

AGENDA

COMMITTEE ON AUDIT

Meeting: 4:15 p.m., Tuesday, November 7, 2023
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 of the Meeting of September 12, 2023, *Action*
- Discussion** 2. Status Report on Audit and Advisory Services Activities, *Information*
3. Audit and Advisory Services Charter, *Action*
4. Audit Committee Charter, *Action*

**MINUTES OF THE MEETING OF
COMMITTEE ON AUDIT**

**Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium
401 Golden Shore
Long Beach, California**

September 12, 2023

Members Present

Yammilette Rodriguez, Chair
Jean Picker Firstenberg, Vice Chair
Leslie Gilbert-Lurie
Lillian Kimbell
Christopher Steinhauser
Wenda Fong, Chair of the Board

Trustee Yammilette Rodriguez called the meeting to order.

Approval of the Consent Agenda

The minutes of the July 11, 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 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.

The 2022-23 audit plan was completed in October 2023. Attachment A provides a summary of key accomplishments from the 2022-23 plan year.

For the current year 2023-24 audit plan, assignments were made to execute individual campus audit plans and conduct financial, operational, compliance, and information technology audits; use continuous auditing techniques and data analytics tools; provide advisory services; support intergovernmental audits; and perform investigation reviews, as needed.

Follow-up on current and past assignments is being conducted on 30 completed campus reviews. Attachment B summarizes the status of audit assignments by campus.

ASSURANCE AUDITS AND DATA ANALYTICS

Status of In-Process and Completed Audits

Audit and Advisory Services has completed all 52 audits of the 2022-23 audit plan. Twenty-one audits are currently in process as part of the 2023-24 audit plan. Completed audit reports are posted on the California State University website at <https://www2.calstate.edu/csu-system/transparency-accountability/audit-reports>.

The status of campus progress toward implementing recommendations for completed audits is included in Attachment B. Prior year audits that have open recommendations are also included in Attachment B and are removed from the report once all recommendations are completed.

Both campus management and audit management are responsible for tracking the implementation/completion status of audit recommendations contained in campus audit reports. During the audit process, campus management identifies a target completion date for addressing

each audit recommendation. Target completion dates are subject to approval by audit management prior to the audit report being finalized. Implementation timelines are reviewed for appropriateness, reasonableness, and timeliness, which also includes evaluating the nature and level of risk and whether any mitigating controls can or should be 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 campus senior leadership team (president and/or VP/CFO) to resolve any delays. In rare instances in which delays cannot be resolved during discussions between campus and audit management, the chancellor and audit committee chair and/or vice chair may help resolve delays, as needed.

Data Analytics

As part of periodic monitoring of campus credit card and Concur travel data, the data analytics team is performing follow up with 17 campuses for possible anomalies. The team is also exploring ways to improve the periodic monitoring process in these two areas in order to provide additional value to campus management.

Credit card dashboards have been completed and shared with campus management to review trends and proactively address possible anomalies. Additionally, expenditure dashboards have been completed and will be used by the audit and advisory team as part of the planning process. The team is continuing to work on payroll-related dashboards to perform analytics on employee leave, additional pay, and bonus payment data.

ADVISORY SERVICES

Audit and Advisory Services partners with management to identify solutions for business issues, offer opportunities to improve the efficiency and effectiveness of operating areas, and assist with special requests, while ensuring the consideration of related internal control issues. Advisory services are more consultative in nature than traditional audits and are performed in response to requests from campus management. The goal is to enhance awareness of risk, control and compliance issues and to provide a proactive independent review and appraisal of specifically identified concerns. Reviews are ongoing.

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 campus 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 campuses undergoing such audits, and acts as a liaison for the California State University system throughout the audit process when appropriate.

The California State Auditor (CSA) recently began its audit of community college transfers. The audit will review 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 the planning phase. The scope and objectives of the audit are available on the State Auditor's website (<https://www.auditor.ca.gov/pdfs/analyses/2023-123.pdf>).

