The California State University

AGENDA

COMMITTEE ON AUDIT

Meeting: **11:00 a.m., Wednesday, November 18, 2026**
Glenn S. Dumke Conference Center

Larry L. Adamson, Chair
Yammilette Rodriguez, Vice Chair
Jack B. Clarke, Jr.
Wenda Fong
Mark Ghilarducci

Consent

1. Approval of Minutes, *Action*

Discussion

2. Status Report on Audit and Advisory Services Activities, *Information*
3. Report on the Fiscal Year 2025-2026 Audit Plan, *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

September 22, 2026

Members Present

Larry L. Adamson, Vice Chair
Jack B. Clarke, Jr.
Wenda Fong
Mark Ghilarducci

Diego Arambula, Chair of the Board

Trustee Adamson called the meeting to order.

Consent Agenda

The minutes of the July 21, 2026, meeting of the Committee on Audit were approved as submitted.

Item 2, Status Report on Audit and Advisory Services Activities was an information item.

Trustee Adamson adjourned the meeting of 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 ongoing Audit and Advisory Services activities and details progress toward completing work defined in approved audit plans. Attachment A summarizes the status of audit assignments by university. Attachment B illustrates key activities and milestones.

The core activities of Audit and Advisory Services can be grouped into two categories: those addressing identified risks, and those considered value-based activities. Risk-based activities tend to focus on areas with higher potential for financial, compliance, or operational risk, while value-based activities focus on providing guidance, sharing best practices, and supporting continuous improvement. The graphic below illustrates the activities associated with each category:

In practice, most engagements incorporate both risk- and value-based elements, with the audit plan designed to reinforce sound management practices and drive improvement across the CSU. Details concerning the progress and key outcomes of this work are presented herein.

RISK-BASED ACTIVITIES

1. ASSURANCE AUDITS

Assurance audits are independent, objective evaluations of the CSU's internal controls, operational efficiency and effectiveness, and compliance with applicable laws and regulations. These audits are planned through a comprehensive annual risk assessment process and result in formal reports published on the California State University website: www.calstate.edu/csu-system/transparency-accountability/audit-reports.

Status of In-Process and Completed Audits

Audit and Advisory Services has completed all 44 audits in the FY 2025-2026 audit plan. The 2025-2026 audit plan covered a broad range of risk areas spanning all universities and the Chancellor's Office. Additional discussion of FY 2025-2026 results can be found in Agenda Item 3.

We are in the process of executing the approved FY 2026-2027 audit plan, with 3 audits completed, 19 currently underway, and additional engagements scheduled according to timelines agreed with university and systemwide stakeholders.

Completed audit reports include recommendations with established timelines for management to implement corrective actions, as described in the following section, "Implementation Process for Audit Recommendations." Audit and Advisory Services actively monitors each university's remediation progress for current and prior year audits. As of this reporting period, Audit and Advisory Services has confirmed implementation of all recommendations issued in FY 2024-2025 audit reports.

Additional details on the status of audits and the implementation of corrective actions are provided in Attachment A.

Implementation Process for Audit Recommendations

Prior to finalizing audit reports, observations and recommendations are discussed with management, who develop corrective action plans that include proposed target completion dates. Audit and Advisory Services reviews the corrective action plans and proposed timelines for appropriateness and reasonableness, considering the level of risk and the need for interim controls while corrective actions are implemented.

After reports are issued, university and audit management collaborate to track the implementation of corrective actions. If agreed-upon implementation deadlines are not met, or other complications arise, audit management follows an established escalation process

that includes direct engagement with university leadership (president and/or vice president/CFO) to identify solutions and establish a revised implementation timeline.

When management reports that an action plan is complete, Audit and Advisory Services reviews supporting documentation to confirm implementation before the issue is closed. We evaluate approximately 200 prior findings each year according to this process. As an additional measure, in select cases we also conduct follow-up reviews of prior audit topics to ensure implemented corrective actions continue to operate effectively.

Upcoming Audits

Audit and Advisory Services engages in a broad portfolio of projects to address key risk areas across the CSU. Among the topics included in the FY 2026-2027 audit plan are audits of Financial Aid and AI Governance, which will be performed at multiple universities during the fiscal year.

Financial Aid

Audit and Advisory Services will perform audits of Financial Aid at three universities in FY 2026-2027. This topic was selected due to significant changes in federal student aid requirements, including Pell Grant eligibility, federal student loan limits and processing, FAFSA eligibility calculations, and identity verification requirements. In addition, increasingly sophisticated fraud schemes involving false identities and fraudulent enrollment have heightened the risk that financial aid may be awarded or disbursed to ineligible recipients.

Our audits will assess whether universities have effective processes and controls to administer financial aid in accordance with federal, state, and CSU requirements, to accurately determine student eligibility and awards, and to identify and prevent potentially fraudulent activity. The planned scope of the reviews includes, but is not limited to, FAFSA processing and verification; student eligibility and award calculations; controls to detect potential financial aid fraud; federal, state, and CSU grant and loan administration; disbursements, returns, and reconciliations; satisfactory academic progress; and required reporting and program oversight. Any trends or suggested policy updates will be communicated to systemwide management when the audits have concluded.

Artificial Intelligence Governance

Audit and Advisory Services will conduct a systemwide review of AI Governance in FY 2026-2027, with audits performed at three universities. This topic was selected due to the significant and evolving governance, security, privacy, compliance, and operational risks associated with the growing use of artificial intelligence. Without appropriate oversight and

safeguards, universities may be exposed to risks involving unauthorized AI tools, sensitive data exposure, unreliable outcomes, and insufficient accountability.

Our audits will assess whether universities have established effective governance and controls to support the responsible use of AI. The planned scope of the reviews includes, but is not limited to, governance and accountability; policies and approval processes; inventories of AI tools and use cases; risk and compliance assessments; third-party vendor oversight; data security and privacy; monitoring of AI systems, tools, and outputs; human oversight of higher-risk uses; and training and ethical-use guidance. Selected AI use cases will also be reviewed to determine whether controls are appropriate for the associated risks. Any trends or suggested policy updates will be communicated to systemwide management when the audits have concluded.

