

UNIVERSITY OF CALIFORNIA

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SANTA BARBARA • SANTA CRUZ

OFFICE OF THE SENIOR VICE PRESIDENT--
BUSINESS AND FINANCE

OFFICE OF THE UNIVERSITY AUDITOR
Office of the President
1111 Franklin Street, 10th Floor
Oakland, California 94607-5200
March 29, 2007

REGENT RUIZ EXECUTIVE VICE PRESIDENT DARLING

Enclosed is the Internal Audit Activity report for the quarter ended December 31, 2006. It represents the second fiscal quarter for the campuses and Office of the President and the first fiscal quarter for the two national laboratories.

Attached to the report is a schedule of audit reports issued during the quarter. Should any recipient of this report have an interest in a particular audit topic we would be happy to provide a full copy of the report. In keeping with our evolving use of the Audit Tracker tool to keep you apprised of Management Corrective Actions related to high risk audit findings, attached is a listing of such actions that are currently past due. In all cases, there are active plans underway to address the issues, many of which have been delayed due to unforeseen complexity or turnover in the management ranks responsible for the corrective action.

Please let me know if you have any questions or would like additional information.

A handwritten signature in black ink, appearing to read "Patrick V. Reed".

Patrick V. Reed
University Auditor

Attachments

cc: All Regents
Regents' Advisor Vining
President Dynes
Chancellor Birgeneau
Vice Chancellor Meyer
Vice Chancellor Brase
Vice Chancellor Olsen
Vice Chancellor Bolar
Vice Chancellor Miller
Assistant Vice Chancellor Matthews
Senior Vice Chancellor Barclay
Vice Chancellor Carpenter
Vice Chancellor Vani

Laboratory Director Chu
Laboratory Director Miller
UC Internal Audit Directors
University Counsel Thomas
Joan Murphy, PricewaterhouseCoopers
Associate Director Cataldo

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT ACTIVITY REPORT
FOR THE QUARTER ENDED DECEMBER 31, 2006**

HIGHLIGHTS

- Our staffing level at December 31, 2006 is below our planned level by 3 FTE. Some of the resulting shortfall of hours was picked up by an increased use of temporary resources. However, several locations have had recent recruitment success and this should be reflected in the next reporting period. Audit hours at 88,438 for the period ending 12/31/06 are slightly below the plan.
- The prior year FTE count reflects the staffing at LANL. The LANL audit department ceased reporting to the University Auditor's Office effective June 1, 2006 with the creation of the Los Alamos National Security, LLC (LANS).
- The distribution of hours shows that our efforts in the investigations area are greater than our planned and prior year effort. Investigations hours also exceed advisory services hours, which is an indication that our resources do not allow us to engage in our most proactive service because of the urgent demands of investigation matters.
- The University Auditor's Office was instrumental in the roll-out of the Ethics Briefing program in November, 2006.
- Quality Assurance Reviews were performed at our Berkeley and San Diego campus internal audit departments by a peer group of audit directors.
- The University Auditor made a presentation to 300 UC managers at the UC Leadership Institute. His topic was current development in ethics at UC and highlighted the Statement of Ethical Values and Standards of Ethical Conduct.
- During the quarter, UCOP's Information Resources & Communications group (IT department) commenced development of our comprehensive audit reporting and tracking system (CARTS). This system, self funded by Internal Audit, will create a web based capability for most of our internal reporting, from risk assessment through audit tracker.

PROGRESS TOWARDS ACCOMPLISHMENT OF THE PLAN

Our audit hours through December 31st were slightly below our plan at the end of the second quarter. Substantially more than budgeted hours were spent on projects carried forward into the year, and planned new audits received fewer hours than planned. This is a result of the significant demands in late fiscal 2005-06 for audit work in the executive compensation area. As a result, the audit directors and University Auditor are concerned about the achievement of the current year plan, and accordingly, the audit directors are assessing whether amendments to their location plans are warranted. Audit Plan modifications employ a risk based approach in an effort to complete the audits identified as being of the highest relative risk.

Several locations are utilizing or exploring the use of external resources to augment the audit staffing level.

Continued critical factors to the achievement of the plan will be the ability to sustain FTE's at the planned level, a level of investigations that is not overly intrusive, and carefully balancing any additional requests for add-on audit services against the plan objectives.

PERSONNEL MATTERS

While the corps of Audit Directors has remained stable, recruitment and retention of staff is a priority concern of the Audit Directors. This is especially true in view of our aggressive plan for fiscal 2006-07. UC's compensation levels continues to be the principal barrier in recruitment. Yet adjustment of the compensation level for new appointments is not a simple remedy because of the number of equity issues triggered by such action. As a result, recruitments are frequently long and challenging. Several locations have had some recent success in hiring staff and we are hopeful that there is sustainability of these resources. Turnover has been at a historically normal level, but we are finding that more auditors are leaving for opportunities outside the University than within the University.

PROGRESS TOWARDS THE STRATEGIC PLAN

The development of the CARTS system described above is the most significant current activity executed under our strategic plan because of the milestone achieved during the quarter. The implementation team is planning on releasing one or more of the critical modules of CARTS in stages with the system-wide web based timekeeping system as the first released component.

EXTERNAL AUDIT ACTIVITY

External audit activity during the quarter was at a normal level with no unusual or unusually troubling audits being initiated.

AUDIT REPORTS ISSUED

During the quarter, 48 final audit and advisory service reports and 24 investigation reports were issued as listed in the accompanying exhibit.