OUTREACH AND ENGAGEMENT

Audit and Advisory Services continues to partner and work with our campus 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 and leading affinity groups, providing support to campus and chancellor's office management, sharing information and common themes across campuses, and acknowledging feedback and insights provided by management.

In September 2023 Audit and Advisory Services hosted the 7th annual roundtable meeting designed to facilitate communication and collaboration between Audit and Advisory Services and CSU campus audit representatives. The meeting was held in person at Cal Poly Pomona and sessions covered a variety of topics such as campus safety, information security, Title IX, and notable observations from recent audits. Campus attendees were particularly engaged in this year's meeting and the post-event survey indicated that the content was relevant and timely.

INTERNAL AUDIT FRAMEWORK AND STANDARDS

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

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

AUDIT AND ADVISORY SERVICES 2022-23 YEAR-IN-REVIEW

50

**VALUE-ADDED
REVIEWS**



Advisory and data analytics projects providing proactive feedback to campus management

INTERGOVERNMENTAL AUDITS

Served as the systemwide liaison for NAGPRA and Title IX audits conducted by the California State Auditor



REAL TIME

Alerts of fraudulent activity sent to campuses

52

Assurance Audits



Providing assurance to the Board that controls are designed and operating effectively



IT AUDIT WORK GROUP

Addressing recurring IT audit observations

MIGRATED ANALYTICS PLATFORM

60

Data Analytics Dashboards



Analyzing large transactional data sets to identify trends and anomalies

COMMUNICATION

Notable observations shared with management to bring awareness to opportunities for improvement noted systemwide



