
Internal Audit Program Planning Report

FY20 UCSC Annual Risk Assessment and Internal Audit Plan

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I. SUMMARY

Audit & Management Advisory Services (AMAS) has completed its FY20 annual risk assessment and internal audit planning exercise, leading to the development of the FY20 Internal Audit Plan. This effort was coordinated with campus risk intelligence and compliance program efforts led by the Campus Ethics and Compliance officer, endorsed by the Risk Intelligence Oversight Committee (RIOC), and approved by the chancellor. This report provides a compilation of schedules, including:

- Allocation and Use of Resources
- Annual Audit Plan Detail
- Audit Plan Project Descriptions
- Project UC and Campus Strategic Alignment

The following list of topics represents a summary of the campus FY20 Internal Audit Plan:

Campus Planned Audits

- Change Management
- Accessibility Accommodation
- Lab Safety
- CASFS Farm and Garden Governance
- Business Continuity Planning
- Extramural Fund Accounting
- Physical Plant Materials and Equipment

UC Systemwide Requested Audits

- Fair Wage/Fair Work
- UCPath Operational Readiness Assessment
- Outside Professional Activities
- Foreign Influence
- Admissions Phase II

Campus Planned and Requested Management Advisory Services/Consulting Services

- NCAA Report Annual Review
- UNEX Annual Monitoring

AMAS Participation on UC and 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. ALLOCATION AND USE OF RESOURCES

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.

FY 2020 Audit Plan - Schedules 1 & 2		04/08/19			
UCSC					
Schedule 1 - Personnel Gross & Net Available Hours Calculation	Total Year FTE's	Q1 07/01- 09/30/19	Q2 10/01- 12/31/19	Q3 01/01- 03/01/20	Q4 04/01- 06/30/20
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- 09/30/19	Q2 10/01- 12/31/19	Q3 01/01- 03/01/20	Q4 04/01- 06/30/20
Weighted Avg. FTE's	4.00	4.00	4.00	4.00	4.00
Hours in the period - Campus	2,096	528	528	520	520
Hours in the period - Lab	0	0	0	0	0
Subtotal - Lab / Campus	8,384	2112	2112	2080	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	8,384	2112	2112	2080	2080
Non Controllable Hours	1,352	345	424	271	312
Non Controllable Hours Percent	16.13%	16.34%	20.08%	13.03%	15.00%
Net Available Hours	7,032	1767	1688	1809	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	Q1 07/01- 09/30/19	Q2 10/01- 12/31/19	Q3 01/01- 03/01/20	Q4 04/01- 06/30/20
INDIRECT HOURS					
Administration	900	225	225	225	225
Professional Development	200	50	50	50	50
Other	0	0	0	0	0
Total Indirect Hours	1,100	275	275	275	275
Total Indirect Percent	15.64%	15.56%	16.29%	15.21%	15.56%
DIRECT HOURS					
Audit Program					
Prior Year Audits Not Completed, DNF	0	0	0	0	0
Planned New Audits, PN	3,350	796	913	985	656
Supplemental Audits, PS	670	120	57	123	370
Audit Follow up, PNF	140	35	35	35	35
Total Audit Program Hours	4,160	951	1005	1143	1061
Total Audit Program Percent	59.16%	53.82%	59.54%	63.18%	60.01%
Advisory Services					
Consultations/Spec. Projects, SC	680	144	179	189	168
Ext. Audit Coordination, SE	10	2	2	3	3
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	15	5	1	1	8
Total Advisory Services Hours	717	156	183	196	182
Total Advisory Services Percent	10.20%	8.83%	10.84%	10.83%	10.29%
Investigations Hours, IN	600	250	100	100	150
Investigations Percent	10.20%	14.15%	5.92%	5.53%	8.48%
Audit Support Activities					
Audit Planning	250	55	75	60	60
Audit Committee Support	60	20	10	15	15
Systemwide Audit Support	75	40	20	5	10
Computer Support	40	10	10	10	10
Quality Assurance	30	10	10	5	5
Total Audit Support Hours	455	135	125	95	100
Total Audit Support Percent	6.47%	7.64%	7.41%	5.25%	5.66%
Total Direct Hours	5,932	1,492	1,413	1,534	1,493
Total Direct Percent	84.36%	84.44%	83.71%	84.80%	84.44%
Total Net Available Hours	7,032	1,767	1,688	1,809	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>7032.00</i>	<i>1767.00</i>	<i>1688.00</i>	<i>1809.00</i>	<i>1768.00</i>
<i>Total net available hours (From Sch 2)</i>	<i>7032.00</i>	<i>1767.00</i>	<i>1688.00</i>	<i>1809.00</i>	<i>1768.00</i>
Total A+AS+IN (Scd 3 Check)	5477	1357	1288	1439	1393
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	8384	2112	2112	2080	2080
Net Available Hours	7032	1767	1688	1809	1768
Indirect Hours	1100	275	275	275	275
Audit Program	4160	951	1005	1043	1061
Audit Support Activities	455	135	125	95	100
Investigations Hours	600	250	100	100	150
Advisory Services	717	156	183	196	182
Total Direct Hours	5932	1492	1413	1534	1493
Net Available Hours	7032	1767	1688	1809	1768

