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## Internal Audit Program Planning Report

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# FY16 Annual Risk Assessment and Internal Audit Plan

Report No. SC-15-55  
May 2015

**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 FY16 annual risk assessment and internal audit planning exercise, leading to the development of the FY16 Internal Audit Plan. This report, provided to the campus audit committee, provides a compilation of documents including Schedules 1, 2 & 3 required by the UC Ethics, Compliance and Audit Office for rollup to the system wide internal audit program report for regental approval; as well as a list of auditable topics of concern and risk themes generated from surveys and interviews conducted with campus personnel, audit universe risk scoring results, and other supporting information outlining this year's effort.

**FY16 Planned Audits (Campus Risk Based):**

- IT Cloud Computing
- Building Management Systems on Public Networks
- Safety of Faculty and Staff on Field Research Assignments
- Campus Key and Building Access Controls
- Joint Ventures, MOU's, Partnerships and Affiliations
- Campus Policy and Guidance Implementation
- Student Miscellaneous Fee Governance

**FY16 Planned Audits (Systemwide Requested):**

- Annual Report on Executive Compensation
- Chancellors Expenses – G-45
- Construction
- IT Security (PCI Compliance or Access Controls)
- Title IX

**FY16 Planned Advisory Services (Requested and Campus Risk Based Consulting Services):**

- NCAA Report Annual Review
- ETC Borland Proposal
- Accessibility Governance - ATC
- Strategic Plan - Silicon Valley

In addition, 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 audit work that may come up during the year.

The FY16 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**

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.

FY16 Internal Audit Plan - Schedules 1 & 2  
**UCSC**

05/27/15

Schedule 1

Schedule 1 - Personnel Gross & Net Available Hours Calculation	Total Year FTE's	1st Quarter 7/1/15-9/30/2015	2nd Quarter 10/1/15-12/31/15	3rd Quarter 1/1/16-3/31/2016	4th Quarter 4/1/16-6/30/2016
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
<b>End of Period</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>	<b>4.00</b>
<b>GROSS &amp; NET AVAILABLE HRS CALCULATION</b>	<b>Total Year Hours</b>	<b>Q1 7/1/15 9/30/2015</b>	<b>Q2 10/1/15-12/31/15</b>	<b>Q3 1/1/16-3/31/2016</b>	<b>Q4 4/1/16-6/30/2016</b>
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				
<b>Subtotal - Lab / Campus</b>	<b>8,384</b>	<b>2112</b>	<b>2112</b>	<b>2080</b>	<b>2080</b>
Other Resources:	Check	2112	2112	2080	2080
Overtime	0	0	0	0	0
Contract Labor/Interns	315	315	0	0	0
Recharge In (or Out)	0	0	0	0	0
Admin. & Other	0	0	0	0	0
<b>Subtotal</b>	<b>315</b>	<b>315</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Gross Available Hours</b>	<b>8,699</b>	<b>2427</b>	<b>2112</b>	<b>2080</b>	<b>2080</b>
<b>Non Controllable Hours</b>	<b>1,472</b>	<b>290</b>	<b>498</b>	<b>346</b>	<b>338</b>
<b>Non Controllable Hours Percent</b>	<b>16.92%</b>	<b>11.95%</b>	<b>23.58%</b>	<b>16.63%</b>	<b>16.25%</b>
<b>Net Available Hours</b>	<b>7,227</b>	<b>2137</b>	<b>1614</b>	<b>1734</b>	<b>1742</b>