222

**RECOMMENDATIONS
ISSUED**



**133 DATA SETS
REVIEWED**

In support of
Audit and
Advisory projects

STATUS REPORT ON CURRENT AND PAST AUDIT ASSIGNMENTS

Campus	Category	Audit Topic	Audit Plan Year	Total # of Recommendations	*Status
Chancellor's Office	Audits Currently in Progress	Emergency Management	FY 23-24		
	Status of Recommendations	Payroll and Benefits Reporting	FY 22-23	2	<div style="width: 20px; height: 10px; background-color: blue;"></div> 2
Channel Islands	Audits Currently in Progress	Computer Security Incident Response	FY 23-24		
Chico	Status of Recommendations	Information Security	FY 22-23	14	<div style="width: 50px; height: 10px; background-color: blue;"></div> 7 <div style="width: 50px; height: 10px; background-color: green;"></div> 7
Dominguez Hills	Audits Currently in Progress	Property and Equipment	FY 23-24		
	Status of Recommendations	Associated Students	FY 22-23	8	<div style="width: 40px; height: 10px; background-color: blue;"></div> 8
East Bay	Status of Recommendations	Executive Travel and Hospitality	FY 22-23	1	<div style="width: 10px; height: 10px; background-color: blue;"></div> 1
		Information Security Follow-Up	FY 22-23	1	<div style="width: 10px; height: 10px; background-color: blue;"></div> 1
Fresno	Audits Currently in Progress	Information Security	FY 23-24		
	Status of Recommendations	Association	FY 22-23	1	<div style="width: 10px; height: 10px; background-color: green;"></div> 1
Fullerton	Status of Recommendations	Human Resources and Training Compliance	FY 22-23	5	<div style="width: 30px; height: 10px; background-color: green;"></div> 5
		Audits Currently in Progress	Business Continuity and IT Disaster Recovery	FY 23-24	
Humboldt	Status of Recommendations	Construction Management	FY 22-23	4	<div style="width: 15px; height: 10px; background-color: blue;"></div> 1 <div style="width: 15px; height: 10px; background-color: green;"></div> 3
		Executive Travel and Hospitality	FY 22-23	1	<div style="width: 10px; height: 10px; background-color: blue;"></div> 1
Humboldt	Status of Recommendations	International Programs	FY 23-24		
		Executive Travel and Hospitality	FY 22-23	2	<div style="width: 15px; height: 10px; background-color: green;"></div> 2
Long Beach	Status of Recommendations	Human Resources and Training Compliance	FY 22-23	14	<div style="width: 30px; height: 10px; background-color: blue;"></div> 3 <div style="width: 30px; height: 10px; background-color: green;"></div> 11
		Audits Currently in Progress	Youth Programs	FY 23-24	
Los Angeles	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	5	<div style="width: 20px; height: 10px; background-color: blue;"></div> 2 <div style="width: 20px; height: 10px; background-color: green;"></div> 3
		Audits Currently in Progress	Accessible Technology	FY 23-24	
Los Angeles	Status of Recommendations	Financial Aid	FY 23-24		
		University Auxiliary Services	FY 22-23	8	<div style="width: 15px; height: 10px; background-color: blue;"></div> 1 <div style="width: 15px; height: 10px; background-color: green;"></div> 7
Maritime Academy	Status of Recommendations	Financial Aid	FY 23-24		
		Information Security	FY 21-22	10	<div style="width: 40px; height: 10px; background-color: green;"></div> 10
Monterey Bay	Status of Recommendations	Financial Aid	FY 23-24		
		Accessible Technology Initiative	FY 22-23	6	<div style="width: 30px; height: 10px; background-color: blue;"></div> 6
Northridge	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	6	<div style="width: 30px; height: 10px; background-color: blue;"></div> 6
		The University Corporation	FY 22-23	7	<div style="width: 30px; height: 10px; background-color: blue;"></div> 7
Pomona	Status of Recommendations	Associated Students, Inc.	FY 23-24		
		Information Security	FY 22-23	6	<div style="width: 15px; height: 10px; background-color: blue;"></div> 3 <div style="width: 15px; height: 10px; background-color: green;"></div> 3
Sacramento	Status of Recommendations	Capital Public Radio	FY 22-23	17	<div style="width: 60px; height: 10px; background-color: blue;"></div> 17
San Bernardino	Audits Currently in Progress	Athletic Fiscal Administration	FY 23-24		
San Diego	Status of Recommendations	Academic Department Fiscal Review	FY 23-24		
		Aztec Shops	FY 22-23	5	<div style="width: 30px; height: 10px; background-color: blue;"></div> 5
San Diego	Status of Recommendations	Student Organizations	FY 22-23	2	<div style="width: 10px; height: 10px; background-color: green;"></div> 2
		Audits Currently in Progress	University Corporation	FY 23-24	
San Francisco	Status of Recommendations	Training Compliance	FY 22-23	3	<div style="width: 15px; height: 10px; background-color: blue;"></div> 3
		Audits Currently in Progress	Endowment Management	FY 23-24	
San Jose	Status of Recommendations	IT Decentralized Computing	FY 21-22	9	<div style="width: 45px; height: 10px; background-color: green;"></div> 9
		Athletics Fiscal Administration	FY 22-23	6	<div style="width: 30px; height: 10px; background-color: blue;"></div> 6
San Jose	Status of Recommendations	Information Security	FY 22-23	5	<div style="width: 25px; height: 10px; background-color: blue;"></div> 5
		Audits Currently in Progress	Financial Aid	FY 23-24	
San Luis Obispo	Status of Recommendations	Athletics Fiscal Administration	FY 22-23	7	<div style="width: 35px; height: 10px; background-color: blue;"></div> 7
		IT Disaster Recovery	FY 22-23	3	<div style="width: 15px; height: 10px; background-color: green;"></div> 3
San Marcos	Status of Recommendations	Counseling and Psychological Services	FY 23-24		
		Accessible Technology Initiative	FY 22-23	6	<div style="width: 30px; height: 10px; background-color: blue;"></div> 6
Sonoma	Status of Recommendations	Business Continuity and IT Disaster Recovery	FY 23-24		
		Construction Management	FY 23-24		
Stanislaus	Status of Recommendations	Information Security	FY 23-24		
		Student Health Services	FY 22-23	3	<div style="width: 15px; height: 10px; background-color: green;"></div> 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

COMMITTEE ON AUDIT

Audit and Advisory Services Charter

Presentation By

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

Background

The California Government Code requires that state agencies with internal audit functions conduct activities under the general and specified standards of internal auditing prescribed by the Institute of Internal Auditors (IIA) or the Government Auditing Standards issued by the Comptroller General of the United States, as appropriate. CSU Audit and Advisory Services conducts activities following the IIA standards.