HOTLINE AND INVESTIGATION ACTIVITY

The University's independent hotline service received 38 new reports during the period of October 1, 2006 through December 31, 2006. For calendar year 2006, the hotline service processed a total of 172 new reports. During the quarter that ended December 31, 2006, Internal Audit Offices systemwide opened 26 new investigations. Some 85% of these new cases involve allegations of improper use of University resources, fraud, theft and misfeasance/waste. Twenty one of the reporting parties (81%) identified themselves while five choose to file their report anonymously. Internal Audit Offices closed out 36 investigation matters during the quarter that ended December 31, 2006. The close out process identifies the reported allegations as being substantiated, not substantiated or unable to determine on the facts available which is called inconclusive. Of the 36 cases closed in the quarter ending December 31, 2006, 42% were substantiated, 50% were not substantiated and 8% were deemed inconclusive.

The University Auditor's Office continues to monitor five significant campus investigations that are in progress. In two of the cases, a coordinated campus investigation has ensued as the individual under

suspicion was assigned at different times to both campuses. A third investigation is being lead by the Office of the Inspector General for the US Department of Agriculture. The campus Internal Audit Office is conducting a parallel investigation and has expanded the investigation scope beyond matters under review by the OIG. Two other cases are being led by individual campus audit groups. Criminal investigations are open on these cases all of which involve significant dollars, and in some cases federal funds. The University Auditor has regularly updated the Audit Committee Chair on these matters. As previously reported, the final evaluation of these cases is likely to give rise to some significant control implications to be addressed with the controllers as well as academic leadership.

UNIVERSITY OF CALIFORNIA INTERNAL AUDIT FY 2006-2007
Plan Compared to Actual
Yrsr-to-Date totals for Quarter Ending December 31, 2006

Schedule 1 - Personnel
Gross & Net Available Hours Calculation

	Plan	Campus Actual	Variance	Plan	Lab Actual	Variance	Plan	Grand Total Actual	Variance
Number of Authorized Professional Staff	106.85	105.65	(1.20)	18.80	18.87	0.07	125.65	124.52	(1.13)
Number of Permanently OPEN authorized professional staff positions	0.50	2.00	1.50	0.00	0.00	0.00	0.50	2.00	1.50
Number of Professional positions at full staffing	106.35	103.65	(2.70)	18.80	18.87	0.07	125.15	122.52	(2.63)
ACTUAL FTEs									
Beginning of Period	98.50	97.70	(0.80)	18.80	18.80	0.00	117.30	116.50	(0.80)
Additions--Permanent	5.00	6.80	1.80	0.00	0.00	0.00	5.00	6.80	1.80
Additions--Temporary	0.00	0.00	0.00	0.00	0.07	0.07	0.00	0.07	0.07
Left--Within UC	0.00	(3.20)	3.20	0.00	(0.00)	0.00	0.00	(3.20)	3.20
Left--Outside UC	0.00	(5.80)	5.80	0.00	(0.00)	0.00	0.00	(5.80)	5.80
Retirements	0.00	(1.00)	1.00	0.00	(0.00)	0.00	0.00	(1.00)	1.00
Long-Term Leave	0.00	(0.00)	0.00	0.00	(0.00)	0.00	0.00	(0.00)	0.00
Estimated Turnover	6.00	(0.00)	(6.00)	0.00	(0.00)	0.00	6.00	(0.00)	(6.00)
End of Period	97.50	94.50	(3.00)	18.80	18.87	0.07	116.30	113.37	(2.93)
GROSS & NET AVAILABLE HRS CALCULATION									
Weighted Avg. FTE's	96.34	94.71	(1.63)	18.80	18.49	(0.31)	115.14	113.20	(1.94)
Hours in the period	1040	1040	0	520	520	0	-	-	-
Subtotal	100192	98499	(1693)	9776	9616	(160)	109968	108115	(1853)
Other Resources:									
Overtime	0	394	394	0	0	0	0	394	394
Contract Labor/Interns	515	1431	916	0	0	0	515	1431	916
Recharge In (or Out)	(200)	0	200	0	0	0	(200)	0	200
Admin. & Other	50	253	203	100	60	(40)	150	313	163
Subtotal	365	2078	1713	100	60	(40)	465	2138	1673
Gross Available Hours	100557	100577	20	9876	9676	(200)	110433	110253	(180)
Non Controllable Hours	18635	19523	888	1774	2292	518	20409	21815	1406
Non Controllable Hours Percent	18.53%	19.41%	0.88%	17.96%	23.69%	5.72%	18.48%	19.79%	1.31%
Net Available Hours	81922	81054	(868)	8102	7384	(718)	90024	88438	(1586)

UNIVERSITY OF CALIFORNIA INTERNAL AUDIT FY 2006-2007
Prior Year Compared to Actual
Year-to-Date totals for Quarter Ending December 31, 2006

