

Fiscal Year 2022

# 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 FY22. 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 FY22; 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 FY22-23 and invite our campus and University colleagues to visit our website at [audit.ucsc.edu](https://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.

## ***UCSC Internal Audit Reporting***

*We serve a dual reporting role to The Regents and the campus chancellor. This allows us to operate with transparency and independence; and as an integral part in the university's shared governance structure.*



# 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
- Audit, Compliance, Ethics and Risk Oversight Committee
- Risk Assessment Workgroup
- UC Data Analytics Subject Matter Experts
- UC TeamMate Champion Workgroup
- UCPath Ops Steering Committee



Certified Information Systems Auditor®  
GIAC® Certified

# Fiscal Year 2022

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).

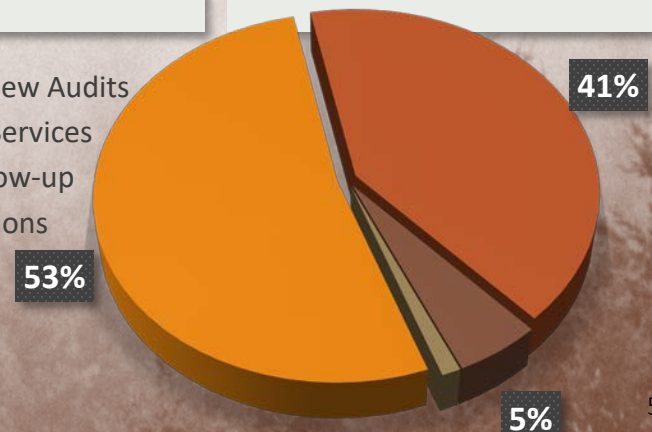
## Audit Follow-up

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.

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



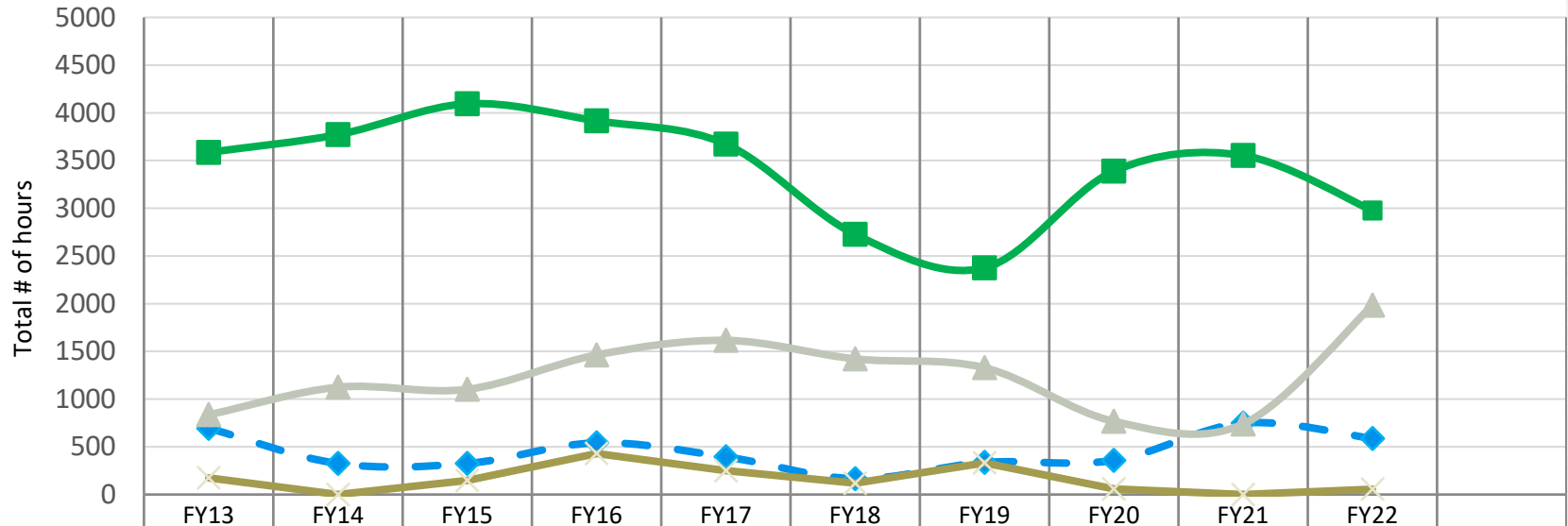
# FY22 Completed Projects

Audit #	Internal Audits
SC-21-04	Fair Wage/Fair Work
SC-22-02	Admissions Donations (systemwide)
SC-22-03	Staff Human Resource Compensation Processes
SC-22-05	Campus Power Utility Reliability
SC-22-07	Colleges, Housing & Educational Service (CHES) Annual Maintenance Program Staffing & Effectiveness
SC-22-11	UCSC Police Department Complaint Process (systemwide)
SC-22-12	Genomics Institute Research Accounting
SC-22-15	Electronic Medical Records and COVID-Related Compliance

