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## Internal Audit Program Planning Report

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# FY15 Annual Risk Assessment and Internal Audit Plan

Report No. SC-14-53  
June 2014

**Approved**  
Barry Long, Director  
Internal Audit & Advisory Services

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## I. SUMMARY

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Internal Audit & Advisory Services (IAS) has completed its FY15 annual risk assessment and internal audit planning exercise, leading to the development of the *FY15 Internal Audit Plan*.

This report, provided to the campus audit committee, outlines the results of the FY15 audit planning cycle. It includes an Allocation and Use of Resources (Schedule 1 & 2) and Plan Detail (Schedule 3) required for submission to the UC Ethics, Compliance and Audit Office for rollup to the systemwide internal audit program report and regental approval; and planned audit Topic Descriptions (Schedule 3A).

Also included is a list of auditable topics of concern and risk themes (Exhibit 1), generated from surveys and interviews conducted with campus personnel; the Top 50 Rated Topics from the Audit Universe (Appendix A), compiled from the risk assessment scoring and rating process; and other supporting information outlining this year's effort.

The FY15 Internal Audit Plan includes:

### **Planned audits for FY15:**

- Athletics (systemwide audit)
- AREC/G-45 (systemwide audit)
- Compensation (systemwide audit)
- Intellectual Property Security
- Service Contracts Administration
- Contract and Grants Administration
- IT Physical Security
- Endowment Administration - Donor Intent
- ProCard Review
- Use of Policy Exceptions
- Employee Termination Checkout Process

### **Planned Advisory Services (Consulting Services) for FY15:**

- Website Administration
- NCAA Report Annual Review
- Investigation Workgroup
- Student Intern Program
- Annual Risk Assessment
- CECO Support
- BAS Simplification Support

In addition to audits and consulting services, approximately 6% of our net available resource time has been allocated for investigations and investigation support activities, and a similar amount of time allocated to supplemental (unplanned) audit work that may come up during the year.

One key element to the campus internal audit program is its integration with the campus risk management and compliance program efforts, under VC BAS and Campus Ethics and Compliance Officer Sarah Latham. This integration helps facilitate the coordination and leveraging of campus risk mitigation and UC systemwide audit, compliance, and risk management program reporting requirements.

The *FY15 Internal Audit Plan* takes into account the resource constraints of the internal audit office and maximizes the skill set mix of the existing IAS staff.

## II. ALLOCATION AND USE OF RESOURCES – UCOP Reporting Schedules 1 & 2

Internal Audit & Advisory Services (IAS) is comprised of a Director, three professional audit staff, and one senior administrative analyst. Professional staffing resources are allocated as follows:

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

FY15 Internal Audit Plan - Schedules 1 & 2  
UCSC

Final 05/23/14

Schedule  
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Schedule 1 - Personnel Gross & Net Available Hours Calculation	Total Year FTE's	1st Quarter 7/1/14- 9/30/2014	2nd Quarter 10/1/14- 12/31/14	3rd Quarter 1/1/15- 3/31/2015	4th Quarter 4/1/15- 6/30/2015
Number of authorized professional staff	4.00	4.00	4.00	4.00	4.00
Number of Permanently <u>OPEN</u> 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
<b>PLANNED ACTUAL FTEs</b>					
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
<b>GROSS &amp; NET AVAILABLE HRS CALCULATION</b>	<b>Total Year Hours</b>	<b>1st Quarter 7/1/14- 9/30/2014</b>	<b>2nd Quarter 10/1/14- 12/31/14</b>	<b>3rd Quarter 1/1/15- 3/31/2015</b>	<b>4th Quarter 4/1/15- 6/30/2015</b>
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				
<b>Subtotal - Lab / Campus</b>	<b>8,352</b>	<b>2112</b>	<b>2112</b>	<b>2048</b>	<b>2080</b>
Other Resources:	<b>Check</b>	<b>2112</b>	<b>2112</b>	<b>2048</b>	<b>2080</b>
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
<b>Subtotal</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Gross Available Hours</b>	<b>8,352</b>	<b>2112</b>	<b>2112</b>	<b>2048</b>	<b>2080</b>
<b>Non Controllable Hours</b>	<b>1,448</b>	<b>370</b>	<b>374</b>	<b>366</b>	<b>338</b>
<b>Non Controllable Hours Percent</b>	<b>17.34%</b>	<b>17.52%</b>	<b>17.71%</b>	<b>17.87%</b>	<b>16.25%</b>
<b>Net Available Hours</b>	<b>6,904</b>	<b>1742</b>	<b>1738</b>	<b>1682</b>	<b>1742</b>

**Schedule 2 – Activity Report** – Distribution of Net Available Hours, outlines the allocation of hours to direct and indirect reporting categories.