The IIA standards for the professional practice of internal auditing require that the purpose, authority, and responsibility of the internal audit activity be formally defined in an internal audit charter and that the chief audit executive periodically review the internal audit charter and present it to senior management and the board for approval.

Summary

The Audit and Advisory Services Charter was last reviewed and approved by the Committee on Audit in January 2014, and prior to that in January 2005. Audit and Advisory Services management has reviewed the charter and proposed changes are reflected in Attachment A. The purpose of the revisions is to strengthen alignment with IIA standards and streamline the organization and flow of the document, while ensuring compliance with applicable laws and Board of Trustees policies. Audit management also benchmarked the document against more than 35 other university internal audit charters. The proposed revisions do not alter the authority, responsibility, or activities of Audit and Advisory Services.

The following resolution is recommended for approval:

RESOLVED, by the Committee on Audit of the California State University Board of Trustees that the updated Audit and Advisory Services Charter, as detailed in Agenda Item 3 of the Committee on Audit at the November 7-8, 2023, meeting, be approved.

THE CALIFORNIA STATE UNIVERSITY
OFFICE OF AUDIT AND ADVISORY SERVICES CHARTER
(RAUD-01-14-02)

~~RESOLVED~~, By the Board of Trustees of the California State University, that the following updated Office of Audit and Advisory Services Charter is adopted.

Establishment

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.

Nature

~~Internal auditing is an independent, objective assurance and consulting activity designed to add value and improve operations.~~

Commented [A1]: Removed "Nature" section and incorporated into "Purpose and Mission" section.

Purpose and Mission Statement

~~The purpose of Audit and Advisory Services is to provide independent, objective assurance and advisory services designed to add value and improve the California State University's (CSU) operations. The overall mission of the Office of Audit and Advisory Services is to assist 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. This assistance is provided through a series of independent and objective operational and compliance audits, internal control reviews, investigations, and advisory services designed to add value and improve operations.~~

Commented [A2]: Removed as it is now redundant with added purpose statement in the first sentence.

Standards for the Professional Practice of Internal Auditing

Commented [A3]: New section added to explicitly discuss and align with IIA standards.

Audit and Advisory Services is committed to the professional practice of internal auditing and will govern itself by adherence to the mandatory elements of the Institute of Internal Auditors' International Professional Practices Framework, including the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing ("the Standards").

The Vice Chancellor and Chief Audit Officer will report periodically to senior management and the Trustees regarding Audit and Advisory Services' conformance to the Code of Ethics and the Standards.

Organization and Authority

The Vice Chancellor and Chief Audit Officer reports directly to the Board, reports administratively to the Chancellor for purposes of general administration, staff personnel, budget, and space. there shall be an administrative relationship between the Vice Chancellor and Chief Audit Officer and the Chancellor

Oversight of the audit function provided by the Office of the Audit and Advisory Services, including the priority of work assignments, shall be the responsibility of the Committee on Audit, which shall report on such matters to the Board of Trustees. To establish, maintain, and assure that Audit and Advisory Services has sufficient authority to fulfill its duties, the Committee on Audit of the Board of Trustees will perform the responsibilities and have the authority as outlined in the California State University Audit Committee Charter.

Commented [A4]: Added language referring to the Committee on Audit responsibilities as outlined in the Audit Committee Charter.

~~The Office of Audit and Advisory Services is free from interference in determining the scope of auditing, performing work, and communicating results and has full, free, and unrestricted access to all records (manual and electronic), property, and personnel of the university and recognized auxiliary organizations. The Office of Audit and Advisory Services is free to review and appraise all policies, plans, and procedures.~~

Commented [A5]: Removed as language is redundant with the paragraph above.

