

UNIVERSITY *of* CALIFORNIA

**ANNUAL REPORT**  
**2007-2008 INTERNAL AUDIT PLAN**



**Office of the University Auditor**

# ANNUAL REPORT ON INTERNAL AUDIT PLAN

2007-2008

## *Table of Contents*

<b>I. Executive Summary</b>	<b>3</b>
<b>II. Statistical Overview</b>	<b>9</b>
<b>III. High Risk Coverage</b>	<b>12</b>
<b>IV. Core Audit Coverage</b>	<b>14</b>
<b>V. Other Plan Matters</b>	<b>16</b>
<b>VI. Strategic Plan Initiatives</b>	<b>17</b>
<b>Appendix 1 – Plan Statistics</b>	<b>18</b>
<b>Appendix 2 – Planning and Risk Assessment</b>	<b>22</b>
<b>Appendix 3 – Summary of Contemporary Issues</b>	<b>23</b>
<b>Appendix 4 – Detail of Planned Projects</b>	<b>24</b>
<b>Appendix 5 – Internal Audit Organizational Chart</b>	<b>32</b>

# I. EXECUTIVE SUMMARY

## Plan Objective

The prime objective of the Internal Audit Plan is to effectively and efficiently deploy our resources to meet multiple objectives including:

- Providing an audit program that addresses **high and contemporary risks** while ensuring appropriate attention to core business functions and broad audit coverage of the University over time,
- Assuring adequate audit attention is directed to **unique activities** at all campus, health science, national laboratory and Office of the President locations, and
- Having available sufficient resources to perform **investigations** as necessary without excessive intrusion on the audit program and to be available for **consultations, special projects** and other **management assistance** as appropriate.

## Internal Measurements

In preparing the Plan, we assess its accomplishment of the three objectives above with measures of coverage and balance.

- The **first** objective is demonstrated by the plan to devote **63%** of our efforts addressing **97%** of the areas of perceived highest relative risk while also devoting **41%** to defined core business activities. Because of the overlap between the two, when combined the core business and high risk audits consume **75%** of our effort, leaving a healthy **25%** available for a program of broad audit coverage and availability for supplemental and other audit services.
- The **second** objective is demonstrated by the plan to commit resources among the University's operating lines of business as follows: Campuses **60%**, health sciences **29%**, national laboratories **6%** and the Office of the President **5%**. The staffing levels at each location drive these statistics. The laboratories' percentage is lower than in the past due to the exclusion of the LLNL auditors.

# I. EXECUTIVE SUMMARY (continued)

- The **third** objective is demonstrated by the plan to allocate **64%** of available effort to a program of planned and specially requested audits, **17%** to advisory services, **12%** to investigations and **7%** to audit support activities.

## **Resource Allocation**

A robust Risk Assessment process, including attention to contemporary issues, drives the preparation of this Audit Plan. Our risk assessment process is described more fully in Appendix 2.

- The FY08 Audit Plan has allocated over 163,000 hours for direct audit hours. 104,000 of these hours are dedicated to audit activities, 27,000 to advisory services, 20,000 to investigations, and 12,000 to audit support.
- The above hours represent a decline in available resources as a result of the exclusion of the LLNL audit department.
- The percentage of time planned to be devoted to the program of regular and special audits (64%), including follow up audit work, demonstrates that this clearly remains our first priority.
- Nearly 32,000 hours have been allocated to Supplemental projects (Audits and Advisory Services). This allocation allows us to address emerging issues and special requests without a major intrusion on our audit plan.

# I. EXECUTIVE SUMMARY (continued)

## Regental Interest

- The FY08 Audit Plan continues to be responsive to issues emphasized by the Regents' Committee on Audit. Accordingly, the FY08 Audit Plan includes a substantial level of hours (3,275) devoted to audits in the Executive Compensation arena.
- This year's risk assessment process also included contacting all Regents' Committee Chairs for input that may be of interest to their respective committees.
- Two topics in which The Regents' Audit Committee have expressed interest are planned to receive substantial attention.
  - Information Security: Extra time has been budgeted at each location to review the results of an information security self assessment conducted at each location in the wake of the UCLA security breach. We are also prepared to work with PricewaterhouseCoopers on a systemwide project to evaluate information security.
  - Statement on Auditing Standards 112: Substantial time has been budgeted at each location to assess and validate the key controls that are carried out at the department level throughout the University.

# I. EXECUTIVE SUMMARY (continued)

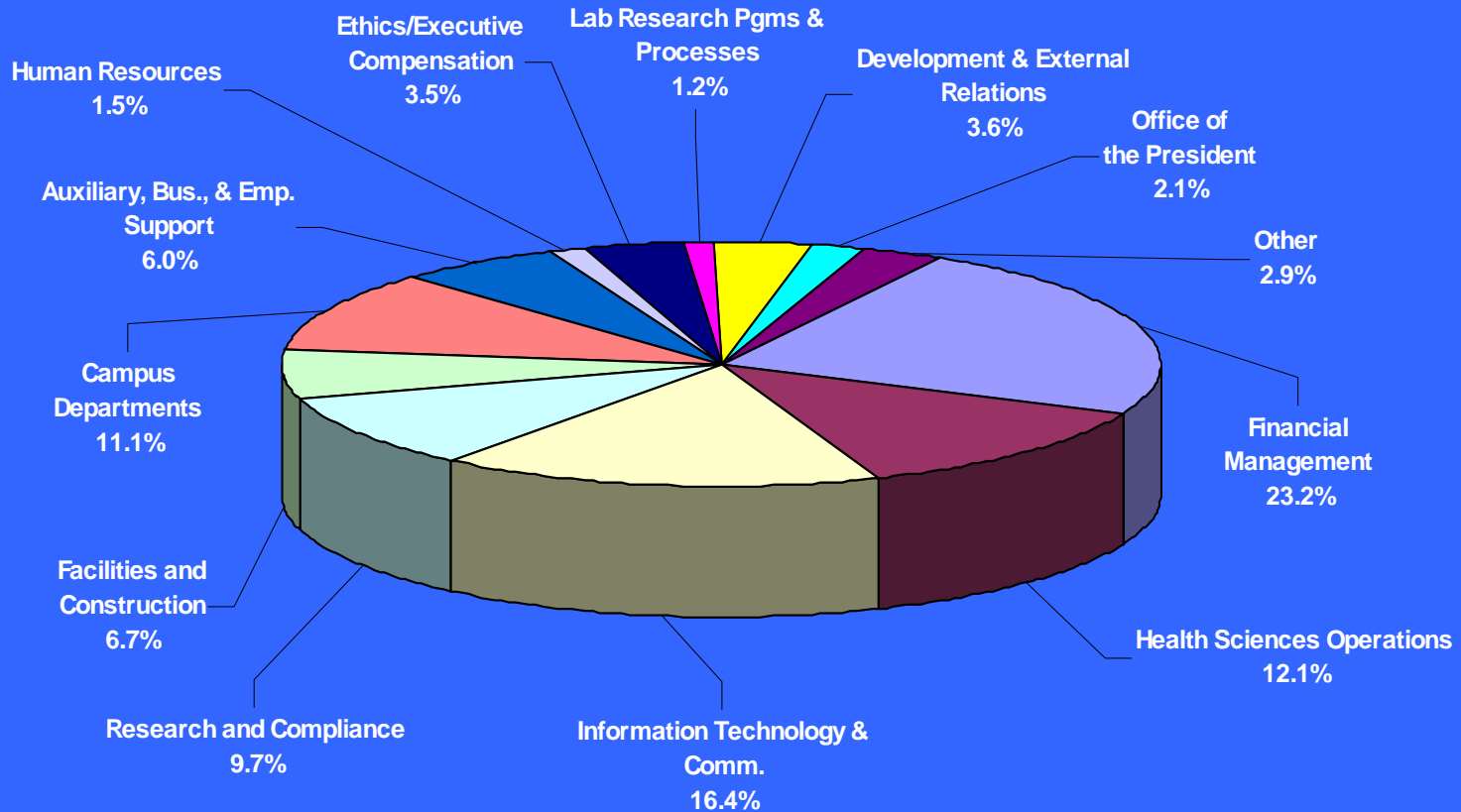
## Distribution of Planned Hours (By Functional Area)

