AGENDA

COMMITTEE ON AUDIT

Meeting: **1:00 p.m., Tuesday, March 26, 2024**
Glenn S. Dumke Auditorium

Yammilette Rodriguez, Chair
Jean Picker Firstenberg, Vice Chair
Leslie Gilbert-Lurie
Lillian Kimbell
Jonathan Molina Mancio
Lateefah Simon
Christopher Steinhauser
Darlene Yee-Melichar

Consent   1. Approval of Minutes, *Action*

2. Status Report on Audit and Advisory Services Activities, *Information*

Discussion   3. Quality Assurance Review of The California State University System Internal Audit Program, *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

January 30, 2024

Members Present

Yammilette Rodriguez, Chair
Jean Picker Firstenberg, Vice Chair
Leslie Gilbert-Lurie
Lillian Kimbell
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 November 7, 2023, 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 Yee-Melichar asked Vice Chancellor Marinescu for additional information on the quality assurance review (QAR) of Audit and Advisory Services, as well as information on how data analytics enhances the effectiveness of audit processes. Mr. Marinescu provided information on the objectives and metrics used in the QAR and noted that the full report will be provided at the March meeting of the Board of Trustees. Additionally, Mr. Marinescu shared that the use of data analytics in audit enables greater efficiency through automated queries and improved audit quality due to more robust sampling processes.

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 update on the 2023-24 audit plan. Attachment A summarizes the status of audit assignments by university. Attachment B illustrates key activities and milestones for the 2023-24 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.

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 2024-25 fiscal year. Interviews and meetings are being held with over 90 systemwide and university executives and representatives across all divisions to discuss CSU and university priorities, challenges, and ways in which Audit and Advisory Services can address risks and add value. The audit plan for fiscal year 2024-25 will be presented at the May meeting of the Committee on Audit.

ASSURANCE AUDITS AND DATA ANALYTICS

Status of In-Process and Completed Audits

Audit and Advisory Services continues to make progress on the 2023-24 audit plan. Twenty audits have been completed and fifteen audits are currently in process. Follow-up on current and past assignments is being conducted on 31 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.

Data Analytics

As part of the periodic monitoring of university credit card and Concur travel data, the data analytics team is performing follow up with 21 universities for possible anomalies. In addition, our new risk indicator dashboards are being used for the current year's risk assessment. These dashboards provide a centralized platform for visualizing data using risk metrics from finance, student affairs, human resources, and risk management.

The team is currently working on the first annual data analytics report. The report will provide a comprehensive overview of the key analytics projects, including project objectives and scope, descriptions of analysis techniques and methodologies, and key metrics and results.

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.

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 CSA's website indicates an estimated completion date of Fall 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 December 2023 and January 2024, the CSU submitted the required six-month 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 can be viewed 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

The one-year follow-up response to the CSA NAGPRA audit is due in June 2024 and the Title IX response is due in July 2024.

OUTREACH AND ENGAGEMENT

Audit and Advisory Services continues to partner and work with our university and system stakeholders beyond what would be the usual course of business for an audit or advisory review in order to find opportunities to add value to the organization when possible. This includes partnering activities such as participating in and leading affinity groups, providing support to university and chancellor's office management, sharing information and common themes across universities, and acknowledging feedback and insights provided by management.

INTERNAL AUDIT FRAMEWORK AND STANDARDS

Education Code Section 89045, enacted by Chapter 1406 of the Statutes of 1969, provides for the establishment of an internal auditing function reporting directly to the Trustees of the California State University. Audit and Advisory Services assists university management and the Trustees in the effective discharge of their fiduciary and administrative responsibilities by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes. Additionally, Audit and Advisory Services serves the university in a manner that is consistent with the International Professional Practices Framework and the Code of Ethics as promulgated by the Institute of Internal Auditors, including organizational independence, as outlined in the Audit and Advisory Services Charter.

