Report of the Independent Validation of the Quality Assessment Review of The University of California's Office of Audit Services

February 2013

Table of Contents

Overview

The University of California is comprised of ten distinct campuses, the Office of the President, and the Lawrence Berkeley National Laboratory. Five of the ten campuses in the System also have academic medical centers. Each of the twelve operating organizations (the ten campuses, Office of the President, and the Lawrence Berkeley National Laboratory) maintains a campus internal audit function, collectively under the leadership of the Senior Vice President/Chief Compliance and Audit Officer, referred to herein as "Internal Audit."

UC's Audit Services office is responsible for the Systemwide audit program, including internal audits, investigations, and advisory services, and provides direction, training, guidance, and other assistance to the campus Internal Audit departments, if needed. Additionally, the Internal Audit offices at each campus, led by a campus Internal Audit Director, provide audit and advisory services, perform risk assessments, and develop audit plans for their respective campuses. In late 2012, each of the campus Internal Audit departments and the Systemwide office conducted a self-assessment of Internal Audit activities, in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). The System subsequently assembled an independent review team of three internal audit professionals within higher education to perform an independent validation of the self-assessment completed in February 2013.

This document reports the findings of the independent review team. The primary objective of the validation was to verify the assertions made in the Internal Audit's quality self-assessment report included at **Appendix D**, dated February 28, 2013, concerning adequate fulfillment of the System's basic expectations of the IA activity and its conformity to the IIA's *International Standards for the Professional Practice of Internal Auditing (Standards)*. The review team also compared the System's Internal Audit operations and activities to leading practices of high-performing internal audit functions and stakeholder expectations.

The review team interviewed nearly 50 individuals, UC Regents, including the Chair of the Committee on Compliance and Audit of the Board of Regents; senior leaders within the Office of the President and five of the System's ten campuses; past auditees; and individuals within the Internal Audit functions. Self-assessment reports and related work papers for each of the twelve audit units and the Systemwide Office of Ethics, Compliance and Audit Services were also reviewed. The observations and enhancement opportunities detailed herein were validated with the System's Internal Audit leadership team.

The review team appreciates the cooperation, time, and candid feedback of the Regents, senior leaders, other UC individuals interviewed, and Internal Audit personnel.

Summary

<u>Opinion of the Independent Validation Team</u>

The purpose of the independent validation team's work was to review the results of the System's Quality Assessment self-assessment and provide an opinion on the effectiveness and quality of UC's Internal Audit (IA) function. In particular, the validation team focused on assessing IA's role in the areas of:

- Internal Audit
- Compliance
- Enterprise Risk Management

These three areas are intrinsically linked in organizations with highly developed and effective internal audit functions, enabling IA to identify and assess the key risks within an organization and the organization's response to mitigate these risks.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in the practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities. Based on our independent validation of the QAR performed by Internal Audit, it is our overall opinion that the audit function "generally conforms" with the *Standards* and Code of Ethics.

In December 2012 and January 2013, the independent review team performed its assessment through interviews, site visits to the Office of the President and selected campuses, and review of documentation. A more detailed description of the work performed is provided in **Appendix A**.

Our review noted strengths as well as opportunities for enhancing the Systemwide Internal Audit function and processes that affect Internal Audit's effectiveness, as further detailed below.

Observations

Strengths

- **Ability to "Do More with Less:"** In a time when the System faces significant resource constraints, Internal Audit has improved productivity, leveraged resources to increase the level of audits performed, and become more efficient. This has been accomplished through implementing a common audit software system and templates across each of the campuses, enhancing coordination within Internal Audit overall, developing and nurturing skills and capabilities within the audit function Systemwide, and identifying opportunities to leverage information technology and automate certain audit activities.

- **Evolution of "Value-add" Stakeholder Perception:** To provide best value and assistance as an internal audit function, the Chief Compliance and Audit Officer and all of the campus Internal Audit Directors have been working to continually strengthen relationships with leadership and gain the opportunity to be increasingly involved in strategic and risk-based discussions. The IA function was largely described in a positive light by interviewees. Internal Audit was most frequently described as:

  - A thoughtful partner
  - Collaborative
  - Forward-looking
  - Thorough
  - Independent and objective

- **Expansion of IA Relationships and Advisory Services:** Internal Audit has worked to build relationships across all of the campuses and to evolve the perception of IA. This has helped to increase the acceptance of IA across the System and has allowed IA to become more involved in early stages of campus initiatives. Structuring IA's activities as advisory services has enabled IA to identify control gaps or other issues proactively rather than identifying such items after a process has been implemented, possibly requiring further changes or rework. Further, IA has been able to capitalize on the expanded view of its "value-add" capabilities to better engage senior leadership in strategic conversations and earn a "seat at the table" for key conversations.