III. PLAN DETAIL

Schedule 3 – Internal Audit Plan Detail – Provides a list of the Planned Audits and Planned Advisory Services, identifying information, and planned hours.

UNIVERSITY OF CALIFORNIA INTERNAL AUDIT PLAN DETAIL							SCHEDULE 3	
FY 2020					Final 04/30/19			
UCSC								
FY	LOB	LOC	Prj Code	Proj No.	Name/Title of Audit	Planned Hours	Primary Index Code	Est. Qtr Completion
					Prior Year Audits Not Completed (DNFs):			
FY20	Campus	SC	DNF			0		
					(a) Subtotal - Planned Carry Forward	0		
					Planned New Audits (PNs):			
FY20	Campus	SC	PN	SC-20-01	Change Management	350	N.e.05	Q3
FY20	Campus	SC	PN	SC-20-02	Accessibility Accommodation	300	L.b.03	Q2
FY20	Campus	SC	PN	SC-20-03	Lab Safety	350	L.b.03	Q4
FY20	Campus	SC	PN	SC-20-04	CASFS Farm and Garden Governance	350	A.c.06	Q3
FY20	Campus	SC	PN	SC-20-05	Business Continuity Planning	350	N.c.04	Q4
FY20	Campus	SC	PN	SC-20-06	Outside Professional Activities (systemwide)	50	N.c.08	Q3
FY20	Campus	SC	PN	SC-20-07	Extramural Fund Accounting	350	E.d.03	Q2
FY20	Campus	SC	PN	SC-20-08	UCPath Operational Readiness Assessment (systemwide)	250	H.e.01	Q1
FY20	Campus	SC	PN	SC-20-09	Foreign Influence (systemwide)	300	E.a.01	Q3
FY20	Campus	SC	PN	SC-20-10	Fair Wage/Fair Work (systemwide)	150	J.b.04	Q3
FY20	Campus	SC	PN	SC-20-11	Physical Plant Materials and Equipment	250	K.a.02	Q2
FY20	Campus	SC	PN	SC-20-12	Admissions Phase II	300	O.a.01	Q2
					(b) Subtotal - Planned New Audits	3350		
FY20	Campus	SC	PS		(c) Planned Supplemental Audits (lump sum)	670		
FY20	Campus	SC	PNF		(d) Audit Follow Up (lump sum)	140		
					Total Planned Audit Program (a+b+c+d) ⁽¹⁾	4160		
					Planned Advisory Services:			
FY20	Campus	SC	SC	SC-20-50	NCAA Report Annual Review	90	M.a.01	Q3
FY20	Campus	SC	SC	SC-20-51	UNEX Monitoring	200	A.c.03	Q4
FY20	Campus	SC	SC		Student Intern Program	75		
FY20	Campus	SC	SC		BAS Support	40		
FY20	Campus	SC	SC		Investigation Workgroup	45		
FY20	Campus	SC	SC		ITSC Committee	15		
FY20	Campus	SC	SC		Campus Committees/Workgroups (BAS)	100		
FY20	Campus	SC	SC		Campus Committees/Workgroups (non BAS)	40		
FY20	Campus	SC	SC		Limited Scope Consultations/Spec. Projects (Max 4 hours)	75		
					(e) Subtotal - Planned Advisory Services	680		
					Unplanned Advisory Services (by Category) ⁽²⁾			
FY20	Campus	SC	SE		External Audit Coordination (SE)	10		
FY20	Campus	SC	SI		Internal Control & Accountability (CRSA) (SI)	1		
FY20	Campus	SC	SP		California Information Practices Act (IPA), Conflict of Interest (COI) & Other	1		
FY20	Campus	SC	SU		Compliance Support (SU)	10		
FY20	Campus	SC	SR		Systems Development, Reengineering Teams (SR)	15		
					(f) Subtotal - Unplanned Advisory Services	37		
					Total Advisory Services (e+f) ⁽¹⁾	717		
FY20			IN		Planned Investigation Hours (lump sum)	600		
					Total Audits, Advisory Services, and Investigations	5477		

