

UC SANTA CRUZ

Audit & Management Advisory Services

Annual Risk Assessment & Internal Audit Plan
Fiscal Year 2021-22

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Endorsed by:
Risk Intelligence Oversight Committee

Approved by: Chancellor Larive

Internal Audit Risk Assessment Process and Partnerships

Audit & Management Advisory Services (Internal Audit) risk assessment is an annual and on-going predictive risk-based exercise established to identify concerns and potential risk areas for inclusion in the annual audit plan. In addition, this information is a source for the campus risk intelligence gathering process. Senior campus leadership rely on this and other information as an independent perspective on potential areas of campus risk.



CECO = Campus Ethics and Compliance Office

RIWG = Risk Intelligence Workgroup

RIOC = Risk Intelligence Oversight Committee

The approach as prescribed by the UC Internal Audit Program ¹ begins with the UC Audit Risk Universe ² consisting of over 180 campus entities and processes. Relevant topics are risk ranked and scored using weighted audit risk factors ³. Input into the process includes consideration of themes and concerns generated from a wide range of individual interviews and conversations with campus leaders.

The following list are factors in Internal Audit uses in determining which topics to include in the audit plan:

- results of internal audit interviews and UC audit universe risk ranking exercise,
- results of the CECO risk survey,
- mitigation strategies for priority areas in place or recommended by the RIOC,
- UC systemwide internal audit directors’ discussions on emerging risks and audit planning,
- strengths and capacity of current Internal Audit staff, and
- subject area suitability and potential scoping of any audit or management advisory service.

The proposed FY22 internal audit plan was submitted to the Risk Intelligence Oversight Committee for review and endorsement, and forwarded to the chancellor for final approval.

¹ More information on the Internal Audit Program can be found in the UC Internal Audit Manual <https://www.ucop.edu/ethics-compliance-audit-services/files/audit/auditmanual.pdf>

² <https://audit.ucsc.edu/resources/Risk%20Universe%20over.05-27-14%20from%20MHicks.pdf>

³ Reference Internal [Audit Manual](#) Appendix 3200.2 University of California Risk Model

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I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed its FY22 annual risk assessment and internal audit planning exercise, leading to the development of the FY22 Internal Audit Plan.

Risk topics have been coordinated with campus risk intelligence and compliance program efforts and considered for inclusion on the risk intelligence priority list maintained by the Campus Ethics and Compliance Officer (CECO). The Campus RIOC and the RIWG provide mitigation strategies on key risk priority areas and topics including recommendations for which topics could be included in the audit plan.

The following list of topics represents a summary of the campus Internal Audit Plan

Campus Planned Audits

- Technology Transfer Process (systemwide)
- Donations (systemwide)
- Staff Human Resources (SHR) Compensation Processes
- Business Continuity Planning
- Campus Power Utility Reliability
- Extramural Funds Billing & Collections Processes
- Colleges, Housing & Educational Service (CHES) Annual Maintenance Program Staffing & Effectiveness
- Leave Administration for Academic Employees
- Protected Health Information Security Review
- Coronavirus Response and Supplemental Appropriations Act (CRRSAA) Compliance (CARES Act II)
- UCSC Police Department Complaints Process (systemwide)

Campus Planned & Management Advisory Services/Consulting Services

- National Collegiate Athletic Association (NCAA) Report Annual Review
- University Extension (UNEX) Annual Monitoring
- UC Path Post Implementation Review
- Leadership Transition for Graduate Division
- Leadership Transition for Arts Division

Staff Participation in UC & Campus Advisory Groups

- Campus Whistleblower/ Investigations Workgroup
- Information Technology Security Committee (ITSC) Miscellaneous Campus Committees/ Workgroups
- Limited Scope Consultations/ Spec. Projects (as needed up to 4 hours)

II. RESOURCE ALLOCATIONS

Audit & Management Advisory Services (AMAS) Professional staffing resource allocations are as follows:

Schedule 1 - Personnel – Gross & Net Available Hours, outlines the net available hours dedicated to the UCSC internal audit program.