Audit and Advisory Services is organizationally independent and free from interference in determining the scope of internal audits, performing work, and communicating results. To ensure organizational independence, Audit and Advisory Services reports functionally to the Trustees of the California State University, and administratively to the Chancellor.
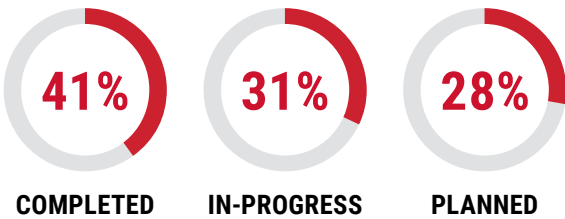
STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Audits Currently in Progress	Parking Operations	FY 23-24		
Chancellor's Office	Status of Recommendations	Payroll and Benefits Reporting	FY 22-23	2	Open 2
		Emergency Management	FY 23-24	2	Open 1, Closed 1
Channel Islands	Audits Currently in Progress	University Auxiliary Services	FY 23-24		
	Status of Recommendations	Computer Security Incident Response	FY 23-24	1	Closed 1
Chico	Audits Currently in Progress	Endowment Management	FY 23-24		
	Status of Recommendations	Information Security	FY 22-23	14	Open 4, Closed 10
Dominguez Hills	Status of Recommendations	Associated Students	FY 22-23	8	Open 3, Closed 5
		Information Security	FY 22-23	8	Open 1, Closed 7
		Property and Equipment	FY 23-24	12	Open 12
East Bay	Audits Currently in Progress	East Bay Foundation	FY 23-24		
	Status of Recommendations	Information Security Follow-Up	FY 22-23	1	Closed 1
		Construction Management	FY 23-24	5	Open 4, Closed 1
Fresno	Audits Currently in Progress	Executive Travel and Hospitality	FY 23-24		
		Information Security	FY 23-24		
Fullerton	Status of Recommendations	Business Continuity and IT Disaster Recovery	FY 23-24	7	Open 6, Closed 1
Humboldt	Status of Recommendations	International Programs	FY 23-24	5	Open 5
Long Beach	Audits Currently in Progress	Information Security	FY 23-24		
	Status of Recommendations	Youth Programs	FY 23-24	5	Open 5
Los Angeles	Status of Recommendations	Accessible Technology	FY 23-24	3	Open 3
		Financial Aid	FY 23-24	2	Open 1, Closed 1
Maritime Academy	Status of Recommendations	Financial Aid	FY 23-24	4	Open 3, Closed 1
Monterey Bay	Audits Currently in Progress	Executive Travel and Hospitality	FY 23-24		
		Follow Up - Otter Student Union	FY 23-24		
	Status of Recommendations	Accessible Technology Initiative	FY 22-23	6	Open 1, Closed 5
		Financial Aid	FY 23-24	3	Open 3
Northridge	Audits Currently in Progress	Business Continuity and IT Disaster Recovery	FY 23-24		
	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	6	Open 2, Closed 4
Pomona	No Reportable Recommendations	Associated Students, Inc.	FY 23-24	n/a	
Sacramento	Audits Currently in Progress	Executive Travel and Hospitality	FY 23-24		
	Status of Recommendations	Capital Public Radio	FY 22-23	17	Open 17
San Bernardino	Audits Currently in Progress	Athletics Fiscal Administration	FY 23-24		
		Follow Up - Human Resource Management	FY 23-24		
San Diego	Audits Currently in Progress	Research Foundation	FY 23-24		
	Status of Recommendations	Aztec Shops	FY 22-23	5	Open 1, Closed 4
		Academic Department Fiscal Review	FY 23-24	2	Open 2
San Francisco	Audits Currently in Progress	Information Security	FY 23-24		
	Status of Recommendations	University Corporation	FY 23-24	6	Open 6
San Jose	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	6	Open 1, Closed 5
		Information Security	FY 22-23	5	Open 1, Closed 4
		Endowment Management	FY 23-24	3	Open 3
San Luis Obispo	Status of Recommendations	Financial Aid	FY 23-24	2	Open 2
San Marcos	Status of Recommendations	Accessible Technology Initiative	FY 22-23	6	Open 6
		Counseling and Psychological Services	FY 23-24	2	Open 2
Sonoma	Status of Recommendations	Business Continuity and IT Disaster Recovery	FY 23-24	10	Open 10
		Construction Management	FY 23-24	3	Open 3
Stanislaus	Status of Recommendations	Information Security	FY 23-24	15	Open 12, Closed 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