- **Compliance Function:** Establishment of the Campus Ethics and Compliance Officer role(s) has enabled significant progress in the development of a comprehensive compliance program across the System. Aligning leadership of the Systemwide compliance function with the Internal Audit function has provided for greater collaboration between the two areas.

Opportunities for Enhancement

Systemwide Recommendations

- **Clarify Systemwide Enterprise Risk Management Program:** Nearly all interviewees expressed confusion and a need for further clarity around the System's enterprise risk management process. Many components of the System's risk management function are recognized as leading practices. However, significant opportunities remain to clarify the roles, responsibilities, and processes related to UC's enterprise risk management and risk assessment processes, in particular beyond risks that are quantifiable and insurable, including:

  - How are strategic and operating risks to be communicated through the organization?
  - Which function (e.g., internal audit, compliance, or risk management) should serve as primary facilitator of a cohesive, Systemwide risk assessment process?
  - Who is the assigned "owner" for the highest priority risks?
  - What information should the Regents receive directly from risk "owners?"

  Ultimately, the enterprise risk management process should be driven by expectations established by the Office of the President and align with the overall strategic goals of the System. This should include a comprehensive assessment of risks at each campus and Systemwide, and a clear, integrated flow of communication regarding strategic, operational, financial, and compliance risks. While campus activities will impact System risks, and vice versa, risks' strategic impact and importance will vary widely based on each campus' unique operating environment. To that end, each campus should also define its own risk management processes and roles to align with the overall structure and expectations of the enterprise risk management process.

- **Continue Compliance Program Evolution:** Sound fundamentals have been put into place for each campus' compliance program and Systemwide, including the designation of Campus Ethics and Compliance Officers. As the compliance function continues to develop at the campus level, this evolution should include the creation of a consistent set of expectations for the compliance function's monitoring of the management of compliance-related risks and the related reporting within and beyond the campus level, taking into consideration the varying circumstances of each campus. Additionally, under common Systemwide leadership, stakeholders do not currently perceive a clear distinction between the functions of Internal Audit and Compliance. The purpose of the Compliance function should be clarified, including its part in the overall enterprise risk management process and its relationship with Internal Audit and other risk-focused units.

Internal Audit-specific Recommendations

- **Communicate Internal Audit's Vision:** The IA function's purpose, reporting relationships, and "seat at the table" vary from campus to campus. Sharing a consistent Systemwide view of IA's purpose among academic and administrative leaders could enhance IA's ability to be a strategic partner and bring value across the System.

- **Continue Positioning Internal Audit to Provide Advisory Services:** Internal Audit should continue to leverage its ability to form relationships across campuses and the positive perception of its stakeholders to increasingly provide advisory services. Such involvement allows IA to be proactive in identifying potential business or control concerns related to changes to processes, systems, or operational challenges, placing the focus of IA's attention on the issues important to each campus and its leaders rather than areas that are not strategically important or relevant to the System's success. If possible, Internal Audit should continue to assist management with leveraging available systems and technology to provide day-to-day monitoring, thereby freeing up audit resources to offer more advisory services across the System.

- **Increase Visibility of Deputy Internal Audit Leaders:** IA leaders beyond the campus Directors (i.e., Assistant Directors and staff) are perceived as "invisible" to campus leadership. Specifically focusing on identifying and cultivating deputy leaders within the Internal Audit function could create a more visible career path and enhanced role for additional leaders within the function.

- **Expand Mechanisms for Knowledge Sharing Among Campus Internal Audit Functions:** Though there is a focus on providing training to IA staff, IA recognizes the opportunity to improve knowledge sharing among the campus Internal Audit functions. This could include increased sharing of challenges, successes, innovative practices, audit approaches, and lessons learned, as well as establishing cross-campus "communities of practice" and/or centers of expertise focused on common risk elements (such as healthcare/hospital systems, information technology, or federally-funded research).

