

## AGENDA

### COMMITTEE ON AUDIT

**Meeting:**     **1:00 p.m., Tuesday, July 23, 2024**  
                  **Glenn S. Dumke Auditorium**

Lillian Kimbell, Chair  
Anna Ortiz-Morfit, Vice Chair  
Jean Picker Firstenberg  
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**

**May 21, 2024**

**Members Present**

Yammilette Rodriguez, Chair  
Jean Picker Firstenberg, Vice Chair  
Leslie Gilbert-Lurie  
Lillian Kimbell  
Jonathan Molina Mancio  
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 March 26, 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.

**Fiscal Year 2024-2025 Audit Plan**

Vlad Marinescu, vice chancellor and chief audit officer, presented the annual audit plan for fiscal year (FY) 2024-2025 for review and approval. The primary objective of the audit plan is to provide assurance that risks are being mitigated and that CSU controls are designed and operating effectively. 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 university-specific risks.

The foundation of the assurance audit plan is focused on the core support areas of Administration and Compliance; Business and Finance; and Information Technology. 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. A description of each planned audit topic is included in Appendix A of the agenda item.

The assurance audits portion of the audit plan also includes data analytics. The two pillars of Audit and Advisory Services' data analytics program activities are the core areas of assurance audit support and

continuous monitoring of analytics results. Data analytics has been integrated into the assurance audit planning process in order to identify trends or anomalies, to select more relevant samples for review, and to provide an analysis on the entire population of data when applicable. The second pillar of the data analytics program is the continuous monitoring of analytics results. The ultimate goal for each data analytics project is to enable on-going continuous monitoring. The continuous monitoring phase of the development cycle has been achieved for four data analytics areas: Concur travel, credit cards, payroll, and risk indicators. In the coming year the anomalies identified in these four areas will be reviewed and a process to streamline continuous monitoring processes will be implemented. New areas will also be explored with the goal of achieving new continuous monitoring streams. A description of each data analytics area is included in Appendix B of the agenda item.

The risk assessment process for the assurance audit plan is a methodical process that takes considerable time to develop each year, whereas advisory services reviews are more ad hoc in nature and allow for addressing risk and operational improvements in real time and in a more agile fashion. The advisory services function serves as a proactive, strategic approach to helping our universities identify, assess, and mitigate risks effectively. These reviews are requested by university management and are typically accommodated on a first-come, first serve, basis. The advisory function serves as a complement and value-add to the assurance audit plan.

The FY 2024-2025 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. Sixty-five percent of staff resources are allocated toward assurance audits and data analytics. Remaining resources are allocated toward advisory services, investigations and the coordinating of intergovernmental audits, outreach and engagement, and audit support.

The FY 2024-2025 Audit Plan was approved.

### **Audited Financial Statements and Single Audit Report**

Steve Relyea, executive vice chancellor and chief financial officer, reported that the financial statements will be published on the CSU financial transparency portal following the board meeting. Tracey Richardson, assistant vice chancellor and controller, presented the FY 2022-2023 CSU Financial Statements, Single Audit Report, and results of the annual external audit performed by KPMG. The CSU consolidates financial information from all 23 universities, the Office of the Chancellor, and 93 component units.

Ms. Richardson shared a summary of the revenues for the year ended June 30, 2023, compared to the prior year. Total revenues from all sources were \$15.1 billion for FY 2022-2023, which was \$1.1 billion higher than the previous year. The largest source of revenue was state appropriations of \$6.2 billion, or 41% of total revenues. Grants, contracts, and gifts constituted \$3.7 billion, which represented 25% of total revenues. The decrease in this area was primarily due to the decrease in the Higher Education Emergency Relief Funds activity during the last year of the grant period which ended on June 30, 2023. Student tuition and fees net of scholarship allowance represented 15% of total revenues. Other revenues included fees from self-support activities including housing, parking, student activities, and professional and continuing education. Other revenues also include investments, which increased due to unrealized gains that made up \$1.2 billion or 77% of the overall increase in revenue.