CSU The California State University

AUDIT HIGHLIGHTS

2023-24 ASSURANCE AUDITS

41% COMPLETED

31% IN-PROGRESS

28% PLANNED

AUDIT PLAN BY AREA

- 8% Academic Administration
- 17% Administration and Compliance
- 16% Auxiliary Organizations
- 20% Business and Finance
- 6% External Relations and Communications
- 23% Information Technology
- 10% Student Activities and Services

2022-23 AUDIT RECOMMENDATIONS

52 AUDITS

221 TOTAL RECS

182 CLOSED

CALIFORNIA STATE AUDITOR (CSA)

THE CSA STARTED ITS CYCLICAL CLERY AUDIT AT CALIFORNIA HIGHER EDUCATION INSTITUTIONS, INCLUDING CHICO STATE.

THE CSA AUDIT OF COMMUNITY COLLEGE TRANSFERS IS CURRENTLY IN PROGRESS.

ANNUAL RISK ASSESSMENT

SYSTEMWIDE ASSESSMENT	SYSTEMWIDE ASSESSMENT	AUXILIARY ASSESSMENT	UNIVERSITY ASSESSMENTS	FINALIZE AUDIT PLAN
Review and update universe of potential audit topics.	Interviews with systemwide executives.	Review of university auxiliary organizations.	Meet with university stakeholders and create customized university audit plans.	Present 2024-25 audit plan for review and approval.
Status: Complete	Status: Complete	Status: In Progress	Status: In Progress	May 2024

COMMITTEE ON AUDIT

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

Presentation By

Vlad Marinescu
Vice Chancellor and Chief Audit Officer
Audit and Advisory Services

Julia Hann
Chief Audit Executive
University of North Florida

Summary

Audit and Advisory Services follows the standards and practices of the Institute of Internal Auditors (IIA). The IIA is an international professional association and is the internal audit profession's leader in standards, certification, education, research, and technical guidance throughout the world. The IIA Standards for the Professional Practice of Internal Auditing stipulate that external assessments must be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. Audit and Advisory Services completed its most recent external quality assurance review in January 2024, and prior to this, a review was completed in 2019.

The primary objective of the review was to provide reasonable assurance that the internal auditing program at the California State University conforms to the IIA's Standards and Code of Ethics, and to appraise the quality of operations. The IIA standards can be accessed at the following link: https://www.theiia.org/en/standards/what-are-the-standards/mandatory-guidance/standards/.

A team of three higher education audit professionals, independent from the CSU, performed the review and as part of their review process visited the Chancellor's Office in December 2023. The review concluded that Audit and Advisory Services generally conforms to The IIA Standards for the Professional Practice of Internal Auditing. According to the IIA Quality Assessment Manual, "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Generally Conforms" is the highest rating possible under IIA guidance.

The full quality assurance report is attached (Attachment A).

UNIVERSITY *of* NORTH FLORIDA.

January 19, 2024

Mr. Vlad Marinescu
Vice Chancellor and Chief Audit Officer
The California State University Chancellor's Office
401 Golden Shore
Long Beach, CA 90802

Dear Mr. Marinescu,

In accordance with the standards promulgated by The Institute of Internal Auditors' (IIA) International Professional Practices Framework (IPPF), we have completed an independent validation of the quality assurance self-assessment performed by Audit and Advisory Services (A&AS) at the California State University Chancellor's Office.

Based on our analysis of the information received during this review, we concur with the conclusions of the internal self-assessment. Therefore, it is our opinion that A&AS **generally conforms** to The IIA IPPF. According to The IIA Quality Assessment Manual, "Generally Conforms" means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Generally Conforms" is the highest rating possible under IIA guidance.

During our interviews with institutional leaders, the respect you have developed and the changes you have implemented are recognized. It is our opinion that A&AS is adding value to the California State University through the services and professionalism your office is providing.