- **Address Opportunities Noted in Self-Assessment:** The review team agrees with the comments contained in the Internal Audit's self-assessment report, included at **Attachment D,** which noted opportunities in these areas:

  o Leveraging Resources and Addressing Specialized Risks
  o Technology and Continuous Monitoring
  o Staff Development and Succession Planning
  o Benchmarks and Efficiency Opportunities

Appendix A – Work Performed

Objectives and Scope

The purpose of the independent validation was to:

1. Assess the effectiveness and efficiency of the internal audit function, compared to its intended role and responsibilities under its charter and within the expectations and overall operating structure of The University of California System;
2. Provide reasonable assurance that the Office of Ethics, Compliance, and Audit Services, and each campus' audit function, conforms with the IIA Standards; and
3. Identify opportunities for enhancing the efficiency and effectiveness of the internal audit function to provide better value to the System and increase the perception of the audit function within the organization.

Procedures

In completing our review, the independent review team:

- Conducted interviews with nearly 50 individuals, from positions across the System (see list in **Appendix B** below);
- Reviewed the self-assessment reports completed by each campus' audit function and the Office of Ethics, Compliance, and Audit Services and related supporting information provided to the review team, including:
  - Internal audit charter
  - Risk assessment planning guide(s) and results
  - Annual Audit and Compliance Plans
  - Staff training plans and qualifications
  - Reports to the Committee on Compliance and Audit of the Board of Regents
- Reviewed results of the audit functions' work paper reviews on 47 internal audit projects completed over the past two years, validating the appropriateness and completeness of the internal assessment performed.
- Assessed additional materials, as necessary, to further validate the self-assessment completed.

Appendix B – Interviews Conducted

Board of Regents

Charlene Zettel – Chair, Board of Regents Committee on Compliance and Audit

Fred Ruiz – Board of Regents member and former Chair, Board of Regents Committee on Compliance and Audit

University of California System / Office of the President

Mark Yudof – President

Peter Taylor –Chief Financial Officer

Charles Robinson –General Counsel

Sheryl Vacca – Senior Vice President/Chief Compliance and Audit Officer

Yvette Gullatt – Assistant Vice Provost

Nathan Brostrom – Campus Ethics and Compliance Officer, Office of the President

Matthew Hicks – Systemwide Audit Director

Grace Crickette – Chief Risk Officer

University of California – Berkeley

Christopher Patti – Chief Campus Counsel

Harry Le Grande – Vice Chancellor for Student Affairs

Lyle Nevels – Interim Associate Vice Chancellor and Chief Information Officer

Wanda Lynn Riley – Chief Audit Executive, Berkeley Campus

Robert Asato – Principal Auditor, Campus Internal Audit

Chad Edwards – Principal Auditor, Campus Internal Audit

Tanaiia Hall – Staff Auditor, Campus Internal Audit

Desmond Hamilton – Principal Auditor, Campus Internal Audit

Jennifer Jones – Principal Auditor, Campus Internal Audit

Jaime Jue – Associate Director, Campus Internal Audit

University of California – Davis

Ralph Hexter – Executive Vice Chancellor and Provost
Michael Allred – Associate Vice Chancellor and Controller
Leslyn Kraus – Associate Director, Campus Internal Audit
Sherrill Jenkins – Principal Auditor, Campus Internal Audit
Man Tsui – Senior Auditor, Campus Internal Audit

University of California – Los Angeles

Gene Block – Chancellor

Scott Waugh – Executive Vice Chancellor and Provost

Jim Davis – Vice Provost and Chief Information Officer

James Economou – Vice Chancellor for Research

David Feinberg – President, UCLA Hospital System

Edwin Pierce – Director, Campus Internal Audit

University of California – San Diego

Gary Matthews – Vice Chancellor of Resource Management & Planning

Edward Babakanian – Chief Information Officer, Health System

Terri Buchanan – Interim Director, Campus Internal Audit

Christa Perkins – Manager, Campus Internal Audit

Unita Herrick – Auditor, Campus Internal Audit

Darren Kinser – Auditor, Campus Internal Audit

University of California – San Francisco

Mark Laret – Chief Executive Officer, Medical Center
Keith Yamamoto – Vice Chancellor for Research
Elizabeth Boyd – Campus Ethics and Compliance Officer
Bruce Flynn – Director, Risk Management

University of California – Santa Barbara

Gene Lucas – Executive Vice Chancellor and Provost

Ron Cortez – Associate Vice Chancellor for Administration
Robert Tarsia – Director, Campus Internal Audit

External Audit Firm (PricewaterhouseCoopers)

Joan Murphy – Partner

Appendix C – Independent Review Team Members

Raina Rose Tagle, CPA, CISA, CIA, Review Team Leader
Partner and National Higher Education Practice Leader, Baker Tilly