Functional Area	Audit	Advisory	Total	Percent	Prior Year
	Hours	Service			Plan
	<u>Hours</u>	<u>Hours</u>	<u>Hours</u>	<u>Percent</u>	<u>Percent</u>
Financial Management	18,982	2,640	21,622	23.2%	18.9%
Health Sciences Operations	11,250	40	11,290	12.1%	12.1%
Information Technology & Comm.	10,690	4,581	15,271	16.4%	10.5%
Research and Compliance	8,814	240	9,054	9.7%	9.3%
Facilities, Construction & Maint.	6,090	100	6,190	6.7%	9.2%
Campus Departments	9,355	954	10,309	11.1%	9.1%
Auxiliary, Bus., & Emp. Support	5,515	25	5,540	6.0%	7.6%
Human Resources	1,060	300	1,360	1.5%	1.9%
Ethics/Executive Compensation	3,275	0	3,275	3.5%	8.3%
Lab Research Pgms & Processes	700	400	1,100	1.2%	3.5%
Development & External Relations	3,130	220	3,350	3.6%	2.6%
Office of the President	1,700	220	1,920	2.1%	2.3%
Other	1,950	790	2,740	2.9%	4.7%
<b>TOTAL</b>	<b><u>82,511</u></b>	<b><u>10,510</u></b>	<b><u>93,021</u></b>	<b><u>100%</u></b>	<b><u>100%</u></b>

# I. EXECUTIVE SUMMARY (continued)

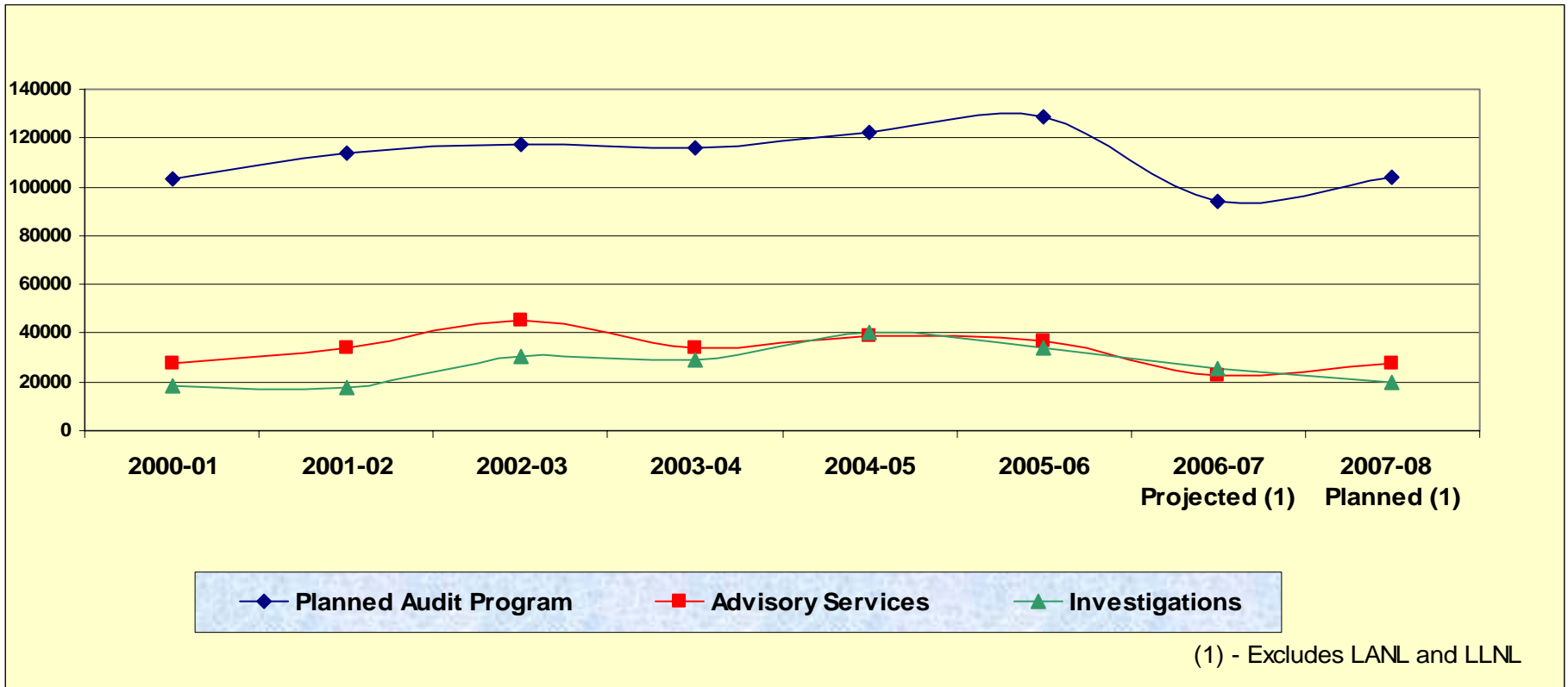
## Distribution of Planned Hours (By Functional Area)

*The data from the previous table is presented in chart form below.*



# I. EXECUTIVE SUMMARY (continued)

## Historical Mix of Audit, Advisory Services, and Investigation Hours





## II. STATISTICAL OVERVIEW

**Staffing and Available Hours:** As previously stated, the LLNL staff is excluded from the FY08 plan, as well as the 2007 annualized hours. Our staffing level projections are conservative given the difficulty we have experienced in recruiting staff, and our budgeted professional development training level is consistent with our historical training investment.

**Distribution of Direct Audit Hours:** The table below displays the distribution of Direct Audit Hours between our three service lines plus activities that support the audit function. The FY08 hours for supplemental audits represents a slight percentage increase from last year's plan. We have budgeted this higher level of unallocated hours in an effort to have flexibility for addressing changing and unforeseen circumstances.