Schedule 4 – FY20 UCSC Internal Audit Plan Strategic Alignment and Topic Purpose Statement – Provides the strategic alignment and a brief statement outlining the topic and initial project purpose, subject to revision.

Project#/ Name	Risk Statement/Description
* How Addressed by Management/Others	
<p>SC-20-01 Change Management/audit</p> <p>* ITS</p>	<p>The process to identify, document and authorize changes to UCSC production environment is crucial as it minimizes disruptions, unauthorized alterations and errors that could impact the campus. There are risks of insufficient transparency -services are verified (infrastructure and application) have quality control in place - change control, code review, testing, back-up plans tested and in place, a formalized release process. Not every service is following standardized processes, which restricts the ability to increase the number of standard releases. Further, there are risks that conflicts with other changes or organization support can occur. Staff turnover in the change management process increases the risk that procedures and practices are not adequately implemented, let alone further matured.</p>
<p>SC-20-02 Disability Accommodation/audit</p> <p>* Disability Resource Center for students; EEO/AA and SHR for employees</p>	<p>Physical disability accommodation is difficult at UCSC due to the terrain. Emotional disability accommodation can also be challenging as it involves a balance between personal responsibility and the campus's responsibility for accommodation. There may be resistance to some accommodation requests as they may seem unfair to other students or would require more resources than a division can provide or afford. There are compliance obligations concerning state and federal laws and UC policy.</p>
<p>SC-20-03 Lab Safety/audit</p> <p>* PIs are responsible for lab safety in their labs. EH&S conducts lab safety inspections</p>	<p>Lab environments can be hazardous to the health of researchers due to hazardous materials and procedures, State, federal regulations pertain to lab safety and UC policy requires safety procedures. Staff turnover and unfilled positions add to the risk that verification of lab safety policies and procedures is not taking place.</p>
<p>SC-20-04 CASFS Farm and Garden/audit</p> <p>* Included within the Division of Social Sciences</p>	<p>Center for Agro ecology & Sustainable Food Systems (CASFS) apprentices and fellows are neither employees nor students of the university. Consequently, it is difficult to apply student or employee policies and procedures to them. For example, Title IX adjudication of related issues is governed by polices covering students and employees. The CASFS program is important to the campus and the campus could be subject to law suits if issues are not dealt with appropriately.</p>
<p>SC-20-05 Business Continuity Planning</p> <p>* Crosscutting different units</p>	<p>Campus management is responsible to develop resiliency to environmental changes/disruptions. This includes establishing roles and responsibilities, providing training, establishing collaborative continuity planning, including with the city and county, and drill and exercise plans. As resources are limited, including personnel, this important activity may not be sufficiently mature to adequately respond to events than could negatively impact operations.</p>
<p>SC-20-06 Outside Professional Activities (systemwide)/audit</p> <p>* Outside activities of SMG members are reported annually and approved according to Regents Policy 7707</p>	<p>Senior management group members are encouraged to engage in outside professional activities, but must ensure these activities do not interfere with their primary commitment to UC. There is a risk that outside activities could interfere with the fulfillment of their regular university responsibilities to the detriment of the university. This also carries a reputational risk.</p>
<p>SC-20-07 Extramural Fund Accounting/audit</p> <p>* Department of Financial Affairs</p>	<p>Extramural Funds Accounting ensures compliance with regulations; manages indirect costs, agency billings and accounts receivable; and creates reports for agencies and UCOP. The campus relies on this activity to help ensure extramural funds are managed effectively; assures granting agencies that their funds will be adequately accounted for and their requirements complied with; and provides the campus with indirect cost reimbursement.</p>