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

FY16 Internal Audit Plan

05/27/15

Schedule 2

Distribution of Net Available Hours  
UCSC

Schedule 2 - Activity Report Distribution of Net Available Hours	UCOP % Guideline	Total Year Hours	Q1 7/1/15 9/30/2015	Q2 10/1/15- 12/31/15	Q3 1/1/16- 3/31/2016	Q4 4/1/16- 6/30/2016
<b>INDIRECT HOURS</b>						
Administration	5--10%	676	176	63	227	210
Professional Development	2--5%	200	50	50	50	50
Other	0--3%	0	0	0	0	0
<b>Total Indirect Hours</b>		876	226	113	277	260
<b>Total Indirect Percent</b>	15%	12.12%	10.57%	7.01%	15.96%	14.92%
<b>DIRECT HOURS</b>						
<b>Audit Program</b>						
Planned Carried Forward Audits, PC		0	0	0	0	0
Planned New Audits, PN		3,510	895	871	829	915
Supplemental Audits, PS	Approx 10%	281	70	70	70	71
Unplanned Carried Forward Audits, PU		0	0	0	0	0
Audit Follow up, PNF		125	30	30	30	35
<b>Total Audit Program Hours</b>		3,916	995	971	929	1021
<b>Total Audit Program Percent</b>	40--60%	54.19%	46.56%	60.16%	53.58%	58.61%
<b>Advisory Services</b>						
Consultations/Spec. Projects, SC		1,432	640	255	273	264
Ext. Audit Coordination, SE		8	2	2	2	2
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		20	5	5	5	5
<b>Total Advisory Services Hours</b>		1,463	650	262	280	271
<b>Total Advisory Services Percent</b>	10--25%	20.24%	30.42%	16.23%	16.15%	15.56%
<b>Investigations Hours, IN</b>		430	150	150	130	0
<b>Investigations Percent</b>	10--20%	5.95%	7.02%	9.29%	7.50%	0.00%
<b>Audit Support Activities</b>						
Audit Planning		100	25	25	25	25
Audit Committee Support		120	30	30	30	30
Systemwide Audit Support		272	50	50	50	122
Computer Support		50	11	13	13	13
Quality Assurance		0	0	0	0	0
<b>Total Audit Support Hours</b>		542	116	118	118	190
<b>Total Audit Support Percent</b>	5--10%	7.50%	5.43%	7.31%	6.81%	10.91%
<b>Total Direct Hours</b>		6,351	1911	1501	1457	1482
<b>Total Direct Percent</b>	85%	87.88%	89.43%	92.99%	84.04%	85.08%
<b>Total Net Available Hours</b>		7,227	2137	1614	1734	1742
<b>Total Net Available Percent</b>	100%	100.00%	100.00%	100.00%	100.00%	100.00%

**Schedule 1, 2 - Cross Check**

<b>Schedule 1,2 - Cross Check</b>	<b>Total Year Hours</b>	<b>Q1 7/1/15 9/30/2015</b>	<b>Q2 10/1/15- 12/31/15</b>	<b>Q3 1/1/16- 3/31/2016</b>	<b>Q4 4/1/16- 6/30/2016</b>
<i>Total net available hours (From Sch 1)</i>	7227.00	2137.00	1614.00	1734.00	1742.00
<i>Total net available hours (From Sch 2)</i>	7227.00	2137.00	1614.00	1734.00	1742.00
<b>Total A+AS+IN (Scd 3 Check)</b>	<b>5809</b>	<b>1795</b>	<b>1383</b>	<b>1339</b>	<b>1292</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)	315	315	0	0	0
Gross Available Hours	8699	2427	2112	2080	2080
Net Available Hours	7227	2137	1614	1734	1742
Indirect Hours	876	226	113	277	260
<b>Audit Program</b>	<b>3916</b>	<b>995</b>	<b>971</b>	<b>929</b>	<b>1021</b>
<b>Audit Support Activities</b>	<b>542</b>	<b>116</b>	<b>118</b>	<b>118</b>	<b>190</b>
<b>Investigations Hours</b>	<b>430</b>	<b>150</b>	<b>150</b>	<b>130</b>	<b>0</b>
<b>Advisory Services</b>	<b>1463</b>	<b>650</b>	<b>262</b>	<b>280</b>	<b>271</b>
Total Direct Hours	6351	1911	1501	1457	1482
Net Available Hours	7227	2137	1614	1734	1742