A comparative summary of the expenditures for FY 2022-2023 in comparison with FY 2021-2022 was also presented. Operating and nonoperating expenses totaled \$13 billion for FY 2022-2023. Expenses related to instructional activities, academic support, research, and student services including student grants and scholarships were 63% of the total. Expenses for institutional support represent 11% of total expenses. Auxiliary enterprise expenses include costs associated with housing, parking, student activities, and professional and continuing education, amongst others. The nature of the largest component of expenses is salaries and benefits for faculty and staff.

Ms. Richardson reported that the audited financial statements also include information on the CSU's liabilities and assets, which are presented in the statement of net position. The overall net deficit position of \$7.6 billion improved by \$2 billion over the prior year. Government entities are required to report long-term post-employment and pension benefit obligations and this is reflected as a negative \$22.4 billion in 2023. CSU's positive unrestricted other net position of \$7.4 billion as of June 30, 2023, increased by \$1.2 billion over the prior year. Increases in state appropriations contributed to the growth in net position. Designated balances and reserves are a component of the \$7.4 billion of unrestricted net position. Designated balances include short-term obligations, capital needs, and catastrophic events. As of June 30, 2023, the amount set aside for economic uncertainty by the 23 universities and the Office of the Chancellor was \$766 million, or about 1 month of operating expenses. The CSU reserves policy suggests a guideline for reserves of between three and six months of operating costs.

The single audit is primarily a compliance audit requirement for federal award expenditures. Federal award expenditures for the 23 universities and the chancellor's office amounted to \$2.6 billion for FY 2022-2023. Major programs are determined annually using a risk-based assessment. The external auditors focused the compliance audit on the following five grants: Student Financial Assistance cluster grant; Higher Education Emergency Relief Fund grant; TRIO Cluster grant; FEMA Disaster grant; and Higher Education Institutional Aid grant. There were two audit findings with the CSU single audit. One identified untimely and incomplete quarterly reporting requirements for HEERF at one university. The reports were uploaded one to two days after the 10-day required period. Another found noncompliance with the federal requirement to complete timely and accurate enrollment reporting for federal student financial assistance at one university. Auxiliaries issue stand-alone single audit reports. One auxiliary organization had one audit finding regarding a lack of internal control to ensure documentation compliance with the grant requirements. One single audit for a university auxiliary has not been completed yet. There were no questioned costs identified during the audit. The audit findings are significant deficiencies and did not rise to a material weakness and KPMG issued an unmodified audit opinion.

The CSU prepares annual financial statements that consolidate financial information for all 23 universities, the Office of the Chancellor and 93 auxiliary organizations. The universities and Office of the Chancellor have no audit findings and KPMG issued an unmodified audit opinion. Each auxiliary also conducts its own financial statement audit. Of the 93 auxiliaries, two have not completed their audits or issued reports therefore the results for these two cannot yet be reported. Of the other 91 auxiliary organizations three had audit findings and two were material weaknesses. The corrective actions are currently in progress as of the board meeting date. Ninety-one auxiliaries also received an Unmodified Audit Opinion. The three referenced findings represent fewer audit findings than last year.

Chris Ray, audit partner at KPMG, reported that the results of the CSU audit include an unmodified audit opinion on the financial statements and single audit reports. The accounting principles for the CSU system are summarized in footnote 2 of the financial statements and there were two changes this year related to the

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adoption of GASB 96 and GASB 94. GASB 94 provides guidance for accounting and financial reporting for public-private and public-public partnership arrangements and availability payment arrangements and GASB 96 relates to subscription-based information technology arrangements. Mr. Ray noted that the CSU's actuarial assumptions that are used as part of the pension and OPEB liabilities are included as part of the audit. There were uncorrected adjustments for differences in census date including OPEB and pension and two corrected adjustments related to the state's pushdown of entries related to the payroll revolving fund and the footnote disclosure on capital assets. There were no corrected misstatements to the financial statements. The report on government auditing standards and internal controls related to financial reporting had no audit findings. For the Single Audit, there were two audit findings, which were discussed in Ms. Richardson's presentation.

