018	AC	2/3	16 ¹
	Associated Students of CSU, Sacramento	2018	AC	7/10	7 ²
	Cashiering	2019	AC	0/7	5
	Emergency Management	2019	AC	0/7	1

**Status Report on Current and Past
Audit Assignments
(as of 9/20/2019)**

Campus	Audit Topic	Audit Plan Year	Audit Status	Follow-up on Current and Past Audit Assignments	
				*Recs	**Mo.
San Bernardino	Health and Safety	2019	AC	9/17	4
	Information Security	2019	RW		
San Diego	Decentralized Computing	2018	AC	6/11	9 ³
	The Campanile Foundation	2019	AC	4/4	-
	Health and Safety	2019	AC	0/6	1
San Francisco	Sponsored Programs - Pre Award	2019	AC	0/1	1
	Student Organizations	2018	AC	4/7	9
	Health and Safety	2019	AC	0/11	5
	Information Security	2019	FW		
San Jose	Emergency Management	2019	FW		
	The Student Union of San Jose State Univ.	2018	AC	6/7	7
	Health and Safety	2019	AC	3/12	4
	Const. - Spartan Golf Complex, Phase I	2019	AC	0/5	2
	Information Security	2019	RW		
San Luis Obispo	Facilities Management	2019	FW		
	Health and Safety	2019	AC	0/9	5
	Sponsored Programs	2019	FW		
San Marcos	Health and Safety	2019	AC	0/9	1
	IT Disaster Recovery	2019	RW		
Sonoma	Sonoma State Enterprises	2018	AC	5/5	-
Stanislaus	Information Security	2018	AC	9/9	-
	Health and Safety	2019	AC	0/11	1
	Foundation	2019	AI		
Chancellor's Office	Emergency Management	2018	AC	3/4	12
	Accessible Technology	2019	AC	0/7	3
Systemwide	Student Organizations	2017	AC	0/1	18 ⁴

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 12/31/19.

² Approved extended completion date of 10/1/19.

³ Approved extended completion date of 8/31/19.

⁴ Approved extended completion date of 12/31/18.

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

COMMITTEE ON AUDIT

Status Report on the California State Auditor Report on Accounts Outside the State Treasury and Campus Parking Programs

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer

Summary

In June 2019, the California State Auditor (State Auditor) issued its report on the California State University's (CSU's) financial accounts invested outside the state treasury and campus parking programs. The State Auditor requires follow-up responses 60 days, six months, and one year after the report is issued. The CSU has committed to implementing all eight recommendations in the report.

The 60-day response was submitted to the State Auditor on August 19, 2019, and is included as Attachment A. The CSU asserted full implementation of one of the eight recommendations. While the State Auditor confirmed that the two examples provided in support of the CSU's assertion were exactly what they were looking for, they want to see more repetition. Additional examples will be provided to the State Auditor as they become available. Work on the remaining seven is currently in process.

In addition, Chancellor Timothy P. White, other CSU executives, and trustees attended a hearing of the Joint Legislative Audit Committee on August 12, 2019, to discuss the report. Chancellor White affirmed that audits are a strategic tool to strengthen the CSU as an institution and legislators appreciated the system's commitment to implementing all of the audit report recommendations. Chancellor White and Trustee Jack McGrory were able to dispel any notion that the CSU hid or concealed funds from stakeholders; a point the State Auditor also made in her own testimony. In addition, Chancellor White clarified aspects of the audit report that were misleading and Trustee McGrory emphasized the essential fiscal practice of maintaining adequate reserves and agreed that the CSU should revisit the reserve policy using guidance provided in the audit report.

The six-month response is due to the State Auditor in December 2019.

60-Day Responses to CSA Audit #2018-127 Parking Programs and Outside Accounts Due August 19, 2019

Note: The audit report included 10 total recommendations. Recommendation numbers 1 and 4 were made to the Legislature.