2. DATA ANALYTICS

Data analytics supports Audit and Advisory Services by examining large data sets to identify anomalies, trends, and potential compliance issues. The team uses analytic tools to detect unusual activity and highlight opportunities to strengthen internal controls and improve operational effectiveness across the CSU.

Data analytics work includes two primary activity streams:

- Audit Support: The data analytics team supports audit and advisory projects by extracting data and/or performing data analysis related to engagement scope. These queries enable our teams to identify relevant trends and focus efforts on high-risk areas, improving both the efficiency and quality of conclusions and recommendations.
- Transaction Monitoring: The data analytics team conducts periodic reviews of travel expenses, institutional credit card activity, and certain payroll transactions as data becomes available and resources permit. These reviews help identify unusual or higher-risk activity, assess compliance with applicable policies, and identify opportunities to strengthen internal controls and promote the responsible use of university resources.

Detailed briefings on data analytics results are shared with stakeholders intermittently as work is completed.

3. INVESTIGATIONS

Audit and Advisory Services is periodically called upon to provide investigative reviews of alleged fiscal improprieties and may also perform investigations at the request of the Chancellor's Office Civil Rights Whistleblower program.

Audit and Advisory Services also provides systemwide oversight of activities related to the *University Reporting of Fiscal Improprieties* policy. This policy establishes systemwide requirements for investigating and reporting actual or suspected fiscal improprieties to the

Chancellor's Office. While universities are responsible for conducting initial inquiries and determining whether an incident meets policy reporting thresholds, Audit and Advisory Services reviews university submissions for completeness, consistency, and compliance with policy requirements. The Division also monitors trends in reported fiscal improprieties, identifies systemic risk areas, and advises universities on strengthening controls to prevent recurrence.

VALUE-BASED ACTIVITIES

1. ADVISORY SERVICES

Our Advisory Services program partners with universities on a broad range of governance, operational, financial, compliance, and internal control matters. These engagements are designed to help management address emerging risks, complex business challenges, and opportunities for improvement through independent analysis, benchmarking, and practical recommendations. Unlike traditional assurance audits, advisory engagements are consultative in nature and may be initiated in response to management requests, identified risks, or evolving university needs. Through this work, Audit and Advisory Services supports stronger decision-making, improved operations, and proactive risk management across the CSU.

2. INTERGOVERNMENTAL AUDITS

Intergovernmental audits are state or federal audits of CSU activities conducted by external oversight agencies. The California State Auditor (CSA) periodically conducts audits of the CSU in accordance with statutory requirements or at the request of the Joint Legislative Audit Committee (JLAC). When an audit is announced, it may involve one or more CSU universities. Universities are selected using criteria designed to achieve a representative cross-section of the system, including such factors as university size, geographic location, whether JLAC has specified locations for review, recent audit history, and available information on program performance.

Audit and Advisory Services tracks these engagements, supports universities during external reviews, and serves as a liaison for the CSU system.

California State Auditor: Audit Follow-Up Status

The CSA requires detailed follow-up reporting on the status of audit recommendations. Agencies must submit written responses at increments of 60 days, six months, and one year after the release of an audit report, and annually thereafter for any recommendations that remain open. The Chancellor's Office is actively addressing open recommendations from

three CSA audits:

1. **Community College Transfers:** The CSA audit report on community college transfers was issued in September 2024 and included five recommendations to the Chancellor's Office. With three recommendations previously closed, the Chancellor's Office submitted its annual update in September 2026 addressing the final two open recommendations. These pertained to 1) clarification of how the CSU evaluates the rationale for not using Associate Degrees for Transfer, and 2) a review of community college course transfer data to address gaps that most affect students transferring to the CSU. The Chancellor's Office reported that both recommendations had been fully implemented, and the CSA concurred, concluding the required follow-up reporting for this audit.

   A copy of the full report can be found on the State Auditor's website:
   https://www.auditor.ca.gov/reports/2023-123/

2. **Title IX:** In June 2026, the Chancellor's Office submitted its annual response to the open recommendations from the CSA's 2023 Title IX audit. In that response, the CSU reported that the Chancellor's Office and all 22 universities recently adopted a shared systemwide case management system. The final remaining open recommendation relates to data collection and analysis. The recommendation is expected to be fully implemented in mid-2027, contingent on sustained effective use of the new case management system.

   A copy of the full report can be found on the State Auditor's website:
   https://information.auditor.ca.gov/reports/2022-109/index.html

3. **Title IX – Follow-Up Audit**: Following the release of the CSA's 2023 audit of Title IX, the Legislature enacted a statutory requirement that the CSA evaluate the ability of the CSU and the University of California to address and prevent sexual harassment on campus. Under this statute, the CSA will review two CSU universities every three years until the law sunsets in 2036. In August 2025, the CSA announced audits of Cal Poly San Luis Obispo and Sacramento State, including a review of Title IX cases at both universities.

   The California State Auditor (CSA) released its Title IX Follow-Up audit report on June 30, 2026, which included seven recommendations directed to the Chancellor's Office. In September 2026, the Chancellor's Office submitted its 60-day response outlining initial progress in addressing the recommendations. The CSA is currently reviewing the response, while management prepares the upcoming six-month submission to report on remediation progress.

   A copy of the full report can be found on the State Auditor's website:
   https://www.auditor.ca.gov/reports/2025-050/

3. OUTREACH AND ENGAGEMENT ACTIVITIES

Beyond traditional audit and advisory work, Audit and Advisory Services continues to engage with university and system stakeholders to identify opportunities to add value.

As part of these outreach efforts, Audit and Advisory Services developed our annual Notable Observations to highlight key trends, recurring themes, and opportunities for improvement identified through our collective audit work. The FY 2025-2026 Notable Observations were discussed at the annual audit liaison roundtable and have been shared with relevant stakeholders across the CSU to support informed discussions and promote continuous improvement across the system.

Another facet of our engagement strategy includes ongoing participation in affinity groups. These systemwide peer networks, such as the Chief Administrators and Business Officers group and Chief Information Officer council, provide forums for coordination and knowledge sharing among universities. We use these platforms to discuss common themes and to share insights on emerging risks, fraud alerts, and control enhancements. These efforts help strengthen compliance, reinforce internal controls, and support operational integrity across the CSU system.

