

AGENDA

COMMITTEE ON AUDIT

Meeting: **11:30 a.m., Tuesday, July 13, 2021**
 Virtually via Teleconference

Adam Day, Chair
Jane W. Carney, Vice Chair
Jack McGrory
Anna Ortiz-Morfit
Krystal Raynes
Lateefah Simon

Consent 1. Approval of Minutes of the Meeting of May 18, 2021, *Action*
 2. Status Report on Audit and Advisory Services Activities, *Information*
 3. Report on Financial Statements Audit Corrective Actions, *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**

May 18, 2021

Members Present

Adam Day, Chair
Jane W. Carney, Vice Chair
Silas H. Abrego
Jean P. Firstenberg
Jack McGrory
Anna Ortiz-Morfit
Peter J. Taylor
Lillian Kimbell, Chair of the Board

Trustee Jane W. Carney called the meeting to order.

Approval of Minutes

The minutes of March 23, 2021 were approved as submitted.

Status Report on Audit and Advisory Services Activities

Trustee Romey Sabalius inquired about commenting on the item and Trustee Carney removed the item from the consent agenda for discussion. Trustee Sabalius expressed appreciation and commended Vlad Marinescu, vice chancellor and chief audit officer, for including an attachment outlining the audit topics.

The consent agenda was approved.

***PLEASE NOTE: Due to the Governor's proclamation of a State of Emergency resulting from the threat of COVID-19, and pursuant to the Governor's Executive Orders N-25-20 and N-29-20 issued on March 12, 2020 and March 17, 2020, respectively, all members of the Board of Trustees may participate in meetings remotely, either by telephonic or video conference means. Out of consideration for the health, safety and well-being of the members of the public and the Chancellor's Office staff, the May 17-19, 2021 meeting of the CSU Board of Trustees was conducted entirely virtually via Zoom teleconference.**

Fiscal Year 2021-2022 Audit Plan

In accordance with the Audit Committee charter, Vice Chancellor Marinescu presented the annual audit plan for fiscal year 2021-2022 to the committee for review and approval. Each year, Audit and Advisory Services engages in an annual audit planning process to develop a comprehensive risk-based audit plan that addresses both systemwide risks and individual campus-specific risks. The 2021 audit plan consists of five primary functional areas: assurance audits and data analytics, advisory services, investigations and intergovernmental audits, outreach and engagement, and audit support.

The foundation of the plan is focused on the core support areas of Finance and Administration; Information Technology; and Compliance, Human Resources and Risk Management. The second segment of the plan is focused on Academic Administration; Student Activities and Services; and University Relations and Advancement. The final segment of the plan focuses on auxiliary organizations. Although the audit topics are organized into organizational area categories, there is overlap between categories for many of the reviews that are planned. A brief description of each planned audit topic is included in Attachment A of the agenda item.

The assurance audits portion of the audit plan also includes data analytics and continuous auditing, which allows for monitoring and reviewing large data sets for anomalies and trends with a high degree of automation. It also assists with the existing audit process. By using a continuous auditing approach, control testing and monitoring can be performed on a more frequent or continuous basis, as opposed to a traditional audit approach, in which a particular area may only be covered once every three or four years.

Approximately 20 percent of staff resources are allocated toward advisory services. For these consultative reviews, 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.

Resources are also allocated for investigations and the coordinating of intergovernmental audits. The investigations unit of Audit and Advisory Services acts as a liaison and representative for the CSU system throughout the intergovernmental audit process. For audits of the CSU performed by the California State Auditor, Audit and Advisory Services helps facilitate communication between the State Auditor, the chancellor's office, and any applicable campuses. Because the need for investigations fluctuates depending on when issues and allegations come to the attention of administrators, investigations resources are also deployed to perform advisory work targeted toward fraud risk and prevention, as time allows.