### STAFF

	FY08 <u>Audit Plan</u>	3/31/2007 <u>Annualized</u> <sup>(1)</sup>
Authorized	116	114
Average Filled	105	101
% Filled	90%	89%

### HOURS

Gross Available	223,684	216,051
Net Available	187,246	177,937
% Net to Gross*	84%	82%
Training hrs/Auditor	75	101

\* Difference = vacation, holiday, sick leave, etc.

<sup>(1)</sup> Excludes LLNL

### Statistical Overview

	FY08 Plan		3/31/07 Annualized <sup>(1)</sup>	
	Hours	Percent	Hours	Percent
<b>Audit Program (326 Projects)</b>				
Planned Audits*	82,511	50.5%	74,468	49.0%
Supplemental Audits	14,860	9.1%	11,761	7.7%
Audit Follow Up	6,788	4.2%	7,821	5.1%
<b>Total Audit Program</b>	<b>104,159</b>	<b>63.8%</b>	<b>94,050</b>	<b>61.8%</b>
<b>Advisory Services ( 96 Projects)</b>				
Planned Projects*	10,510	6.4%	n/a	n/a
Supplemental Hours	16,984	10.4%	n/a	n/a
<b>Total Advisory Services</b>	<b>27,494</b>	<b>16.8%</b>	<b>22,299</b>	<b>14.7%</b>
<b>Investigations</b>	<b>19,989</b>	<b>12.2%</b>	<b>25,197</b>	<b>16.6%</b>
<b>Audit Support Activities</b>	<b>11,697</b>	<b>7.2%</b>	<b>10,483</b>	<b>6.9%</b>
<b>Total Direct Audit Hours</b>	<b>163,339</b>	<b>100.0%</b>	<b>152,029</b>	<b>100.0%</b>

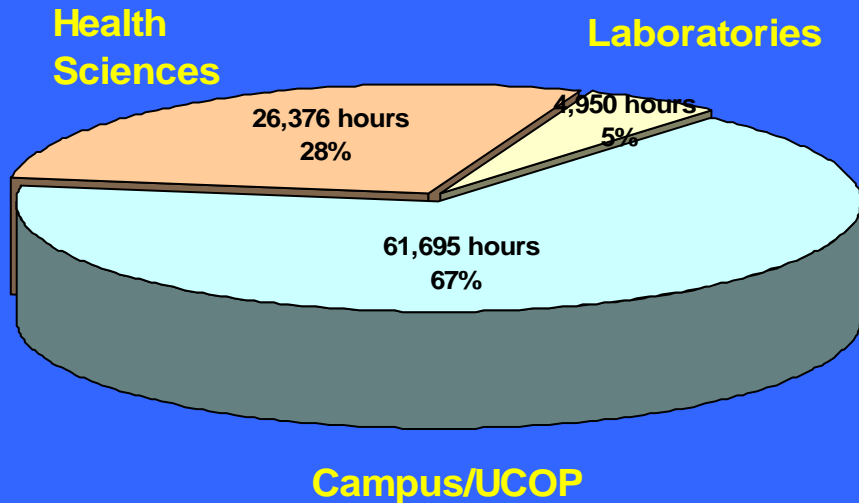
\*Total Hours for Planned Projects = 93,021

<sup>(1)</sup> Excludes LLNL hours

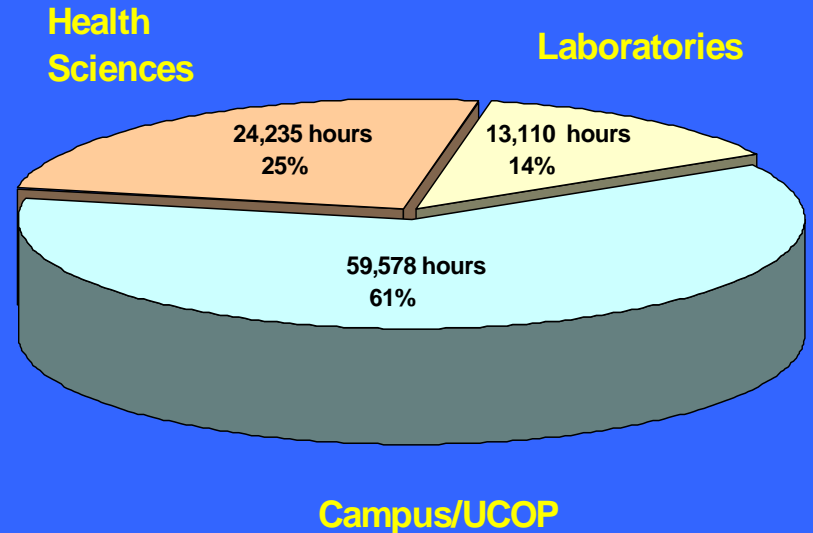
## II. STATISTICAL OVERVIEW (continued)

### Distribution of Planned Audit Hours by Location Type

Distribution of Planned Hours  
FY08 Plan



Distribution of Planned Hours  
FY07 Plan

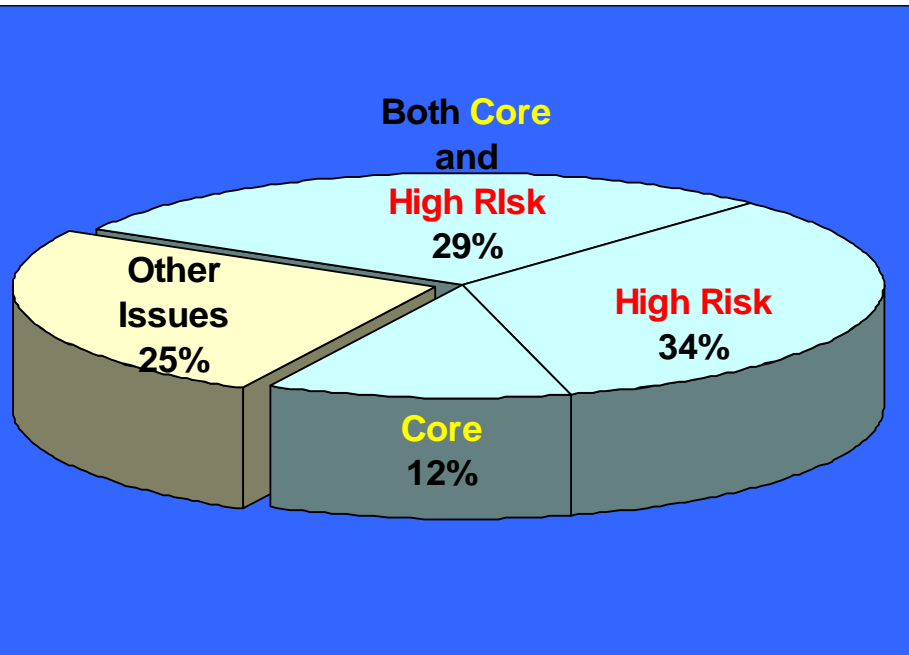


*These graphs display the distribution of planned hours (93,021 hours for FY08 and 96,923 for FY07) by the three location types. The decline in Laboratory hours for FY08 is due to the exclusion of LLNL.*

## II. STATISTICAL OVERVIEW (continued)

**High Risk and Core Coverage:** The charts below display the distribution of planned audit and advisory service activities in terms of high risk and core business functions' audit coverage. The core audit program is described in Section IV. Certain elements of the core audit program are also assessed typically to be high risk. An example of this would be research compliance.

