

Audit & Management Advisory Services (AMAS)

Annual Report on Local Activities

Fiscal Year 2017

September 6, 2017

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Message from the Director

We are pleased to present our Annual Report on Local Activities for FY17. The goal of this report is to provide you with a better understanding of what we do in support of the University's mission in research, education, and public service.

This report provides a quick look at our reporting structure and staffing; our accomplishments at a glance for FY17; impacts of our work on improving campus governance, risk management, and control environment; the identification of the top five internal control issues/risks facing the campus; and a recap of management corrective action status.

In addition to carrying out the campus internal audit program, we support student education and development through our student intern program. This program provides students with hands-on experience working with our professional audit staff on projects while earning class credits.

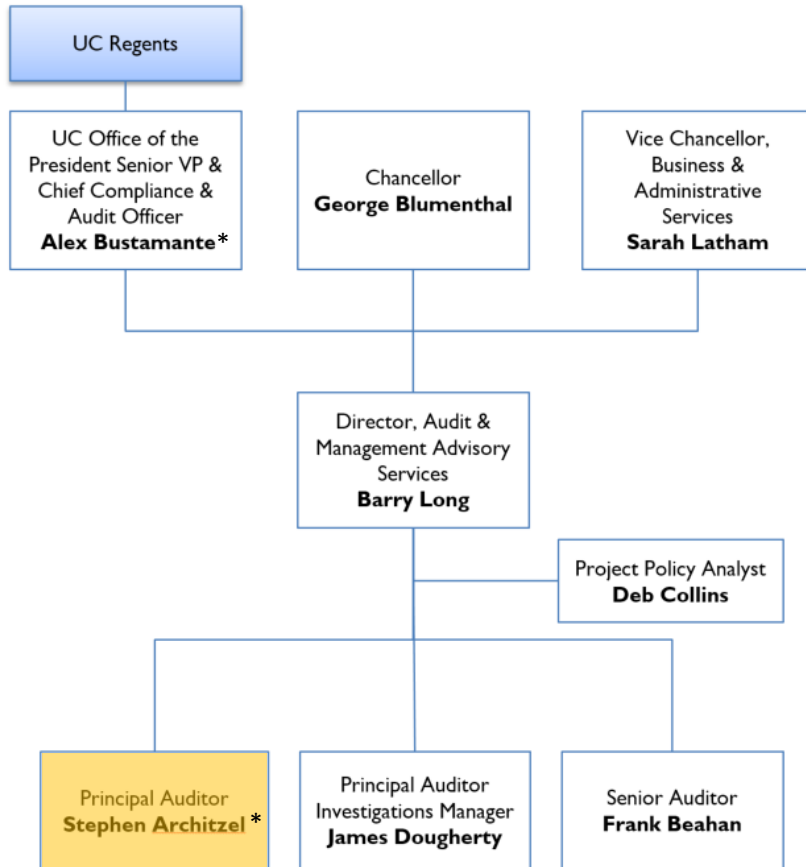
We look forward to another successful year in FY18 and invite our campus and University colleagues to visit our website at www.audit.ucsc.edu

Barry Long

Director, Audit & Management Advisory Services

Campus Audit Reporting Structure and Staffing

Audit & Management Advisory Services (AMAS)



*Started in FY18

The University of California's Internal Audit Program operates under UC Regents resolution as the University's independent and objective audit resource.

Audit and Management Advisory Services (AMAS) carries out the internal audit function at UCSC. Our primary purpose is to provide value added information and assurances on the governance, risk management and internal control activities on the campus to assist the chancellor and senior management in the discharge of their oversight, management, and operating responsibilities.

Dual reporting to the Regents and to the campus chancellor allows AMAS to operate with transparency and independence; and as an integral part in the university's shared governance structure.

During 2017 AMAS was successful in recruiting for a Principal Auditor to get back to four full-time certified professional audit staff for the start FY18.

Certifications held by staff include: Certified Internal Auditor (CIA), Certified Public Accountant (CPA), Certified Information Systems Auditor (CISA), and Certified Fraud Examiner (CFA).

Accomplishments - FY17 at a Glance

Supporting UC Regents and Campus Internal Audit Program

Completed FY17 Audit Plan as amended, including:

- Six risk based and Systemwide requested internal audits,
- Five management requested advisory service projects,
- Numerous ad hoc consultations and inquiries.

Campus Risk Intelligence - Risk Management & Compliance Efforts

- Supported Campus Ethics and Compliance Officer (CECO) in integrated approach to campus risk identification and mitigation.
- Interviewed over 50 senior campus leaders to learn about their concerns and shared risk themes with campus risk intelligence governance groups.
- Issued FY18 Annual Risk Assessment and Internal Audit Plan in May 2017.