Schedule 2 - Activity Report
Distribution of Net Available Hours

	Campus		Lab		Grand Total	
	Prior Year	Current Year	Variance	Prior Year	Current Year	Variance
INDIRECT HOURS						
Administration	7199	7515	316	1476	568	(908)
Professional Development	4243	3962	(281)	550	268	(282)
Other	391	400	9	55	83	28
Total Indirect Hours	11833	11877	44	2081	919	(1162)
Total Indirect Percent	15.38%	14.65%	-0.73%	12.36%	12.45%	0.09%
DIRECT HOURS						
Audit Program						
Planned Carried Forward Audits	15849	9512	(6337)	2214	16	(2198)
Planned New Audits	12459	17811	5352	3520	1143	(2377)
Supplemental Audits and Unplanned Carry forward	7904	14070	6166	2477	1076	(1401)
Audit Followup	6001	3525	(2476)	369	310	(59)
Total Audit Program Hours	42213	44918	2705	8580	2545	(6035)
Total Audit Program Percent	54.91%	55.42%	0.51%	50.95%	34.47%	-16.48%
Advisory Services						
Consultations/Spec. Projects, SC	5355	5456	101	1372	1620	248
Ext. Audit Coordination, SE	1185	2032	847	1260	564	(696)
Internal Control & Accountability, SI	1065	946	(119)	60	54	(6)
IPA, COI & Other, SP	54	98	44	0	0	0
Systems Dev., Reengineering Teams, etc., SR	780	723	(57)	121	86	(35)
Total Advisory Services Hours	8439	9255	816	2813	2324	(489)
Total Advisory Services Percent	10.98%	11.42%	0.44%	16.71%	31.47%	14.76%
Investigations Hours, IN	9591	10951	1360	2319	1167	(1152)
Investigations Percent	12.48%	13.51%	1.03%	13.77%	15.80%	2.03%
Audit Support Activities						
Audit Planning	441	304	(137)	219	65	(154)
Audit Committee Support	507	571	64	161	41	(120)
Systemwide Audit Support	2352	2052	(300)	370	60	(310)
Computer Support	848	353	(495)	216	142	(74)
Quality Assurance	654	773	119	80	121	41
Total Audit Support Hours	4802	4053	(749)	1046	429	(617)
Total Audit Support Percent	6.25%	5.00%	-1.25%	6.21%	5.81%	-0.40%
Total Direct Hours	65045	69177	4132	14758	6465	(8293)
Total Direct Percent	84.62%	85.35%	0.73%	87.64%	87.55%	-0.09%
Total Net Available Hours	76878	81054	4176	16839	7384	(9455)
Total Net Available Percent	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%
Prior Year	8675	8083	(592)	11910	12118	208
Current Year	4793	4230	(563)	11910	12118	208
Variance	446	483	37	0	0	0
Total	13914	12796	(1118)	11910	12118	208
Percent	14.84%	14.47%	-0.37%	12.01%	13.09%	1.08%
Total	50793	47463	(3330)	11252	11579	327
Percent	54.20%	53.67%	-0.53%	12.01%	13.09%	1.08%
Total	6727	7076	349	660	369	(291)
Current Year	2445	2596	151	668	612	(56)
Variance	1125	1000	(125)	2722	2112	(610)
Total	54	98	44	1064	495	(569)
Current Year	901	809	(92)	734	894	160
Variance	11252	11579	327	5848	4482	(1366)
Total	12.01%	13.09%	1.08%	6.24%	5.07%	-1.17%
Percent	12.71%	13.70%	0.99%	79803	75642	(4161)
Total	85.16%	85.53%	0.37%	93717	88438	(5279)
Percent	100.00%	100.00%	0.00%	100.00%	100.00%	0.00%

**University of California
Audit and Advisory Service Reports
Issued 10/1/06 - 12/31/06**

Location	Report	Location	Report
LBNL	FY06 Audit Followup	UCD	Construction Soft Costs A&E
LBNL	Appendix B IE	UCD	Construction Soft Costs FD&C
LLNL	Crime Insurance - Pre-transition Project	UCD	PGR Visas
UCB	Spanish & Portuguese	UCD	Bookstore A/P
UCB	Art Practice	UCI	SOM - Health Care Compliance Program
UCB	Bioengineering	UCI	Construction Soft Costs
UCB	Slavic Languages & Literature	UCI	UCIMC Cash Collections Ambulatory
UCB	International & Area Studies Teaching Program	UCI	Beckman Center (By Contract)
UCB	Comparative Literature	UCLA	Nursing Research and Education
UCB	Scandinavian	UCLA	Donated Body Program
UCB	Institute of Industrial Relations	UCR	Internal Control Review of GSA Travel Mini-Grants
UCB	Office of Student Life	UCSB	Summer Research Practices
UCB	Sociology	UCSC	Construction Soft Costs: SC-07-01 A&B
UCB	Classics	UCSC	OPERS NCAA Financials
UCB	Industrial Engineering & Operations Research	UCSC	Food Services Internal Controls
UCB	Cost Distribution: Disclosure Statements	UCSD	HIPAA Security (2006-66)
UCB	Archaeological Research Facility	UCSD	Construction Soft Costs
UCB	Clausen Center for International Business & Policy	UCSD	Health Sciences Compliance Program CORE
UCB	Energy & Resources Group	UCSD	Intercollegiate Athletics
UCB	New Student Services	UCSD	Support Group Review - Surgery
UCB	Student Learning Center	UCSD	Plastic Surgery Gift Check Inquiry
UCB	Physical Education Program	UCSF	CECP
UCB	Townsend Center for the Humanities	UCSF	New Employee Employment Eligibility
UCB	Center for Korean Studies	UCSF	FY06 Annual Report of Audit Activities

**University of California
Investigation Reports
Issued 10/1/06 - 12/31/06**

Location	Report
LBNL	ALS/EHS Conflict of Interest
LBNL	WFDO Consultant
UCB	Parking & Transportation Overtime
UCB	Richmond Field Station
UCB	Lawrence Hall of Science Cash
UCB	Vorhaus Fellowship
UCB	Nuclear Engineering
UCD	Academic Senate Travel Grant
UCD	IET Travel
UCD	Vet Med Surg & Rad Sciences
UCD	Riparian Reserve Computer Use
UCD	Plant Pathology Computer Use
UCD	Parking & Transportation Services
UCLA	Chancellor's Office
UCR	GSA Travel Mini-Grants
UCSC	Sole Source Contract
UCSC	Colleges Event Cashiering
UCSD	Family Medicine Grant Expense Investigation
UCSD	EH&S Health Inspection Investigation
UCSD	Medical Group Time Abuse Investigation
UCSD	Improper Admission Investigation
UCSF	HIMS - Vendor Services
UCSF	CLS LVPO
UCSF	Dept. Of Med. PHP -Petty Cash Review