Independence and Objectivity

~~To permit the rendering of impartial and unbiased judgments essential to the proper conduct of audits, internal auditors will be independent of the activities they audit.~~

The Vice Chancellor and Chief Audit Officer will ensure that Audit and Advisory Services carries out its responsibilities in an unbiased manner, including matters of audit selection, scope, procedures, frequency, timing, and report content. If the Vice Chancellor and Chief Audit Officer determines that independence or objectivity may be impaired in fact or appearance, the details of the impairment will be discussed with appropriate parties.

Commented [A6]: Modified prior language to provide additional context surrounding independence and to better align with IIA standards.

~~Internal auditing and advising is a staff function, and, as such Audit and Advisory Services has no authority to make operating decisions, direct anyone in operations, or take action or implement any of its recommendations. Accordingly, internal auditors do not implement controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair their judgment.~~ These tasks are the responsibility of university and auxiliary management.

Scope of Work

~~The Office of Audit and Advisory Services provides university management and the Trustees with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed. Major objectives include providing ongoing assurance that critical risks are being mitigated to acceptable levels and the California State University is operating efficiently and effectively; adding value by contributing to the improvement of governance, risk management, operations and control processes, and by promoting continuous improvement; enhancing awareness and understanding of risk and control; and promoting appropriate ethics and values.~~

The scope of work of ~~the Office of Audit and Advisory Services~~ is to determine whether the university's ~~network of~~ risk management, control, and governance processes, as designed and represented by management, ~~is~~ are adequate and functioning effectively to ensure ~~that~~:

- The governance process promotes appropriate ethics and values and ensures effective organizational performance management and accountability.
- Risk management processes are effective and significant risks are appropriately identified, assessed, and managed.
- Communication of risk and control information to appropriate areas of the organization, and coordination of activities of and communication of information among various governance groups occur as needed.
- Programs, plans, and objectives support and align with the university's mission and are achieved.
- Financial, operational, and managerial information, and the means used to identify, measure, analyze, classify, and report such information are accurate, reliable, and timely.
- Resources are acquired economically, used efficiently, accounted for accurately, and protected adequately.
- The potential for the occurrence of fraud is evaluated and fraud risk is managed.

Commented [A7]: Added language for clarity. Also, commonly found in other charters reviewed.

- Actions and decisions are in compliance with applicable laws, regulations, policies, procedures, contracts, and standards.
- Information technology governance and systems support achievement of the university's strategic goals and security practices adequately protect information assets.
- Quality and continuous improvement are fostered in the university's risk management and control processes.

Responsibility and Authority

~~The Office of Audit and Advisory Services functions pursuant to state law under the policies established by the Trustees of the California State University and university management and except for certain personnel actions related to the position of the Vice Chancellor and Chief Audit Officer note below, the Office of Audit and Advisory Services is subject to all the rules and procedures established by the Office of the Chancellor. Additionally, the Office of 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. In this context, the Vice Chancellor and Chief Audit Officer is responsible for:~~

- ~~All administrative duties and requirements pertaining to the operation of the Office of Audit and Advisory Services, including the establishment of policies for auditing and advisory services and direction of the office's technical and administrative functions, and represents the California State University system in all relationships with external audit agencies.~~
- ~~An audit plan will be prepared annually by the Vice Chancellor and Chief Audit Officer. Developing and executing a comprehensive risk-based annual audit plan program, that is and be submitted for approval by the Board through to the Committee on Audit, for the evaluation of management controls provided over all university and auxiliary organization activities, although the Board of Trustees reserves the right to assign the Office of Audit and Advisory Services to review any area within its jurisdiction. Audits topics will be selected based upon: detailed risk assessment hat is performed annually; legislatively mandated reviews noted in Education Code 99045 and Government Code 13400 et seq.; and in the action taken by the Trustees' Committee on Audit in agenda item 2 at the January 1999 meeting requiring the review of auxiliary organizations (currently reflected in the Chancellor's Executive Order 698). Unscheduled audits/investigations of the Office of the Chancellor or of any campus can be requested by the Trustees or the Chancellor with the approval of the Chair of the Committee on Audit. Unscheduled audits/investigations of a campus can also be requested by the campus president but must be approved by the Chancellor and the Chair of the Committee on Audit.~~
- ~~The Vice Chancellor and Chief Audit Officer will be responsible for the~~ The sufficiency of audit resources; assignment of fieldwork to staff and contracted agencies; and the timely completion of, and reporting on, audits.
- ~~The Vice Chancellor and Chief Audit Officer, or designee, will review~~ Reviewing the responsiveness of the corrective action taken and determining whether additional action may be required. ~~In certain instances, it may be necessary to revisit the campus to ascertain whether the corrective action taken is achieving the desired results. All findings will be tracked until corrective action is taken. Reports of follow-up activity will be made at each meeting of the Committee on Audit. Appraising the adequacy of the action taken by operating management to correct reported deficient~~