INTERNAL AUDIT GOVERNANCE

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 CSU 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 (IIA).

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.

Quality Assurance and Improvement Program

Pursuant to IIA Standards and the Division's quality assurance and improvement program (QAIP), Audit and Advisory Services performs ongoing monitoring and periodic internal assessments to evaluate conformance with professional standards and internal methodology. These activities include review of engagement planning and execution, supervisory oversight, documentation of evidence, report quality, and compliance with internal policies and procedures. In addition, the QAIP provides a structured opportunity to identify refinements to policies, procedures, and practices that enhance consistency, efficiency, and audit quality. The QAIP assessment of the FY 2025-2026 audit plan is currently underway, in accordance with the Division's established QAIP cycle. Results will be reported at the next Board of Trustees meeting.

CSU The California State University

STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Bakersfield	Status of Recommendations	Auxiliary for Sponsored Programs Administration	FY 25-26	4	4
Chancellor's Office	Audits Currently in Progress	Cal State Apply	FY 26-27		
		Payroll Receivables	FY 26-27		
		Procure-to-Pay	FY 26-27		
	No Reportable Recommendations	Contract Management	FY 25-26	n/a	
	Status of Recommendations	Systemwide Policy Enhancements	FY 26-27	1	1
		Systemwide Policy Enhancements	FY 24-25	3	3
		Systemwide Policy Enhancements	FY 25-26	3	2 1
		Information Security	FY 25-26	5	5
Channel Islands	Audits Currently in Progress	Business Continuity and IT Disaster Recovery	FY 26-27		
	Status of Recommendations	Human Resources	FY 25-26	13	13
		Procurement and Payments	FY 25-26	2	2
Chico	Audits Currently in Progress	Athletics Fiscal Administration	FY 26-27		
	Status of Recommendations	Payroll Services	FY 25-26	2	2
Dominguez Hills	Audits Currently in Progress	Financial Aid	FY 26-27		
	Status of Recommendations	Software Licensing	FY 25-26	2	2
		Toro Auxiliary Partners	FY 25-26	21	21
		Executive Travel and Hospitality	FY 24-25	3	3
East Bay	Status of Recommendations	Professional and Continuing Education	FY 25-26	4	4
Fresno	Audits Currently in Progress	Information Security	FY 26-27		
	Status of Recommendations	Athletics Corporation	FY 25-26	16	15 1
		Procurement and Payments	FY 25-26	3	1 2
Fullerton	Status of Recommendations	Human Resources and Payroll Services	FY 25-26	11	2 9
		Information Security	FY 25-26	12	9 3
Humboldt	Status of Recommendations	Professional and Continuing Education	FY 25-26	7	7
		Information Security	FY 25-26	9	8 1
Long Beach	Audits Currently in Progress	Research Foundation	FY 26-27		
	Status of Recommendations	Beach Shops	FY 25-26	21	5 16
		Research Security	FY 25-26	5	5
Los Angeles	Audits Currently in Progress	Human Resources	FY 26-27		
	Status of Recommendations	Information Security	FY 24-25	17	17
		Executive Travel and Hospitality	FY 25-26	2	2
Monterey Bay	Audits Currently in Progress	Athletics Fiscal Administration	FY 26-27		
	Status of Recommendations	Professional and Continuing Education	FY 25-26	6	6
Northridge	Status of Recommendations	Construction	FY 26-27	1	1
		Follow-Up: Youth Programs	FY 26-27	3	3
		Student Organizations and Conduct	FY 25-26	4	4
Pomona	Audits Currently in Progress	Cal Poly Pomona Enterprises	FY 26-27		
	Status of Recommendations	Health and Safety	FY 25-26	10	1 9
Sacramento	Audits Currently in Progress	AI Governance	FY 26-27		
	Status of Recommendations	Capital Public Radio	FY 25-26	10	10
		Student Health & Counseling and Psychological Svcs	FY 25-26	8	1 7

*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	Financial Aid	FY 26-27		
		Information Security	FY 26-27		
	No Reportable Recommendations	Software Licensing	FY 25-26	n/a	
	Status of Recommendations	Follow-Up - Athletics Fiscal Administration	FY 25-26	6	6
		Student Health & Counseling and Psychological Svcs	FY 25-26	17	17
San Diego	Audits Currently in Progress	Health and Safety	FY 26-27		
		Research Security	FY 26-27		
	Status of Recommendations	Student Organizations and Conduct	FY 25-26	3	3
San Francisco	Audits Currently in Progress	Executive Travel and Hospitality	FY 26-27		
San José	Status of Recommendations	Construction	FY 25-26	5	5
		Research Foundation	FY 25-26	11	11
		Research Security	FY 25-26	5	5
San Luis Obispo	Status of Recommendations	Information Security	FY 25-26	10	4 6
San Marcos	Status of Recommendations	Student Disability Support	FY 25-26	4	3 1
		Athletics Fiscal Administration	FY 26-27	6	6
Sonoma	Audits Currently in Progress	Executive Travel and Hospitality	FY 26-27		
	Status of Recommendations	Sonoma State Enterprises	FY 25-26	8	4 4
Stanislaus	Audits Currently in Progress	Foundation	FY 26-27		
	Status of Recommendations	Faculty Assigned Time and Additional Employment	FY 25-26	6	6

*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

The California State University

AUDIT AND ADVISORY SERVICES UPDATE

Audit and Advisory Services manages multiple Assurance audit plans concurrently.
Below are key status metrics across three currently active Assurance audit cycles:

FY 2024-2025 AUDIT PLAN STATUS

AUDIT RECOMMENDATIONS IMPLEMENTED

PROGRESS REPORTING CONCLUDED

54	281	100%
AUDITS	TOTAL RECS	CLOSED

All FY 2024-2025 audits are complete and related recommendations have been implemented by management.

FY 2025-2026 AUDIT PLAN STATUS

ASSURANCE AUDIT DELIVERY

All audit reports from the FY 2025-2026 audit plan have been published.