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 report on the 2023-24 and 2024-25 audit plans. Attachment A summarizes the status of audit assignments by university. Attachment B illustrates key activities and milestones.

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 is wrapping up work on the 2023-24 audit plan and has commenced work on the 2024-25 audit plan. Thirty-three audits have been completed as part of the 2023-24 audit plan and the remaining 15 audits are anticipated to be completed by September 2024. Audits for 2024-25 have commenced, with fieldwork for 10 audits starting by the end of July 2024. Follow-up on current and past assignments is being conducted on 32 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 250 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 CSA has yet to establish an official timeline for this audit. However, we expect the audit to start sometime between November 2024 and March 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 federal Jeanne Clery Disclosure of Campus Security Policy and Campus Crime Statistics Act (Clery Act) requires all eligible institutions that participate in federal student aid programs under Title IV of the Higher Education Act of 1965 to prepare, publish, and distribute annual security reports disclosing specified campus crime statistics and campus security policies. The California State Auditor (CSA) is required by the California Education Code to conduct Clery Act audits every three years of at least six higher education institutions. The CSA typically includes at least one CSU campus in each Clery Act audit. The CSA started a new Clery Act audit in February 2024, and selected California State University, Chico for review. The audit's estimated completion date is July 30, 2024.

The 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 August 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 June 2024 and July 2024, the CSU submitted the required one-year 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 will soon be available on the CSA's website:

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

#### 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.



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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 |
|---------------------|------------------------------|--|-----------------|----------------------------|---------|
| Bakersfield         | Audits Currently in Progress | Computer Security Incident Response          | FY 23-24        |                            |         |
|                     |                              | Parking Operations                           | FY 23-24        |                            |         |
| Chancellor's Office | Audits Currently in Progress | Sensitive Data Management                    | FY 24-25        |                            |         |
|                     | Status of Recommendations    | Payroll and Benefits Reporting               | FY 22-23        | 2                          | 2       |
|                     |                              | Emergency Management                         | FY 23-24        | 2                          | 2       |
| Channel Islands     | Status of Recommendations    | University Auxiliary Services                | FY 23-24        | 9                          | 7 2     |
| Chico               | Audits Currently in Progress | Executive Travel and Hospitality             | FY 23-24        |                            |         |
|                     | Status of Recommendations    | Endowment Management                         | FY 23-24        | 2                          | 2       |
| Dominguez Hills     | Audits Currently in Progress | Americans with Disabilities Act              | FY 24-25        |                            |         |
|                     | Status of Recommendations    | Property and Equipment                       | FY 23-24        | 12                         | 6 6     |
| East Bay            | Status of Recommendations    | Construction Management                      | FY 23-24        | 5                          | 3 2     |
|                     |                              | East Bay Foundation                          | FY 23-24        | 10                         | 10      |
| Fresno              | Audits Currently in Progress | Fleet Services                               | FY 23-24        |                            |         |
|                     | Status of Recommendations    | Executive Travel and Hospitality             | FY 23-24        | 2                          | 2       |
|                     |                              | Information Security                         | FY 23-24        | 13                         | 4 9     |
| Fullerton           | Audits Currently in Progress | Americans with Disabilities Act              | FY 23-24        |                            |         |
|                     | Status of Recommendations    | Business Continuity and IT Disaster Recovery | FY 23-24        | 7                          | 5 2     |
| Humboldt            | Status of Recommendations    | International Programs                       | FY 23-24        | 5                          | 5       |
| Long Beach          | Audits Currently in Progress | Academic Personnel                           | FY 24-25        |                            |         |
|                     | Status of Recommendations    | Information Security                         | FY 23-24        | 9                          | 9       |
|                     |                              | Youth Programs                               | FY 23-24        | 5                          | 5       |
| Los Angeles         | Audits Currently in Progress | Construction                                 | FY 24-25        |                            |         |
|                     | Status of Recommendations    | Accessible Technology                        | FY 23-24        | 3                          | 1 2     |
|                     |                              | Financial Aid                                | FY 23-24        | 2                          | 1 1     |
| Maritime Academy    | Status of Recommendations    | Financial Aid                                | FY 23-24        | 4                          | 3 1     |
| Monterey Bay        | Status of Recommendations    | Executive Travel and Hospitality             | FY 23-24        | 2                          | 1 1     |
|                     |                              | Financial Aid                                | FY 23-24        | 3                          | 3       |
|                     |                              | Follow Up - Otter Student Union              | FY 23-24        | 3                          | 3       |
| Northridge          | Audits Currently in Progress | Youth Programs                               | FY 24-25        |                            |         |
|                     | Status of Recommendations    | Athletics Fiscal Administration              | FY 22-23        | 6                          | 6       |
|                     |                              | Business Continuity and IT Disaster Recovery | FY 23-24        | 2                          | 2       |
| Pomona              | Audits Currently in Progress | Follow-Up - Auxiliary-Owned Housing          | FY 23-24        |                            |         |
|                     |                              | Fundraising and Gift Processing              | FY 23-24        |                            |         |
| Sacramento          | Audits Currently in Progress | Youth Programs                               | FY 23-24        |                            |         |
|                     | Status of Recommendations    | Capital Public Radio                         | FY 22-23        | 17                         | 12 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