We appreciate the opportunity to participate in this independent assessment of A&AS and the cooperation and courtesies extended to us. Please do not hesitate to reach out to me or any of the review team should you have any questions regarding the review.

Sincerely,

Julia Hann (QA Team Lead)
Chief Audit Executive
University of North Florida

Matt Hicks
Systemwide Deputy Audit Officer
University of California

Susy Serrano
Director of Internal Audit
Colorado State University System

Cc: Yammilette Rodriguez, Chair, CSU Board of Trustees Committee on Audit
        Jean Picker Firstenberg, Vice Chair, CSU Board of Trustees Committee on Audit
        Mildred García, Chancellor, The California State University

EXECUTIVE SUMMARY

CONCLUSIONS OF THE INDEPENDENT REVIEW TEAM

Based on the information we received and evaluated, it is our overall opinion that the division of Audit and Advisory Services (A&AS) at the California State University System (CSU) **Generally Conforms** with The Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (IIA Standards) and Code of Ethics in all material respects during the period under review. This opinion, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for ensuring the independence, objectivity, and proficiency of the internal auditing program. Additionally, A&AS is held in high regard by its key stakeholders (Appendix I) within the system, indicating that the office is accomplishing its mission to assist university management and the Board of Trustees in the effective discharge of its fiduciary and administrative responsibilities by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. Though the division is meeting conformance to the Standards, below we have offered additional comments where strengths appear to be surpassing leading practices, as well as opportunities for enhancing the internal audit function.

This report summarizes the external validation of the Quality Assurance Review of the self-assessment completed by A&AS. The *International Standards for the Professional Practice of Internal Auditing (Standards)* requires that an external quality assessment (QA) of an internal audit activity be conducted at least once every five years by a qualified, independent assessor or assessment team from outside the organization. The qualified assessor or assessment team must demonstrate competence in both the professional practice of internal auditing and the QA process. The assessment team was composed of the following individuals (biographies in Appendix II):

- Julia Hann, University of North Florida, Chief Audit Executive, (QA Team Lead)
- Matt Hicks, University of California, Systemwide Deputy Audit Officer
- Susy Serrano, Colorado State University System, Director of Internal Audit

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of A&AS and the California State University System community.

STRENGTHS AND LEADING PRACTICES

During our review, we noted several strengths in the internal audit program. Specifically, we would like to highlight:

- The chief audit officer's (CAO) functional reporting line to the audit committee of the Board of Trustees and administrative reporting line to the chancellor represents the strongest possible governance structure an internal audit function can have.
- A&AS has redesigned reports to the Board of Trustees to make them more engaging and accessible to the reader. Revisions included an audit highlights document to supplement the written narrative, implementation of an annual presentation to the Board on the prior year completed audit plan, and enhancement of the annual presentation of the risk assessment/audit plan to be more transparent and informative.
- The CAO has provided highly valued ongoing communications on emerging risks and "lessons learned" from audit results to systemwide stakeholder groups, including presidents and vice presidents, chief financial officers, and affinity groups.

- The CAO's rapport with the audit committee chair and senior leadership was strong. Additionally, clients appreciated the positive tone, collaboration, and collegial approach of A&AS, with senior leaders commenting positively on several auditors by name.
- A&AS has enhanced its risk assessment, performance of audit steps, and use of data analytics techniques, including continuous monitoring of procurement card expenditures, HR and payroll data, and travel and hospitality transactions.

OPPORTUNITIES FOR CONTINUED PROGRAM ENHANCEMENT

A&AS has recently undertaken a significant redesign of its organization, which has been well received by stakeholders. During our review, we noted additional opportunities for A&AS to continue its evolution and further develop its annual risk assessment processes, overall scope of work, audit tools, and internal processes to further optimize the audit function. We also noted opportunities to enhance fraud risk management. Additional information on these opportunities is detailed in the next section of the report.

DETAILED REPORT

OBJECTIVE, SCOPE, AND METHODOLOGY

Our objective was to provide reasonable assurance that A&AS conforms to The IIA's Standards and Code of Ethics and to appraise the quality of its operations. The scope of our review covered the time from February 2019 through November 2023. We performed our quality assessment based on the latest version of The IIA Standards published in January 2017.