Project #	Advisory Service Reviews
SC-21-08 Y2	Leadership Transition for Student Success
SC-21-52	Pandemic Response Post Mortem Review
SC-22-50	National Collegiate Athletic Association (NCAA) Report Annual Review
SC-22-51	University Extension (UNEX) Annual Monitoring
SC-22-52	UC Path Post Implementation Review
SC-22-53	Leadership Transition for Graduation Division
SC-22-54	Leadership Transition for Humanities Division
SC-22-55	Leadership Transition for Arts Division

Project #	Investigation
	Three Investigations were performed

# FY22 Actual Effort by Service Type over 10 years



	FY13	FY14	FY15	FY16	FY17	FY18	FY19	FY20	FY21	FY22
FTE Average	3.65	3.72	3.72	4.00	3.17	3.39	3.50	4.00	3.65	4.00
Audit Program	3585	3771	4094	3916	3671	2726	2375	3388	3553	2976
Audit Support	694	326	326	542	395	166	337	358	749	587
Advisory / Consultation	837	1125	1103	1463	1616	1422	1329	768	739	1983
Investigation	175	0	148	430	250	119	332	59	0	56

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.

# FY22 Significant Recurrent Internal Control Issues/Risks Part 1

Top Five (5) Control Issues and Risks, Ranked in Order	How Observed	How Issues/Risks are Being Addressed
<p><b>Recruitment and retention of a qualified workforce</b></p>	<p>This is an ongoing issue due to the high cost of living in Santa Cruz and compensation &amp; classification issues learned through campus risk assessments</p>	<p>Improving salary equity for non-represented staff with a 3-year \$5.5M compensation plan; flexible work arrangements; succession planning project.</p>
<p><b>Santa Cruz Affordable Housing Crisis</b></p>	<p>The housing affordability crisis in California, and in Santa Cruz specifically, is well documented and affects students, faculty and staff</p>	<p>New construction on campus will provide 500 beds for students. Student Housing West, was re-approved by the Regents, but remains in litigation. It will add 2,100 beds. The LRDP all plans to provide student housing and to build housing for new employees. A Mortgage Origination Program was adopted to help faculty buy housing, and another program to help employees with down payments.</p>
<p><b>Environmental Crisis and Sustainability</b></p>	<p>These are ongoing issues and well documented</p>	<p>Campus leadership has identified the need to reduce dependence on fossil fuel and move towards fleet electrification. The LRDP plans investment in resources and infrastructure to pursue non-potable water sources. There is a systemwide goal of 90 percent waste diversion from landfill, but we are short of this. The updated 5-year sustainability plan is integrated into the strategic plan.</p>



# FY22 Significant Recurrent Internal Control Issues/Risks Part 2

Top Five (5) Control Issues and Risks, Ranked in Order	How Observed	How Issues/Risks are Being Addressed
<b>Financial Constraints</b>	<p>This is an ongoing problem we saw during reviews and communicating with senior management, Revenues were down 9% during 2021 and 2020. A state budget cut and enrollment reductions reduced financial resources. Campus housing had a serious loss of revenue that will take 5-years or more to rebuild capital reserves and ability to borrow. Etc.</p>	<p>Leverage grant opportunities; state budget permanent increases and one-time funding; UC's change to the distribution of state funding; close monitoring of cash investments; redistribution of campus financial and space resources; growth of extramural research revenues; increased indirect cost rate; and continued growth in philanthropy.</p>
<b>Limited research space and facilities hinder growth of research opportunities</b>	<p>Campus risk assessment.</p>	<p>As solutions to complex, large-scale problems in these disciplines are increasingly collaborative, there needs to be a focus on new research spaces that combine the expertise of scholars from multiple fields, and are adaptable to changing needs.</p>

# FY22 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.

<b>SUMMARY OF MCA ACTIVITY</b>	
Beginning MCAs ( <i>open at start of FY 2020-21</i> )	41
MCAs added	7
MCAs closed	34
Ending MCAs ( <i>open at end of FY 2021-22</i> )	14
<b>ENDING MCAs PAST DUE (<i>past due at the end of FY 2021-22</i>)</b>	
High-risk past due MCAs	0
Medium/low risk past due MCAs	0

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