The last major area of the audit plan includes outreach and engagement. Although audit and advisory work naturally requires quite a bit of outreach and engagement, the audit plan allocates additional resources to ensure that Audit and Advisory Services is partnering and working with

stakeholders beyond what would be the usual course of business for an audit or advisory review. This includes activities such as participating in and leading affinity groups, providing support and guidance to campus and chancellor's office management, sharing information and common themes across campuses, and acknowledging feedback and insights provided by management. Outreach and engagement activities also include educational activities such as providing fraud prevention and awareness training for staff throughout the system and providing students with work experience and exposure to the audit profession.

Following the presentation, the trustees discussed the audit plan. Trustees expressed support for building the data analytics program and inquired about the allocation of resources toward audits of auxiliary organizations and emphasized coverage for this area.

The Fiscal Year 2021-2022 Audit Plan was approved.

Trustee Carney 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 report on both the 2020-2021 and 2021-2022 audit plans, as well as follow-up on completed audit assignments. Follow-up on current and past assignments is being conducted on approximately 33 completed campus reviews. Attachment A summarizes the status of audit assignments by campus.

For both the 2020-2021 audit plan year and 2021-2022 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; and provide advisory services and investigation reviews.

AUDITS

Status of In-Process and Completed Audits

Audit and Advisory Services is wrapping up work on the 2020-2021 audit plan and has commenced work on the 2021-2022 audit plan. Thirty-six audits have been completed as part of the 2020-2021 audit plan and the remaining 2020-2021 audits are progressing through the report writing and campus review process. Fieldwork has begun for 2021-2022 audits and is being performed remotely. Audit management is currently evaluating when in-person on site fieldwork will resume. 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 2020-2021 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 the meeting following all recommendations having shown as 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 implemented 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.

Continuous Auditing and Data Analytics

Audit and Advisory Services has completed the second round of credit card reviews at all 23 campuses and the chancellor's office. Based on the results of the reviews, credit card tests have been identified for automation, and quarterly reports on credit card data trends and analyses are being developed to share with campuses on an on-going basis.

Fieldwork has been completed for the review of human resources/payroll at two campuses for the current audit plan year, and data validation at two additional campuses is currently in progress.

A process has been implemented to incorporate data analytics into all audits. The data analytics team provides input in the planning stage of each audit of available data, and feasible analytics tests that can be performed.

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 and work is being performed remotely.

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, 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.

The California State Auditor (CSA) recently identified 18 state agencies, including the California State University (CSU), that are responsible for managing a portion of federal COVID-19 funds. The CSU and University of California are among the entities being audited regarding the administration of these funds. The audit is currently underway and will evaluate the role of the Chancellor's Office in overseeing the funds and providing guidance to the campuses on their use. The funds are administered at the campus level, and as a result the CSA has selected three CSU campuses to review: Chico, Long Beach, and Sonoma.

Last year the investigations unit began providing fraud awareness and prevention training throughout the CSU system. The fraud awareness and prevention training program shares insights and common findings from investigations. Investigations often involve allegations related to travel and hospitality claims and procurement card transactions, so the program highlights CSU-specific examples that cover each of those areas and provides practical guidance on how to prevent and detect fraud. Since fall 2020, presentations have been made to 14 campuses and various systemwide affinity groups, and more than 1,300 employees throughout the system have participated in the training program, including presidents, chief administrators, business officers, campus audit liaisons, and academic personnel such as department chairs, deans, and provosts.