We accomplished our objectives through the following procedures:

- Interviews of selected stakeholders of the internal audit function, including audit clients, key administrators from the Office of the Chancellor and campuses, and the chair and vice chair of the Board of Trustees' Committee on Audit (listed in Appendix I).

- Interviews and surveys of A&AS staff members.
- Review of the previous external quality assurance report and information on the implementation status of those recommendations.
- Review of the A&AS and audit committee charters.
- Review of the organizational structure and reporting lines of the audit function.
- Review of the qualifications and training histories of the A&AS staff.
- Review of the annual risk assessment, audit plan, audit manual, follow-up reports, and other materials prepared by A&AS.
- Review of the quality assurance and improvement program.
- Examination of a sample of A&AS work products and audit and advisory reports issued between July 2022 and June 2023.
- Comparison of A&AS's audit and advisory practices with The IIA Standards.

OVERALL OPINION OF THE INDEPENDENT REVIEW TEAM

In our opinion, the division of Audit and Advisory Services of the California State University system **Generally Conforms** in all material respects to The IIA's Standards and Code of Ethics during the period under review.

DETAILED REPORT (continued)

The rating system that was used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform. "Generally Conforms" means that A&AS has policies, procedures, and a charter that were judged to be in accordance with the IIA Standards; however, opportunities for improvement may exist. "Partially Conforms" means deficiencies, while they might impair, did not prohibit A&AS from carrying out its responsibilities. "Does Not Conform" means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit A&AS from carrying out its responsibilities. The following table lists the specific sections of The IIA Standards and contains our opinion of how the activities of A&AS conform to each section:

Standard Type and Description	Opinion
Attribute Standards:	
1000 Purpose, Authority, and Responsibility	Generally Conforms
1100 Independence and Objectivity	Generally Conforms
1200 Proficiency and Due Professional Care	Generally Conforms
1300 Quality Assurance and Improvement Program	Generally Conforms
Performance Standards:	
2000 Managing the Internal Audit Activity	Generally Conforms
2100 Nature of Work	Generally Conforms
2200 Engagement Planning	Generally Conforms
2300 Performing the Engagement	Generally Conforms
2400 Communicating Results	Generally Conforms
2500 Monitoring Progress	Generally Conforms
2600 Communicating the Acceptance of Risks	Generally Conforms
The Institute of Internal Auditors' Code of Ethics	Generally Conforms

STRENTHS AND LEADING PRACTICES

In our opinion, there were several strengths noted during this QA process. We concurred with the self-assessment QA report performed by the A&AS division, dated November 13, 2023, which stated that successful practices included enhanced communication with the board and promotion of continuous improvement and risk awareness throughout the organization with initiatives such as the creation and distribution of a Vendor Master File – Best Practices and Audit Issues guide and convening of a systemwide information technology audit work group to identify solutions for common IT observations. In addition, we noted other areas of strength demonstrating leading internal audit practices, as follows:

Communications

Quality of communication and relationships with critical stakeholders was consistently noted as an area of strength for A&AS. Interviews with campus stakeholders, including presidents and vice presidents, as well as those with board members and chancellor's office staff, revealed that the CAO and members of the A&AS team are viewed as trusted advisors. Several positive comments mentioned the improved board materials and targeted outreach to campus stakeholder groups. We observed that A&AS takes an active role to monitor emerging trends and proactively shares relevant information to assist in managing risks. Interviewees commented that they feel they have a "trusted advisor" and an improved relationship with A&AS staff.

Risk Assessment

Risk assessment procedures, including annual development of a risk-based audit plan, are critical to meeting the Standards. A&AS has improved upon its risk assessment process to include more extensive

engagement with campus stakeholders, enhanced touchpoints with a broader range of departments within the chancellor's office, implementation of formal quantitative and qualitative measures, incorporation of additional weighting to systemwide and external risk factors, and consideration of feedback noted in advisory reviews. The updated risk assessment has also been structured to consider more operational and strategic audits in addition to financial and compliance reviews. Further, the division has embedded a separate auxiliary risk assessment to meet the increased engagement of auxiliary partners.

