

AGENDA

COMMITTEE ON AUDIT

Meeting: 1:35 p.m., Tuesday, March 25, 2025
Glenn S. Dumke Conference Center

Christopher Steinhauser, Chair
Yammilette Rodriguez, Vice Chair
Jean Picker Firstenberg
Jazmin Guajardo
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 Conference Center
401 Golden Shore
Long Beach, California**

January 28, 2025

Members Present

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

Jack B. Clarke, Jr., Chair of the Board

Trustee Kimbell called the meeting to order.

Approval of the Consent Agenda

The minutes of the November 21, 2024 meeting of the Committee on Audit were approved as submitted.

Item two, Status Report on Audit and Advisory Services Activities, was an information item.

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.

ASSURANCE AUDITS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2024-25 audit plan. Seventeen audits have been completed and 22 audits are currently in process. Follow-up on current and past assignments is being conducted on 29 completed university reviews. All university follow-up from 2022-23 audits has been completed. 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.

Upcoming Audits

Audit and Advisory Services will be performing four audits on Budget Administration starting in April 2025. As the CSU faces budget challenges, reliable and accurate budgets are essential to resource planning and prioritization. The review will be performed at multiple universities to understand budgeting and forecasting processes, oversight and monitoring mechanisms, and methods to resolve budget discrepancies. At the conclusion of the audits, any trends, best practices, or suggestions for updates to existing policy will be communicated with systemwide management.

Annual Risk Assessment

Audit and Advisory Services is currently conducting its annual audit planning/risk assessment process, working with the 23 universities and the Chancellor's Office to formulate the audit plan for the 2025-26 fiscal year. We are currently wrapping up the university portion of the review, which includes input from interviews and surveys with university leadership, consideration of university auxiliary organizations, university metrics such as employee turnover and financial impact, and prior internal and external audit results. The results of this university-level review will help to inform the customized university audit plan that is developed for each of the 23 universities and the chancellor's office, and is incorporated into the systemwide audit plan for fiscal year 2025-26 will be presented at the May meeting of the Committee on Audit.

Implementation Process for Audit Recommendations

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

Our advisory services program continues to engage with universities to enhance university internal controls, gain efficiencies, and improve compliance.

Given the budget challenges at universities, Audit and Advisory Services is performing cost allocation advisory reviews at several universities. The focus of these reviews is to evaluate the methodologies used to value CSU services provided to auxiliary and enterprise organizations and calculate costs to be recovered. The objective is to provide the universities with guidance for the development of an updated accurate cost allocation plan that incorporates best practices and benchmarking from across the CSU. These reviews complement our budget assurance audits, giving universities a clearer insight into their cost recovery processes.

Advisory Services works in partnership with university management to identify solutions for business challenges. The goal is to enhance the awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. These engagements are more consultative in nature than traditional audits and are performed in response to specific requests from university management. Through this collaborative process, universities are assisted in navigating complex challenges, fostering an environment of continuous improvement and proactive risk management.

INVESTIGATIONS AND INTERGOVERNMENTAL AUDITS

Audit and Advisory Services is periodically called upon to provide investigative reviews of alleged fiscal improprieties. Investigations are performed at the request of the Chancellor's Office Civil Rights Whistleblower program. Audit and Advisory Services also offers assistance to universities with whistleblower cases or suspected instances of fiscal improprieties. 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 universities as part of their review. The three universities are Cal State Fullerton, Fresno State, and San Francisco State. The auditors anticipate that the report will be released in July 2025. 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. In March 2025, the Chancellor's Office submitted its six-month response to the audit's recommendations, outlining that the implementation of all recommendations is currently in progress. 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, comprised of Global Internal Audit Standards, Topical Requirements, and Global Guidance, as promulgated by the Institute of Internal Auditors.

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 updated the International Professional Practices Framework to issue new consolidated Global Internal Audit Standards effective January 9, 2025. Audit and Advisory Services recently completed a readiness assessment to ensure alignment and adherence with the revised standards and will share additional information with the Committee on Audit in May 2025.

STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Audits Currently in Progress	Philanthropic Foundation	FY 24-25		
Chancellor's Office	Audits Currently in Progress	Logical Access and Security	FY 24-25		
		Title IX	FY 24-25		
	Status of Recommendations	Multi-Campus Centers and Institutes	FY 24-25	5	5
		Sensitive Data Management	FY 24-25	1	1
		Youth Programs Policy	FY 24-25	1	1
Channel Islands	Audits Currently in Progress	Information Security	FY 24-25		
		Site Authority	FY 24-25		
	Status of Recommendations	University Auxiliary Services	FY 23-24	9	9
Chico	Status of Recommendations	Youth Programs	FY 24-25	5	5
Dominguez Hills	Status of Recommendations	Americans with Disabilities Act	FY 24-25	7	7
East Bay	Audits Currently in Progress	Supplier Administration and Payments	FY 24-25		
	No Reportable Recommendations	Sensitive Data Management	FY 24-25	n/a	
Fresno	Audits Currently in Progress	Agricultural Foundation	FY 24-25		
	Status of Recommendations	Fleet Services	FY 23-24	9	5 4
		Information Security	FY 23-24	13	1 12
Fullerton	Audits Currently in Progress	Cloud Computing	FY 24-25		
	Status of Recommendations	Americans with Disabilities Act	FY 23-24	3	3
		Business Continuity and IT Disaster Recovery	FY 23-24	7	2 5
		Philanthropic Foundation	FY 24-25	7	7
Humboldt	Audits Currently in Progress	Follow-Up - Human Resources	FY 24-25		
		Sensitive Data Management	FY 24-25		
	Status of Recommendations	Sponsored Programs Foundation	FY 24-25	10	10
Long Beach	Audits Currently in Progress	Philanthropic Foundation	FY 24-25		
	Status of Recommendations	Information Security	FY 23-24	9	9
		Academic Personnel	FY 24-25	3	3
Los Angeles	Audits Currently in Progress	Housing	FY 24-25		
	Status of Recommendations	Construction	FY 24-25	8	8
Monterey Bay	Audits Currently in Progress	Housing	FY 24-25		
		Information Security	FY 24-25		
Northridge	Audits Currently in Progress	Cloud Computing	FY 24-25		
	Status of Recommendations	Youth Programs	FY 24-25	6	5 1
Pomona	Audits Currently in Progress	Human Resources	FY 24-25		
	Status of Recommendations	Fundraising and Gift Processing	FY 23-24	4	1 3
Sacramento	Audits Currently in Progress	Associated Students	FY 24-25		
		Information Security	FY 24-25		
	Status of Recommendations	Capital Public Radio	FY 22-23	17	17
		Youth Programs	FY 23-24	5	2 3

*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



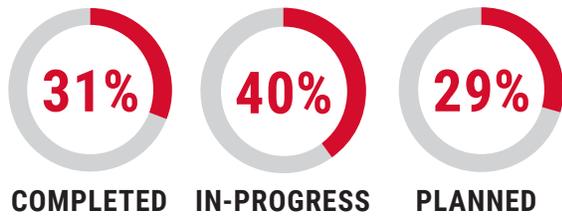
STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status	
San Bernardino	Audits Currently in Progress	Housing	FY 24-25			
	Status of Recommendations	University Enterprises Corporation	FY 23-24	18	18	
		Construction	FY 24-25	3	3	
		Executive Travel and Hospitality	FY 24-25	2	2	
San Diego	Status of Recommendations	Information Security	FY 23-24	17	11	6
		Counseling and Psychological Services	FY 24-25	1	1	
San Francisco	Audits Currently in Progress	Supplier Administration and Payments	FY 24-25			
	No Reportable Recommendations	Police Services	FY 24-25	n/a		
	Status of Recommendations	Information Security	FY 23-24	10	4	6
San José	Audits Currently in Progress	Spartan Shops	FY 24-25			
	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	3	1
San Luis Obispo	Audits Currently in Progress	Faculty Assigned Time and Additional Employment	FY 24-25			
	Status of Recommendations	Accessible Technology	FY 23-24	4	3	1
San Marcos	Status of Recommendations	Information Security	FY 24-25	13	13	
Sonoma	No Reportable Recommendations	Admissions	FY 24-25	n/a		
	Status of Recommendations	Business Continuity and IT Disaster Recovery	FY 23-24	10	1	9

***Status**
 Closed (green) - Recommendations have been satisfactorily implemented
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 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



STATE AUDITOR UPDATE

Audit and Advisory Services submitted an updated response on behalf of the Chancellor's Office, to the CSA Title IX audit recommendations, demonstrating that 15 out of the 16 recommendations have been fully implemented. The remaining recommendation, which pertains to the implementation of a systemwide case management system, is on track for completion by July 2026.

ANNUAL RISK ASSESSMENT