FY22 Audit Plan - Schedules 1 & 2		05/25/21			
UCSC					
Schedule 1 - Personnel Gross & Net Available Hours Calculation	Total Year FTEs	Q1 07/01-09/30/21	Q2 10/01-12/31/21	Q3 01/01-03/01/22	Q4 04/01-06/30/22
Number of authorized professional staff	4.00	4.00	4.00	4.00	4.00
Number of permanently OPEN authorized professional staff positions		0.00	0.00	0.00	0.00
Number of professional positions at full staffing	4.00	4.00	4.00	4.00	4.00
PLANNED ACTUAL FTEs					
Beginning of Period	4.00	4.00	4.00	4.00	4.00
Additions--Permanent	0.00	0.00	0.00	0.00	0.00
Additions--Temporary	0.00	0.00	0.00	0.00	0.00
Departure --Within UC	(0.00)	0.00	0.00	0.00	0.00
Departure--Outside UC	(0.00)	0.00	0.00	0.00	0.00
Retirements	(0.00)	0.00	0.00	0.00	0.00
Long-Term Leave	(0.00)	0.00	0.00	0.00	0.00
Estimated Turnover	(0.00)	0.00	0.00	0.00	0.00
End of Period	4.00	4.00	4.00	4.00	4.00
GROSS & NET AVAILABLE HRS CALCULATION					
	Total Year Hours	Q1 07/01-09/30/21	Q2 10/01-12/31/21	Q3 01/01-03/01/22	Q4 04/01-06/30/22
Weighted Avg. FTE's	4.00	4.00	4.00	4.00	4.00
Hours in the period - Campus	2,088	528	528	512	520
Hours in the period - Lab	0	0	0	0	0
Subtotal - Lab / Campus	8,352	2112	2112	2048	2080
Other Resources:					
Overtime	0	0	0	0	0
Contract Labor/Interns	0	0	0	0	0
Recharge In (or Out)	0	0	0	0	0
Admin. & Other	0	0	0	0	0
Subtotal	0	0	0	0	0
Gross Available Hours	8,352	2112	2112	2048	2080
Non Controllable Hours	1,352	345	424	271	312
Non Controllable Hours Percent	16.19%	16.34%	20.08%	13.23%	15.00%
Net Available Hours	7,000	1767	1688	1777	1768

Schedule 2 – Activity Report – Distribution of net available hours, outlines the allocation of hours to direct and indirect categories.

Schedule 2 - Activity Report Distribution of Net Available Hours	Total Year Hours	Q107/01- 09/30/21	Q2 10/01- 12/31/21	Q3 01/01- 03/01/22	Q404/01- 06/30/22
INDIRECT HOURS					
Administration	750	210	170	180	190
Professional Development	256	76	60	60	60
Other	0	0	0	0	0
Total Indirect Hours	1,006	286	230	240	250
Total Indirect Percent	14.37%	16.18%	13.63%	13.51%	14.14%
DIRECT HOURS					
Audit Program					
Prior Year Audits Not Completed, DNF	0	0	0	0	0
Planned New Audits, PN	2,850	771	548	700	831
Supplemental Audits, PS	350	50	50	150	100
Audit Follow up, PNF	230	50	70	70	40
Total Audit Program Hours	3,430	871	668	920	971
Total Audit Program Percent	49.00%	49.29%	39.57%	51.77%	54.92%
Advisory Services					
Consultations/Spec. Projects, SC	1,438	407	524	277	230
Ext. Audit Coordination, SE	10	3	3	2	2
Internal Control & Accountability, SI	1	1	0	0	0
IPA, COI & Other, SP	1	1	0	0	0
Compliance Support, SU	10	3	1	3	3
Systems Dev., Reengineering Teams, etc., SR	10	0	1	1	8
Total Advisory Services Hours	1,470	415	529	283	243
Total Advisory Services Percent	21.00%	23.49%	31.34%	15.93%	13.74%
Investigations Hours, IN	616	100	141	200	175
Investigations Percent	8.80%	5.66%	8.35%	11.25%	9.90%
Audit Support Activities					
Audit Planning	275	50	75	84	66
Audit Committee Support	30	10	10	5	5
Systemwide Audit Support	150	30	30	40	50
Computer Support	13	3	3	2	5
Quality Assurance	10	2	2	3	3
Total Audit Support Hours	478	95	120	134	129
Total Audit Support Percent	6.83%	5.38%	7.11%	7.54%	7.30%
Total Direct Hours	5,994	1,481	1,458	1,537	1,518
Total Direct Percent	85.63%	83.82%	86.37%	86.49%	85.86%
Total Net Available Hours	7,000	1,767	1,688	1,777	1,768
Total Net Available Percent	100.00%	100.00%	100.00%	100.00%	100.00%
<i>Total net available hours (From Sch 1)</i>	<i>7000.00</i>	<i>1767.00</i>	<i>1688.00</i>	<i>1777.00</i>	<i>1768.00</i>
<i>Total net available hours (From Sch 2)</i>	<i>7000.00</i>	<i>1767.00</i>	<i>1688.00</i>	<i>1777.00</i>	<i>1768.00</i>
Total A+AS+IN (Scd 3 Check)	5516	1386	1338	1403	1389
Actual FTEs, End of Period (Check down)	4.00	4.00	4.00	4.00	4.00
Avail. Hours, Other Res., Subtotal (Check Down)	0	0	0	0	0
Gross Available Hours	8352	2112	2112	2048	2080
Net Available Hours	7000	1767	1688	1777	1768
Indirect Hours	1006	286	230	240	250
Audit Program	3430	871	668	920	971
Audit Support Activities	478	95	120	134	129
Investigations Hours	616	100	141	200	175
Advisory Services	1470	415	529	283	243
Total Direct Hours	5994	1481	1458	1537	1518
Net Available Hours	7000	1767	1688	1777	1768