Audit Engagements

The division also demonstrated strengths in the performance of audit engagements. QA reviewers were able to verify from a sample of audit and advisory engagements that the Standards were consistently followed. The division has established well-defined processes that have made it easier for new auditors to quickly adapt to division requirements and standards. There were significant efforts to improve reporting templates and streamline campus communications. Campus interviewees concurred that audit procedures were clearly communicated and facilitated an effective and transparent audit process.

Data Analytics

Data analytics was also noted as a strategic priority and strength. Intentional effort was placed on the data analytics program to be on the forefront of emerging risks occurring within the system. A&AS has implemented several steps to increase data access and enhance data analysis tools and capability. These improvements facilitated the implementation of data analytics for human resources, credit card, and expenditure data. Enhancements to the data analytics function include the addition of new positions to the data analytics team, acquisition and implementation of data visualization software to create dashboards, and incorporation of a standard planning step in all audit projects to evaluate potential data analytics applications. Several stakeholders we interviewed commended the A&AS team for its effective use of data to monitor risks and provide valuable information to management.

Other Areas

Another area of noted strength was the increased demand for advisory services from campuses, which demonstrates the fostering of collaborative relations and the status of A&AS as a trusted advisor. In addition, the division has restructured so internal audit staff are assigned to specific campuses, which allows them more opportunities to familiarize themselves with these campuses and their culture.

OPPORTUNITIES FOR CONTINUED PROGRAM ENHANCEMENT

In our opinion, there were minor areas noted for continued program enhancements. Though these recommendations do not warrant a deficiency in the Standards, they offer considerations for continued improvements in a strong internal audit function. They further represent leading practices to ascertain conformance to good organizational governance for internal auditing.

1. Strategic Planning

    A&AS's execution of impactful risk management strategies and engagement in value-add consultations with leadership across the organization demonstrates effective implementation of strategic priorities for the division. To build on these successes, the QA team recommends that the CAO formally develop and communicate strategic goals for A&AS to help ensure consistent adoption and implementation of strategic priorities across the division.

DETAILED REPORT (continued)

Additionally, we observed that A&AS is attuned to systemwide priorities and campus strategic plans in identifying its own strategic priorities. Although we noted that the division's strategic plans are discussed, documentation demonstrating alignment of the internal audit work plan with the systemwide and campuses' strategic plans was limited. Therefore, A&AS should consider formally documenting the alignment of the audit work plan to systemwide and campus priorities.

2. Evaluation of Fraud Risks

    The QA team noted that the internal audit function is proactive in fraud prevention awareness and promotes the organization's ethical values. The QA team observed that although there are various mechanisms in place to report fraud, the CSU system has yet to implement an internal system for anonymously reporting fraud and ethics complaints. We recommend that A&AS continue to participate in the CSU's management of fraud risks and reporting by advising on the planned systemwide reporting system to ensure that it includes the capability to receive and follow up on anonymous fraud complaints.

3. Audit Engagement Performance

    Each audit engagement is supported by documented work papers to validate conclusions and assurances. Standard planning steps include a risk assessment discussion to ensure that risks with a greater impact or likelihood are addressed in the audit scope. We recommend strengthening existing risk analysis documentation at the project level to facilitate and formally record the alignment of identified risks to project scopes.

A&AS Response:

1. Over the past three years, A&AS's management team has focused on building relationships, fostering communication, and enhancing the division's risk assessment and audit planning process. Although audit management currently discusses strategic goals in regularly scheduled planning and other ad hoc meetings, we will formalize the process of documenting and communicating the division's strategic goals.

    The risk assessment process currently incorporates both systemwide and campus strategic priorities and plans, as well as management perceived risks to develop an audit plan aligned with the organization. We will review the current process to determine whether there is further opportunity to formally document the alignment of the audit work plan to systemwide and campus priorities.

2. Although the CSU does not currently 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) Whistleblower Hotline provide mechanisms for complaints, anonymous or otherwise.