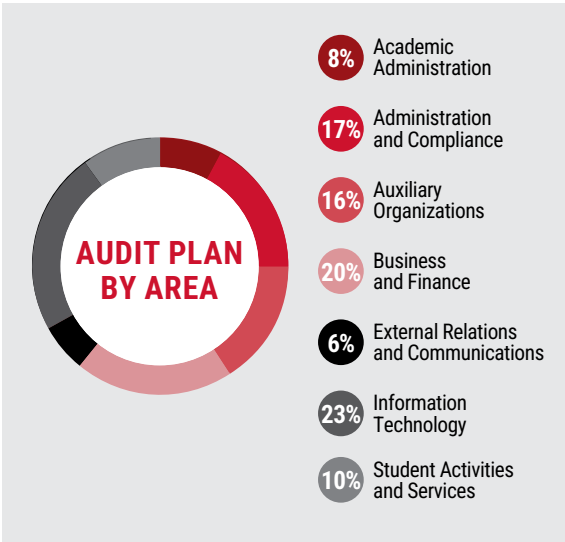
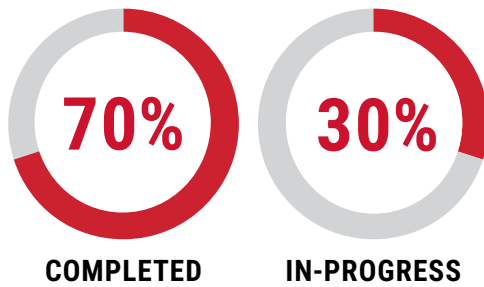
| Campus          | Category                     | Audit Topic                                    | Audit Plan Year | Total # of Recommendations | *Status   |
|-----------------|------------------------------|--|-----------------|----------------------------|---|
| San Bernardino  | Audits Currently in Progress | Follow Up - Human Resource Management          | FY 23-24        |                            |   |
|                 |                              | University Enterprises Corporation             | FY 23-24        |                            |   |
|                 | Status of Recommendations    | Athletics Fiscal Administration                | FY 23-24        | 8                          | <div style="width: 8px; height: 8px; background-color: blue; display: inline-block;"></div> 8   |
| San Diego       | Audits Currently in Progress | Information Security                           | FY 23-24        |                            |   |
|                 | Status of Recommendations    | Research Foundation                            | FY 23-24        | 1                          | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 1   |
| San Francisco   | Status of Recommendations    | Information Security                           | FY 23-24        | 10                         | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 10  |
|                 |                              | University Corporation                         | FY 23-24        | 6                          | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 6   |
| San José        | Audits Currently in Progress | The Student Union of San José State University | FY 23-24        |                            |   |
|                 |                              | Executive Travel and Hospitality               | FY 24-25        |                            |   |
|                 | Status of Recommendations    | Endowment Management                           | FY 23-24        | 3                          | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 3   |
| San Luis Obispo | Audits Currently in Progress | Accessible Technology Initiative               | FY 23-24        |                            |   |
|                 | Status of Recommendations    | Financial Aid                                  | FY 23-24        | 2                          | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 2   |
| San Marcos      | Audits Currently in Progress | San Marcos Foundation                          | FY 23-24        |                            |   |
|                 | Status of Recommendations    | Accessible Technology Initiative               | FY 22-23        | 6                          | <div style="width: 10px; height: 10px; background-color: green; display: inline-block;"></div> 6  |
| Sonoma          | Status of Recommendations    | Business Continuity and IT Disaster Recovery   | FY 23-24        | 10                         | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 4 <div style="width: 10px; height: 10px; background-color: green; display: inline-block;"></div> 6  |
|                 |                              | Construction Management                        | FY 23-24        | 3                          | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 3   |
| Stanislaus      | Audits Currently in Progress | Professional and Continuing Education          | FY 23-24        |                            |   |
|                 | Status of Recommendations    | Information Security                           | FY 23-24        | 15                         | <div style="width: 10px; height: 10px; background-color: blue; display: inline-block;"></div> 5 <div style="width: 10px; height: 10px; background-color: green; display: inline-block;"></div> 10 |

