



Regents Committee on Audit

University Auditor's Report

March 13, 2003



Los Alamos National Laboratory— Internal Audit Update

- University Auditor replaced Director 1/10/03. Initiated direct reporting for LANL to UAO
- Restructured activities reporting to UC and Regents to include all audit functions
- Rescinded so-called “Loyalty Oath”
- Conducting reviews of several Audits and Assessments functions
- Established Pinkerton Hotline reporting to UC
- Took over investigations of missing property from security division



Los Alamos National Laboratory— Internal Audit Update

- Open investigations case inventory has grown from 33 to 153 - 66 are property issues.
- Began working backlog of 290 open audit findings
- Engaged PwC to assist in assessment, prioritization and catch up for both investigations and open audit findings
- Plan to be current on investigations and audit findings backlog by the end of April
- Establishing contacts and communications protocols with DOE and DOE IG



Regents Committee on Audit

Mid-Year Review of Audit Plan Status

University Auditor's Report

March 13, 2003



QUARTERLY REPORT--DECEMBER 31, 2002

Comments Regarding Comparability

- Reports have been revised to reflect all “audit” functions for LANL and LLNL. Result is increase of 22 people now reported within IA retroactive to October 2002.
- Additional people reported are involved in contract auditing, external audit coordination and investigations
- Historically not included because DOE reporting was only for direct internal audit program
- Causes significant distortions against Plan and PY



QUARTERLY REPORT--DECEMBER 31, 2002

Highlights for the Period

- Staffing levels not impacted by budget constraints — yet.
- Mix of carryforward, planned new and supplemental audits is in line with prior year and Plan
- Investigation hours at campuses up + 50% over PY and 12% compared to the Plan
- UCOP and LLNL contributed 1300 hours to Purchase Card review at LANL
- Pinkerton Hotline established for UCOP on October 1st.
March 7th was first call—matter not for IA.



QUARTERLY REPORT--DECEMBER 31, 2002

Other Matters

- New Whistleblower and Retaliation policies went into effect in early October
- Full day training for all campus Policy Coordinators held in November
- “Train-the-Trainers” style campus programs put on in the north and south at the end of February
- Pinkerton Hotline being established on systemwide basis reporting to UCOP



QUARTERLY REPORT--DECEMBER 31, 2002

Other Matters

- All Auditors Conference in early February — 130 attendees
- Important messages from Regent Terrazas and Senior VP Mullinix
- Terrific support and assistance from UC leaders with functional expertise
- UAO discussed “Lessons Learned” from LANL



Regents Committee on Audit

2004 Audit Planning

University Auditor's Report

March 13, 2003



2004 Audit Planning

- Audit Plan for fiscal 2004 is under development
- Due to be presented to the Committee in May (need to set date)
- Risk Assessment process underway. It includes:



2004 Audit Planning

Risk Assessment:

- Audit directors document perceived high level, systemwide and “lines of business” risk on front end to spur discussions
- Interviews with average of 30 campus/lab officials per location
- Campus/lab audit committee meetings to engage in dialogue about risk
- Financial and budgetary analytical reviews
- External input (e.g. Federal auditor workplans)
- Assessment of each auditable area or activity (approximately 3000 systemwide) against risk factors



2004 Audit Planning

Risk Factors:

- Quality and stability of control environment
- Business Exposure (Materiality and Liquidity)
- Public and Political Sensitivity
- Compliance Requirements
- Information Technology and Management Reporting



2004 Audit Planning

Some High Level Risks

- Growth and its impacts (e.g. construction program, faculty recruitment)
- Budget constraints—Where are pressure points? What controls are lost? What skills are lost?
- New Regulations (e.g. HIPAA)
- Procurement activities
- New systems development projects and old systems' abilities to support the business
- Research compliance



2004 Audit Planning

Regents Committee on Audit Input to Risk Assessment?



Regents Committee on Audit

Status of Significant Investigations

University Auditor's Report

March 13, 2003



Status of Significant Investigations

- Number of open cases at the UCOP reporting level:
55 at June 30, 95 at December 31 and 200 today.
- LANL Matters
 - Licensing case
 - Mustang case
 - Other purchase card cases
- UCSC Admissions
- UCSF Cashiering case from 1999



Regents Committee on Audit

External Audit Agency Activity

University Auditor's Report

March 13, 2003



External Audit Agency Activity

- LANL IG-Cost Allowability
- BSA Investigations (UCSF and UCLA)
- GAO--Review of Mgmt. Systems at LANL and Procurement and Property Management Activities at LLNL
- OIG Management of Sensitive Equipment
Inspection of Controls over Classified Computers
- UCSF Sensitive Materials Report Received