UC SANTA CRUZ

Audit & Management Advisory Services

Annual Risk Assessment & Internal Audit Plan
Fiscal Year 2020-21

Submitted by:
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Endorsed by:
Risk Intelligence Oversight Committee

Approved by:
Chancellor Blumenthal

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.

UCSC INTERNAL AUDIT

RISK ASSESSMENT PROCESS

1 APPROACH
- Audit Risk Universe Topics
- Weighted Risk Factors
- Risk Scoring

2 INPUTS
- Feedback to Risk
- UC Systemwide Directives
- Staffing/Resource Allocations

3 CAMPUS RISK INTELLIGENCE
- Key Risk Intelligence Topics
- CECO Risk Register
- RIWG & RIOC Groups

4 AUDIT PLAN
- Risk Based Audits
- UC Systemwide Audits
- Advisor Services & Investigations

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,
- risk mitigation strategies already in place or recommended by the RIOC on key risk priority areas,
- discussions with systemwide internal audit directors on emerging risks and audit planning,
- strengths and capacity of current Internal Audit staff, and
- subject area suitability and potential scoping for an audit or management advisory service.

The proposed FY21 internal audit plan was submitted to the Risk Intelligence Oversight Committee for review and endorsement, and forwarded to the chancellor for final approval.

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[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

Table of Contents

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed its FY21 annual risk assessment and internal audit planning exercise, leading to the development of the FY21 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 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 following list of topics represents a summary of the campus FY21 Internal Audit Plan

Campus Planned Audits

Coronavirus Aid, Relief, and Economic Security (CARES) Act Disbursements
Foreign Gifts Reporting - Higher Education Act Section 117
Humanities Leadership Transitions
Student Affairs & Success Leadership Transition
Corporate Travel & Entertainment (CTE) Card Review
Physical Plant Warehouse Inventory & Processes
University Relations Leadership Transition

UC Systemwide Audits

Donations - Regents Policy 2202 (systemwide)
Business Finance Bulletin-IS-3: Electronic Information Security (Systemwide)
Fair Wage/Fair Work (systemwide)
Annual Report on Executive Compensation (AREC) (systemwide)
Chancellors' Expenses UC Policy BFB-G-45 (systemwide)

Campus Planned & Management Advisory Services/Consulting Services

NCAA Report Annual Review
UNEX Annual Monitoring
Pandemic Response Post Mortem Review
Athletics and Recreation Sports Clubs

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.