TRACKING AUDIT RECOMMENDATIONS

272 TOTAL RECS — Recommendations included in FY 2025-2026 audit reports, tracked through implementation.

46% CLOSED — 148 recommendations pending implementation by management.

Recommendations are on track relative to defined implementation timelines.

FY 2026-2027 AUDIT PLAN STATUS

PLAN EXECUTION UNDERWAY

The FY 2026-2027 audit plan is currently underway, with 3 assurance audits complete and 19 in progress.

Status updates will be provided throughout the year.

SELECT STATUS UPDATES: NOV. 2026

- Management has fully implemented recommendations from the California State Auditor Community College Transfers audit, concluding the audit cycle for this topic.

PLEASE REFER TO ITEM 2 FOR FURTHER DISCUSSION, INCLUDING:

- Assurance Audit Status Overview
- Upcoming Audits: Financial Aid, Artificial Intelligence Governance
- Intergovernmental Audit Briefing

COMMITTEE ON AUDIT

Report on the Fiscal Year 2025-2026 Audit Plan

Presentation By

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

Executive Summary

Audit and Advisory Services completed the approved FY 2025-2026 audit plan, delivering results that advanced responsible stewardship, strengthened systemwide alignment, and contributed to the execution of the CSU's strategic objectives. This item serves as a "year-in-review", presenting selected examples of our work through the lens of key themes that connect the division's efforts to CSU Forward and the broader mission of the CSU. It also includes an overview of division performance and value creation, reflecting our commitment to organizational excellence and to continued development of our capabilities to serve the CSU's evolving needs.

Please refer to our report beginning on page 3 for an in-depth discussion of FY 2025-2026 results and how they contribute to the priorities of ***CSU Forward***.

Key Themes

Audit and Advisory Services' work during FY 2025-2026 focused on significant risks and opportunities identified through the annual risk assessment process and ongoing engagement with university and Chancellor's Office leadership. We will highlight four themes that illustrate the breadth of this work and its contributions to CSU priorities:

I. Fiscal Responsibility	II. Student Well-Being	III. Digital Trust	IV. Sustained Progress

Fiscal Responsibility reinforces the importance of stewardship and financial resilience in sustaining affordable, high-quality education. **Student Well-Being** underscores that safe and supportive environments are foundational to student success. **Digital Trust** highlights the need for secure, reliable, and innovative technology to support learning and operations. And **Sustained Progress** demonstrates how proactive effort to follow up on results of prior audits reinforces accountability and helps ensure recommendations and insights lead to lasting improvement.

Execution

In FY 2025-2026, Audit and Advisory Services completed the approved audit plan through a broad range of assurance, advisory, and oversight activities across the CSU:

44 Assurance Audits	**272** Recommendations Issued	**18** Advisory Reviews
283 Validated Recommendations from Past Audits	Continuous Monitoring, Support & Outreach	

In addition to audit and advisory projects, our division performed expenditure monitoring and provided intergovernmental audit coordination. Outreach and engagement efforts identified early indicators of risk, promoted consistency and compliance across the system, and ensured the CSU community benefits from shared knowledge.

Division Performance

Consistent with the Institute of Internal Auditors standards and our commitment to accountability, Audit and Advisory Services established six key performance indicators (KPIs) covering planning, service delivery, Board communication, engagement feedback, quality standards, and staff certifications. The division expects to meet all six targets for FY 2025-2026.

Post-engagement surveys provide additional insight into the perceived value of our audit and advisory work. In FY 2025-2026, 89% of survey respondents indicated that our work added value and produced meaningful results, and written feedback was equally positive. Together, KPI results and stakeholder feedback provide a comprehensive view of division performance, helping us evaluate results and identify opportunities for improvement as we strive to maintain a high level of service.

Creating Value for the CSU

Audit and Advisory Services creates value not only through individual projects, but also through work that cohesively advances the CSU as a unified system. By identifying recurring risks, sharing observations, engaging systemwide stakeholders, and developing broadly applicable recommendations, we help universities benefit from insights beyond their own individual reviews. Additionally, our benchmarking work provides opportunities to compare approaches across universities to bring forward leading practices. This system-oriented approach promotes greater operational consistency and coordinated improvement across the CSU, putting systemness into practice.

We are also focused on delivering long-term value for the CSU. During FY 2025-2026, Audit and Advisory Services developed a five-year strategic plan, incorporating stakeholder feedback and a deliberate assessment of division priorities and capabilities. The plan provides a roadmap for strengthening the division, advancing continuous improvement, and ensuring our services continue to evolve to support CSU objectives and emerging risks.

Report Contents: FY 2025-2026 Year-In-Review

Connecting to CSU Forward		P. 4
Theme I Fiscal Responsibility	Spotlight: Financial Discipline Spotlight: Auxiliary Governance	P. 5
Theme II Student Well-Being	Spotlight: Student Organizations and Student Conduct Spotlight: Student Health Services (SHS) & Counseling and Psychological Services (CAPS)	P. 7
Theme III Digital Trust	Spotlight: Information Security Spotlight: Research Security	P. 9
Theme IV Sustained Progress	Spotlight: Audit and Advisory Services Follow-Up	P. 11
Division Performance	Key Performance Indicators Stakeholder Insights	P. 12
Creating Value for the CSU	Driving Systemness Continuous Improvement – Division Strategic Plan	P. 15

CONNECTING TO CSU FORWARD

The nature of Audit and Advisory Services, including our independent, system-oriented perspective, positions our division to directly support the objectives of *CSU Forward*. The following overview highlights how core concepts of *CSU Forward* connect to our work, with these relationships further illustrated throughout this discussion of FY 2025-2026 results.