The information below shows that **63%** of planned effort will be devoted to high risk audit areas and **41%** of effort will be devoted to core business functions. Because of the overlap between the two, audits of high risk and core areas combine to account for **75%** of our planned efforts. That leaves a healthy **25%** for additional planned efforts in other areas not generally considered high risk (e.g., academic departments) and for unplanned activities. The budget for supplemental audits and unallocated advisory services hours also allows us some flexibility to be responsive to needs and changing priorities that arise during the year.



### High Risk and Core

	<u>Audits</u>	<u>Advisory Services</u>	<u>Total</u>
<i>High Risk Coverage*</i>			
Plan hours for High Risk	54,789	3,660	58,449
% Total Planned Hours	59%	4%	63%
<i>Core Coverage*</i>			
Plan hours for Core	36,591	1,790	38,381
% Total Planned Hours	39%	2%	41%
<i>Areas not High Risk or Core</i>	18,020	5,440	23,460
% Total Planned Hours	19%	6%	25%

\*Some areas are both High Risk and Core elements

### III. HIGH RISK COVERAGE

**High Risk Coverage:** The audit plan is driven by a robust risk assessment process briefly described in Appendix 2. The table below illustrates the following:

- Over **58,000 hours** of effort will be devoted to those issues considered to represent the highest risks currently in the University from a business and operating control standpoint. The majority of these risks will be covered by audits, but some are more appropriately addressed through advisory services. An example of the latter might be the development of a critical new system where the current consultation advises on the internal control elements of the new system.
- Our high risk effort addresses **97%** of the areas identified as high risk. There are always a few identified risks not covered in the audit plan because audit work is planned for the remainder of the current year, or the risk is subject to a long-term resolution that is not ready for audit attention. Overall, these statistics demonstrate good attention to the highest identified risk areas while leaving resources available to devote to other areas as well.

A subsequent page presents a listing of the principal areas identified as high-risk sorted by line of business—campus, health sciences, and national laboratory.

High Risk Coverage	Advisory		Total	Percent of Planned Projects*	Percent of High Risk Covered
	Audits	Services			
Plan Hours for High Risk	54,789	3,660	58,449		
% Total Planned Hours	59%	4%	63%		
Location	Audits	Advisory Services	Total	Percent of Planned Projects*	Percent of High Risk Covered
Campuses/OP	34,740	2,310	37,050	60%	95%
Health Sciences	15,799	1,350	17,149	65%	100%
Laboratories	4,250	0	4,250	86%	100%
<b>Total (Average)</b>	<b>54,789</b>	<b>3,660</b>	<b>58,449</b>	<b>63%</b>	<b>97%</b>

*This table demonstrates the proportionate effort devoted to high risk areas by location type*

\* Calculated using planned hours by location - as reflected on Page 9

### III. HIGH RISK COVERAGE (continued)

#### *Areas identified as High Risk*

##### ➤ Campuses/Office of the President

- Ethics/Executive Compensation
- Cashiering
- Major Constructions
- Contracts and Grants
- Network Security
- SAS 112/Financial Controls
- Student Fees and Receivables
- IT Security Self Assessments

##### ➤ Health Sciences

- Ethics/Executive Compensation
- Physician Receivables
- Compliance Program
- Transplant Program/Services
- Hospital Receivables
- Human Subjects/Clinical Trials

##### ➤ Laboratories

- Cost Allowability
- Data Center Operations
- Network Security/Management
- Executive Compensation
- Technology Transfer
- Indirect Cost Rate/Overhead

## IV. CORE AUDIT COVERAGE

**Core Coverage:** The Core Audit Program recognizes that a risk assessment process is necessary for the prioritization of efforts when resources are limited, but may not guarantee adequate audit coverage of fundamental business operations over time. There is a risk that these fundamental business operations may be overlooked because they generally function well, experience little change and are believed to be well managed. These factors may cause them to consistently fall outside of the highest identified contemporary risks that receive priority attention.

The table below shows that the hours planned to address core business operations represents **41%** of our planned effort. With approximately **34%** of the core topics addressed, this translates to an ability to meet our objective of auditing each core topic within a 3-5 year cycle.

The next page presents a listing of the areas identified as core audit topics. In an effort to ensure our core audit program is dynamic, we modified our coverage to include executive compensation as a separate component, breaking it out of the “payroll” category.

### Core Coverage

	<u>Audits</u>	<u>Advisory Services</u>	<u>Total</u>	
<b>Plan Hours for Core</b>	36,591	1,790	38,381	
% Total Planned Hours	39%	2%	41%	
<b>Location</b>	<u>Audits</u>	<u>Advisory Services</u>	<u>Total</u>	<u>Percent of Planned Projects*</u>
Campuses/OP	23,895	1,190	25,085	41%
Health Sciences	10,346	600	10,946	41%
Laboratories	<u>2,350</u>	<u>0</u>	<u>2,350</u>	<u>47%</u>
<b>Total (Average)</b>	<b>36,591</b>	<b>1,790</b>	<b>38,381</b>	<b>41%</b>

*This table demonstrates the proportionate effort devoted to Core areas by location type*

\* Calculated using planned hours by location - as reflected on Page 9

## IV. CORE AUDIT COVERAGE (Continued)

### *Areas identified as Core*

#### **All Locations**

- Cash Management
- Disbursements
- Administrative Computing
- Payroll
- Major Construction
- Procurement
- Research
- Executive Compensation
- Balance Sheet Account Reconciliation

#### **Additional - Health Sciences**

- Medical Billings/Receivables
- Compliance Program

#### **Additional - Campuses**

- Student Fees/Receivables
- Financial Aid
- Fund Raising/Gift Processing

#### **Additional - Office of the President**

- Treasury - Investments

#### **Additional - Laboratories**

- Cost Allowability Clauses

## V. OTHER PLAN MATTERS

### **PricewaterhouseCoopers Cooperation**

In the planning process, Internal Audit engages in dialogue with The Regents' auditors, PricewaterhouseCoopers, to share perceptions on high risks and planned audit approaches and coverage. PricewaterhouseCoopers places reliance on the work of Internal Audit in an overall sense, as an element of the internal controls of the institution, rather than individual audit areas addressed. In conjunction with their responsibilities under professional standards for awareness of fraud, PricewaterhouseCoopers also works with Internal Audit to understand the University's reporting processes and to assess the open cases of suspected impropriety.