Management's High Risk Past Due Corrective Actions As of March 2007

Location	Project Number	Report Date	Project Name	Finding	Management's Corrective Action	Managements Promised Completion Date	Managements Revised Completion Date
UCSB	00-303A	9/20/2001	Recharge Activities - Income & Recharge Committee	The submission and status of rate proposals are not tracked and monitored.	A task force was established to review local income and recharge procedures. Local guidelines and procedures were revised streamlining the process with self certifications and staggered reviews, as well as, addressing issues such as depreciation expense, unrelated business activities, and commercial use of University property. Training of user departments on these procedures is expected to occur prior to next cycle. The next rate and recharge cycle will commence in January with proposals due to the committee by April 2007 with an effective date of July 1, 2007.	7/1/2005	4/30/2007
UCSF	00-004	12/5/2001	ITS Administrative Computing	No formal disaster recovery plan for AC-50, S-15 and EP.	This has become a comprehensive project. The technical side has been completed, consultants working with users are developing and documenting user recovery processes one department at a time. The original estimate failed to consider the coordination needed among the various groups and the complexity of the project which has resulted in revised completion date. The last department and final test of plans is expected to be finished by June 2008.	6/30/2002	6/30/2008
UCOP	02A010	4/16/2002	Conflict of Interest (COI) Administration	Formal orientation/training should be implemented in accordance with the Government Code, and all employees should receive some orientation/training regarding their obligations as government employees.	The ethics module, which was developed for the University by Workplace Answers, was rolled out to all employees at UCOP and Designated Officials in November 2006 and is currently being rolled out to the other campuses. The conflict of interest module is still under development. The current expected completion date for this module is May 2007.	1/1/2003	5/1/2007
UCSF	01-007	4/30/2002	PeopleSoft Security Review	PeopleSoft is not covered by an adequate disaster recovery plan.	Same as Project 00-004 above	6/30/2002	6/30/2008
UCSC	SC-03-96	6/16/2003	School of Engineering Computer Network	SOE account management and network configuration does not comply with University Policy on Information Security. The current SOE Unix network file sharing configuration potentially allows students with greater access than needed.	The project to establish account management is progressing in phases. Phase 1: Installed software to provide identity management, completed. Phase 2: Installed identity management for 80% of SOE users, completion targeted November 30, 2006. Phase 3: Additional security to enhance the identity management software, January 30, 2007. Phase 4: Network File Sharing software (NFS) Version 4 for management of files, March 30, 2007. Finally, Phase 5: Full implementation of NFS Version 4, 100% of SOE managed computers, October 31, 2007. The original plan was to quickly finish this project with the use of a business partner. A suitable business partner could not be engaged, the work is being done by employees at a slower rate, thus the delay.	4/1/2004	10/31/2007

Location	Project Number	Report Date	Project Name	Finding	Management's Corrective Action	Managements Promised Completion Date	Managements Revised Completion Date
UCR	2003-03	6/27/2003	Academic Conflicts	The annual academic conflict of commitment disclosure reports are not consistently submitted to the Office of the Executive Vice Chancellor and Provost (EVC&P) as required by Policy (APM-025).	In collaboration with Computing & Communications, the Office of Research (OR) has developed a database management system for use in monitoring compliance with APM-025, the annual conflict of commitment disclosure process. The system has been tested by faculty at the Biology department, the Graduate School of Education and the Graduate School of Management. The OR was optimistic about quickly adding a reporting module to the system, but development took longer than expected, and the enhancement was completed after the deadline for reporting FY 2005/2006 activities. Campus wide deployment is scheduled for June 30, 2007 in order to capture faculty self-reporting of APM-025 activities for FY 2006/2007.	6/27/2004	6/30/2007
UCD	04-033	11/18/2003	Gift Processing Identity Theft	The University Relations (UR) department does not encrypt credit cards information stored in its AIS database. This is not compliant with the VISA Cardholder Information Security Program (CISP).	UR has taken action to be in full compliance with the existing credit security standards except for one standard. The remaining issue involves securing a contract with the company processing credit card payments for UR. UR is working with the General Counsels Office and other departments in getting the needed contract.	1/1/2006	6/30/2007
UCSF	03-060	1/20/2004	IT Interface Engine	There is no control in place to ensure that the source of code for modification is the most recent version of the code.	In January 2007, UCSF Medical Center IT implemented a new system (CVS) to serve as the version control software for the new production engine. As software in the new production engine is checked out to be modified, CVS tracks the version checked out. Modified software ready to be added to production is first moved into CVS. CVS compares the code which has been modified to the version live in production. If differences are noted, CVS will not allow the software to go into production until the differences are resolved. The original estimates failed to consider the complexity of the project and coordination needed among the various groups to complete	5/31/2004	7/15/2007
UCSF	05-038	2/28/2005	Dermatology Post Award Administration	PAR reporting was incomplete.	The University has developed an integrated electronic PAR reporting system with on-line access and compliance reporting that is being rolled out to the campuses. In the interim, the Dept. improved its existing PAR tracking system to address the audit finding. The new effort reporting system is expected to go live 4/15/07 (currently in beta test) will provide for better monitoring of PAR completion. The original estimates failed to consider the complexity of the project and the coordination required among various groups.	4/1/2006	4/30/2007
UCD	04-25	3/25/2005	Conflict of Interest/Conflict of Commitment	UCD does not provide required conflict of interest training for Designated Officials and researchers.	The Office of Research is providing special training to those individuals who are on the campus conflict of interest committee. In addition, the campus will be requiring researchers to take the on-line ethics training class which will include a module on conflict of interest. Training all the designated officials and researchers has started and is to be completed by March 2007.	10/31/2005	3/31/2007