**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 - UCSC FY2016				5/27/15	SCHEDULE 3	
FY	Type	Prj Code	Name/	Planned Hours	Primary Index Code	Est. Qtr Completion
<b>Prior Year Audits Not Completed (DNFs):</b>						
FY16	DNF			0		
<b>(a) Subtotal - Planned Carry Forward</b>				0		
<b>Planned New Audits (PNs):</b>						
FY16	PN	SC-16-01	IT Cloud Computing	430	G.a.01	Q2
FY16	PN	SC-16-02	Building Management Systems on Public Networks	450	G.b.07	Q3
FY16	PN	SC-16-03	Safety of Faculty & Staff on Field Research Assignments	400	I.b.03	Q2
FY16	PN	SC-16-04	Campus Key and Building Access Controls	450	K.b.02	Q3
FY16	PN	SC-16-05	Joint Ventures, MOU's, Partnerships and Affiliations	455	H.h.02	Q2
FY16	PN	SC-16-06	Campus Policy and Guidance Implementation	350	N.c.06	Q3
FY16	PN	SC-16-07	Student Miscellaneous Fee Governance	325	O.a.04	Q4
<b>Planned New Audits (Systemwide Requested)</b>						Q4
FY16	PN	SC-16-08	Annual Report on Executive Compensation (AREC)	100	J.b.06	Q4
FY16	PN	SC-16-09	Chancellor's Expenses - BFB G-45 bi-yearly	100	J.b.07	Q3
FY16	PN	SC-16-10	Construction	250	K.a.02	Q3
FY16	PN	SC-16-11	IT Security (PCI Compliance or Access Controls)	200	J.b.07	Q2
FY16	PN	SC-16-12	Title IX (no need to budget hours)	0		Q4
<b>(b) Subtotal - Planned New Audits</b>				<b>3510</b>		
FY16	PS		(c) Planned Supplemental Audits (lumpsum)	281		
FY16	PNF		(d) Audit Follow Up (lump sum)	125		
<b>Total Planned Audit Program (a+b+c+d) <sup>(14)</sup></b>				<b>3916</b>		
<b>Planned Advisory Services:</b>						
FY16	SC	SC-16-50	NCAA Report Annual Review	58	M.a.01	Q3
FY16	SC	SC-16-51	Accessibility Governance – Accessible Technology Committee (ATC)	80	Z.a.02	Q4
FY16	SC	SC-16-52	Strategic Plan - Silicon Valley	150	N.a.01	Q2
FY16	SC	SC-16-53	ETC Borland Proposal	325	H.g.03	Q1
FY16	SC		Student Intern Program	60		
FY16	SC		IAS Annual Risk Assessment	180		
FY16	SC		Compliance/CECO Support	60		
FY16	SC		BAS Financial Reporting	40		
FY16	SC		Investigation Workgroup	40		
FY16	SC		ITSC Committee	40		
FY16	SC		BAS Support	40		
FY16	SC		UC Laboratory Audit Committee Support	80		
FY16	SC		Limited Scope Consultations/Spec. Projects (SC) (Max 4 hours)	279		
<b>(e) Subtotal - Planned Advisory Services</b>				<b>1432</b>		
<b>Unplanned Advisory Services (by Category) <sup>(14)</sup></b>						
FY16	SE		External Audit Coordination (SE)	8		
FY16	SI		Internal Control & Accountability (CRSA) (SI)	1		
FY16	SP		IPA, COI & Other (SP)	1		
FY16	SU		Compliance Support (SU)	1		
FY16	SR		Systems Development, Reengineering Teams (SR)	20		
<b>(f) Subtotal - Unplanned Advisory Services</b>				<b>31</b>		
<b>Total Advisory Services (e+f) <sup>(14)</sup></b>				<b>1463</b>		
FY16	IN		<b>Planned Investigation Hours (lump sum)</b>	<b>430</b>		
<b>Total Audits, Advisory Services, and Investigations</b>				<b>5809</b>		

**Schedule 3A – FY16 UCSC Internal Audit Plan Topic Description** – Provides a brief description outlining the topic and initial purpose statement, subject to revision.

