

Fiscal Year 2021

Annual Report on Local Audit Activities

UC Santa Cruz - Audit & Management Advisory Services (Internal Audit)

Message from the Director

We are pleased to present our Annual Report on Local Activities for FY21. The goal of this report is to provide a better understanding our role 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 FY21; 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 FY21-22 and invite our campus and University colleagues to visit our website at audit.ucsc.edu

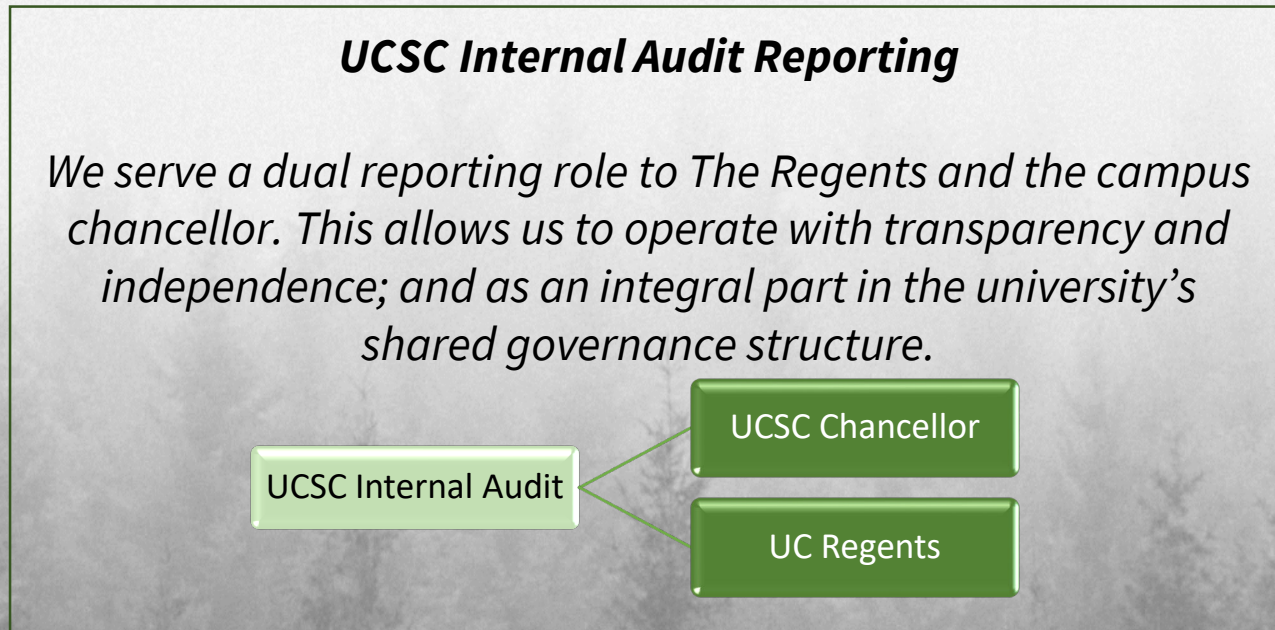
Jim Dougherty

Director, UC Santa Cruz Audit & Management Advisory Services

Campus Audit Reporting Structure

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 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.



Internal Audit Staffing & Experience

Our staff are uniquely qualified with years of experience and hold a number of certifications including:

- Certified Internal Auditor (CIA)
- Certified Information Systems Auditor (CISA)
- Certified Fraud Examiner (CFA)
- GIAC Information Security Fundamentals (GISF)
- Certified in Risk Management Assurance (CRMA)
- Certified Government Auditing Professional (CGAP)
- Certified in Control Self-Assessment (CCSA)
- Auditors are required to complete regular Internal Audit training and maintain certifications.

We sit on a variety of Campus Committees & Workgroups:

- Accessible Technology Committee
- Campus Investigations Workgroup
- Data Warehouse Steering Committee
- Information Technology Security Committee
- Key campus staffing search committees
- Risk Intelligence Oversight Committee
- Risk Intelligence Workgroup
- UC Data Analytics Subject Matter Experts
- UC TeamMate Champion Workgroup
- UCPath Ops Steering Committee



Fiscal Year 2021

In our role to support the University of California Regents and University of California Santa Cruz Campus Internal Audit Program. Our work generally focuses on the following areas:

Planned Audits

Assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes. Examples include financial, performance, compliance, systems security and due diligence engagements.

Advisory Services & Campus Support

These additional activities are proactive or preventive in nature and are focused in the areas of Internal Control & Accountability, Special Projects and Consultations, and Systems Development and Re-engineering (teams and committees).