Report Recommendation #2:

To improve CSU's financial transparency with students and other stakeholders, the Chancellor's Office, with the approval of the trustees, should revise CSU policy by October 2019 to require that it publish information about CSU's discretionary surplus. At a minimum, the Chancellor's Office should do the following:

- Identify the full amount of discretionary surplus that CSU has accumulated to date in its outside investment account that is attributable to its operating fund or other funds that hold tuition revenue, an estimate of the portion of the surplus amounts that came from tuition, and the dollar amount to date that CSU is obligated to spend to pay for goods and services it has already received or expenses that are tied to existing contracts.
- Report this information to the trustees when it presents them with a summary of CSU's reserves, at least annually.
- Ensure that this information is easily accessible on CSU's website and publicly available to all stakeholders, along with the information CSU provides about tuition rates and policies.

Not fully implemented.¹ The Chancellor's Office is drafting policy updates to implement the recommendation. We anticipate being able to update our policy and website by October 2019 and make a report to the trustees at the November 2019 meeting.

Estimated completion date: November 2019

Report Recommendation #3:

To improve CSU's financial transparency with students and other stakeholders, the Chancellor's Office, with the approval of the trustees, should revise CSU policy by October 2019 to require that it publish information about CSU's discretionary surplus. At a minimum, the Chancellor's Office should do the following:

- Revise its reserve policy to establish and justify a minimum sufficient level of reserve for economic uncertainty and require the Chancellor's Office to provide additional oversight to ensure that CSU maintains that level. This oversight should include monitoring, approving, and notifying the trustees of any uses of the reserve for economic uncertainty.

¹ The State Auditor's website, where we upload these responses, provides three status options: fully implemented, not fully implemented, or will not implement.

Not fully implemented. The Chancellor's Office is drafting policy updates to implement the recommendation.

Estimated completion date: October 2019

Report Recommendation #5:

To ensure that campuses thoroughly investigate and consider alternate transportation strategies, the Chancellor's Office should immediately enforce its policy and require campuses to submit the following information when they request to build new parking facilities:

- Up-to-date master plans and transportation management plans that include as key components their plans for implementing alternate transportation strategies.
- Information on whether and to what extent their alternate transportation strategies have decreased parking demand and evidence that projected parking demand justifies building a new parking facility.

Fully implemented. In July 2019, Chancellor's Office representatives met with campus parking directors to discuss the implementation of the audit recommendations. In addition, the CSU's division of Capital Planning, Design and Construction (CPDC) has taken steps to ensure more meticulous implementation of CSU policy. For example, for a proposed parking structure at the Fullerton campus, CPDC notified campus representatives of the additional information they needed to provide in order to proceed with the process. Further, for a proposed parking structure at the Dominguez Hills campus, CPDC sent a detailed memo to the campus interim vice president outlining additional issues the campus must address before proceeding further with the project.

Month of full implementation: July 2019

Report Recommendation #6:

The Chancellor's Office should update its policy by October 2019 to require campuses to submit the following information when requesting to build a new parking facility:

- The total annual cost to implement each alternate transportation strategy compared to the annual cost of constructing, operating, and maintaining a new parking facility.
- The cost per student served by those strategies compared to the cost per student of constructing, operating, and maintaining a new parking facility.
- The number of students served by each of those strategies compared to the number of students served by the new facility.

- Information, including participation data, on how the campuses have implemented alternate transportation strategies during the last three years.

Not fully implemented. The Chancellor's Office has drafted and communicated for review policy updates to implement the recommendation with the primarily affected campus staff and their management. Comments on the policy were solicited to ensure the feasibility of the specific requirements in the drafted policy. Final adoption of the policy is expected in October 2019.

Estimated completion date: October 2019

Report Recommendation #7

The Chancellor's Office should not approve any request to build a new parking facility unless the requesting campus has submitted this information (recommendations 5 and 6) and the Chancellor's Office has reviewed and approved it.

Not fully implemented. The Chancellor's Office is already requiring the information outlined in recommendation 5 and has used those experiences to draft and circulate updated policy in response to recommendation 6. Once the draft policy and programs have been reviewed and accepted, we will formalize all of the new requirements for requests to build a parking facility.