In addition, given the expanded agreed upon procedures to be performed at LBNL laboratory, PricewaterhouseCoopers plans to review and rely on the cost allowability audit performed.



## VI. STRATEGIC PLAN INITIATIVES

### Initiatives

In August 2005, the University Auditor and the Campus/Lab Internal Audit Directors developed the following strategic initiatives geared towards strengthening the Internal Audit program:

- ❖ Improve Internal Reporting
- ❖ Improve Communications
- ❖ Identify Partnership Opportunities for Corporate Governance
- ❖ Continuous Monitoring/Auditing
- ❖ Benchmarking and Staffing

### Highlights of Current Initiatives:

- ❖ The development of a Comprehensive Audit Reporting and Tracking System (CARTS) is currently underway. When fully functional, CARTS will be a web-based system that will incorporate a comprehensive time keeping system, automate our risk assessment and planning processes, and generate monthly and quarterly status reports – as well as location ad hoc reports.
- ❖ Several enhancements to Audit Tracker are also planned within the CARTS project, including improved notification and update capabilities.
- ❖ In an effort to improve communications, we have developed a quarterly newsletter that will be distributed among the University community.
- ❖ A proposal to the Institute of Internal Auditors Research Foundation has been drafted seeking professional assistance to develop an audit staffing model unique to higher education.

# APPENDIX 1 – PLAN STATISTICS

## Calculation and Distribution of Net Available Hours

	<u>FY08 Plan</u>		<u>3/31/07 Annualized <sup>(1)</sup></u>	
<b>Calculation of Net Available Hours</b>				
Weighted Average FTEs	105		101	
	<b>Hours</b>	<b>Percent</b>	<b>Hours</b>	<b>Percent</b>
Personnel Hours	219,624	98.2%	210,517	97.4%
Other Resource Hours	<u>4,060</u>	<u>1.8%</u>	<u>5,534</u>	<u>2.6%</u>
Gross Available Hours	223,684	100.0%	216,051	100.0%
Less: Non-Controllable Hours	<u>36,438</u>	<u>16.3%</u>	<u>38,114</u>	<u>17.6%</u>
Net Available Hours	<b><u>187,246</u></b>	<b><u>83.7%</u></b>	<b><u>177,937</u></b>	<b><u>82.4%</u></b>
<b>Distribution of Net Available Hours</b>				
Administration	14,784	7.9%	14,550	8.2%
Professional Development	7,846	4.2%	10,211	5.7%
Other	1,277	0.7%	1,147	0.6%
Direct Audit Hours	<u>163,339</u>	<u>87.2%</u>	<u>152,029</u>	<u>85.5%</u>
Total Net Available Hours	<b><u>187,246</u></b>	<b><u>100.0%</u></b>	<b><u>177,937</u></b>	<b><u>100.0%</u></b>

(1) Excludes LLNL hours

# APPENDIX 1 – PLAN STATISTICS (continued)

	FY08		3/31/2007	
	Plan	Percent	Annualized <sup>(1)</sup>	Percent
<b>INDIRECT HOURS</b>				
Administration	14,784	7.9%	14,550	8.2%
Professional Development	7,846	4.2%	10,211	5.7%
Other	<u>1,277</u>	<u>0.7%</u>	<u>1,147</u>	<u>0.7%</u>
<b>Total Indirect Hours</b>	<b>23,907</b>	<b>12.8%</b>	<b>25,908</b>	<b>14.6%</b>
<b>DIRECT HOURS</b>				
<b>Audit Program</b>				
Planned Audits	82,511	44.1%	74,468	41.9%
Supplemental Audits	14,860	7.9%	11,761	6.6%
Follow Up Audits	<u>6,788</u>	<u>3.6%</u>	<u>7,821</u>	<u>4.4%</u>
<b>Total Audit Program</b>	<b>104,159</b>	<b>55.6%</b>	<b>94,050</b>	<b>52.9%</b>
<b>Advisory Services</b>				
Consultations/Special Projects	13,707	7.3%	14,268	7.9%
Systems Dev., Reengineering Teams	5,580	3.0%	1,790	1.0%
Internal Control & Accountability	4,078	2.2%	2,024	1.1%
External Audit Coordination	3,989	2.1%	4,034	2.3%
IPA, COI & Other	<u>140</u>	<u>0.1%</u>	<u>183</u>	<u>0.1%</u>
<b>Total Advisory Services</b>	<b>27,494</b>	<b>14.7%</b>	<b>22,299</b>	<b>12.4%</b>
<b>Investigations</b>	<b>19,989</b>	<b>10.7%</b>	<b>25,197</b>	<b>14.2%</b>
<b>Audit Support Activities</b>				
Audit Planning	2,830	1.5%	2,558	1.4%
Audit Committee Support	1,661	0.9%	1,304	0.7%
Systemwide Audit Support	3,982	2.0%	4,085	2.3%
Computer Support	1,409	0.8%	837	0.5%
Quality Assurance	<u>1,815</u>	<u>1.0%</u>	<u>1,699</u>	<u>1.0%</u>
<b>Total Audit Support</b>	<b>11,697</b>	<b>6.2%</b>	<b>10,483</b>	<b>5.9%</b>
<b>Total Direct Hours</b>	<b>163,339</b>	<b>87.2%</b>	<b>152,029</b>	<b>85.4%</b>
<b>TOTAL AVAILABLE HOURS</b>	<b><u>187,246</u></b>	<b>100.0%</b>	<b><u>177,937</u></b>	<b>100.0%</b>

(1) Excludes LLNL hours

# APPENDIX 1 – PLAN STATISTICS (continued)

## Distribution of Planned Hours (By Locations and Functional Areas)

### FY 2007-08 Planned Audit and Advisory Service Hours by Line of Business & Functional Area

<u>Functional Areas</u>	<u>Campus</u>	<u>Health</u>			<u>Total</u>	<u>Percent</u>
		<u>Sciences</u>	<u>Labs</u>	<u>UCOP</u>		
Campus Departments & Instruction	10,309	-	-	-	10,309	11.1%
Health Sciences Operations	-	11,290	-	-	11,290	12.1%
Lab Research Programs & Processes	-	-	1,100	-	1,100	1.2%
Office of the President	-	-	-	1,920	1,920	2.1%
Research and Compliance	4,805	3,949	300	0	9,054	9.7%
Information Technology & Communications	10,431	3,350	750	740	15,271	16.4%
Financial Management	13,870	4,852	1,350	1,550	21,622	23.2%
Human Resources	575	325	0	460	1,360	1.5%
Ethics/Executive Compensation	2,275	300	300	400	3,275	3.5%
Facilities, Construction & Maintenance	4,140	900	1,150	0	6,190	6.7%
Development & External Relations	2,690	400	0	260	3,350	3.6%
Auxiliary, Business, & Employee Support Services	5,540	0	0	-	5,540	6.0%
Other	<u>1,730</u>	<u>1,010</u>	<u>0</u>	<u>0</u>	<u>2,740</u>	<u>2.9%</u>
<b>Total</b>	<b><u>56,365</u></b>	<b><u>26,376</u></b>	<b><u>4,950</u></b>	<b><u>5,330</u></b>	<b><u>93,021</u></b>	<b><u>100.0%</u></b>
	<b>60.6%</b>	<b>28.4%</b>	<b>5.3%</b>	<b>5.7%</b>	<b>100.0%</b>	