Audit Follow-up

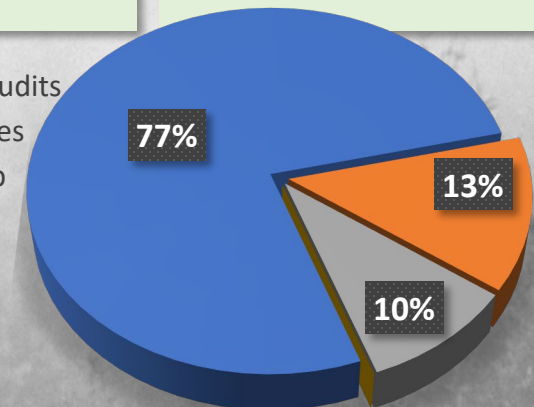
Internal audit helps management complete MCAs by tracking their implementation. We follow up directly with the responsible units and department individuals to verify that risks are being adequately mitigated and we monitor their progress through to completion.

Investigations

Independent evaluations of allegations generally focused on improper governmental activities including misuse of university resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

**There were no investigations in FY21*

- Planned New Audits
- Advisory Services
- Audit Follow-up
- Investigations

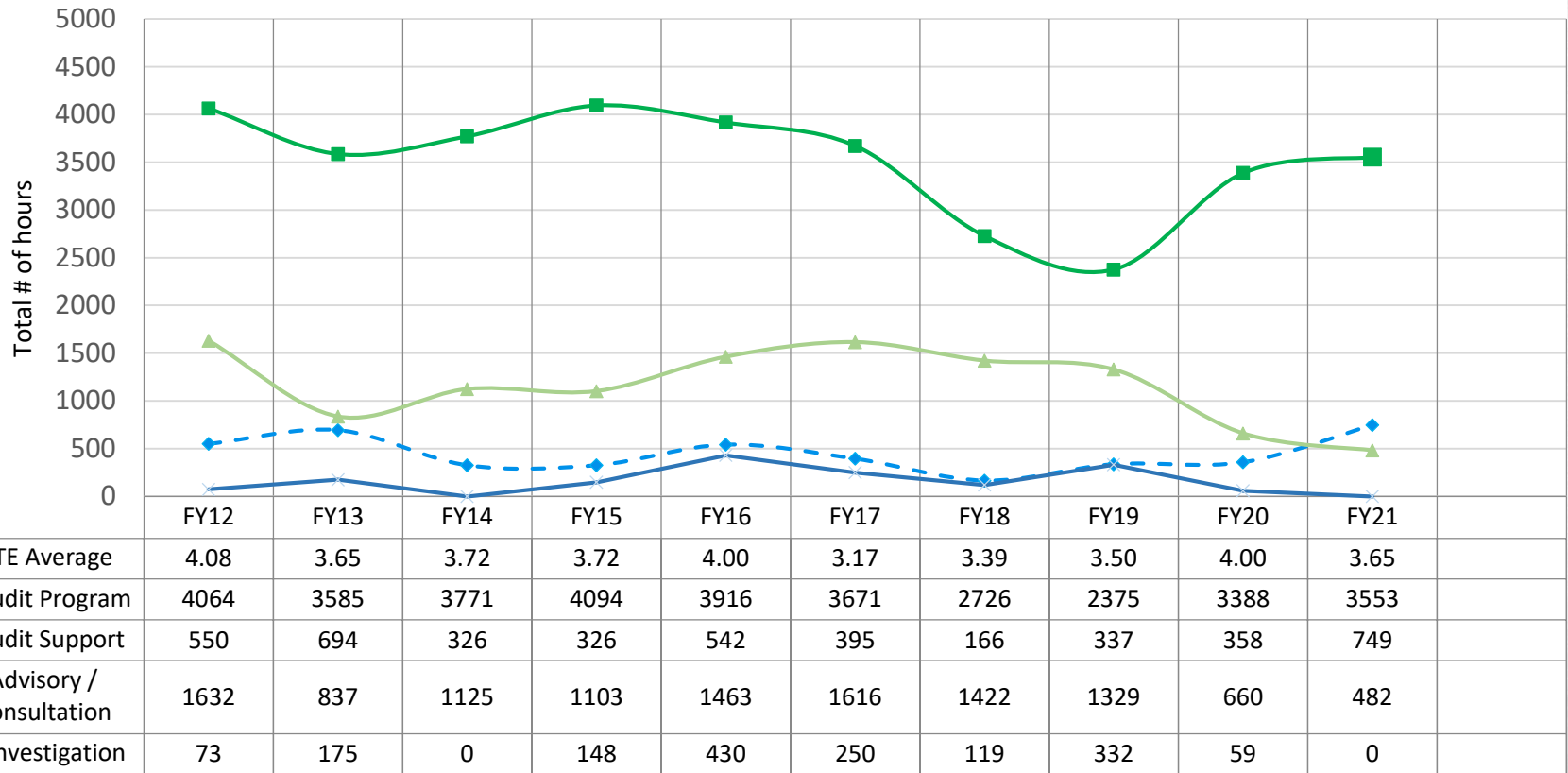


FY21 Completed Projects

Audit #	Internal Audits
SC-20-10 Y2	Fair Wage/Fair Work (systemwide) Year 2
SC-20-12	Admissions Phase II - UCSC
SC-21-01	Chancellor's Expenses UC Policy BFB-G-45 (systemwide)
SC-21-02	Annual Report on Executive Compensation (AREC) (systemwide)
SC-21-03	CARES Act Disbursements
SC-21-05	Donations - Regents Policy 2202 (systemwide)
SC-21-08	Student Success Leadership Transition
SC-21-09	Corporate Travel & Entertainment (CTE) Card Review
SC-21-11	Business Finance Bulletin-IS-3: Electronic Information Security (Systemwide)
SC-21-12	University Relations Leadership Transition

Project #	Advisory Service Reviews
SC-21-50	National Collegiate Athletic Association (NCAA) Report Annual Review
SC-20-51 Y2	University Extension Annual Monitoring Year 2
SC-20-53	Title IX Gender-Based Compliance

FY21 Actual Effort by Service Type over 10 years



Audit Program = Planned audits and audit follow-up activities

Audit Support = Audit Planning, Audit Committee Support, Systemwide Audit Support, and Quality Assurance

Advisory Services/Consultation = Management requested reviews

Investigations = Investigations can come from several areas such as whistleblower complaints, management requests, etc.

FY21 Significant Recurrent Internal Control Issues/Risks

Top Five (5) Control Issues and Risks, Ranked in Order	How Observed	How Issues/Risks are Being Addressed
Health risk with the resumption of in-person classes while COVID-19 variants are active.	Monitoring evolving campus response to COVID-19, OP response, CDC, CDPH, and Cal/OSHA.	UC vaccine policy; COVID testing, management is monitoring campus community health and will respond accordingly
Wildfire threat	Last summer the CZU Lightening Complex fires required the evacuation of the campus.	Business continuity and disaster recovery planning have improved from last summer's experience. However, the conditions for wildfires still remain.