Raina Rose Tagle is a Partner with Baker Tilly, an accounting and advisory firm with more than 1,800 personnel nationwide. Raina leads Baker Tilly's higher education and research institutions industry practice. She provides services in the areas of internal audit, financial and operational risk management, construction audit, fraud investigation, technology risk consulting, and organizational governance. In addition to her extensive work with higher education clients, she serves the not-for-profit, government contracting, real estate, health care, and professional services industries. Raina started her career with Arthur Andersen. Prior to joining Baker Tilly, she led her own consulting practice that offered strategic planning facilitation, executive coaching, and organizational development for not-for-profits. Her community involvement includes serving as the selection committee chair for the 2010 *Washington Post* Award for Excellence in Nonprofit Management. Raina presents at conferences of the Association of College and University Auditors, the National Council of University Research Administrators, and the National Association of College and University Business Officers, and has co-authored articles in *NCURA Magazine* and *Research Global*. Raina's clients include the University of North Carolina at Chapel Hill, Columbia University, Princeton University (including the Princeton Plasma Physics Laboratory), Stanford University, University of Pennsylvania, and Georgetown University.

Michael L. Somich, CPA, MBA
Executive Director of Internal Audits, Duke University

Mike Somich is the Executive Director of Internal Audits at Duke University, responsible for all internal audit activities of the Duke University, Duke Management Company (DUMAC, LLC), and Duke Medicine. Mike manages the Institutional Ethics and Compliance program and facilitates the risk management process for Duke University. Mike also chairs the Conflict of Interest Advisory Committee and the Administrative Conflict of Interest Committee. He serves on the Executive Compliance Committee of DUHS, the Compliance Committee of the Duke University School of Medicine, the Executive Council of the Emergency Management Program, the Institutional Conflict of Interest Committee, and the Information Security Steering Committee. He also serves on the Advisory Board of the North Carolina State University Enterprise Risk Management Program. Mike has participated in four quality assurance review teams of peer institutions and is a frequent speaker at national meetings on the topics of compliance, risk management, and internal audit department operations. Prior to joining Duke University in November 2004, Mike had 31 years of experience, including 20 as a partner, specializing in health care audits in the Deloitte & Touche accounting firm in Chicago, St. Louis, and Rochester, NY.

D. Richard "Rick" Moyer, CIA
Associate Vice President for Internal Audit and Institutional Compliance, Stanford University

Rick Moyer is the Associate Vice President for Internal Audit and Institutional Compliance for Stanford University and the Stanford University Medical Center, with over 30 years of financial and auditing experience. Rick joined Stanford in 2006 as the Executive Director of Internal Audit and Institutional Compliance. Prior to joining Stanford, he served as the Executive Director of Audit Services and the Institute Compliance Officer at the California Institute of Technology (Caltech). Prior to joining Caltech in 2001, he held varying and increasingly responsible positions with major defense contractors, including General Dynamics, Martin Marietta, and Lockheed Martin. He has held positions as: Corporate Audit Director; Director of Compliance, Productivity and Process Improvement; Director of Corporate Taxes; and Director - Treasurer's Office.
Rick holds a bachelors degree in business administration/accounting from San Diego State University and is a Certified Internal Auditor (CIA). He has held various leadership positions with the Institute of Internal Auditors (IIA), including Chairman of the International Committee for Academic Relations, member of the International Committee for Professional Conferences, Trustee of the Research Foundation, President of the San Diego Chapter, and member of the Board of Governors of the San Gabriel Valley Chapter.

Appendix D – Systemwide Quality Assessment Review Report

THE REGENTS OF THE UNIVERSITY OF CALIFORNIA
OFFICE OF ETHICS, COMPLIANCE AND AUDIT SERVICES

1111 Franklin Street, 5th Floor • Oakland, California 94607-5200 • (510) 987-0966 • FAX (510) 287-3334

February 28, 2013

President
Committee on Compliance and Audit

Re: Systemwide Quality Assessment Review Report

Executive Summary

The Office of Ethics, Compliance and Audit Services has completed an internal assessment of the Internal Audit (IA) activity. The review was conducted during the period of April to December 2012, with an emphasis on current practices. The principal objective of the review was to assess the IA activity's conformance to The IIA's *International Standards for the Professional Practice of Internal Auditing* (*Standards*), and the Code as Ethics, as well as the University of California Internal Audit Manual.