## APPENDIX 2 – PLANNING AND RISK ASSESSMENT

### **Planning and Risk Assessment Overview**

The University of California Internal Audit community performs an annual comprehensive risk assessment. This audit planning process begins with an understanding of the entity, activity or process to be audited and identification of the auditable elements, or components, of the entity. This is traditionally referred to as the audit universe. The audit risk of each component unit is assessed using a methodology traditionally utilized by auditors. Relative risk assessment is necessary to provide a means for rational deployment of limited resources across the audit universe. ***The Audit Plan strives to achieve the dual objectives of assuring audit coverage of the areas identified as representing the greatest current risk, while at the same time assuring broad coverage of the business operations of the University over time.***

In assessing relative risk, auditors at each location gathered information from a) financial analysis, b) change analysis (management, systems, funding sources/levels, regulations, etc.), c) interviews with management, d) consideration of external audit activities, and e) audit issues identified and shared among UC Audit Directors, by the controllers and other universities. In addition, a high level summary and analysis of contemporary issues was prepared and shared among all Audit Directors. This analysis comprises current issues and risks that affect the system as a whole as well as issues unique to the campus, lab and health sciences environments (refer to Appendix 3 for a listing of the contemporary issues used in the FY08 risk assessment process).

Each component of the audit universe was assessed for relative risk using factors that have been proven by audit studies to be the most predictive of financial reporting and/or internal control failures. They are:

**Quality and Stability of Control Environment** - This factor assesses the adequacy of the existing control environment based on information from previous audit experience and the analyses referred to above. It also considers the financial expertise of management, complexity of operations, and the overall effectiveness and efficiency of operations.

**Business Exposure (Materiality and Liquidity of Operational Resources)** - Both materiality and liquidity of resources under management are assessed relative to other organizational units. While size is not necessarily an indicator of greater risk, greater financial exposure attracts greater audit interest if all other factors are equal.

## APPENDIX 2 – PLANNING AND RISK ASSESSMENT (continued)

**Public and Political Sensitivity** - Certain activities by their nature tend to garner greater public interest than others and/or represent areas of high political sensitivity. There are greater than normal risks to the University's reputation and goodwill inherent in these activities where failures can result in diminished funding and loss of independence to greater oversight or scrutiny. This factor is somewhat of a counterbalance to the materiality factor as size of the business exposure is less relevant to the impact of an accountability failure.

**Compliance Requirements** - This factor addresses the relative complexity of all internal and external policy, procedure, regulatory and statutory matters affecting the operations of the auditable unit.

**Information Technology and Management Reporting** - Financial and operational data drive decision making and are essential to the processes of planning, budgeting and performance measurement, among others. This factor considers the accuracy, integrity and availability of information for these purposes, whether provided by a manual or automated system.

The results of the risk assessment of each campus, lab and health sciences enterprise are provided to the University Auditor for analysis and consolidation. Such analysis is shared with all locations so that anomalies can be investigated and assessments of like activities by other locations can be factored into the local risk assessments. This process also assists in identifying broad risks that exist across the University and are worthy of collective consideration in the planning process.

The finalized risk assessments drive the preparation of local audit plans that are subjected to review by local audit committees, management, and Chancellors or Laboratory Directors before being submitted to the University Auditor for approval and submission to The Regents' Committee on Audit on a consolidated basis. In reviewing the plans, consideration is given to the multiple objectives enumerated previously. That is, the plans must demonstrate that the highest identified risk areas are being subjected to audit while at the same time assuring reasonable breadth of coverage across the audit universe with periodic attention to core elements. In addition, the local plans are reviewed for consistency with the planning guidelines distributed by the Office of the University Auditor at the beginning of the planning process.

## APPENDIX 3 – Summary of Contemporary Issues

*This listing below represents the FY08 contemporary issues used by locations in assessing risk.*

- Executive Compensation
- IT Security
- Ethics
- Deferred Maintenance
- Construction Costs
- Compliance Program
- Effort Reporting System
- Contracts and Grants
- Department Deficits
- Stipends
- Cost Transfers
- Recharges
- Business Affiliations
- Sole Source Contracting
- By-Agreement Payments
- Summer Salaries

# APPENDIX 4 – DETAIL OF PLANNED PROJECTS

## High Risk and Core -- Campus

UAO	Soft Costs Audit Follow-up (A)	UCLA	Contract & Grant Compliance (A)
UAO	Executive Compensation Follow-up (A)	UCLA	Executive Compensation & Benefits (A)
UAO	Conflict of Commitment Follow-up (A)	UCLA	Major Construction (A)
UAO	Senior Management Travel & Expense Follow-up (A)	UCLA	Purchasing Process (A)
UAO	SAS 112-Departmental Reviews (A)	UCOP	UC Merced Student Systems: Financial Aid (A)
UAO	Executive Compensation (A)	UCOP	Payroll Processes (A)
UAO	IT Security Self Assessments (A)	UCOP	Consolidation of Campus Financial Information (A)
UCB	Student Fees & Receivables (A)	UCOP	Executive Compensation and Benefits (A)
UCB	IT Security Self-Assessment (A)	UCOP	Review of UCOP Security Self-assessment (A)
UCB	Entertainment - Catering Costs (A)	UCOP	Review of UC Merced Security Self-assessment (A)
UCB	Payroll (A)	UCOP	Information Security: Departmental Sensitive
UCB	Computer-Assisted Analytical Reviews (A)	UCOP	UCOP Security Council (C)
UCB	Executive Compensation (A)	UCR	Cashiering (A)
UCB	Major Construction - Change Orders (A)	UCR	Contracts & Grant -Post Award / Effort Reporting (A)
UCD	Data Center General Controls (A)	UCR	Executive Compensation and Benefits (A)
UCD	Post Award (A)	UCR	Network Management (A)
UCD	Wireless Networks (A)	UCR	ODC - Commons Construction Project (A)
UCD	Accounts Payable (A)	UCR	Procurement Cards (A)
UCD	Logical Security (A)	UCSB	Student Receivables (A)
UCD	Executive Compensation (A)	UCSB	Contracts and Grants - Post Award (A)
UCD	IT Security Assessment Attestation (A)	UCSB	Business Contracts Management (A)
UCD	IT Cyber Safety - Agricultural & Environmental (A)	UCSB	Purchasing Card Program (A)
UCI	Payroll Processing (A)	UCSB	Executive Compensation and Benefits (A)
UCI	Low Value Purchase Orders and PAL Cards (A)	UCSB	Application Development (A)
UCI	IT - Network Management (A)	UCSC	Main Cashiering (A)
UCI	IT - Data Center Operations - Registrar (A)	UCSC	Check Request & Direct Payment Controls (A)
UCI	IT Cashiering System - Application Review (A)	UCSC	Fund Raising and Gift Processing (A)
UCI	Executive Compensation and Benefits (A)	UCSC	ITS Risk Assessment-Confirm SAS 112 Controls (A)
UCLA	Gift Processing (A)	UCSD	Distributed Network Security - School of Medicine (A)
UCLA	Central Ticket Office Cashiering (A)	UCSD	Distributed Network Security - Extension Phase II (A)
UCLA	Central Ticket Office Personnel/Payroll (A)	UCSD	Executive Compensation and Benefits (A)
UCLA	Housing Cashier's Office (A)	UCSD	SAS 112 Departmental Implementation (A)
UCLA	University Apartments Personnel/Payroll (A)	UCSD	IT Security Self Assessments (A)
UCLA	Cash Management - Main Cashier's Office (A)	UCSD	Distributed Network Security - Research Affairs (A)