CSU Forward Concept	Audit and Advisory Services Connection
Resource Stewardship *Financial resilience and operational efficiency*	Effective stewardship depends on how financial, operational, and technology resources are governed and managed. Independent review helps strengthen financial resilience and operational efficiency, supporting the CSU's ability to preserve affordability and direct resources toward its mission.
Accountability *Transparency and measurable outcomes*	Independent assurance provides visibility into whether risks are being managed, responsibilities are clearly defined, and corrective actions are implemented - reinforcing transparency, oversight, and confidence in results.
System Strength *Leveraging collaboration and collective scale*	The systemwide perspective of Audit and Advisory Services helps identify shared risks, promote learning across universities, and extend effective practices across the CSU, advancing Systemness in practice.
Student Success *Safety, support and conditions for success*	Independent review of programs and processes that shape the student experience helps strengthen safety, access, and support services, contributing to an environment that promotes student success.
Continuous Improvement *Reflection, learning and adaptation*	Ongoing evaluation of Audit and Advisory Services processes, capabilities, and activities helps identify opportunities to evolve how we serve the CSU and expand the impact of our work.
Employer of Choice *Professional excellence and talent management*	Professional excellence depends on a capable and committed team. By prioritizing professional development and engagement within our own division, we model the Employer of Choice principles established in CSU Forward.

THEME I: FISCAL RESPONSIBILITY		
CSU Forward	Resource Stewardship	Accountability

Theme Background

Fiscal responsibility reinforces the CSU's capacity to provide affordable, high-quality education. Strategic management of resources, operational efficiency, and maintenance of appropriate reserves support long-term financial resilience and help ensure resources are used effectively to advance the CSU's mission.

Our audits consider fiscal responsibility across a broad range of university activities, with particular attention to areas such as:

- Strong financial stewardship, through appropriate authorization, oversight, monitoring, and accountability for the use of university resources.
- Sound financial management, including effective approaches to managing revenues, expenditures, budgets, and resources in support of university operations.
- Effective internal controls, which help ensure that purchasing, payments, contracting, payroll, and other financial activities are properly supported and administered.
- Responsible resource management, including oversight of auxiliary and self-support operations, construction activities, and other functions with significant financial activity.

Spotlight: Financial Discipline

Financial management audits are an important component of Audit and Advisory Services' work to promote financial discipline. In FY 2025-2026, the division conducted assurance engagements focused on financial management, including Construction, Executive Travel and Hospitality, Fee Administration, Procurement and Payments, Contract Management, and Payroll. Collectively, these audits assessed the accuracy, appropriateness, authorization, and documentation of financial transactions, as well as the effectiveness of internal controls supporting the use of university resources, financial monitoring, reconciliations, and management oversight. By addressing high-risk areas, this work provides oversight that reinforces expectations for responsible financial management and helps build a culture of fiscal responsibility across the CSU.

Our work to promote financial discipline is not limited to engagements focused directly on financial management. Across the broader audit and advisory portfolio, we also assess financial practices as part of reviews of university operations and programs, examining whether expenditures and other financial activities are properly authorized, adequately supported, consistent with policy, and subject to appropriate oversight. In FY 2025-2026, this included reviews of financial practices within student and academic support services, athletics, health and wellness programs, and auxiliary operations.

Data analytics supports these activities by providing a basis for targeted, risk-driven reviews of financial transactions, both within individual engagements and through ongoing monitoring. In FY 2025–2026, project-specific analytics supported 28 audit and advisory projects, helping identify trends, unusual activity, and higher-risk transactions for follow-up. Separately, periodic monitoring of credit card, travel, and payroll expenditures helped flag transactions for additional review and informed guidance to employees and university management.

Together, these complementary activities promote financial discipline across a broad range of CSU operations, helping identify risks, develop sound financial practices, and reinforce accountability for the responsible use of university resources.

Spotlight: Auxiliary Governance

Auxiliary governance was a priority for Audit and Advisory Services in FY 2025-2026. The division completed seven auxiliary assurance audits focused on compliance with governing documents and policies, financial transactions and approvals, and university oversight practices. The audits identified opportunities to:

- Improve auxiliary governance and board oversight through enhancements to board administration, conflict-of-interest documentation, delegations of authority, and policy review and approval processes.
- Strengthen core financial and operational controls related to cash handling, procurement and contract administration, system access, reconciliations, and management reviews.

In addition, FY 2025-2026 marked the first year that Audit and Advisory Services evaluated auxiliary Control Self-Assessments as part of our audit procedures, following the implementation of new systemwide policy requirements in June 2025. The self-assessment supports effective self-governance by requiring auxiliary management to document key processes and controls, identify potential gaps, and assess compliance with CSU policies and risk management protocol. Our audits generally found that reported controls aligned with actual operating practices, while identifying opportunities to enhance review processes and improve consistency as the assessment process matures.

Alongside assurance activities, targeted advisory engagements for auxiliary organizations supported university leadership in addressing governance and operational matters, including board practices, decision-making authority, financial monitoring, and the evaluation of organizational and shared-service models through systemwide benchmarking.

THEME II: STUDENT WELL-BEING	
CSU Forward	**Student Success**

Theme Background

Student well-being is foundational to student success. Appropriate support services, health and counseling resources, and a safe and inclusive campus environment help create the conditions students need to remain engaged and successful throughout their educational experience. Our audits focus on the efficiency and effectiveness of programs, services, and institutional practices that advance student well-being, including:

- Access and student support, including services and accommodations that help ensure students with disabilities have equitable access to university programs, services, and activities.
- Health and well-being, including physical and mental health services and the administrative, clinical, and information practices that support effective delivery of care.
- Student safety and accountability, including oversight of student organizations, conduct processes, prevention and education efforts, and practices designed to promote safe and supportive campus communities.

Spotlight: Student Organizations and Student Conduct

Oversight of student organizations and student conduct plays an important role in promoting student safety, establishing clear expectations for conduct, and ensuring conduct matters are administered consistently and fairly. Our audits evaluate the governance, processes, and coordination that support these responsibilities, including oversight of student organizations, investigation processes, prevention and training, reporting and transparency, and protection of student conduct information.

This work was particularly timely as universities responded to new federal and state hazing laws that expanded responsibilities for prevention, incident tracking, public reporting, transparency, and accountability. During FY 2025-2026, we completed three audits of student organization and student conduct practices as universities implemented these new requirements and the CSU's systemwide Anti-Hazing Policy. The audits provided an early opportunity to assess implementation and identify areas where practices could be strengthened. The reviews identified opportunities to:

- Improve the timeliness and administration of student conduct processes by strengthening investigation practices, documentation, communication, and case management for student organizations and individual students.
- Strengthen training and oversight practices for student organization advisors and leaders by

ensuring required training is appropriately assigned and completed, and that training addresses relevant university policies, responsibilities, and evolving hazing prevention requirements.