Commented [A8]: Removed as this is referenced in the Audit Committee Charter and is the Committee on Audit's responsibility.

Commented [A9]: Removed as this language was incorporated into the new "Standards for the Professional Practice of Internal Auditing" section.

Commented [A10]: Incorporated into seventh bullet in this section that discusses VC/CAO acting as a liaison with external audit agencies to reduce redundancy.

Commented [A11]: Added language to reflect approval process of annual audit plan.

Commented [A12]: Removed as risk based audit program is already noted in the first sentence and first sentence of this section states "pursuant to state law".

Commented [A13]: Removed as it is redundant with the first sentence in this bullet.

~~conditions; accepting adequate corrective action.~~

Commented [A14]: Removed as it is redundant with the first sentence in this bullet.

- ~~Communication liaison and consultation~~ Communicating and consulting with the Committee on Audit will be maintained by the Vice Chancellor and Chief Audit Officer, through the Chair of the Committee. At each meeting of the Committee on Audit, the Vice Chancellor and Chief Audit Officer will report the assignment workload showing the status of audits in progress, workload backlog, and disposition taken on completed audit assignments.
- Performing advisory services at the request of 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.
- Acting as the liaison for the California State University in all relationships with outside audit agencies, including, but not limited to, the California State Auditor and other federal and state regulators. As such, the Vice Chancellor and Chief Audit Officer ~~the Vice Chancellor and Chief Audit Officer~~ is the point of contact for all entrance and exit conferences held with the Office of the Chancellor by outside external audit agencies and ~~The Vice Chancellor and Chief Audit Officer will~~ coordinates all system responses to audits performed by external outside audit agencies. This responsibility does not include acting as a liaison with the external auditor for the financial statements audit and single audit, as this is the responsibility of the Chief Financial Officer of the California State University. The Committee on Audit is responsible for oversight and selection of the external financial auditor, as required by the Audit Committee Charter. The Vice Chancellor and Chief Audit Officer will coordinate internal audit effort with the external auditors to reduce the potential for duplication of audit effort.
- ~~Examining the effectiveness of all levels of management in their stewardship of university and auxiliary organization resources and their compliance with established policies and procedures.~~
- ~~Recommending improvement of management controls designed to safeguard university and auxiliary organization resources and to ensure compliance with government laws and regulations.~~
- ~~Reviewing procedures and records for their adequacy to accomplish intended objectives, and appraising policies and plans relating to the activity or function under review.~~

Commented [A15]: Added to provide additional clarity.

Commented [A16]: Added to detail that the CFO is the liaison for the external auditor which is overseen by the Committee on Audit. This change is in alignment with current and past practices.

Commented [A17]: Removed as it is redundant with other language in the bullet.

Overseeing and conducting investigations of alleged incidences of fiscal improprieties in alignment with systemwide policy; fraud, waste and abuse, and improper governmental activities. ~~The Vice Chancellor and Chief Audit Officer is the point of contact for questions concerning the reporting of fiscal improprieties to state agencies (currently reflected in the Chancellor's Executive Order 813).~~

Commented [A18]: Removed bullets as language is already encompassed in all bullets of "Scope of Work" and is redundant.