FY15 Internal Audit Plan  
 Distribution of Net Available Hours  
 UCSC

Final 05/23/14

Schedule  
 2

Schedule 2 - Activity Report Distribution of Net Available Hours	UCOP % Guideline	Total Year Hours	1st Quarter 7/1/14- 9/30/2014	2nd Quarter 10/1/14- 12/31/14	3rd Quarter 1/1/15- 3/31/2015	4th Quarter 4/1/15- 6/30/2015
<b>INDIRECT HOURS</b>						
Administration	5--10%	752	188	188	188	188
Professional Development	2--5%	200	50	50	50	50
Other	0--3%	0	0	0	0	0
<b>Total Indirect Hours</b>		952	238	238	238	238
<b>Total Indirect Percent</b>	<b>15%</b>	<b>13.80%</b>	<b>13.66%</b>	<b>13.69%</b>	<b>14.15%</b>	<b>13.66%</b>
<b>DIRECT HOURS</b>						
<b>Audit Program</b>						
Planned Carried Forward Audits, PC		0	0	0	0	0
Planned New Audits, PN		3,252	945	789	785	733
Supplemental Audits, PS	Approx 10%	396	100	100	100	96
Unplanned Carried Forward Audits, PU		0	0	0	0	0
Audit Follow up, PNF		172	49	43	40	40
<b>Total Audit Program Hours</b>		3,820	1094	932	925	869
<b>Total Audit Program Percent</b>	<b>40--60%</b>	<b>55.33%</b>	<b>62.80%</b>	<b>53.62%</b>	<b>54.99%</b>	<b>49.89%</b>
<b>Advisory Services</b>						
Consultations/Spec. Projects, SC		1,021	134	297	247	343
Ext. Audit Coordination, SE		35	9	9	9	8
Internal Control & Accountability, SI		1	1	0	0	0
IPA, COI & Other, SP		1	1	0	0	0
Compliance Support, SU		1	1	0	0	0
Systems Dev., Reengineering Teams, etc., SR		1	1	0	0	0
<b>Total Advisory Services Hours</b>		1,060	147	306	256	351
<b>Total Advisory Services Percent</b>	<b>10--25%</b>	<b>15.35%</b>	<b>8.44%</b>	<b>17.61%</b>	<b>15.22%</b>	<b>20.15%</b>
<b>Investigations Hours, IN</b>		362	90	90	90	92
<b>Investigations Percent</b>	<b>10--20%</b>	<b>5.24%</b>	<b>5.17%</b>	<b>5.18%</b>	<b>5.35%</b>	<b>5.28%</b>
<b>Audit Support Activities</b>						
Audit Planning		250	58	58	58	76
Audit Committee Support		110	27	27	28	28
Systemwide Audit Support		215	54	54	54	53
Computer Support		80	20	20	20	20
Quality Assurance		55	14	13	13	15
<b>Total Audit Support Hours</b>		710	173	172	173	192
<b>Total Audit Support Percent</b>	<b>5--10%</b>	<b>10.28%</b>	<b>9.93%</b>	<b>9.90%</b>	<b>10.29%</b>	<b>11.02%</b>
<b>Total Direct Hours</b>		5,952	1504	1500	1444	1504
<b>Total Direct Percent</b>	<b>85%</b>	<b>86.20%</b>	<b>86.34%</b>	<b>86.31%</b>	<b>85.85%</b>	<b>86.34%</b>
<b>Total Net Available Hours</b>		6,904	1742	1738	1682	1742
<b>Total Net Available Percent</b>	<b>100%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>	<b>100.00%</b>