Location	Project Number	Report Date	Project Name	Finding	Management's Corrective Action	Managements Promised Completion Date	Managements Revised Completion Date
UCD	04-25	3/25/2005	Conflict of Interest/Conflict of Commitment	PPM 230-05 does not adequately address conflict of interest issues related to research.	PPM 230-05 has been revised and is being routed for review and comment.	1/1/2006	6/30/2007
UCSB	05-386	3/31/2005	Purchasing Department- Purchase Orders - Core	Management has not established who is responsible for the internal controls over the vendor file.	Originally it was planned that this issue would be corrected with an internal effort, however the issue was more challenging than originally anticipated. As a result, Administrative Services allocated \$10,000 and a contractor was engaged to clean up vendor SS #'s to employee ID #'s, etc.) by July 1, 2007. The contractor will also assist in implementation of new process whereby vendors will have ability to access their vendor file records externally and perform updates to their address/other information contained in the vendor file. The original date underestimated the challenge to correct this issue.	7/1/2005	7/1/2007
UCSB	05-386	3/31/2005	Purchasing Department- Purchase Orders - Core	A/ Payable staff who processed check requests through APEX also had read, write, and edit access in the vendor file, resulting in heightened potential for fraud.	In response to the lack of segregation of job duties for the vendor file, management has an interim control to matching invoices to payment information and released for payment by a separate person. Accounting Services and Control agreed to separate the duties for changes to the vendor file or employ, alternative control by July 1, 2007 to coincide with file clean-up efforts.	7/1/2005	7/1/2007
UCSF	05-002	6/24/2005	Institutional Review Board - Human Subjects	No reconciliation occurs between sponsored research awards and protocol approved by the CHR.	RFP has been issued for a new database system. A project plan has been developed and based on the timeline on the project plan, the system is expected to be implemented by June 2008. In the interim the Research Admin System incorporates a field in which Office of Research can enter whether a CHR protocol has been received. This will cover externally funded research grants but will not capture internally funded research projects which may require CHR protocols.	1/31/2006	6/30/2008
UCSD	2005-23	7/8/2005	Hospital Chargemaster Review	Staff was not trained to act as a backup for CDM Administrator	Management hired a person to assist the CDM Administrator. A hospital Revenue Cycle Team, created to evaluate various types of process weaknesses was convened by the new hospital COO in 2006, which delayed the implementation of a dedicated CDM Maintenance Team. Hospital management is identifying key participants in the CDM Maintenance Team and stated that the Team will be convened by April 2007	1/8/2006	5/1/2007
UCSF	05-050	7/31/2005	Medical Services - Emergency	ED does not have full control over patient receipts.	Original implementation date was revised to 12/31/06 as the Dept decided to collect co-pays through credit /debit card only, no cash was to be collected. 3/1/07 Auditor reviewed the new credit card receipting process adopted by management. Weaknesses were identified with the new process and communicated to management. Management expects an additional month of time is needed to address these remaining issues.	9/30/2006	4/15/2007

Location	Project Number	Report Date	Project Name	Finding	Management's Corrective Action	Managements Promised Completion Date	Managements Revised Completion Date
UCSD	2003-82	8/18/2005	UCSD/VA VMERF Agreement	Although the Affiliation Partnership Council (APC) meets on a timely basis to discuss joint faculty appointment and other issues that affect each entity, inter-institutional administrative processes are not being addressed by this committee.	Management stated that the APC responsibilities would be expanded to include the development of long-term objectives that would provide mutual benefit to UCSD and VASDHS. Due to unanticipated, substantial management turnover in the SOM and on the UCSD/VASDHS Joint Operations Team (JOT) the change in APC responsibilities and its relationship with the JOT has not occurred. Management expects that the relationship between the JOT and the APC will be re-addressed as key SOM positions are filled and JOT membership stabilizes. This is anticipated to occur by June 2007. AMAS will follow-up in June 2007 to determine whether this MCA has been discussed with the APC.	12/15/2006	Management was not able to provide a firm completion date
UCSD	2003-82	8/18/2005	UCSD/VA VMERF Agreement	Although the Affiliation Partnership Council (APC) meets on a timely basis to discuss joint faculty appointment and other issues that affect each entity, inter-institutional administrative processes are not being addressed by this committee.	UCSD (and potentially VASDHS) stated that responsibility for coordinating all issues associated with the Joint Operations Team would be assigned to a central administrator. AMAS was advised that the VMRF Executive Director has been coordinating JOT issues until new SOM JOT members are appointed. However, due to unanticipated, substantial management turnover in the SOM and on the UCSD/VASDHS Joint Operations Team (JOT) jointly funded resources have not been assigned to the JOT and the Team's responsibilities and priorities have not yet been clarified. Management expects that JOT structure and priorities will be re-addressed as key SOM positions are filled and JOT membership stabilizes. This is anticipated to occur by June 2007.	12/15/2006	Management was not able to provide a firm completion date
UCSD	2003-82	8/18/2005	UCSD/VA VMERF Agreement	Although the Affiliation Partnership Council (APC) meets on a timely basis to discuss joint faculty appointment and other issues that affect each entity, inter-institutional administrative processes are not being addressed by this committee.	A Joint Operations Team (JOT) has been established. However due to unanticipated, substantial management turnover in the SOM and on the UCSD/VASDHS Joint Operations Team (JOT) it has not met regularly. In addition, the JOT has primarily focused on completing the joint personnel information sharing project and has not defined additional priorities. Management expects that JOT structure and priorities will be re-addressed as key SOM positions are filled and JOT membership stabilizes. This is anticipated to occur by June 2007.	12/15/2006	Management was not able to provide a firm completion date
UCSD	2003-82	8/18/2005	UCSD/VA VMERF Agreement	Administration of joint personnel across institutions results in excessive administrative effort and potential risk that employee benefits are compromised. Also, employment liability concerns and effort reporting practices represent significant risk.	UCSD and VMRF are developing an on-line system to automate the sharing of effort reporting information. This project has taken longer than anticipated to design, partially because the system requirements need to be approved by the VASDHS, UCSD and VMRF. The project is in the vendor contract stage. SOM will provide AMAS with a copy of the system development contract when completed. Management anticipates that the system development project will be substantially completed by June 2007.	8/18/2006	Management was not able to provide a firm completion date