Estimated completion date: January 2020

Report Recommendation #8:

To ensure that campuses' alternate transportation committees are consistent systemwide, the Chancellor's Office should adopt systemwide policies, by October 2019, to detail the following:

- The frequency of required meetings. The policy should require meetings at least biennially.
- The composition of committee members. The policy should require that the committees include student representatives.
- The committees' responsibilities. These responsibilities should include the assessment of alternate transportation programs based on participation data and recommendations in the campuses' transportation studies.

Not fully implemented. The Chancellor's Office is drafting policy updates to implement the recommendation and will notify campuses of the new requirements once the policies are in place.

Estimated completion date: October 2019

Report Recommendation #9:

The Chancellor's Office should also require that, by October 2019, the campuses publish the names of the alternate transportation committee members, the committee meeting minutes, and the committee meeting schedule on their parking and transportation services websites.

Not fully implemented. The Chancellor's Office is drafting policy updates to implement the recommendation and will notify campuses of the new requirements once the policies are in place.

Estimated completion date: October 2019

Report Recommendation #10:

To ensure that campuses have a stable source of funding for investing in alternate transportation programs, the Chancellor's Office should update its policy by October 2019 to require campuses to include in their master plans or transportation management plans the potential revenue streams they will explore to secure a stable source for funding these programs. Examples of such revenue streams could include parking fees that they have reprioritized for alternate transportation, a stand-alone student transportation fee, local government partnerships or grants, or surplus parking revenue.

Not fully implemented. The Chancellor's Office is drafting policy updates to implement the recommendation and will notify campuses of the new requirements once the policies are in place.

Estimated completion date: October 2019

COMMITTEE ON AUDIT

Status Report on Consideration of Opportunities for Continued Program Enhancement of the Institutional Control Environment

Presentation By

Larry Mandel
Vice Chancellor and Chief Audit Officer

Summary

At the July 2019 meeting of the Committee on Audit, the Report on the Results of Quality Assessment Review (QAR) of the California State University System Internal Audit Program was presented. While the primary objective of the QAR was to provide reasonable assurance that the internal auditing program at the California State University System complied with the *International Professional Practices Framework* promulgated by the Institute of Internal Auditors, observations and recommendations for continued program enhancement related to the institutional control environment were also noted. The review team was cognizant of the control environment at the institution because of the effect it can have on audit work. While the review team did not detect weaknesses in the control environment, the following opportunities were presented for consideration by senior leadership to further enhance the institution's efforts to set a strong tone at the top related to compliance and ethical behavior.

Code of Ethics

Opportunity for Consideration:

While some individual departments and divisions, including Audit and Advisory Services, have adopted or subscribe to codes of ethics specific to their offices, the CSU does not have a systemwide code of ethics. A code of ethics helps define baseline expectations for behavior and promote an environment that supports ethical decision making, respect for all persons, and other desirable notions. A code of ethics would provide overarching support for existing policies related to human resources, financial matters, academic integrity, and the like, and we encourage the development of one.

Status:

Although it is correct that the CSU does not have a single overarching policy or statement on ethics, there are an extensive set of ethics-related laws the CSU must follow, as well as several

policies that have been enacted that govern the ethical conduct of employees in the CSU. Examples of existing laws governing the CSU include the Political Reform Act and statutory conflict of interest laws, federal laws mandating annual lobbying disclosure reports, state laws governing government contracting and procurement, and the Public Records Act and Bagley-Keene Open Meetings Act, both of which help ensure transparency and ethical behavior. In addition to legal mandates, the CSU has many ethics-related policies, such as the CSU Conflict of Interest Code, the CSU Outside Employment Policy (which protects against conflicts of time and effort), the Code of Conduct for the Board of Trustees, and many campus-specific ethics-related policies, such as Sacramento State's Honor Code.

It is not clear whether the reviewer was aware of these existing requirements and standards, but it is noteworthy that the Quality Assessment Review report does not find that the absence of a single systemwide code causes the CSU audit function to be out of compliance with national standards. Nonetheless, in addition to the existing statutory and policy framework, the CSU senior leadership is considering adopting a systemwide statement on ethical values and expectations.