<b>Schedule 1,2 - Cross Check</b>		<b>Total Year Hours</b>	<b>1st Quarter 7/1/14-9/30/2014</b>	<b>2nd Quarter 10/1/14-12/31/14</b>	<b>3rd Quarter 1/1/15-3/31/2015</b>	<b>4th Quarter 4/1/15-6/30/2015</b>
Total net available hours (From Sch 1)		6904.00	1742.00	1738.00	1682.00	1742.00
Total net available hours (From Sch 2)		6904.00	1742.00	1738.00	1682.00	1742.00
<b>Total A+AS+IN (Scd 3 Check)</b>		<b>5242</b>	<b>1331</b>	<b>1328</b>	<b>1271</b>	<b>1312</b>
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		6904	1742	1738	1682	1742
Indirect Hours		952	238	238	238	238
<b>Audit Program</b>		<b>3820</b>	<b>1094</b>	<b>932</b>	<b>925</b>	<b>869</b>
<b>Audit Support Activities</b>		<b>710</b>	<b>173</b>	<b>172</b>	<b>173</b>	<b>192</b>
<b>Investigations Hours</b>		<b>362</b>	<b>90</b>	<b>90</b>	<b>90</b>	<b>92</b>
<b>Advisory Services</b>		<b>1060</b>	<b>147</b>	<b>306</b>	<b>256</b>	<b>351</b>
Total Direct Hours		5952	1504	1500	1444	1504
Net Available Hours		6904	1742	1738	1682	1742

### III. PLAN DETAIL – UCOP Reporting Schedule 3

**Schedule 3 – Internal Audit Plan Detail** – Provides a list of the planned audits and planned advisory Services/Consultation Services, identifying information, and planned hours.

UNIVERSITY OF CALIFORNIA INTERNAL AUDIT PLAN DETAIL					Final 06/03/14	SCHEDULE 3				
FY 2015 UCSC										
FY	LOB	LOC	Prj Code	Name/Title of Audit	High Risk <sup>(1)</sup> 1, 2, 3	Planned Hours	Primary Index Code	Core (x)	IT Indicator <sup>(3)</sup>	Est. Qtr Completion
					<b>Prior Year Audits Not Completed (DNFs):</b>					
FY15	Campus	SC	DNF			0				
					<b>(a) Subtotal - Planned Carry Forward</b>	0				
					<b>Planned New Audits (PNs):</b>					
FY15	Campus	SC	PN	SC-15-01	Athletics (Systemwide)	50	M.a.01			Q2
FY15	Campus	SC	PN	SC-15-02	AREC/G-45 Financial Audits (Systemwide)	200	J.b.06			Q3
FY15	Campus	SC	PN	SC-15-03	Compensation (Systemwide)	150	J.b.01			Q4
FY15	Campus	SC	PN	SC-15-04	Intellectual Property Security	425	G.a.01		I	Q4
FY15	Campus	SC	PN	SC-15-05	Service Contracts Administration	425	H.f.01			Q2
FY15	Campus	SC	PN	SC-15-06	Contracts and Grants Administration	450	E.d.02			Q3
FY15	Campus	SC	PN	SC-15-07	IT Physical Security	400	G.b.07		G	Q4
FY15	Campus	SC	PN	SC-15-08	Endowment Administration- Donor Intent	375	L.a.02			Q2
FY15	Campus	SC	PN	SC-15-09	ProCard Review	325	H.f.03			Q3
FY15	Campus	SC	PN	SC-15-10	Use of Policy Exceptions	225	N.c.06			Q4
FY15	Campus	SC	PN	SC-15-11	Employee Termination Checkout Process	227	J.b.04			Q4
					<b>(b) Subtotal - Planned New Audits</b>	3252				
FY15	Campus	SC	PS		(c) Planned Supplemental Audits (lumpsum)	336				
FY15	Campus	SC	PNF		(d) Audit Follow Up (lump sum)	172				
					<b>Total Planned Audit Program (a+b+c+d) <sup>(1)</sup></b>	3760				
					<b>Planned Advisory Services:</b>					
FY15	Campus	SC	SC	SC-15-50	Website Management	150	Z.a.02		T	Q4
FY15	Campus	SC	SC	SC-15-51	NCAA Report Annual Review	60	M.a.01			Q2
FY15	Campus	SC	SC		Unplanned consultation svc.	150				
FY15	Campus	SC	SC		Student Intern Program	60				
FY15	Campus	SC	SC		Investigation Workgroup	48				
FY15	Campus	SC	SC		Limited Scope Consult./Spec. Projects (Max 4 hour	188				
FY15	Campus	SC	SC		IAS Annual Risk Assessment	150				
FY15	Campus	SC	SR		BAS Process Streamlining	125				
FY15	Campus	SC	SU		CECO Support	150				
					<b>(e) Subtotal - Planned Advisory Services</b>	1081				
					<b>Unplanned Advisory Services (by Category) <sup>(2)</sup></b>					
FY15	Campus	SC	SE		External Audit Coordination	35				
FY15	Campus	SC	SI		Internal Control & Accountability (CRSA)	1				
FY15	Campus	SC	SP		IPA, COI & Other	1				
FY15	Campus	SC	SU		Compliance Support	1				
FY15	Campus	SC	SR		Systems Development, Reengineering Teams	1				
					<b>(f) Subtotal - Unplanned Advisory Services</b>	39				
					<b>Total Advisory Services (e+f) <sup>(1)</sup></b>	1120				
					<b>IN Planned Investigation Hours (lump sum)</b>	362				
					<b>Total Audits, Advisory Services, and Investigations</b>	5242				
<sup>(1)</sup> Must tie with Audit Program and Advisory Services on Schedule 2 Activity Report <sup>(2)</sup> enter lump sums for each applicable AS category (i.e. - SC, SE) <sup>(3)</sup> 1 = Top 10 scores, 2 = next top 10 scores, 3 = all others <sup>(3)</sup> IT Indicators: A – application review I – integrated review T – technical review S – system development or post-implementation review G – general controls review										