    Audit and Advisory Services will work collaboratively with systemwide management at the Office of the Chancellor to determine if additional processes for anonymously reporting fraud and ethics complaints, as well as ensuring appropriate follow-up, should be implemented.

3. Though the current engagement planning process does document risks considered and the effects on the audit scope, we will enhance the process to formally document the alignment of the identified risks to the final project scope.

APPENDIX I

STAKEHOLDERS INTERVIEWED

Interviews of the following stakeholders were conducted by the QA team:

• Yammilette Rodriguez, Chair, California State University Board of Trustees Committee on Audit

• Jean Firstenberg, Vice Chair, California State University Board of Trustees Committee on Audit

• Jolene Koester, Interim Chancellor, The California State University

• Steve Relyea, Executive Vice Chancellor and Chief Financial Officer, The California State University

• Leora Freedman, Vice Chancellor of Human Resources, The California State University

• Andy Jones, Executive Vice Chancellor and General Counsel, The California State University

• Soraya Coley, President, Cal Poly Pomona

• Ellen Neufeldt, President, CSU San Marcos

• Scott Apel, Vice President, Administration and Finance & CFO, CSU Long Beach

• Sam Sudhakar, Vice President & CFO, CSU San Bernardino

• Mark Hendricks, Vice President & Chief Information Officer, CSU Sacramento

• Brad Wells, Associate Vice Chancellor, Business and Finance, Office of the Chancellor

• Ed Clark, Chief Information Officer, Office of the Chancellor

• Dan DiPaola, Assistant Vice President, Audit and Consulting Services, Cal Poly San Luis Obispo

• Jamarr Johnson, Director of Audit, Public Records & Special Projects, CSU Long Beach

• Margaret Hwang, Chief of Operations, Division of Administration & Business Affairs, CSU Sacramento

APPENDIX II

Quality Assessment Team

Julia Hann, CIA, CPA has served as the Chief Audit Executive of University of North Florida's (UNF) Office of Internal Auditing since 2016. Julia earned a bachelor of business administration in accounting from Kennesaw State University and a master of business administration from Georgia College and is a certified public accountant (CPA) and certified internal auditor (CIA). Julia takes a proactive leadership role to perform internal audits, consulting engagements, trainings, and risk assessment coordination. She has more than 20 years of internal audit work experience – her previous employers included Georgia College & State University, California State University Office of the Chancellor, and the City of San Diego. Julia is a past president of the Association of College and University Auditors (ACUA) board and plays an active role with The Institute of Internal Auditors (IIA) Northeast Florida Chapter.

Matt Hicks, CIA, CISA, is the systemwide deputy audit officer for the University of California. In this role, Matt ensures overall execution of systemwide audit services, including effective resource deployment, professional development for UC audit staff, development and maintenance of methodologies and guidance, and monitoring and measurement of services. He oversees the annual systemwide risk assessment and internal audit plan development for the UC system and reports on internal activity, risk priorities, and results to the Regents Compliance and Audit Committee and systemwide leadership. Additionally, he serves as the internal audit director for the Office of the President (UCOP), overseeing a team of auditors responsible for conducting audit and advisory services at UCOP. He has over 20 years of internal audit experience and, prior to joining UCOP, was a manager in KPMG's Advisory Services Practice in San Francisco. He is a Certified Internal Auditor (CIA) and a Certified Information Systems Auditor (CISA) and has a B.S. in business administration from UC Berkeley.

Susy Serrano, CIA, CPA, CFE, is the director of internal auditing at the Colorado State University System and is an alumna of Colorado State University with more than 20 years of auditing experience in the public sector and 15 years of experience in higher education. Susy holds active Certified Internal Auditor, Certified Public Accountant, and Certified Fraud Examiner designations. Susy is also an active member of several professional organizations, including the Institute of Internal Auditors and the Association of Certified Fraud Examiners, and currently chairs a committee of the Association of College and University Auditors. She also facilitates a roundtable of Colorado chief audit executives and has participated in or led several IIA quality assurance reviews.