- Enhance controls over student conduct information systems by formalizing periodic user access reviews and strengthening related documentation and oversight practices.

These opportunities highlight the importance of coordination across university functions as institutions continue implementing anti-hazing requirements and strengthening student conduct administration. Audit and Advisory Services is working with systemwide stakeholders as related policies and guidance evolve, including updates to the systemwide student conduct and student activities policies, to strengthen prevention, accountability and consistent administration of student organizations and student conduct across the CSU.

Spotlight: Student Health Services (SHS) & Counseling and Psychological Services (CAPS)

Student Health Services (SHS) and Counseling and Psychological Services (CAPS) are important components of the university support network, providing resources that contribute to student well-being and success. In FY 2025-2026, Audit and Advisory Services completed SHS/CAPS audits at two universities, evaluating governance and service delivery, professional qualifications and oversight, health information systems, specialized services and programs, and fiscal administration. The reviews identified opportunities to:

- Strengthen governance over augmented student health services and related fees by ensuring services beyond basic student health offerings, such as specialty medicine and physical therapy, are appropriately classified, reviewed, and approved.
- Enhance oversight of health information systems by performing periodic reviews of user access to help safeguard sensitive student health information.
- Strengthen quality assurance and monitoring of sports medicine programs to support consistent oversight of services provided to student-athletes.
- Formalize third-party arrangements through appropriate contracts and agreements that clearly define responsibilities, expectations, and accountability.

By bringing these recommendations to management's attention, our audits provided a basis for strengthening oversight and improving the governance and delivery of student health and counseling services.

THEME III: DIGITAL TRUST		
CSU Forward	Resource Stewardship	Accountability

Theme Background

Digital Trust represents confidence in CSU's technology systems, which is central to delivering seamless, secure, and innovative experiences that advance student success and operational excellence. This infrastructure enables access, equity, and collaboration that power the CSU to achieve financial resilience, academic excellence, and its student-centered mission.

Audit and Advisory Services devotes significant resources to IT auditing, drawing on specialized internal staff and external consultants to address technology risks at both the university and systemwide levels. Audits in this area focus on core topics such as information security, system access, software and hardware licensing, business continuity/IT disaster recovery, and research security, evaluating controls designed to safeguard personal, academic, and financial information while maintaining compliance with state and federal requirements.

Spotlight: Information Security

Information security is essential to protecting the confidentiality, integrity, and availability of university information and technology resources. Effective security practices help safeguard sensitive information, support reliable university operations, protect individual privacy, and promote compliance with applicable legal, regulatory, and CSU requirements.

Due to the complexity and risk profile of information technology, information security remains a recurring and significant component of Audit and Advisory Services' risk-based audit work. Information security audits evaluate the effectiveness of technology governance, risk management, and control processes at both the university and systemwide levels. This work is particularly important as cyber threats continue to evolve and universities increasingly rely on interconnected, cloud-based, and decentralized technology environments to support their academic and administrative missions.

Audit and Advisory Services completed information security audits at five universities during FY 2025-2026, evaluating governance, risk management, and the controls used to protect university information and technology resources. The audits included technical security assessments performed by external cybersecurity specialists. This co-sourced approach supplemented our internal expertise, providing a comprehensive and multilayered approach to information security assurance. Key areas of focus included:

- Effective information security governance, accountability, risk oversight, and communication.

- Consistent identification, classification, management, and protection of information and technology assets.
- Identity and access management practices throughout the user and system access lifecycle.
- Technology lifecycle management, security monitoring, and operational resilience.
- Consistent security practices across university departments, auxiliaries, cloud services, and other technology environments.

Because cybersecurity threats, technologies, and operating environments continue to evolve, information security requires ongoing assessment and improvement. The audits provide a point-in-time evaluation of selected risks and controls to support management's continuing efforts to strengthen the CSU's overall security posture.

Spotlight: Research Security

Research security helps protect sensitive research data, systems, intellectual property, and personnel while supporting the open and collaborative environment essential to academic research. Audits of research security assess the governance, coordination, and safeguards used to manage research-related security risks and address applicable federal requirements, sponsor expectations, CSU policy, and grant conditions.

Federal expectations for research security have expanded through National Security Presidential Memorandum 33 and related legislation and agency guidance. Although most CSU universities do not currently meet the federal funding threshold associated with the formal research security program requirement, evolving federal expectations and grant-specific obligations make it important for universities to understand their responsibilities and proactively develop practices appropriate to their research activities and risk profiles.

Audit and Advisory Services completed research security audits at two universities during FY 2025-2026, assessing governance, research administration, and related safeguards. Key areas of focus included:

- Coordinated governance and clearly defined responsibilities across university functions involved in sponsored research.
- Processes for incorporating research security considerations throughout the grant lifecycle.
- Consistent research security awareness, training, and compliance monitoring.
- Guidance and coordination for international research activities and travel.

Ultimately, our audit work in this area helps universities strengthen coordination, protect research activities and information, and prepare for changing federal requirements and sponsor expectations.

THEME IV: SUSTAINED PROGRESS	
CSU Forward	**Accountability**

Theme Background

Sustained Progress reflects Audit and Advisory Services' long-term approach to risk and accountability. While the annual audit plan provides a framework for each fiscal year, we take a multi-year view of significant risks and prior audit results to proactively identify areas warranting further attention, assess whether past corrective actions remain effective, and provide continuity of assurance to university and system leadership.

This approach includes tracking the implementation of recommendations from completed audits, validating corrective actions, and, where warranted, returning to higher-risk or priority areas through follow-up or renewed audit work. These reviews provide the Board and executive leadership with greater confidence that remediation efforts are being executed as intended, while also creating visibility into areas where additional progress is needed. By maintaining this long-term focus, Audit and Advisory Services reinforces accountability and helps ensure that identified issues are not only addressed, but that improvements are sustained and continue to support university operations over time.