Commented [A19]: Revised language to better align with current practices.

Commented [A20]: Removed language as it is redundant with first sentence.

- Authorizing the publication of audit reports, on the results of accepted audit examinations, including recommendations for improvement. Copies of all audit reports will be made available electronically on the ~~Office of Audit and Advisory Services'~~ website and retained in accordance with the Audit and Advisory Services retention policy. Notification letters providing a link to the audit reports are sent to the Board of Trustees, State Auditor, Committee on Higher Education, Joint Legislative Audit Committee, Joint Legislative Budget Committee, Department of Finance, and Legislative Analyst's Office. In addition, each of the campus presidents and the CSU Advocacy and State Relations department receive emails with a link indicating that reports have been posted to the ~~Office of Audit and Advisory Services'~~ website.

Management has the responsibility to:

- Within the time period mutually agreed upon by the Vice Chancellor and Chief Audit Officer and the campus president or Chancellor, furnish a written report of planned or completed actions to address the recommendations outlined in the internal audit report.
- The President or Chancellor, or their designees, will communicate Report to the Vice Chancellor and Chief Audit Officer, in writing, the progress status made towards implementing the plan of corrective action noted in the response to the audit. of implementation of audit recommendations.
- Conducting special examinations and providing consulting services at the request of management.

Policies and Procedures

The following general operating statement for direction of all activities of the Office of Audit and Advisory Services is adopted consistent with the provisions of Government Code Sections 1236 and 13400 et seq., Education Code Sections 89045 and 89761.
Audit Planning, Direction, and Supervision

Audit Reporting, Follow Up Procedures, and Program Accountability

Coordination of Work

- The Board of Trustees, upon recommendation by the Committee on Audit and input from the Chancellor, appoints, dismisses, and sets the compensation for the position of Vice Chancellor and Chief Audit Officer.
- The Board of Trustees, with input from the Committee on Audit and the Chancellor, evaluates the Vice Chancellor and Chief Audit Officer not less than once every three years. An independent consultant may be appointed by the Committee on Audit to help with the evaluation. The Committee on Audit will discuss performance expectations and the results of the appraisal with the Vice Chancellor and Chief Audit Officer in closed session.

Quality Assurance and Improvement Program

Audit and Advisory Services will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of Audit and Advisory Services' conformance with the Standards and an evaluation of whether internal auditors apply the Institute of Internal Auditors' Code of Ethics. The program will also assess the efficiency and effectiveness of Audit and Advisory Services and identify opportunities for improvement.

The Vice Chancellor and Chief Audit Officer will initiate an external quality assurance review. An external assessment, such as a quality assurance review, will be conducted at least once every five years by a qualified, independent reviewer-assessor or review-assessment team from outside the California State University, in accordance with IIA Standards. The independent reviewer-assessor or review-assessment team must be approved by the Chair of the Committee on Audit. Results of these reviews will be communicated to senior management and the Board through the Committee on Audit.

Commented [A21]: Previously under "Policies and Procedures" there were responsibilities of campus or CO management. We added language to distinguish these requirements. Language is in alignment with current and past practices.

Commented [A22]: Removed as this is already discussed in the "Responsibility" section, sixth bullet related to advisory services.

Commented [A23]: Removed as language was incorporated in "Independence and Objectivity".

Commented [A24]: "Policies and Procedures" section was removed and elements/language that were previously under this section have been moved to "Organization and Authority" and "Responsibility" sections.

Commented [A25]: Removed language as this refers to the responsibility of the Committee on Audit and is outlined in the Audit Committee Charter, which is referred to in the "Organization and Authority" section.

Commented [A26]: New section added to better align with IIA standards and detail the Audit & Advisory Services Quality Assurance Improvement Program.

COMMITTEE ON AUDIT

Audit Committee Charter

Presentation By

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

Background

The Audit Committee Charter was last reviewed and approved by the Committee on Audit in January 2014, and prior to that in January 2005. The charter describes the committee's oversight duties and reporting-related expectations and conforms with the Rules Governing the Board of Trustees of the California State University. Additionally, the document demonstrates conformance with the Institute of Internal Auditors (IIA) standards pertaining to organizational independence of internal audit activity.