Status Report on Current and Past Audit Assignments

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Status of Recommendations	Cloud Computing	2020	2	2
		Housing and Residential Services	2020	5	5
Chancellor's Office	Audits Currently in Progress	Procurement	2020		
Channel Islands	Status of Recommendations	Faculty Assigned Time and Additional Employment	2019	4	4
		Conference Services	2020	2	1 1
		Information Security	2020	9	9
Chico	Audits Currently in Progress	Academic Personnel	2020		
Dominguez Hills	Audits Currently in Progress	Accounts Payable & Disbursements	2020		
	Status of Recommendations	Post Award Administration	2020	6	6
East Bay	Audits Currently in Progress	Facilities Management	2020		
		Information Security	2020		
Fresno	Audits Currently in Progress	Faculty Assigned Time and Additional Employment	2020		
	Status of Recommendations	Professional and Continuing Education	2020	3	3
Fullerton	Audits Currently in Progress	Faculty Assigned Time and Additional Employment	2020		
	No Reportable Recommendations	Service Learning	2020	n/a	
Humboldt	Status of Recommendations	Facilities Management	2020	6	6
		Procurement	2020	1	1
		University Center	2020	14	7 7
Long Beach	Status of Recommendations	Foundation	2020	3	3
	No Reportable Recommendations	Accounts Payable & Disbursements	2020	n/a	
Los Angeles	Audits Currently in Progress	Information Security	2020		
	Status of Recommendations	Faculty Assigned Time and Additional Employment	2020	3	3
Maritime Academy	Audits Currently in Progress	Service Learning and Internships	2020		
	Status of Recommendations	Foundation	2020	8	8
Monterey Bay	Status of Recommendations	Information Security	2020	11	11
		Professional and Continuing Education	2020	2	2
Northridge	Audits Currently in Progress	Service Learning and Internships	2020		
Pomona	Audits Currently in Progress	Auxiliary-Owned Housing	2021		
	Status of Recommendations	Housing and Residential Services	2020	4	4
	No Reportable Recommendations	Procurement	2020	n/a	
Sacramento	Audits Currently in Progress	Service Learning	2021		
	Status of Recommendations	Professional and Continuing Education	2020	3	3
	No Reportable Recommendations	Accounts Payable & Disbursements	2020	n/a	

***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 June 22, 2021

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	Facilities Management	2020		
	Status of Recommendations	Philanthropic Foundation	2020	6	<div><div>6</div></div>
		Post Award Administration	2020	6	<div><div>5</div><div>1</div></div>
San Diego	Audits Currently in Progress	Information Security	2020		
		Procurement	2020		
	Status of Recommendations	Emergency Management	2020	7	<div><div>7</div></div>
San Francisco	Audits Currently in Progress	Endowment Management	2021		
	Status of Recommendations	Emergency Management	2019	11	<div><div>10</div><div>1</div></div>
		Facilities Management	2020	3	<div><div>3</div></div>
		Minors on Campus	2020	5	<div><div>5</div></div>
San Jose	Audits Currently in Progress	Counseling and Psychology Services	2021		
	Status of Recommendations	Construction Management	2020	4	<div><div>4</div></div>
		Fundraising and Gift Processing	2020	3	<div><div>3</div></div>
		Professional and Continuing Education	2020	5	<div><div>5</div></div>
San Luis Obispo	Audits Currently in Progress	Information Security	2020		
	Status of Recommendations	Associated Students, Inc.	2020	5	<div><div>5</div></div>
		Construction Management	2020	6	<div><div>6</div></div>
		Housing and Residential Services	2020	12	<div><div>12</div></div>
San Marcos	Audits Currently in Progress	Associated Students, Inc.	2020		
		Information Security	2020		
	Status of Recommendations	Emergency Management	2020	6	<div><div>6</div></div>
Sonoma	Status of Recommendations	Accessible Technology	2020	5	<div><div>5</div></div>
	No Reportable Recommendations	Travel and Hospitality	2020	n/a	
Stanislaus	Audits Currently in Progress	Credit Cards	2020		
	Status of Recommendations	Cloud Computing	2020	2	<div><div>2</div></div>
		Emergency Management	2020	4	<div><div>4</div></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

Report as of June 22, 2021

COMMITTEE ON AUDIT

Report on Financial Statements Audit Corrective Actions

Presentation By

Mary Ek
Assistant Vice Chancellor/Controller
Financial Services

Summary

As presented at the March 2021 California State University Board of Trustees meeting, each component unit conducts individual audits and nine of the 91 component units (mostly auxiliary organizations) were found to have a mix of material weaknesses and significant deficiencies in internal controls over financial reporting. All component units have provided documentation of corrective actions taken.

Additionally, there were findings of minor financial materiality from the Single Audit of Federal Awards audit and campuses have provided documentation of corrective actions taken.

The Chancellor's Office Financial Services and Audit and Advisory Services have reviewed documentary evidence provided by auxiliary organizations and campuses and have confirmed completion of corrective actions to respond to findings from the component unit audits and the Single Audit.