III. PROJECT HOURS

Internal Audit Plan Detail – Provides a list of the Planned Audits and Planned Advisory Services, identifying information, and planned hours.

Planned Audits	
Technology Transfer Process (systemwide)	250
Donations (systemwide)	300
Staff Human Resources Compensation Processes	350
Business Continuity Planning	250
Campus Power Utility Reliability	300
Extramural Funds Billing & Collections Processes	250
Colleges, Housing & Educational Service (CHES) Annual Maintenance Program Staffing & Effectiveness	250
Leave Administration for Academic Employees	300
Protected Health Information Security Review	300
Coronavirus Response and Relief Supplemental Appropriations Act (CRRSAA) Compliance (CARES Act II)	200
UCSC Police Department Complaint Process (systemwide)	100
Subtotal - Planned Audits	2850
Planned Supplemental Audits (lump sum)	350
Audit Follow Up (lump sum)	230
Total Planned Audit Program	3430
Planned Advisory Services	
National Collegiate Athletic Association (NCAA) Report Annual Review	90
University Extension (UNEX) Annual Monitoring	250
UC Path Post Implementation Review	200
Leadership Transition for Graduate Division	200
Leadership Transition for Arts Division	200
Student Intern Program	1
Data Analytics and Continuous Monitoring	200
BAS Support	40
Investigation Workgroup	30
ITSC Committee	15
Campus Committees/Workgroups (BAS)	101
Campus Committees/Workgroups (non BAS)	65
Limited Scope Consultations/Spec. Projects (Max 4 hours)	46
Subtotal - Planned Advisory Services	1438
Unplanned Advisory Services	
External Audit Coordination (SE)	10
Internal Control & Accountability (CRSA) (SI)	1
California Information Practices Act (IPA), Conflict of Interest (COI) & Other	1
Compliance Support (SU)	10
Systems Development, Reengineering Teams (SR)	10
Subtotal - Unplanned Advisory Services	32
Total Advisory Services	1470
Planned Investigation Hours (lump sum)	616
Total Audits, Advisory Services, and Investigations	5516

IV. PROJECT AREAS OF SCOPE AND RISK

Top 5 Areas of Risk



All Projects (Scope/Risk)

Technology Transfer Process (systemwide)

- **Scope** – This is a new systemwide audit; the scope has not yet been defined.
- **Risk** – This process affects an important service the university provides to society and the potential for obtaining cooperative agreements that support university research.

Donations - Regents Policy 2202 (systemwide)

- **Scope** - Evaluate the controls in place to ensure donations are in compliance with the UC Regents Policy 2202¹ Barring Development Considerations from Influencing Admissions Decisions.
- **Risk** - There is a risk that campus donations may influence admissions decisions.

Staff Human Resources (SHR) Compensation Processes

- **Scope** – Determine how SHR is addressing compensation practices to provide fair compensation for UCSC employees.
- **Risk** – Inadequate compensation hampers hiring efforts and results in poor retention.