Supporting UC Oversight of National Laboratories

- Participated on Lawrence Berkeley National Laboratory Contractor Assurance Council, and
- Appointed and served as UC audit representative on LLNS/LANS LLC Ethics and Audit Committee.

Value add to Campus Senior Leadership - Serving on Campus Committees & Workgroups

- UCPATH Ops Steering Committee
- Risk Intelligence Oversight Committee
- Risk Intelligence Workgroup
- Campus Investigations Workgroup
- IT Security Committee
- HIPAA Security Rule Workgroup
- Computer Incident Response Team
- Data Warehouse Steering Committee
- Accessible Technology Committee
- UC TeamMate Champion Workgroup
- UC Data Analytics Subject Matter Experts Workgroup
- Key campus search committees

Addressing Campus Governance

Notable observations and agreements in campus governance were identified and are being actively mitigated due to audits and management advisory services conducted by AMAS.

Risk Mitigation - Audit Follow-up Validation Efforts

Administered the closing of 41 open management corrective actions.

Student Internships

Four student interns worked within our office during FY17. Developed two curriculums:

- A five unit internship designed for a student focused on a career in auditing, and
- A two unit internship designed for the student interested in learning about the professional practice of internal auditing.

Projects Completed in FY17

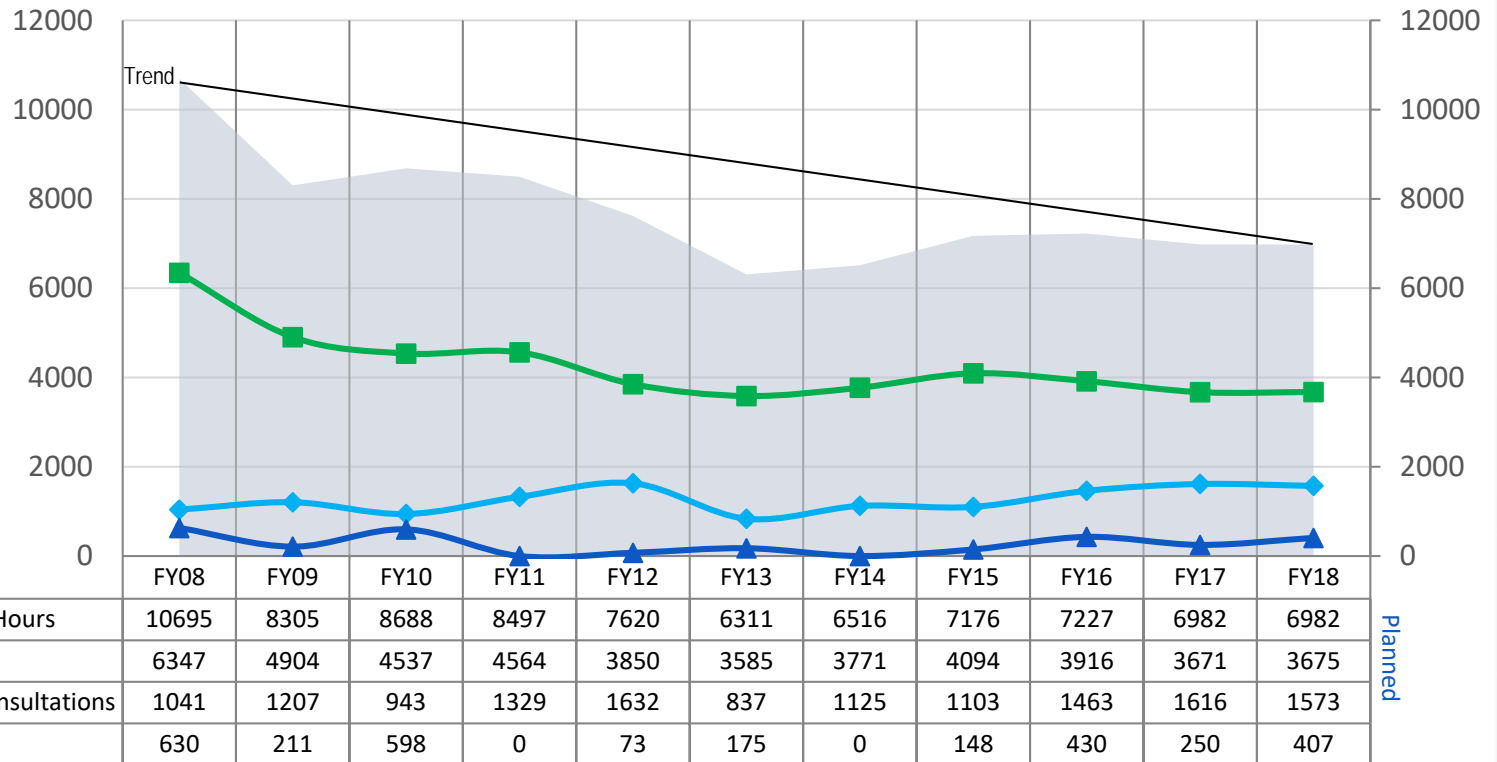
Audit #	Internal Audits - Title	Key Campus Risk Topic	Systemwide Request
SC-17-05	Export Control Awareness Update	Yes	
SC-17-06	Laser Safety	Yes	
SC-17-07	Conflict of Interest Disclosures on Federal Contracts	Yes	
SC-17-08	Chancellor's Expenses UC Policy BFB-G-45		Yes
SC-17-09	Annual Report on Executive Compensation (AREC)		Yes
SC-17-12	Fair Wage/Fair Work		Yes