FY21 Audit Plan - Schedules 1 & 2 UCSC			*05/11/20*		
Schedule 1 - Personnel Gross & Net Available Hours Calculation	**Total Year FTE's**	**Q1 07/01- 09/30/20**	**Q2 10/01- 12/31/20**	**Q3 01/01- 03/01/21**	**Q4 04/01- 06/30/21**
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
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- 09/30/20**	**Q2 10/01- 12/31/20**	**Q3 01/01- 03/01/21**	**Q4 04/01- 06/30/21**
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	Q1 07/01- 09/30/20	Q2 10/01- 12/31/20	Q3 01/01- 03/01/21	Q4 04/01- 06/30/21
INDIRECT HOURS					
Administration	920	220	200	200	300
Professional Development	240	60	60	60	60
Other	0	0	0	0	0
Total Indirect Hours	1,160	280	260	260	360
Total Indirect Percent	16.56%	15.85%	15.40%	14.63%	20.36%
DIRECT HOURS					
Audit Program					
Prior Year Audits Not Completed, DNF	0	0	0	0	0
Planned New Audits, PN	2,725	712	601	682	730
Supplemental Audits, PS	520	125	145	150	100
Audit Follow up, PNF	145	34	40	46	25
Total Audit Program Hours	3,390	871	786	878	855
Total Audit Program Percent	48.43%	49.29%	46.56%	49.41%	48.36%
Advisory Services					
Consultations/Spec. Projects, SC	1,308	338	367	344	259
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	1,340	346	372	350	272
Total Advisory Services Percent	19.14%	19.58%	22.04%	19.70%	15.38%
Investigations Hours, IN	600	150	150	150	150
Investigations Percent	8.57%	8.49%	8.89%	8.44%	8.48%
Audit Support Activities					
Audit Planning	300	75	75	84	66
Audit Committee Support	60	15	15	15	15
Systemwide Audit Support	70	10	10	20	30
Computer Support	40	10	10	10	10
Quality Assurance	40	10	10	10	10
Total Audit Support Hours	510	120	120	139	131
Total Audit Support Percent	7.29%	6.79%	7.11%	7.82%	7.41%
Total Direct Hours	5,840	1487	1428	1517	1408
Total Direct Percent	83.43%	84.15%	84.60%	85.37%	79.63%
Total Net Available Hours	7,000	1767	1688	1777	1768
Total Net Available Percent	100.00%	100.00%	100.00%	100.00%	100.00%
Total net available hours (From Sch 1)	*7000.00*	*1767.00*	*1688.00*	*1777.00*	*1768.00*
Total net available hours (From Sch 2)	*7000.00*	*1767.00*	*1688.00*	*1777.00*	*1768.00*
Total A+AS+IN (Scd 3 Check)	*5330*	*1367*	*1308*	*1378*	*1277*
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	1160	280	260	260	360
Audit Program	3390	871	786	878	855
Audit Support Activities	510	120	120	139	131
Investigations Hours	600	150	150	150	150
Advisory Services	1340	346	372	350	272
Total Direct Hours	5840	1487	1428	1517	1408
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.
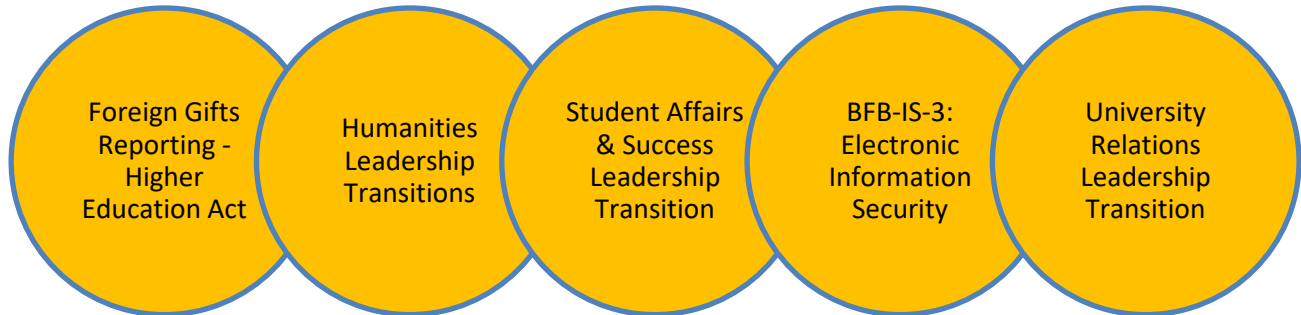
Planned Audits	
Chancellor's Expenses UC Policy BFB-G-45 (systemwide)	125
Annual Report on Executive Compensation (AREC) (systemwide)	125
Coronavirus Aid, Relief, and Economic Security (CARES) Act Disbursements	125
Fair Wage/Fair Work (systemwide)	200
Donations - Regents Policy 2202 (systemwide)	150
Foreign Gifts Reporting - Higher Education Act Section 117	250
Humanities Leadership Transitions	350
Student Affairs & Success Leadership Transition	350
Corporate Travel & Entertainment (CTE) Card Review	300
Physical Plant Warehouse Inventory & Processes	250
Business Finance Bulletin-IS-3: Electronic Information Security (Systemwide)	200
University Relations Leadership Transition	300
Subtotal - Planned Audits	2725
Planned Supplemental Audits (lump sum)	520
Audit Follow Up (lump sum)	145
Total Planned Audit Program	**3390**
Planned Advisory Services	
National Collegiate Athletic Association (NCAA) Report Annual Review	90
University Extension Annual Monitoring	200
Pandemic Response Post Mortem Review	300
Athletics and Recreation Sports Clubs	100
Student Intern Program	100
Data Analytics and Continuous Monitoring	200
BAS Support	40
Investigation Workgroup	45
ITSC Committee	15
Campus Committees/Workgroups (BAS)	100
Campus Committees/Workgroups (non BAS)	53
Limited Scope Consultations/Spec. Projects (Max 4 hours)	65
Subtotal - Planned Advisory Services	1308
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	**1340**
Planned Investigation Hours (lump sum)	**600**
Total Audits, Advisory Services, and Investigations	**5330**

IV.   PROJECT AREAS OF SCOPE AND RISK

Top 5 Areas of Risk

| Foreign Gifts Reporting - Higher Education Act | Humanities Leadership Transitions | Student Affairs & Success Leadership Transition | BFB-IS-3: Electronic Information Security | University Relations Leadership Transition |

All Projects (Scope/Risk)

Chancellor's Expenses UC Policy BFB-G-45 (systemwide)

- **Scope -** Review the UC Policy G-45, the two G-45 final reports, supporting documentation, report preparation methodology, and approval processes. Conduct testing on the accuracy of amounts reported, compliance with the G-45 policy and the UC Entertainment and Travel policies, appropriate approval levels and back-up documentation. This review includes the chancellor's associate.