# APPENDIX 4 – DETAIL OF PLANNED PROJECTS (Continued)

## High Risk and Core -- Campus

UCSD	Construction Change Orders - Hopkins Parking (A)	UCSF	Executive Compensation and Benefits (A)
UCSD	Balance Sheet Account Reconciliation (A)	UCSF	Executive T&E (A)
UCSD	Student Fees and Receivables (A)	UCSF	Cashiering/Subcashiering (A)
UCSD	Continuous Audit IC Indicators (C)	UCSF	Wireless Network Security (A)
UCSF	Cost Sharing (A)	UCSF	Online Academic Payroll/Personnel (C)

## High Risk and Core -- Health Sciences

UCD	Compliance Program - Clinical Research (A)	UCSD	Network Security- (A)
UCD	Hospital Receivables (A)	UCSD	Physician Receivables - (A)
UCD	Major Construction (A)	UCSD	Medical Center Cashiering (A)
UCD	Physician Receivables (A)	UCSD	Medical Center Business Contracts (A)
UCD	Post Award (A)	UCSD	Hospital Receivables (A)
UCD	UCDMC Financial Controls Review (A)	UCSD	Clinical Research Compliance Program (A)
UCD	Compliance Program Infrastructure Review (A)	UCSD	Payroll Processing - Clinics (A)
UCI	SOM - Clinical Laboratory Compliance (A)	UCSF	Medical Billing & Receivables-Hosp Receivables (A)
UCLA	Hospital Receivables - Phase I (A)	UCSF	Major Construction Projects (A)
UCLA	Physician Receivables - Phase I (A)	UCSF	Wireless Network Security (A)
UCSD	Human Subjects (A)	UCSF	Data Center Operations (A)

## High Risk and Core -- DOE Laboratories

LBNL	Major Construction Projects (A)	LBNL	FY07 Cost Allowability (A)
LBNL	Network Security/Management (A)	LBNL	Employee Eligibility (A)
LBNL	Data Center Operations (A)		

(A) Audit Project (C) Advisory Services Project

# APPENDIX 4 – DETAIL OF PLANNED PROJECTS (Continued)

## High Risk -- Campus

UAO	Ethics Audit Follow-up (A)	UCOP	UC and Master Record keeper Responsibilities (A)
UAO	Chancellor Housing Review (A)	UCOP	UCRP Accounting Segmentation (A)
UAO	Willed Body Program (A)	UCOP	LMO Cost Allowability FY 2006-2007 (A)
UCB	Department Visitations Carry Forward (A)	UCOP	UC Merced SAS 112 Department Controls (A)
UCB	Business Affiliations: IPIRA (A)	UCOP	UC Merced Process Mapping (C)
UCB	Intercollegiate Athletics: Sports Camps (A)	UCOP	Controls associated with the OPEB Trust (C)
UCB	Residential & Student Services: Procurement Card (A)	UCR	Academic Personnel (A)
UCB	Department Visitations (A)	UCR	AGSM (A)
UCB	Optometry Clinic (A)	UCR	CE-CERT (A)
UCB	Anatomical Materials (A)	UCR	IT Strategic Planning (A)
UCB	Space Sciences Laboratory (A)	UCR	UNEX (A)
UCB	Institute of Transportation Studies (A)	UCR	Major Campus Systems (C)
UCB	Restricted Data Protection (A)	UCSB	Student Counseling (A)
UCB	Controlled Substances (A)	UCSB	Transportation and Parking Services (A)
UCB	Physical Plant (A)	UCSB	Laboratory Safety - Hazardous Materials Handling (A)
UCD	Visa and Immigration Support (A)	UCSB	Long Range Development Committee (C)
UCD	IT Cyber Safety - Letters and Science (A)	UCSB	Kronos (Time Reporting) Implementation Team (C)
UCD	Research Management and Oversight (A)	UCSC	Major Construction-Change Orders (A)
UCI	School of Social Science (A)	UCSC	Sub Ledger Systems-Confirm SAS 112 controls (A)
UCI	ORU - HRI (A)	UCSC	Depart. Expenditures Large Losses-UNEX (A)
UCI	Housing (A)	UCSC	Alumni Internal Controls (A)
UCI	Communications Office (A)	UCSC	Ticket Office SDLC and controls review (C)
UCLA	Front Desk Operations (A)	UCSC	Cruz Time SDLC and controls review (C)
UCLA	Human Resource Service Centers (A)	UCSC	Telephone Outreach SDLC and controls review (C)
UCLA	Mail, Document, Distribution - Personnel/Payroll (A)	UCSD	Computer Science & Engineering (A)
UCLA	Student Technology Center (A)	UCSD	Academic Personnel:On-line Pre-implementation (A)
UCLA	Vending Cashiering Office (A)	UCSD	Physical Plant Maintenance (A)
UCLA	Foundation FY 2006-07 (A)	UCSD	San Diego Supercomputer Center (SDSC) (A)
UCLA	Software Acquisition and Development (A)	UCSD	Small Department/ORU Audits (Arts & Humanities) (A)
UCLA	Facilities - Budgetary Accounting Review (A)	UCSD	Marine Physical Lab - Joint Institute/Marine Observations (A)
UCLA	Facilities - Customer Service Review (A)	UCSD	College Audit - Muir College (A)
UCLA	Facilities - Equipment Inventory Review (A)	UCSD	BPSA Compliance (C)
UCLA	Facilities - General Operations Review (A)	UCSD	BPSA Control Environment (C)
UCLA	Facilities - Management Reports Review (A)	UCSD	Stem Cell Research Administration (C)

# APPENDIX 4 – DETAIL OF PLANNED PROJECTS (Continued)

## High Risk -- Campus

UCSF RAS Post Implementation (A)  
 UCSF Academic Personnel (A)  
 UCSF Stem Cell/Tissue Bank (A)  
 UCSF SAS 112 Controls review (A)

UCSF Budget Deficit Monitoring (A)  
 UCSF International Research Contract Administration (A)  
 UCSF Transplant Services (A)