\*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

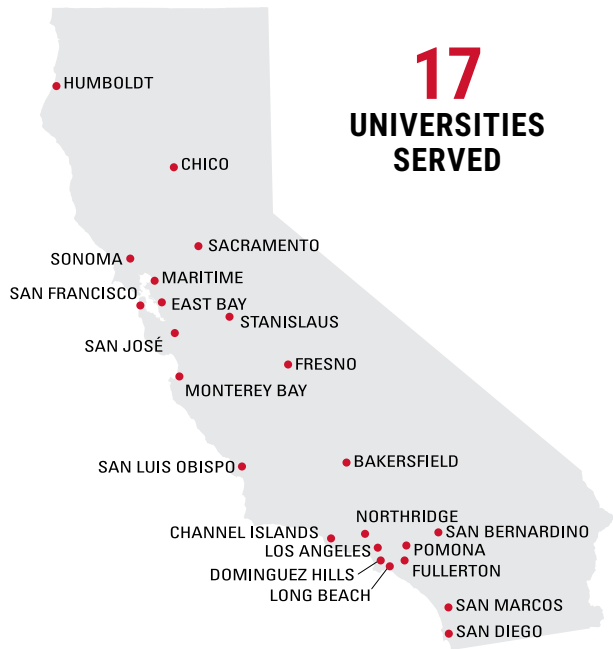


# AUDIT HIGHLIGHTS

## 2023-24 ASSURANCE AUDITS



## 2023-24 ADVISORY PROJECTS



## 2022-23 AUDIT RECOMMENDATIONS



## STATE AUDITOR UPDATES

**ANNUAL RESPONSES TO THE NAGPRA AND TITLE IX AUDIT RECOMMENDATIONS WERE SUBMITTED**

**REPORTS FOR THE COMMUNITY COLLEGE TRANSFERS AND CLERY ACT AUDITS WILL BE ISSUED IN SUMMER 2024**

**AN AUDIT OF AFFORDABLE STUDENT HOUSING AT CA COLLEGES WILL START IN LATE 2024/EARLY 2025**