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UCSD	2003-62	8/18/2005	UCSDVA VMERF Agreement	Administration of joint personnel across institutions results in excessive administrative effort and potential risk that employee benefits are compromised. Also, employment liability concerns and effort reporting practices represent significant risk.	Personnel Agreements (PA) restrictions for faculty had been waived by the Veterans Medical Research Foundation (VMRF). However, VMRF continues to enforce the 10-year UCSD employment requirement for staff. Because PA restrictions are imposed by VMRF, AMAS will meet with UCSD campus counsel to request a current opinion about the UCSD staff employment risk. Based on that information, AMAS will identify the appropriate entity to facilitate implementation of this corrective action, which will require additional time to meet with UCSD and VMRF management. AMAS anticipates that this process will be completed by June 2007.	1/31/2006	A firm completion date will be requested from management after additional information is provided.
UCSD	2005-04	10/17/2005	Material Transfer Agreements	Research animals were transferred from the University to external entities without a formal material transfer agreement.	TechTIPS and Animal Care, in conjunction with the MTA Process Committee is developing a process and specific guidelines to ensure that animals being transferred outside the University are evaluated for intellectual property considerations and the need for an MTA. TechTIPS and Animal Care will inform faculty of proper animal transfer procedures. This process is again on hold due to the departure of Alan Paau, TTIPS Director. Per TTIPS Asst Director, this will project remain on hold until a new TTIPS Director is named. The search to fill this position has been initiated, however the Asst. Director estimates it could take several months before the transition is complete. The TechTIPS Director is expected to be a key leader on this issue. So AMAS will revisit the status in June 2007, but the item may still remain open if the new director is not on board.	2/18/2006	Management was not able to provide a firm completion date
UCSD	2002-70	12/7/2005	Research Compliance	A campus research compliance policy that outlines the overall reporting structure and accountability for research compliance activities at UCSD has not been developed and compliance activities performed are not reported to one coordinating	The VC of Research will oversee the development of a formal campus research compliance policy which outlines the reporting structure and accountability for research compliance activities. This policy was in the draft process. However, this project was delayed to ensure that content was consistent with the strategic plan of UCSD's new VC of Research, who arrived at UCSD in fall 2006. It is expected that this policy will be completed by June 2007.	12/31/2006	6/30/2007
UCSD	2002-70	12/7/2005	Research Compliance	A campus research compliance policy that outlines the overall reporting structure and accountability for research compliance activities at UCSD has not been developed and compliance activities performed are	The VC of Research will develop a method for evaluating the effectiveness of the training provided by each department. This project was planned in conjunction with the development of a formal research policy, which was delayed to ensure that compliance training was consistent with the strategic plan of UCSD's new VC of Research, who arrived at UCSD in fall 2006.	12/31/2006	6/30/2007

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UCLA	51204	2/23/2006	UCLA Healthcare Purchasing	The review process for the vendor record changes report is fragmented and does not include all of the transactions on the report.	Effective November 1, 2005, a single copy of the vendor changes report is being used by all areas. Purchasing will be responsible for reviewing the report to validate that all changes from the report were reviewed by the appropriate departments. Still remaining is the creation of a new report which shows changes to vendor information. The creation of this report has been delayed because all technology resources have been delegated to support the opening of the new medical center. Development and implementation of this specific report are now expected by 6/30/2007.	8/23/2006	6/30/2007
UCLA	51204	2/23/2006	UCLA Healthcare Purchasing	Purchase orders within EMPAC may not always be appropriately released by staff members in accordance with assigned purchasing limits.	All orders that exceed a buyer's delegated purchasing authority are now being reviewed, approved, and released by the appropriate individual(s). Still remaining is the creation of a new report which shows orders released under the buyer's authority. The creation of this report has been delayed because all technology resources have been delegated to support the opening of the new medical center. Development and implementation of this specific report are now expected by 6/30/2007.	8/23/2006	6/30/2007
UCSD	2004-42B	3/24/2006	UCSD Healthcare Wireless Architecture Rev - SOM	The increased availability and use of the unsecured campus wireless network by SOM faculty and staff increases the risk of inappropriate disclosure of PHI and/or sensitive research information.	The Next Generation Network (NGN) Team expected to select and implement a security product, beginning with SOM locations, by September 2006. However, this project was delayed, due to competing network security priorities shortly after the audit report was issued and has just been re-activated. The NGN Team has met with two vendors and plans to meet with several more, including Cisco. The Network Operations Manager expects that a solution will be identified for purchase within four months. It is anticipated that the Team can pilot this security solution in SOM buildings initially	10/1/2006	4/15/2007
UCSD	2004-42B	3/24/2006	UCSD Healthcare Wireless Architecture Rev - SOM	The increased availability and use of the unsecured campus wireless network by SOM faculty and staff increases the risk of inappropriate disclosure of PHI and/or sensitive research information.	SOM management has included the topic of rogue wireless access points in SOM information security education efforts. The development of a joint SOM/ACS strategy for identifying rogue access points has been delayed, due to competing network security priorities. Because the Health Sciences Information System Security and Infrastructure Work Group includes SOM and ACT representatives, implementation of this process will be facilitated by this group, in conjunction with the evaluation of network architecture.	10/1/2006	3/31/2007
UCSD	2004-42B	3/24/2006	UCSD Healthcare Wireless Architecture Rev - SOM	The increased availability and use of the unsecured campus wireless network by SOM faculty and staff increases the risk of inappropriate disclosure of PHI and/or sensitive research information.	SOM management will collaborate with ACS/ACT to evaluate the current structure and planned utilization of the wireless network in the Shiley Eye Center and Moores Cancer Center. The evaluation of wireless network utilization in the Shiley Eye Center and Moore Cancer Center has been delayed due to competing network security priorities. Because the Health Sciences Information System Security and Infrastructure Work Group includes SOM and ACT representatives, evaluation of the wireless network in Shiley Eye Center will be facilitated by this group, in conjunction with the evaluation of network architecture.	10/1/2006	3/15/2007