- **Risk -** UC systemwide audit evaluates the completeness and accuracy of the two financial reports, the Annual Report of Fiscal Year Expenses of the Chancellor for Fiscal Year 2019-2020 and the Annual Report of Taxable Expenses of the Chancellor required in UC Business Finance Bulletin (BFB) G-45 Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors.

Annual Report on Executive Compensation (AREC) (systemwide)

- **Scope -** Review executive employees' AREC documents packet, and the SMG coordinator's packet sent by UCOP for directives regarding the certification process of the AREC report submission. Cross-verify the accuracy of the AREC population and the compensation shown for each of its members. Review all Compensation Summaries and PCTs for certification and congruence with the data shown on the AREC report.

- **Risk -** UC systemwide audit evaluates and determines the completeness and accuracy of Annual Report on Executive Compensation (AREC) for the calendar year 2020.

Coronavirus Aid, Relief, and Economic Security (CARES) Act Disbursements

- **Scope -** Provide assurance that activities at UCSC are in compliance with the new Coronavirus Aid, Relief, and Economic Security Act (CARES Act).

- **Risk –** There is a risk of non-compliance with the CARES Act's requirements.

Fair Wage/Fair Work (systemwide)

- **Scope -** Evaluate the controls in place to ensure supplier compliance with the UC Fair Wage/Fair Work Plan.

- **Risk -** There is a risk of non-compliance with this presidential policy that could affect the campus reputation and its labor relations.

Donations - Regents Policy 2202 (systemwide)

- **Scope -** Evaluate the controls in place to ensure donations are in compliance with the UC Regents Policy 2202 Barring Development Considerations from Influencing Admissions Decisions.

- **Risk -** There is a risk that campus donations may influence admissions decisions.

Foreign Gifts Reporting - Higher Education Act Section 117

- **Scope -** Review Higher Education Act, Section 117 and RPAC guidance. Choose a period of one to three years to review campus compliance with this requirement.

- **Risk -** The Department of Education is stepping up its scrutiny of whether colleges comply with federal reporting requirements regarding disclosures of foreign gifts and contracts.

Humanities Leadership Transitions

- **Scope -** Review Humanities 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.

Student Affairs & Success Leadership Transition

- **Scope -** Review Student Affairs divisional 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.

- **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.

Corporate Travel & Entertainment (CTE) Card Review

- **Scope -** Review CTE procedures and practices as required for different circumstances. Testing will verify adequacy of controls during implementation over fiscal years 19 and 20.

- **Risk -** The corporate travel and entertainment (CTE) card is a new credit card for the campus. Controls need to be examined to ensure they are adequate.

Physical Plant Warehouse Inventory & Processes

- **Scope -** Review Physical Plant warehouse inventory policies, procedures and processes; include control processes for material storage and use from sub-locations; examine adequacy of controls with testing over a one to three-year period.

- **Risk -** 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.

Business Finance Bulletin-IS-3: Electronic Information Security (Systemwide)

- **Scope -** Review most recent version of IS-3. Determine how ITS Security has implemented this policy for ITS units and how it has informed the campus of responsibility to comply with IS-3. Determine how accountability is assured. Provide testing if applicable. Refer to systemwide audit plan.

- **Risk -** Business Finance Bulleting IS-3 policy is meant to guide information security systemwide. As it has been revised since we last audited a decade ago we need to assure that the campus is in compliance.

University Relations Leadership Transition

- **Scope -** Review University Relations divisional 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.

- **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.

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 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.

Pandemic Response Post Mortem Review

- **Scope -** The purpose is to document in one place all the lessons learned in our management of the pandemic, including how controls have changed to accommodate the work from home mode of operation, e.g. goods sent to employees' residences, electronic signatures rather than wet signatures, etc. Gather information from across the campus on how divisions responded to the pandemic, both their emergency response and recovery.

- **Risk -** There is the risk that lessons learned from the campus response to the pandemic might go undocumented or not documented in a single place that may result in incomplete business continuity plans.

Athletics and Recreation Sports Clubs

- **Scope -** Examine if standards, rules and trainer assistance provided to sports clubs are unusual or normal practices systemwide.

- **Risk -** There is a risk of liability incurred for services provided to sports clubs.