Whistleblower Hotline

Opportunity for Consideration:

Currently, employees or others that suspect or know about fraud or other wrongdoing do not have a way to report it anonymously at CSU. The university has a whistleblower protection policy and a policy on reporting fiscal improprieties. Both of these policies list several offices and the California State Auditor as potential reporting sites; however, no internal anonymous reporting mechanism is provided.

We recommend the institution consider implementing a third party whistleblower hotline. Whistleblower hotlines provide a mechanism for complaints, anonymous or otherwise, to be made through one central communication channel. A third party hotline could also provide complainants with greater assurance that their identity (whether or not it is disclosed to the third party hotline) will be protected and limit the possibility of retaliation.

Status:

While the CSU does not have a systemwide reporting hotline to receive whistleblower complaints/allegations of improper governmental activity, both systemwide policies and procedures and the California State Auditor's (CSA's) Whistleblower Hotline provide mechanisms for complaints, anonymous or otherwise.

In September 2018, the chancellor issued Executive Order (EO) 1115, *Complaint Procedures for Protected Disclosure of Improper Governmental Activities and/or Significant Threats to Health or Safety*. This EO revised the procedures for making protected disclosures (whistleblower complaints) and, among other things, allowed third-party and anonymous complaints. The procedure is available to anyone (employees, students, and third parties) wishing to make a verbal or written complaint and applies systemwide to all campuses and the Chancellor's Office. The identity of complainants is protected. The EO process is accessible and widely used and Systemwide Human Resources is the office responsible for overseeing and administering the whistleblower policy. It is the campuses' responsibility to adopt and implement the procedures set out in the EO instead of establishing their own procedures.

Additionally, the state auditor maintains a whistleblower hotline where complaints pertaining to the CSU may be made. State agencies, including the CSU, are also required to inform employees about the CSA's Whistleblower Hotline. This occurs through posting of a notice from the CSA and an annual email notification. The California Government Code requires state agencies to post the CSA notice in locations where other employee notices are maintained. Complainants may file with the CSA via their toll-free hotline, online complaint form, or by mail.

Senior leadership is conducting an assessment of the costs and benefits associated with implementing an internal third-party whistleblower hotline in addition to the state auditor's whistleblower hotline.

Institutional Compliance Function

Opportunity for Consideration:

Compliance efforts at CSU are currently decentralized to many responsible offices such as athletics, research, human resources, and the like on each campus. While some institutions operate successfully in exactly such a decentralized environment, CSU's magnitude and complexity increases its compliance risk posture. Compliance efforts at CSU may be further improved through development of a systemwide compliance function. While we do not advocate one office taking responsibility for all compliance efforts, a leading practice we recommend is to designate an institutional compliance officer to support coordination, communication, training, and risk monitoring across the campuses.

Status:

The CSU has a robust decentralized compliance function in which each disparate area of compliance is managed by specialized subject-matter experts. The compliance function for the system is dispersed throughout the various divisions at the Office of the Chancellor. For

example, Business and Finance has oversight of Clery compliance and Systemwide Human Resources has oversight of compliance areas such as Title IX and Whistleblower and Equal Employment Opportunity. Additionally, the systemwide internal audit function periodically audits most major compliance functions throughout the system.

Senior leadership is considering performing a gap analysis to determine if there are any significant compliance areas that do not have adequate systemwide coverage in addition to the campus compliance responsibility. Additionally, such a gap analysis could further ensure that critical risks are being properly managed by the appropriate individuals.

Prosecution for Wrongdoing

Opportunity for Consideration:

CSU operates 23 institutions throughout the state of California. Decisions of whether to refer cases involving employees suspected of criminal wrongdoing for prosecution are currently impacted by whether the jurisdiction is likely to take the case, which may result in the appearance of uneven treatment of individuals. We recommend development of a systemwide policy with guidelines for referring cases for prosecution so similar cases will be handled the same regardless of jurisdiction.

Status:

The Committee on Audit and Board of Trustees approved a resolution at the May 2019 meeting containing guidelines and requirements for referring cases for prosecution.