Spotlight: Audit and Advisory Services Follow-up

Three follow-up audits completed in FY 2025-2026 illustrate how this long-term approach was applied. The engagements assessed whether corrective actions from prior audits had been effectively implemented and identified areas requiring further attention.

Our 2026 Capital Public Radio auxiliary audit revisited significant governance, financial management, and internal control concerns identified in 2023 and found meaningful progress, including stronger board oversight, leadership changes, enhanced controls, and the transition of accounting functions to university financial services. Opportunities were identified to formalize existing processes and enhance financial oversight and planning in support of the organization's long-term financial sustainability. We also completed follow-up audits of Business Continuity and IT Disaster Recovery and Athletics Fiscal Administration. These reviews assessed progress in addressing prior findings and identified areas where corrective actions had advanced, as well as opportunities for further improvement.

Collectively, this work demonstrates how sustained engagement provides assurance over the long-term implementation of corrective actions, identifies remaining risks, and reinforces accountability for addressing important issues. Beyond formal follow-up, findings from prior engagements also inform ongoing risk assessment and audit planning, including reviews at other universities where similar risks may be present. This approach allows Audit and Advisory Services to build on prior work, address recurring risks, and promote systemwide improvement.

DIVISION PERFORMANCE		
CSU Forward	**Accountability**	**Continuous Improvement**

Audit and Advisory Services monitors and reports its own performance to reinforce accountability and assess whether the division is fulfilling its commitments, adhering to relevant professional standards, and meeting the expectations of CSU stakeholders. This practice reflects the CSU's commitment to continuous improvement and institutional effectiveness, as well as the professional rigor we seek to promote through our work. Establishing clear goals, measuring results, and reflecting on our effectiveness provide a disciplined basis for sustaining high service levels, responding to evolving needs, and strengthening the support we provide to the CSU. This approach is reflected in two complementary elements of our performance framework: key performance indicators and stakeholder insights.

Key Performance Indicators

To support conformance with the Institute of Internal Auditors' Global Internal Audit Standards, Audit and Advisory Services has established six standing key performance indicators to evaluate division performance and promote continuous improvement and accountability. Results will be reported to the Board of Trustees in November of each year, with each KPI evaluated as "Achieved" or "Not Achieved." The KPIs and FY 2025-2026 results are as follows:

Key Performance Indicators	FY 2025-2026 Result
Planning: Obtain Board of Trustees approval of the annual risk-based audit plan.	**Achieved**
Service Delivery: Execute the assurance audits included in the approved annual audit plan, subject to any approved changes to the plan during the year.	**Achieved**
Board Communication: Deliver periodic reporting to the Board of Trustees on progress, critical updates, and accomplishments, including the annual audit plan presentation, bi-monthly updates, and report on results of the prior year audit plan.	**Achieved**
Engagement Feedback: Initiate post-engagement surveys for all applicable assurance and advisory engagements to obtain feedback.	**Achieved**

Key Performance Indicators (Cont.)	FY 2025-2026 Result
Quality Standards: Earn a "General Achievement" rating on QAIP (Quality Assurance and Improvement Program) and external QAR (Quality Assessment Review) assessments, indicating overall conformance with quality standards set by the Institute of Internal Auditors.	*Measurement Pending* *(1)*
Staff Certifications: Ensure at least 70% of staff maintain one or more relevant professional certifications in active status, measured annually.	**Achieved**

(1) The QAIP assessment results for FY 2025-2026 will be reported to the Board of Trustees in Q3 of the current fiscal year, consistent with established timelines.

Stakeholder Insights

Stakeholder input provides an important perspective on the quality, effectiveness, and practical value of our audit and advisory work. As described in the KPI section above, we collect feedback following applicable engagements through surveys that include structured questions and opportunities for written comments. We evaluate survey results to recognize areas of strong performance and identify opportunities for improvement.

In FY 2025-2026, 89% of post-audit survey respondents indicated that our work added value and produced meaningful results. Other survey results also reflected positive assessments of the engagement experience:

- 100% of respondents agreed that project objectives, scope, and timing were clearly communicated.
- 98% agreed that the status and results of engagements were communicated clearly and that Audit & Advisory Services conducted engagements in a professional and objective manner.
- 94% agreed that Audit & Advisory Services maintained a collaborative approach and was receptive to management feedback throughout the engagement.

Open-ended feedback provided additional insight into stakeholder experiences and the contributions of our work. Selected comments illustrate several dimensions of stakeholder satisfaction:

- ***Professional:*** *"The audit team maintained a high level of professionalism and collegiality throughout the engagement."*
- ***Collaborative:*** *"The collaborative meetings were the most effective and valuable aspect of the engagement."*
- ***Quality:*** *"The engagement exceeded expectations and the thorough and carefully written report*

was very well received."

- ***Value:*** *"The audit provided valuable insights that will help us continue strengthening our information security practices and overall cybersecurity posture."*
- ***Systemness:*** *"The engagement provided valuable benchmarking against other CSU campuses and offered meaningful recommendations to help improve the campus's processes and practices."*

Stakeholder comments also identified areas for refinement, including communication and planning in select engagements and expanding the use of specialized subject matter expertise where appropriate. Audit and Advisory Services considers this feedback, to the extent relevant and feasible, when planning future engagements, refining division protocols, and allocating staff and other resources.

Taken together, KPI results and stakeholder insights provide a comprehensive basis for assessing division performance and informing continued improvements to our work.

CREATING VALUE FOR THE CSU			
CSU Forward	System Strength	Employer of Choice	Continuous Improvement

Maximizing the value the CSU receives from its investment in Audit and Advisory Services is a key responsibility of the division, and we pursue this through activities that extend the benefits of our work beyond individual engagements. Our relationships across universities and proactive approach help us translate our systemwide perspective into practical outcomes, including stronger governance and controls, improved risk management, more effective operations, and greater consistency. Complementing these efforts, long-term strategic planning and continuous improvement strengthen our ability to respond to evolving CSU needs and increase the value of our work over time.