Business Continuity Planning

- **Scope** – Examine business continuity planning to ensure it adequately address risks to continuity.
- **Risk** – There are numerous risks to business continuity, including pandemics and wildfires.

Campus Power Utility Reliability

- **Scope** – Examine campus power utility practices and planning for reliability especially when there are interruptions to PG&E power.
- **Risk** – Many systems including research depend on power availability, which is threatened when there are interruptions to the PG&E power supply.

Extramural Funds Billing & Collections Processes

- **Scope** – Determine how effective and efficient those processes are in fulfilling their objective, including providing campus research projects with adequate services regarding grant management.
- **Risk** – If this process is not adequate research projects may not be timely reimbursed for grant-related expenditures.

Colleges, Housing & Educational Service (CHES) Annual Maintenance Program Staffing & Effectiveness

- **Scope** – Evaluate CHES annual maintenance program over a three-year period.
- **Risk** – Inadequate maintenance could lead to expensive repairs and replacement of systems.

¹ <https://regents.universityofcalifornia.edu/governance/policies/2202.html>

Leave Administration for Academic Employees Management

- **Scope** – Academic division business offices leave administration processes over a three-year period.
- **Risk** – Distributed leave administration processes may not be as effective and efficient as centralized ones.

Protected Health Information (PHI) Security Review

- **Scope** – Evaluate security of PHI by campus covered entities during the pandemic. This will identify any new campus covered entity.
- **Risk** – Without adequate security there is the risk that an information breach could expose PHI affecting campus reputation and involving breach notifications expenses and possible fines.

Coronavirus Response & Relief Supplemental Appropriations Act (CRRSAA) Compliance

(CARES Act II)

- **Scope** - Provide assurance that activities at UCSC are in compliance with the new Coronavirus Aid, Relief, and Economic Security Act (CARES Act²).
- **Risk** – There is a risk of non-compliance with the CARES Act's requirements.

UCSC Police Department Complaints Process (systemwide)

- **Scope** – Provide UCSC Police Department documentation of complaints and process to Ethics, Compliance, and Audit Services (ECAS) as requested
- **Risk** – ECAS is reviewing the systemwide PD complaints process to understand its adequacy in fulfilling its purpose.

National Collegiate Athletic Association (NCAA) Report Annual Review

- **Scope** - "Review the Office of Athletics and Recreation's NCAA Revenues and Expenses Reporting for Fiscal Year 2020 and confirm the accuracy of the financial data included in that report. "
- **Risk** - Provides assurance to the Chancellor of the accuracy of general and financial information submitted to the NCAA from campus financial systems and other data sources. Should the NCAA doubt the veracity of this report it could jeopardize the campus athletic program.

University Extension (UNEX) Annual Monitoring

- **Scope** - Determine UNEX's current and projected financial positions.
- **Risk** - UNEX is an important component of UCSC's Silicon Valley presence. As it has had deficit spending in the past, the CP/EVC has requested Internal Audit to monitor its financial management.

UC Path Post Implementation Review

- **Scope** - The purpose is to document in one place all the lessons learned in our management of the UC Path implementation.
- **Risk** – There are risks that UCPath may not be providing effective and efficient functionality, and that the UCPath Center may not be providing adequate service to the campus.

² <https://home.treasury.gov/policy-issues/coronavirus>

Leadership Transition for Graduate Division

- **Scope** - Review the Graduate division finances over a five-year period; review operational metrics over the five-year period; obtain unit leadership information and processes by survey and interview; obtain campus leadership feedback; obtain subunit information and processes with surveys.
- **Risk** - There are many risks incurred when divisional leadership changes. The purpose of this review is to provide incoming or existing unit leadership and campus executives with an overview of the financial and operational landscape of the unit, and to assess administrative processes and controls within the unit's executive offices as well as other major subunits within the organization.

Leadership Transition for Arts Division

- **Scope** - Review the Arts division finances over a five-year period; review operational metrics over the five-year period; obtain unit leadership information and processes by survey and interview; obtain campus leadership feedback; obtain subunit information and processes with surveys.
- **Risk** - There are many risks incurred when divisional leadership changes. The purpose of this review is to provide incoming or existing unit leadership and campus executives with an overview of the financial and operational landscape of the unit, and to assess administrative processes and controls within the unit's executive offices as well as other major subunits within the organization.