It is our overall opinion that our system internal audit program <u>generally conforms</u> to the *Standards* and Code of Ethics. The internal assessment identified opportunities for further improvement, of which details are provided below.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform*."* "Generally Conforms" is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards.* "Partially Conforms" means deficiencies in practice that are judged to deviate from the *Standards* are noted, but these deficiencies did not preclude IA from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Background

While the IIA Standards require continuous internal review of the internal audit departments, the Standards require that every internal audit department must also be reviewed once every five years by a qualified independent reviewer. The University of California selected to fulfill this requirement by performing a self assessment with independent validation – which is one of the approaches approved by the IIA. The self assessment with validation method was a more cost effective approach and included the engagement of campus audit departments. The independent validation was performed by a team comprised of audit executives from Stanford University, Duke University, and the firm Baker Tilly. This external review team reviewed and evaluated our campus and system-wide self assessments, performed limited testing, and interviewed a

sample of UC auditors and leadership. The review team will also prepare a report and opine on our compliance with the Standards and identify opportunities for improvement.

Scope and Methodology

As part of the internal assessment, our system-wide office initiated an Internal Assessment Process (IAP) with each campus and the national lab. This IAP was a comprehensive self-assessment in which each location reviewed information about their respective practices and policies, including risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, a review of a representative sample of work papers and reports, and interviews with audit staff and campus audit clients and leadership. The campus and lab IAP results were reviewed, consolidated, and supplemented with an overall system-wide assessment that also included interviews with system-wide leadership and a review of campus audit practices, with an emphasis of identifying value added activities. Refer to Appendix 1 for a summary of assessment of conformance to each of the IIA Standards based on the results of our IAP.

Positive Observations and Notable Achievements

As a result of our campus and system-wide self-assessments, we have concluded that our system-wide internal audit environment is well-structured and progressive, that IIA *Standards* are understood, and that internal audit management provides useful audit tools and implements appropriate best practices. Some successful best practices and/or notable achievements in place that were noted during the review include:

- We initiated implementation of a system-wide audit management system (TeamMate) to streamline and enhance the annual audit process. The implementation was a phased approach spanning multiple years and included efforts that standardized the format and structure of work papers, and the implementation of a centralized tracking and reporting module for audit issues.

- Our UC Audit Manual was recently significantly revised and streamlined to reflect new processes and changes due to restructuring and new professional standards. Notably, improvements in the IT audit section of the manual were made to address audit risk assessment and planning, coverage of IT risks, ensuring use of IT audit specialists where appropriate, IT audit staffing and use of Computer Assisted Auditing Tools (CAATs).

- The internal audit mission and charter were revised and approved by the Board of Regents in 2011. Key changes included updated independence and reporting structure definitions to reflect the Senior Vice President – Chief Compliance and Audit Officer position, superseding the descriptions involving the University Auditor position, and descriptions of the work performed by internal audit were updated to be more concise and consistent with the most recent professional standards issued by the Institute of Internal Auditors (IIA).

- In FY 2011-12, our annual audit risk assessment methodology was updated to better align with the changing university environment and improve our ability to effectively react and adapt our internal audit plan to emerging risks. This included a revision to the IT section to more accurately reflect the current IT landscape.

- Enhanced efforts in the IT audit arena included the provision of specialized training to our IT auditors and increased usage of external firms to employ resources with specialized IT skill sets on internal audit projects where appropriate.

- We implemented certification initiatives to increase the number of UC auditors achieving the professional designations of Certified Internal Auditor (CIA) and Certified Information System Auditor (CISA). Since FY 2007-08, the number of staff with CIA certifications increased from 34 to 43 and the number with CISA certifications increased from 26 to 34.

- Internal Audit management and staff from all locations participate on various system-wide, campus, and external committees and work groups providing advice and training on internal controls, information system implementations, and compliance with policies and procedures.

- In November 2010, the system-wide Office of Audit Services launched the "Audit Clips & Tips" newsletter, a quarterly publication written by our internal audit staff and distributed to the University community. This publication provides current and relevant information on internal control considerations and other topics related to risk management and governance.

- Frequent professional training for internal audit staff, including training directed toward obtaining professional certifications has been offered, including the biannual Compliance and Audit Symposia, an internal conference sponsored by the systemwide Office of Audit Services in coordination with the Office of Ethics and Compliance. The Symposia provide educational and training sessions in the areas of compliance, internal auditing and investigations.

- In FY 2009-10 we launched a new internal audit document database and a publicly accessible internal audit report database to support UC's transparency initiative. This was created in response to the Governor's executive order on government transparency directed at state agencies, with which UC opted to voluntarily comply.