Driving Systemness: System-Oriented Work and CSU-Wide Recommendations

Systemness is reflected in how Audit and Advisory Services identifies, prioritizes, and plans engagements, as well as how we communicate results and share insights across the CSU. Through the annual risk assessment and ongoing engagement with university and Chancellor's Office leadership, we consider risks and opportunities that extend beyond a single university, including matters involving Chancellor's Office operations, shared system resources, governance, and common processes.

When an engagement is conducted at an individual university, we assess the broader systemwide relevance of results. Where appropriate, we issue recommendations to the Chancellor's Office or share observations with systemwide management to inform policy, guidance, and oversight across the CSU. In FY 2025-2026, this included audit recommendations addressing procurement practices arising from Student Health Services and Counseling and Psychological Services audits, as well as policy and oversight recommendations from Student Organizations and Student Conduct audits. We also shared Information Security and Research Security audit results with relevant systemwide management to raise awareness of identified risks and encourage proactive consideration of similar practices at other universities. These efforts helped promote greater consistency in policy, guidance, and oversight across the CSU.

This system-oriented perspective also shaped our advisory work during FY 2025-2026. We conducted advisory engagements in support of systemwide initiatives and considered whether lessons from individual engagements could inform broader CSU practices. For example, our work supporting a multi-university regional shared-service initiative evaluated information security governance and cybersecurity practices across participating universities. We also supported the consolidation of two auxiliary organizations in an advisory capacity, providing real-time feedback on integration activities to promote effective oversight and continuity of services. These engagements illustrate how our systemwide perspective can inform governance and operational decisions in initiatives involving multiple CSU universities.

Intergovernmental audit coordination provides another avenue for strengthening systemness by promoting a unified CSU approach to external oversight. In FY 2025-2026, Audit and Advisory Services coordinated communications between the California State Auditor, Chancellor's Office personnel, and university leadership, facilitating audit responses and monitoring implementation progress on recommendations from external reviews. This included work related to affordable student housing, Title IX, community college transfers, and Native American Graves Protection and Repatriation Act compliance. Through this coordination, the division reinforces accountability for addressing external audit recommendations and helps promote improvements on matters of systemwide significance.

Driving Systemness: Outreach and Engagement

Outreach and engagement strengthen connections among Audit and Advisory Services, universities, and the Chancellor's Office, fostering a systemwide network for knowledge sharing, coordination, and a collective approach to emerging risks. Key activities during FY 2025-2026 included:

- **Audit Liaison Conference:** In September 2025, we hosted the annual Audit Liaison Roundtable, a three-day conference that brought together university audit representatives, Chancellor's Office leaders, and subject matter experts to exchange information, discuss emerging risks, and align university and system priorities. The event helped reinforce a shared commitment to effective governance and continuous improvement.
- **Notable Observations:** We developed and shared notable observations to highlight key trends, recurring audit themes, and opportunities for improvement identified through our work. This information provides a basis for discussion among university and system leadership and supports proactive risk management.
- **Affinity Groups:** Through our participation in systemwide affinity groups, including the Chief Administrators and Business Officers group, the Chief Information Officer (CIO) council, the Information Security Advisory Council, and the Financial Officers Association, we share information on emerging risks, control enhancements, and fraud prevention measures. These forums facilitate coordination among peer leaders and support compliance and operational integrity across the CSU.
- **IT Audit Work Group:** We continued to facilitate the IT Audit Work Group, a collaborative forum including the Chief Audit Officer, the IT audit team, the Chancellor's Office Chief Information Officer (CIO) and Chief Information Security Officer (CISO), and select university CIOs and ISOs. The group works to address common IT audit observations, refine audit approaches, and enhance coverage of high-risk technology areas, strengthening systemwide IT governance and risk management.
- **Fraud Risk Bulletins:** We distributed Fraud Risk Bulletins to raise awareness of potential fraud risks and reinforce prevention strategies across the CSU, supporting efforts to maintain effective internal controls and promote ethical operations.

Continuous Improvement: Audit and Advisory Services Five-Year Strategic Plan

Our commitment to continuous improvement is reflected in the development of a five-year Strategic Plan during FY 2025-2026. Covering FY 2026-2027 through FY 2030-2031, the plan establishes a practical roadmap for strengthening our role as an indispensable strategic partner and trusted advisor to the Board of Trustees, systemwide leadership, and CSU universities.

The strategy was developed through a structured, iterative process aligned with the Institute of Internal Auditors' *Global Internal Audit Standards* and strategy development guidance. It was informed by CSU Forward, the division's mandate, annual risk assessment results, stakeholder expectations, and the broader CSU and higher education environment. Internal capabilities, including people, methodologies, technology, resources, and quality assurance practices, were also considered. Input from division personnel, university and Chancellor's Office leadership, and Board of Trustees representatives helped shape the vision, priorities, and implementation approach. The resulting plan includes strategic objectives, an execution framework, performance measures, and governance processes for monitoring and periodic refinement.

The plan is organized around three strategic pillars:

- **Amplify Audit and Advisory Impact Through People, Technology, and Process.** Build workforce capability, leverage technology and data analytics, and optimize the operating model to expand the effectiveness, efficiency, and reach of the division's work.
- **Advance CSU Priorities through Audit and Advisory Services.** Align risk assessment, planning, assurance, investigative, analytical, and advisory activities with the CSU's most significant priorities, risks, and opportunities.
- **Foster Systemness through Trusted Systemwide Insight, Consistency, and Learning.** Use the division's systemwide perspective to share insight, benchmarking, recommendations, tools, and learning that promote alignment, consistency, and collective risk awareness across the CSU.

Initiatives are organized as ongoing responsibilities, near-term capability development, and longer-term transformation, balancing current service delivery with the division's future development. Progress will be evaluated through annual goals and performance measures, with the plan revisited as CSU priorities and risks evolve.

Across these efforts, investing in our people and their professional development remains a central priority, reflecting CSU Forward's Employer of Choice objective within the division. Together, the plan's priorities establish a long-term direction for strengthening Audit and Advisory Services and ensuring the CSU continues to receive meaningful and increasing value from its investment in the division.