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UCSC	SC-06-02	3/30/2006	Student Fees & Receivables	We conducted a security review of several workstations used by Student Financials Module users. We found untimely software patching.	ITS is working to implement a procedure to send notices to all UCSC computer users of third party software needing to be patched, updated, or uninstalled for security reasons. The original scope and complexity was underestimated, resulting in the delay. Progress has been made in this area; however, since multiple unit coordination is required it has been elevated to the Vice Provost or IT. The Vice Provost and Senior Managers are actively working to implement an effective solution.	12/31/2006	12/31/2007
UCD	04-66	4/19/2006	Payroll Processing	The Payroll/Personnel System (PPS) is not designed to allow management to confirm that payroll actions have been reviewed through the system's post authorization notification (PAN) process.	Accounting and Financial Services (A&F) is working with UCOP Information Resources and Communications (IR&C) to make programmatic modifications to the PPS Web-based PAN system that will allow for desired monitoring for proper review of payroll transactions. The delivery of the IR&C modifications was delayed, thus delaying the implementation, however IR&C has added additional resources and the software will soon be completed and the remaining procedures will then be implemented.	9/30/2006	7/1/2007
UCD	04-66	4/19/2006	Payroll Processing	Accounting and Financial Services (A&F) is working with UCOP Information Resources and Communications (IR&C) to make programmatic modifications to the PPS Web-based PAN system that will allow for desired monitoring for proper review of payroll transactions.	A&F and HR actions depend on UCOP IR&C making modifications to the PPS software. These software changes will allow for effective monitoring of PAN reviews. Once the software is modified, the program will be put in place to monitor PAN reviews and take appropriate action when reviews are not completed. The delivery of the IR&C modifications was delayed, thus delaying the implementation. IR&C has added additional resources and the software will soon be completed and the remaining procedures will then be implemented.	12/31/2006	7/1/2007
UCSD	2006-09	4/20/2006	Libraries	Management has not finalized an action plan to address environmental conditions presenting significant operational and financial risks to critical computer servers located in the central data center in Geisel Library.	Library Management is planning to replace the chilled water cooling system currently mounted above the servers with a floor mounted unit and decommission the old one. Construction work for installation/replacement of new/old chilled water system for both the Library core and the new Biomedical Library Server rooms has recently been advertised for bids. A contractor should be selected by the end of March 2007. The cost of the improvements is over \$100,000, so the development of documentation for the Request for Proposal, and evaluation of the bids took longer than expected to complete.	12/31/2006	6/30/2007
UCLA	6734006	5/11/2006	Administrative Information Systems (AIS) Disaster Recovery	The existing Uninterrupted Power Supply (UPS) is not adequate to provide power redundancy in the Data Center. AIS has use of a mobile backup power generator to use for emergencies during a power outage at the Data Center.	AIS is in the process of installing additional UPS capacity which will be in the Engineering I Building. However, construction delays in the Engineering I Building have caused the completion date for the building and the UPS capacity to be later than originally anticipated. Construction is anticipated to be completed in the summer of 2007 at which time a new Uninterrupted Power Supply will be operational.	11/11/2006	6/30/2007

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UCLA	6734006	5/11/2006	Administrative Information Systems (AIS) Disaster Recovery	The existing computer room air conditioning system is at full capacity (i.e. 80 tons of cooling power).	AIS is in the process of installing additional cooling capacity which will be in the Engineering I Building. However, construction delays in the Engineering I Building have caused the completion date for the building and the related cooling capacity to be later than originally anticipated. Construction is anticipated to be completed in the summer of 2007 at which time a new Cooling Capacity will be operational.	11/11/2006	6/30/2007
UCLA	55001	6/1/2006	Office for the Protection of Research Subjects	Because the graduate student failed to send copies of signed informed consents when requested, it was not possible to verify that documented informed consent was obtained from human subjects and that research occurred only after IRB approval was obtained.	Because these informed consents are for research done overseas and must comply with foreign privacy laws, the OPRS will consult with University legal counsel regarding campus policy/guidance regarding the custodial requirements for these research records. The OPRS has updated its website to provide policy guidance to researchers. However, OPRS has delayed action on requiring offsite researcher to return subject consent forms because it is their opinion that the risks of breaching subject confidentiality (foreign privacy laws) outweigh the risks of the lack of record keeping. A&S has requested a formal legal opinion from Campus Counsel or OGC and expects to receive a response by the end of July.	12/1/2006	7/31/2007
UCR	2006-18	6/9/2006	UC MEXUS	The UCR telecommuting policy should be revised to ensure that campus telecommuting agreements are properly documented and address all necessary issues.	Due to limited resources, competing priorities, and the unexpected retirement of the HR Assistant Vice Chancellor, HR was not able to review and revise the telecommuting policy as scheduled. HR will revise the formal campus-wide telecommuting policy as requested by UC MEXUS. HR expects the policy revision to be completed by May 1, 2007.	11/30/2006	5/1/2007
UCSD	2005-12	6/12/2006	Effort Reporting	AMAS identified significant effort reporting errors in PARs selected for evaluation.	The SOM Dean's Office will coordinate with departments to ensure that significant errors in PARs selected for evaluation have been corrected by the respective SOM department business offices and Principal Investigators. There was a delay in revising the subject PARs due to management turnover in SOM administration. However, the Asst. Dean of Administration in March 2007 stated this project has a high priority. The project completion is expected May 2007.	9/30/2006	5/1/2007
UCR	2006-04B	6/28/2006	UNEX Cashiering	We noted an overall need for better documentation of the system of internal controls and operating procedures within the UNEX cashiering office.	Management needs more time to implement the audit recommendation for UNEX to create a desk handbook for the UNEX cashiering staff including basic UNEX-specific business processes or policies. The desk manual/handbook has been drafted based on the original specification. However, upon review it was mutually agreed upon to expand the manual to provide more specific guidance for cashiering staff handling cash receipt transactions that are unique to UNEX business activities. The target completion date of May 31, 2007 is needed for UNEX to complete more specific written guidelines.	12/31/2006	5/31/2007