Summary

During the periodic review of the Audit and Advisory Services Charter, audit management also reviewed the Audit Committee Charter. Proposed changes are reflected in Attachment A. Two areas were identified within the Audit and Advisory Services Charter that pertain to the authority and activities of the audit committee. Audit management proposes to move these two items out of the Audit and Advisory Services Charter and into the Audit Committee Charter, where they more appropriately fit. The proposed revisions do not alter the authority, responsibility, or activities of the Committee on Audit or Audit and Advisory Services.

The following resolution is recommended for approval:

RESOLVED, by the Committee on Audit of the California State University Board of Trustees that the updated Audit Committee Charter, as detailed in Agenda Item 4 of the Committee on Audit at the November 7-8, 2023, meeting, be approved.

THE CALIFORNIA STATE UNIVERSITY

AUDIT COMMITTEE CHARTER

~~(RAUD-01-14-01)~~

~~**RESOLVED**, By the Board of Trustees of the California State University, that the following updated Charter for the Committee on Audit is adopted.~~

Purpose

The purpose of the Committee on Audit is to assist the Trustees in fulfilling its oversight responsibilities for the financial reporting process, system of internal control over financial reporting, and external and internal audit processes, and as well as the university's process for monitoring compliance with laws and regulations.

Composition and Meetings

The Committee on Audit will consist of at least five members as determined by the Trustees through the Committee on Committees. Each committee member will be independent. Members will have access to financial expertise either collectively among committee members or from a financial expert appointed to advise them. Regular meetings of the Committee on Audit will be held on the same dates and in the same locations as regular meetings of the Trustees. Other meetings may be called as provided for in the Rules Governing the Board of Trustees.

Responsibility and Authority

The Committee on Audit functions under the Rules Governing the Board of Trustees and is responsible for the overall audit function within the California State University. In this context, the Committee on Audit shall:

1. Approve the selection or discharge of the external auditor, review the external auditors' planned audit scope and approach, approve any non-audit services provided by the external auditor, and resolve disagreements between management and the external auditor regarding financial reporting.
2. Review the results of the annual financial audit with the external auditor and management, including any difficulties encountered, and monitor the completion of recommendations.
3. Monitor the university's system of internal controls, including ~~computerized~~ information system controls and security; the adequacy of financial, accounting, and operational policies and practices related to financial reporting; and the process for monitoring compliance with laws and regulations.
4. Review the annual internal audit plan, discuss the extent to which it addresses high-risk areas and priority of work assignments with the Vice Chancellor and Chief Audit Officer and management, and approve the final audit plan and all major changes to the plan.

Commented [A1]: Added to ensure language removed from Audit & Advisory Services Charter regarding the audit committee was covered here.

5. Review internal audit reports and responses and monitor the completion of recommendations.
6. Approve the internal audit mission statement, charter, and other governance documents related to internal audit activities ~~in~~ of the California State University.
7. Assure the effectiveness of the internal audit function, including its organizational structure, adequacy of staffing and budget, and performance relative to its annual plan, and ensure there are no unjustified restrictions or limitations.
8. Call for the review of the Vice Chancellor and Chief Audit Officer not less than once every three years, and provide input to the Board of Trustees on the Vice Chancellor and Chief Audit Officer's performance. At its discretion, the Committee may retain an independent consultant to assist with the evaluation. The Committee on Audit will discuss performance expectations and the results of the appraisal with the Vice Chancellor and Chief Audit Officer in closed session. ~~retain outside consultants to assist with the review.~~
9. Make recommendations to the Board of Trustees for the appointment, dismissal, and compensation of the Vice Chancellor and Chief Audit Officer.

Commented [A2]: Added to ensure language removed from Audit & Advisory Services Charter regarding the evaluation of the VC/CAO.

Commented [A3]: Removed as it was redundant with language added from the A&AS division charter.