Project Number	Title of Project / Purpose Statement
	<b>Planned Internal Audits:</b>
SC-16-01	<p><b>IT Cloud Computing</b>                      Assess the effectiveness of data governance over campus cloud computing including contracting arrangements with third-party service providers and assess the adequacy of information security controls over data transmitted and stored in the cloud.</p>
SC-16-02	<p><b>Building Management Systems on Public Networks</b>                      Identify campus building management systems residing on public networks and assess the adequacy of security controls preventing unauthorized access.</p>
SC-16-03	<p><b>Safety of Students, Faculty and Staff on Field Research Assignments</b>                      Evaluate the adequacy of controls in place to ensure the safety of students, faculty and staff when engaged in off-site field research assignments and other academic assignments and associated travel.</p>
SC-16-04	<p><b>Campus Key and Building Access Controls</b>                      Identify the methods used and evaluate the effectiveness of the campus in providing and restricting access to campus buildings and facilities.</p>
SC-16-05	<p><b>Joint Ventures, MOU's, Partnerships and Affiliations</b>                      Determine if campus Joint Ventures, MOU's, Partnerships and Affiliations arrangements have been appropriately formulated; are consistent with the mission, goals, interests, and intellectual property rights of the University; and have been appropriately reviewed, approved and executed.</p>
SC-16-06	<p><b>Campus Policy and Guidance Implementation</b>                      Compare campus policies with University policies and search for differences. Review the relevancy and level of campus awareness of policies that are not required by University policy. Search for policies that for one reason or another are not being followed at the campus level.</p>
SC-16-07	<p><b>Student Miscellaneous Fee Governance</b>                      To review the effectiveness of governance over SUE miscellaneous fees, including internal controls over the assessment, collection, and disbursement of student fees.</p>
SC-16-08	<p><b>Annual Report on Executive Compensation (AREC) – System wide requested topic</b>                      To review and evaluate the completeness and accuracy of the Annual Report of Executive Compensation (AREC).</p>
SC-16-09	<p><b>Chancellor's Expenses - BFB G-45 – System wide requested topic</b>                      To determine compliance with the two financial reports on Chancellor's expenses, required by UC Business Finance Bulletin (BFB) G-45.</p>
SC-16-10	<p><b>Construction – System wide requested topic. TBD.</b></p>
SC-16-11	<p><b>IT Security/PCI Compliance or Access Controls – System wide requested topic. TBD</b></p>
SC-16-12	<p><b>Title IX System wide requested topic. TBD.</b></p>



Project Number	Title of Project / Purpose Statement
	<b>Management Advisory/Consultation Services:</b>
SC-16-50	<p><b>NCAA Report Annual Review</b>                      Limited scope review to confirm the accuracy of the financial data included in the OPERS NCAA Equity in Athletics Data Analysis (EADA) Report for Fiscal Year 2015.</p>
SC-16-51	<p><b>Accessibility Governance - ATC</b>                      Provide support to the Accessibility Technology Committee (ATC) and the development of the Five Year Transition Plan with a focus on its approach to compliance testing and the evaluation process established to measure program effectiveness.</p>
SC-16-52	<p><b>Strategic Plan - Silicon Valley</b>                      Review the campus strategic plan for Silicon Valley.</p>
SC-16-53	<p><b>ETC Borland Proposal</b>                      Conduct a due diligence review of the ETC Borland lease proposal and central administrative campus plan, including an analysis of operational assumptions and impacts, and evaluate the reasonableness and reliability of cost estimates used in plan decision making.</p>

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**IV. INTERNAL AUDIT RISK ASSESSMENT / INTEGRATION WITH CAMPUS RISK INTELLIGENCE**

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The internal audit risk assessment is an annual and on-going predictive risk based exercise established to identify concerns and potential risk areas to be considered for inclusion in the annual audit plan and as a source of campus risk intelligence gathering. It is relied upon by senior campus leadership as an independent perspective on potential areas of campus risk.

Information on risk themes and concerns are gathered from interviews with senior leaders/ managers, and observations of the audit office over the course of the past year. Risk themes and concerns are aligned with over 180 entities and processes identified in the UC audit risk universe (Refer to Appendix B) and risk factors are analyzed and applied to generate a relative risk rating by universe topic (Appendix A).

High risk topics are integrated with campus risk intelligence efforts and the campus risk register and the priority list, maintained by the Campus Ethics and Compliance Officer (CECO). (Refer to Appendix D) A more thorough evaluation of a risk topic is often needed to better understand the risk and control portfolio allowing for the optimization of campus mitigation efforts.

This year's annual risk assessment included 13 interviews with senior campus senior leaders (refer to Appendix C). Interview results led to the generation of a list of auditable topics of interest and risk themes, identified below in Exhibit 1.

**Available upon request**

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

APPENDIX A – Top Rated Topics from Audit Universe

APPENDIX B – UC Audit Universe

APPENDIX C – List of Campus Leaders Interviewed by Position