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	Due to staff turnover, there are risks that these responsibilities may not be adequately fulfilled.
SC-20-08 UCPath Operational Readiness Assessment (systemwide)/audit	The implementation of UCPath comes with the risk that university employees may not obtain their paychecks on time and in the right amount. Therefore, this review is important to help ensure the campus is ready for it.
SC-20-09 Foreign Influence (systemwide)/audit * Office of Research oversight	There is a risk that nation states may obtain UC intellectual property by fraudulent means that could subvert the USA's competitiveness, weaken its national defense, and prevent the university from obtaining financial rewards from its research.
SC-20-10 Fair Wage/Fair Work (systemwide)/audit * Managed by Procurement and Supply Chain Services	There is a risk of non-compliance with this presidential policy that could affect the campus reputation and its labor relations.
SC-20-11 Physical Plant Materials and Equipment/audit * Physical Planning, Development and Operations	The physical plant warehouse management is responsible to manage its inventory of materials and equipment to ensure that it is a responsible custodian of campus resources. However, with reduced staff and turnover there is the risk that controls are not in place or not adequately implemented to ensure that these resources are made use of efficiently and effectively; there is even the risk of theft.
SC-20-12 Admissions Phase II * Undergraduate Admissions & Committee on Admissions and Financial Aid	The nationwide admissions scandal demonstrated unethical behavior that undermined fairness in the admissions process of identified universities. This can damage the reputation of UC leading to decreasing enrollment and support.
SC-20-50 NCAA Report Annual Review * Report created by OPERS management, signed by chancellor	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.
SC-20-51 UNEX Monitoring * Monitored by Campus Provost/EVC	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. This advisory service provides the CP/EVC with information on UNEX activities by reviewing the following areas: <ul style="list-style-type: none"> • Oversight and governance of UNEX activities • Sustainability and business models • Financial management and controls

IV. IA RISK ASSESSMENT / INTEGRATION WITH CAMPUS RISK INTELLIGENCE

The internal audit (IA) 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 (Figure 1).

Risk topics were 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 Risk Intelligence Oversight Committee (RIOC) and the Risk Intelligence Workgroup (RIWG) provide mitigation strategies on key risk priority areas and topics including recommendations for which topics could be included in the audit plan.

The approach as prescribed by the UC Internal Audit Program¹ begins with the UC Audit Risk Universe² consisting of over 180 campus entities and processes (Appendix A). Relevant topics are risk ranked and scored using weighted audit risk factors³. Input into the process includes consideration of themes and concerns generated from a wide range of individual interviews and conversations with campus leaders.

Factors in determining which topics to include in the audit plan:

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

The proposed FY2020 internal audit plan was submitted to the Risk Intelligence Oversight Committee for review and endorsement, and forwarded to the chancellor for final approval.



Figure 1

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%20ver.05-27-14%20from%20MHicks.pdf>

³ Reference Internal Audit Manual Appendix 3200.2 University of California Risk Model