Project #	Advisory Service Reviews - Title	Management Request
SC-17-50	Office of Physical Education, Recreation and Sports (OPERS) Financial Review	Yes
SC-17-51	Summer Session Operations	Yes
SC-17-52	IAS Annual Risk Assessment and Audit Plan	
SC-17-53	National Collegiate Athletic Association (NCAA) Report Annual Review	Yes
SC-17-57	OPERS Intramural & Club Sports Dept. Cash Controls	Yes

Project #	External Audit Liaison Effort – Title	Outside Request
SC-17-56	2016-130 State Audit of UCOP Administrative Expenses (Facilitate Survey)	CSA Request

* Confidential topics – title or detail not shown

Planned Effort by Service Type (in hours)



Over the years, the mix of internal audit services between audits, management advisory services and investigations has been fairly constant. AMAS continues to be responsive to the needs of campus senior leadership as evidenced by a general upward trend in hours devoted to management requested advisory services and consultations.

Impacts of Audit Projects Completed in FY17

Assurances (Campus Chancellor and EVC)

- Chancellors Expenses were in compliance with University Policy G-45,
- Annual Report of Executive Compensation to Senior Management Group members was in accordance with UC Policy,
- Fair Wage/Fair Work policy was in compliance with UC Presidential directive.
- FY 2016 Revenue and Expense Summary data submitted to the NCAA by OPERS reflected amounts reported in OPERS source data.
- Provided the CP/EVC with independent assessment and information on the OPERS financial operation and NCAA III facility requirements; an estimate of breakeven costs for establishing a student referendum fee base; and advise on the basis for allocating carryforward funds for two student groups.

Internal Controls

- Identified improvement opportunities over OPERS Intramural & Sports Club Department Cash Controls and provided recommendations for ongoing cash handling best practices.

Research

- Improved the level of awareness of export control requirements in the campus research community and opportunities for enhancement.
- Enhanced campus conflict of interest compliance readiness with federal funding agency requirements on Federal Contracts.

Laser Safety

- Improved campus laboratory safety culture through physical inspections and sharing of observations within laser labs;
- Strengthened governance by changes in the Laser Safety Committee structure; and
- Enhanced information collected on inspection forms for improvement in communications and adoption of safety controls.

Academics - Summer Session

- Provided transparency and recommended enhancements in the Summer Session planning and budget funding model and its implementation;
- Enhanced controls to prevent the over-compensation of teaching appointees; and
- Addressed steps to improve the coordination of between academic units and the summer session office.