Recruitment and retention of a qualified workforce.	This is an ongoing issue due to the high cost of living in Santa Cruz and compensation & classification issues learned through campus risk assessments	We have planned an audit for FY22 of compensation with Staff HR as the client. This will provide us with better understanding to the issues and how they are being addressed.
Accommodation of enrollment growth (student housing)	This is an ongoing issue aggravated by groups opposed to increased building on campus	Student Housing West: The Regents reapproved the project 3/18/21. The will provide accommodation for 3,000 students and expand child-care services
Information security	The Accellion breach emphasized the risk to PPI the campus must protect.	The systemwide audit of IS-3 governance will help mature electronic information security.

FY21 Management Corrective Action Activity

- During the course of any review (audit, management advisory services, or investigation) our office may find areas where action(s) can be taken improve performance and generally address risks.
- The responsibility to address risks that arise from our work lies with management. The appropriate and timely implementation of management corrective actions (MCAs) demonstrates management’s commitment to risk mitigation and operational improvement.
- Internal audit helps management complete MCAs by tracking their implementation. We follow up directly with the responsible units and department individuals to verify that risks are being adequately mitigated and we monitor their progress through to completion.

SUMMARY OF MCA ACTIVITY	
Beginning MCAs (<i>open at start of FY 2019-20</i>)	17
MCAs added	4
MCAs closed	19
Ending MCAs (<i>open at end of FY 2019-20</i>)	2
ENDING MCAs PAST DUE (<i>past due at the end of FY 2019-20</i>)	
High-risk past due MCAs	0
Medium/low risk past due MCAs	2

More information of Audit Follow-up can be found at
https://www.ucop.edu/ethics-compliance-audit-services/_files/audit/auditmanual.pdf

Student Internships

Internal Audit 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 a 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 FY20, Internal Audit 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. The program was inactive during FY21 due to the pandemic.

Intern profile – Sherry - 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 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

Intern Profile - Carly - 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 a tax preparation service in San Jose, California