**Schedule 3A – Topic Description** – Provides a brief description outlining the topic and initial purpose statement, subject to revision.

**FY15 UCSC Internal Audit Plan**  
**Audit Descriptions**  
**UCSC**

**Schedule 3A**

<b>Title of Audit/Initial Purpose Statement</b>
<b>SC-15-01 Athletics (Systemwide):</b> The purpose and scope of work will be communicated through the UC Ethics, Compliance, and Audit Services (ECAS) office.
<b>SC-15-02 AREC/G-45 Financial Audits (Systemwide):</b> To review and evaluate the completeness and accuracy of the Annual Report of Executive Compensation and to determine compliance with the two financial reports on Chancellor’s expenses, required by UC Business Finance Bulletin (BFB) G-45.
<b>SC-15-03 Compensation (Systemwide):</b> A topic of Regental interest, the purpose and scope will be communicated through the UC ECAS office.
<b>SC-15-04 Intellectual Property Security:</b> To determine the adequacy of controls in providing reasonable assurance that campus intellectual property is properly safeguarded and protected against unauthorized access.
<b>SC-15-05 Service Contracts Administration:</b> To evaluate the effectiveness of the administration and oversight of campus service contracts for ensuring that services provided meet the terms and conditions of the contract and that services paid for have been received.
<b>SC-15-06 Contracts and Grants Administration:</b> To evaluate the effectiveness of the campus office of sponsored projects in supporting campus efforts in reviewing, endorsing and submitting proposals with funding agencies.
<b>SC-15-07 IT Physical Security:</b> To evaluate the effectiveness of physical security controls over selected IT devices on campus, maintained both centrally and decentrally.
<b>SC-15-08 Endowment Administration- Donor Intent:</b> To evaluate the effectiveness of controls for ensuring that endowment funds are spent in accordance with the donor’s instructions (both in the use and timing of funds spent).
<b>SC-15-09 ProCard Review:</b> To evaluate the effectiveness of controls over ProCard transactions in providing reasonable assurance that cardholder purchases are appropriate and in accordance with University policies.
<b>SC-15-10 Use of Policy Exceptions:</b> To determine the extent and appropriateness to which policy exceptions are requested and granted.
<b>SC-15-11 Employee Termination Checkout Process:</b> To determine the adequacy of controls in place to assure that employees who voluntarily leave campus employment or who are terminated have been sufficiently cleared and are prevented from having unauthorized physical and electronic access to campus systems and facilities.

**Available upon request**

Exhibit 1 - List of Auditable Topics of Interest and Risk Themes

APPENDIX A – Top 50 Rated Topics from Audit Universe

APPENDIX B – UC Audit Universe

APPENDIX C – FY15 Risk Assessment On-Line Survey

APPENDIX D – List of Campus Personnel Interviewed by Position