Top Five Internal Control Issues

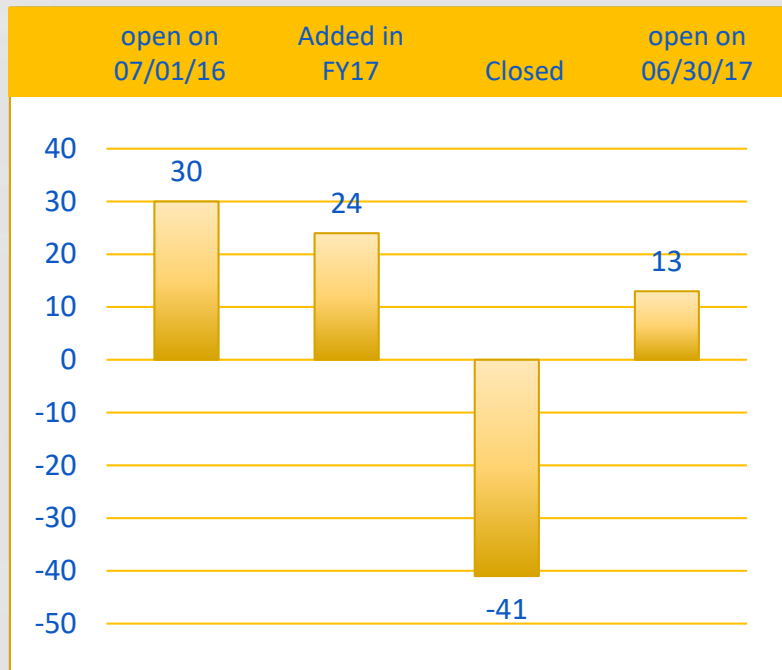
Available Upon Request

FY17 Management Corrective Action Activity

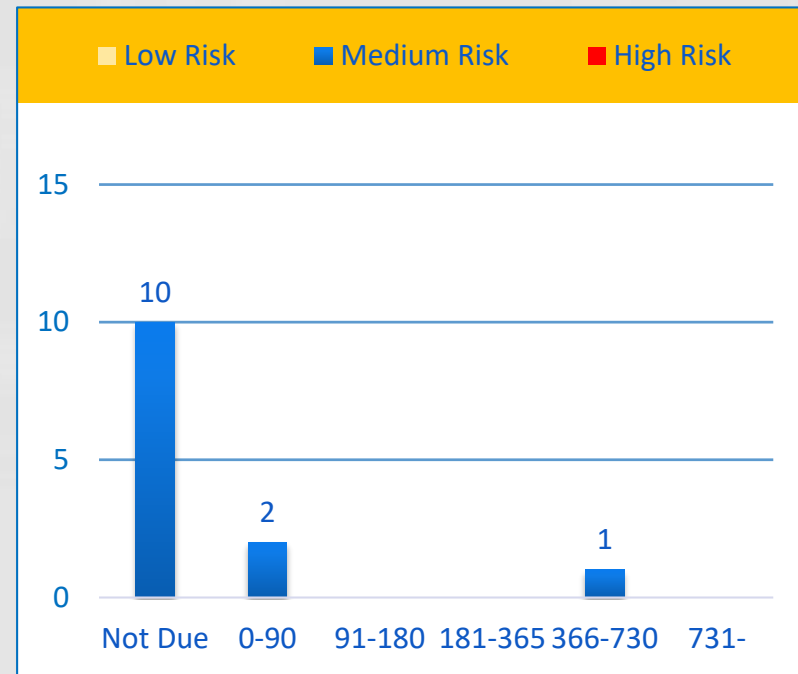
AMAS monitors the progress and completion of management corrective actions (MCAs) identified in audits issued throughout the year.

Timely closeout of MCAs demonstrates management's commitment to risk mitigation and operational improvement. AMAS obtained agreements from management on all corrective actions identified and reported on for audits issued in FY17.

FY17 MCA Activity as of 6/30/2017



FY17 MCA Risk & Aging



Student Intern Program

AMAS contributes to campus student success through its student intern program. Through this program, students are provided with hands-on experience working with our professional audit staff on projects while earning class credits.

Students learn the professional practice of internal auditing: from planning an audit project, engaging with the audit client, developing audit objectives, performing a project risk assessment, developing an audit program, executing a audit testing plan, documenting work performed, using the elements of an finding to support an observation, summarizing results, sharing results with clients, and writing audit reports.

During this process, students gain a perspective on audits role in the governance of an organization and in providing information to senior management to help them carry out their responsibilities. Students also gain valuable experience working on a wide variety of audit topics.

During FY17, AMAS hosted four student interns. Interns are typically senior level UC Santa Cruz Economics students. Many interns receive full-time jobs subsequent to graduation, directly attributable to this experience and the education they have received at UC Santa Cruz.

SHERRY XIE

UCSC Internal Audit Internship Fall 2016

My internship in Internal audit helped me to have a clear understanding of risk/control and campus operations. I currently work as a research analyst in UC Santa Cruz. Without the knowledge and experience from internal audit, I wouldn't have been able to get this job. I am more confident in my to interactions with other departments because of the practice I gained during my intern.

In March 2017, Sherry started working in the Social Science Research Administration Office at UCSC as a research analyst

CARLY ELLISON

UCSC Internal Audit Internship Spring 2017

"This internship provided me with valuable insight into the audit profession and gave me an opportunity to develop my audit skills before entering the work force."

In September 2017, Carly started working at Armanino LLP, a Tax preparation service in San Jose, California