- By establishing more realistic audit plans and reinforcing accountability for audit plan completion, we have significantly improved campus audit plan completion rates and significantly reduced the number of projects carried forward from the previous year. Our audit plan completion rate has been at least 95% for the last three years compared to 80% in FY 2007-08 and 77% in FY 2008-09.

- In collaboration with management, we have reduced our count of open management corrective actions from 1,591 in FY 2009-10 to 1,197 in FY 2011-12 and the count

continues to decrease in FY 2012-13.

Recommendations and Opportunities for Improvement

Although our audit work and processes complied with the IIA Standards, we did identify several minor opportunities for improvement in which some additional training or communication reminders would be beneficial to our auditors to increase awareness and reinforce our Internal Audit Manual Requirements. In addition, we have identified the following system-wide strategic improvement areas that will further strengthen our internal audit business practices and adherence to the IIA *Standards:*

- **Leveraging Resources and Addressing Specialized Risks**
  Sharing knowledge and effectively deploying resources within our system, especially in specialized subject areas such as information technology and construction auditing, is a key improvement initiative. We will explore options to ensure we are optimizing our internal resources to address these areas, including identifying subject matter experts to advise other staff, sharing specialized staff between locations, and providing additional specialized training.

- **Technology and Continuous Monitoring/Auditing**
  Internal Audit will continue to partner with management to implement activities to continuously monitor, assess, and mitigate risk. We will assist management to implement continuous monitoring activities through the use of data analytics tools such as ACL and IDEA to monitor mid to low level risks associated with day-to-day transactions. This will help free up internal audit resources to allow us to take a more strategic and proactive approach, and focus on more critical business or emerging risks.

- **Staff Development and Succession Planning**
  Continue to provide opportunities and training to our auditors to help increase exposure to management and facilitate career growth – both within and outside of internal audit, and develop a formal plan for succession planning for key leadership positions. Our goal is to identify, develop, and retaining high performers, and develop career paths for staff, senior auditors, and managers, as well as identify and develop candidates for promotion to leadership positions**.**

- **Benchmarks and Efficiency Opportunities**
  Continue to evaluate and implement the use of relevant system-wide benchmarks and measurable performance goals to help improve the performance of the internal audit function. The continued use of common language, terminology, and enhanced reporting features of our audit management system (TeamMate) are integral in this process.

Sheryl Vacca
Senior Vice President and Chief Compliance and Audit Office

Appendix 1: University of California IIA Standards Conformance Evaluation Summary	**("X" Evaluator's Decision)**		
	GC	**PC**	**DNC**
OVERALL EVALUATION	X		
ATTRIBUTE STANDARDS	X		
1000 **Purpose, Authority, and Responsibility**	X		
1010 Recognition of the Definition of Internal Auditing	X		
1100 **Independence and Objectivity**	X		
1110 Organizational Independence	X		
1111 Direct Interaction with the Board	X		
1120 Individual Objectivity	X		
1130 Impairments to Independence or Objectivity	X		
1200 **Proficiency and Due Professional Care**	X		
1210 Proficiency	X		
1220 Due Professional Care	X		
1230 Continuing Professional Development	X		
1300 **Quality Assurance and Improvement Program**	X		
1310 Requirements of the Quality Assurance and Improvement	X		
1311 Internal Assessments	X		
1312 External Assessments	X		
1320 Reporting on the Quality Assurance and Improvement Program	X		
1321 Use of "Conforms with the *International Standards for the Professional Practice of Internal Auditing*"	NA		
1322 Disclosure of Nonconformance	X		
PERFORMANCE STANDARDS	X		
2000 **Managing the Internal Audit Activity**	X		
2010 Planning	X		
2020 Communication and Approval	X		
2030 Resource Management	X		
2040 Policies and Procedures	X		
2050 Coordination	X		
2060 Reporting to Senior Management and the Board	X		
2100 **Nature of Work**	X		

Appendix 1: University of California IIA Standards Conformance Evaluation Summary		("X" Evaluator's Decision)		
		GC	PC	DNC
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	**Engagement Planning**	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	**Performing the Engagement**	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	**Communicating Results**	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*"	NA		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2500	**Monitoring Progress**	X		
2600	**Management's Acceptance of Risks**	X		
IIA Code of Ethics		X		

GC = Generally Comply
PC = Partially Comply
DNC = Does Not Comply

Full text of the IIA *Standards* can be found at the following link:
https://na.theiia.org/standards-guidance/Public%20Documents/IPPF%202013%20English.pdf