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UCSB	05-397	6/30/2006	Disbursements-Check Requests - Core	Accounts payable staff did not screen incoming check requests sufficiently to evaluate transaction propriety, and documentation adequacy.	Accounting Services with IS&C developed the tool to draw a sample of transactions including check requests for periodic validation through the online general ledger against source documents. Implementation is scheduled for completion by April 1, 2007. The implementation delay was due to underestimating the time for IT to develop the new enhancements for this project.	9/30/2006	4/1/2007
UCSB	05-397	6/30/2006	Disbursements-Check Requests - Core	A/ Payable staff who processed check requests through APEX also had read, write, and edit access in the vendor file, resulting in heightened potential for fraud.	Same as Project 05-386 above	12/31/2006	7/1/2007
UCSF	06-030	7/17/2006	Compliance Program - HIPAA Security	Formal procedures are not in place to detect and manage e-PHI on the department server.	The project to clear e-PHI was a more complex issue than originally estimated. Management thought the problem had been corrected, however subsequent validation by Audit found e-PHI on their server. Department will continue efforts to clear server of all the e-PHI and the new estimate for completion is 4/30/2007.	10/31/2006	4/30/2007
UCSF	06-031	9/25/2006	Compensation & Direct Payables	Compensable benefits were inconsistently identified as taxable income.	HR is developing a web based offer letter template that departments can use - this is being pilot tested and is expected to be rolled out to all departments by the end of the month	12/31/2006	3/31/2007
UCSF	06-031	9/25/2006	Compensation & Direct Payables	Compensable benefits were inconsistently identified as taxable income.	The Controller's office has identified the NCAs specific to compensable income/expenses. HR is finalizing a communication that will outline the hiring process, approvals, offer letters, and various types of taxable income (sign on bonus, relocation, car, etc.). The HR communication is scheduled to go out in the next couple of weeks. The complexity and coordination needed to complete this MCA were originally underestimated.	12/31/2006	3/31/2007
UCSD	2006-66	10/16/2006	HIPAA Security	Responsibility and accountability for UCSDMC information security was not clearly delineated. Resources dedicated to computer security were inadequate.	IS management hired an interim Information Security Officer and an Information Security Engineer in January 2007. A Health Sciences IT Security Standards and Infrastructure Committee has been convened to develop common IT security standards across the Health Sciences enterprise and to re-evaluate current user data requirements as a precursor to contracting with a consultant to assist with revising the network infrastructure. AMAS is represented on the Steering Committee and the work group. Closure of this MCA is pending additional follow-up to ensure that the new security personnel have appropriate organizational support and authority and that these resources will be sufficient to perform required duties.	12/31/2006	

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UCSD	2006-66	10/16/2006	HIPAA Security	The UCSDMC perimeter firewall installed in April 2005 was not configured to block unnecessary campus network traffic.	In December 2006, IS management reported that they had taken action to deny unsolicited incoming connections from unaffiliated UCSD networks and public internet space and to deny outgoing connections to any non-UCSDMC IP space. Closure of this MCA is pending until AMAS performs follow-up network scans, scheduled in March 2007, to verify that firewall controls have been further strengthened and are operating as designed.	12/31/2006	
UCSD	2006-66	10/16/2006	HIPAA Security	The span of computers trusted by the UCSDMC network was larger than necessary.	In December 2006, IS management reported that they had taken action to deny improper connections and IS management reported that they plan to further evaluate NAC (Network Access Control) software to pre-screen devices attempting to connect to the UCSDMC network space. Management continues to evaluate software to ensure that the selection is appropriate for their needs and is coordinated with campus security management. Closure of this MCA is pending until AMAS performs follow-up network scans and makes additional inquiries in March 2007 to determine the status of this network evaluation project.	12/31/2006	
UCSD	2006-66	10/16/2006	HIPAA Security	Critical system patches were not applied timely.	In December 2006, IS management reported that they had revised the patch management processes, installed Ecora Patch Manager software, and continued to use Foundstone to monitor patch application. Closure of this MCA is pending completion of follow-up network scans in March 2007 to verify that firewall controls have been further strengthened and are operating as designed.	12/31/2006	
UCSD	2006-66	10/16/2006	HIPAA Security	System log review was not consistently performed.	In December 2006, IS management stated that they implemented more frequent review of Sophos logs and central syslog hosts were being evaluated. Closure of this MCA is pending AMAS' review of selected log files and remediation processes, and to determine the status of the central syslog host.	12/31/2006	
UCSD	2006-66	10/16/2006	HIPAA Security	Password management practices were not effective.	In December 2006, IS management stated that administrator passwords for technicians were changed, and that password complexity was increased. Closure of the MCA is pending AMAS' review of evidence to verify the password format and to determine that all administrator passwords have been changed.	12/31/2006	