## High Risk -- Health Sciences

UCD Transplant Services (A)  
 UCI SOM - Pathology (A)  
 UCI UCIMC - Hospital Equipment and Maintenance (A)  
 UCI SOM - Beckman Laser Institute (A)  
 UCI SOM - Cancer Center (A)  
 UCI SOM - Willed Body Program (A)  
 UCI SOM - Dermatology (A)  
 UCI SOM - Pediatrics (A)  
 UCI SOM - Medicine (A)  
 UCI SOM - Psysiology and BioPhysics (A)  
 UCI SOM - Infusion Center (A)  
 UCLA PSS Operations (A)  
 UCLA ACGME Residency Program Compliance (A)  
 UCLA Clinical Trials (A)  
 UCLA Dentistry - Phase I (A)  
 UCLA Dentistry - Phase II (A)  
 UCLA Dentistry - Phase III (A)  
 UCLA Emergency Room - SMH (A)  
 UCLA Hospital Receivables - Phase II (A)  
 UCLA Physician Receivables - Phase II (A)

UCLA Primary Network Clinic - Phase I (A)  
 UCLA Primary Network Clinic - Phase II (A)  
 UCLA Tissue Bank Tracking System - SMH (A)  
 UCLA Transplant Surgery Programs (A)  
 UCLA Capital Equipment Management (C)  
 UCSD Medication Mgmt System Imp (A)  
 UCSD SOM IS Business Requirements Survey (A)  
 UCSD Medical Records Paper Reduction Project (A)  
 UCSD Transplant Programs (A)  
 UCSD Department of Psychiatry (A)  
 UCSD Department of Medicine (A)  
 UCSD Medical Center Risk Management (A)  
 UCSD GME New Innovations System - Post Implementation (A)  
 UCSD Investigational Device Monitoring (A)  
 UCSF Surgical Operations (A)  
 UCSF Supplies Utilization (A)  
 UCSF SAS 112 Controls review (A)  
 UCSF Temporary Staffing Program - Nursing (A)  
 UCSF GME Management System Implementation (C)  
 UCSF CareCast (C)

## High Risk -- DOE Laboratories

LBNL Maintenance (A)  
 LBNL E-Buy (A)  
 LBNL Technology Transfer (A)

LBNL Indirect Cost Rate/Overhead (A)  
 LBNL Executive Compensation and Benefits (A)

(A) Audit Project (C) Advisory Services Project

# APPENDIX 4 – DETAIL OF PLANNED PROJECTS (Continued)

## Core -- Campus

UAO	HS Compliance Audit (A)	UCR	IT Security Self Assessment (C)
UCB	Physical Security (A)	UCSB	Network Management (A)
UCD	Financial Aid (A)	UCSB	Gift Processing (A)
UCD	Donor Gift Expenditures (A)	UCSB	Student Financial Aid (A)
UCD	Major Construction (A)	UCSB	Key Financial Reporting Controls (SAS 112) (A)
UCD	Department Controls Assessment - SAS 112 (A)	UCSB	Major Construction (A)
UCLA	Student Fees & Receivables (A)	UCSC	Post Consolidation - Accounting and Purchasing (A)
UCLA	Balance Sheet Account Reconciliation (A)	UCSC	Post Consolidation Extramural Accounting (A)
UCOP	UCOP Cashiering (A)	UCSC	Travel Expenses (A)
UCOP	UC Merced Admin Computing General Controls (A)	UCSC	ProCard Purchases (A)
UCOP	UC Merced Cashiering and Cash Handling (A)	UCSC	Back-up and Recovery Planning Team (C)
UCOP	DA/DSA Training (C)	UCSF	Cashiering/Sub Cashiering (A)
UCOP	UCLA Financial Systems Sign-ons (C)	UCSF	Privacy Steering Committee (HIPAA) (C)
UCR	Entertainment (A)	UCSF	PWC Security Assessment Assist (C)
UCR	Fund Raising and Gift Processing (A)	UCSF	SBE Sales & Use (C)
UCR	Payroll Processing (A)	UCSF	LINK Procurement (C)

## Core -- Health Sciences

UCD	Logical Security (A)	UCLA	Main Cashiering (A)
UCD	Donor Gift Expenditures (A)	UCLA	Corporate Compliance Annual Report (A)
UCD	UCDMC Cashiering (A)	UCLA	Corporate Compliance Drill Down Element (A)
UCD	Human Resources - Payroll Data Processing (A)	UCLA	Travel (A)
UCD	Financial Services - Payroll Processing (A)	UCSD	Health Sciences Compliance Program (A)
UCD	Computer Network Security and Management (A)	UCSD	Med Ctr. Supply Chain Management System (C)
UCD	Consultant Expense Analysis (C)	UCSD	Workforce Management - Post Implementation (C)
UCI	SOM - Health Care Compliance Program (A)	UCSF	Clinical Enterprise Compliance Program (A)
UCI	SOM - Clinical Trial Billing (A)	UCSF	Laboratory Compliance Program (A)
UCI	UCIMC - New Hospital Construction (C)		

(A) Audit Project (C) Advisory Services Project

# APPENDIX 4 – DETAIL OF PLANNED PROJECTS (Continued)

## Campus Specific

UAO	Willed Body Program - SAS 70 (A)	UCD	Financial Transaction Monitoring (C)
UAO	Whistleblower Policy (C)	UCI	Department Surveys (A)
UAO	Clery Act Group (C)	UCLA	Electronic Key Cards (A)
UAO	E-Discovery (C)	UCLA	OCH Food Inventory (A)
UAO	Enterprise Risk Mngt (C)	UCLA	Office of Residential Life (A)
UAO	HS Compliance/HIPAA Workgroup (C)	UCLA	International Institute (A)
UAO	Systemwide Anatomical Materials Review Comm. (C)	UCLA	UCLA Performing Arts (A)
UAO	Research Compliance Advisory Committee (C)	UCLA	AS-UCLA Finance Div - Cash Counts (A)
UAO	Strike Team (C)	UCLA	AS-UCLA Finance Div - Expenditures/Accounts Payable (A)
UAO	Lab Mngt Council/Contract Assurance Council (C)	UCLA	AS-UCLA Finance Div - Personnel/Payroll (A)
UAO	LANS Ethics and Audit Committee (C)	UCLA	AS-UCLA Restaurants - Operations Division (A)
UAO	UC Trust (C)	UCLA	AS-UCLA Store Division General Books (A)
UAO	UC Security and Policy (C)	UCLA	AS-UCLA Store Division Textbooks (A)
UAO	Ethics Roll Out/COI-PI Roll Out (C)	UCLA	Communication Technology Equipment Inventory (A)
UAO	Business Officer Institute (C)	UCLA	Conference Services (A)
UAO	UC Kauli Software Project (C)	UCLA	Housing Accounts Receivable (A)
UCB	Department IT Reviews (A)	UCLA	Housing Equipment Inventory Management (A)
UCB	Chancellor's Admin Fund and House Maintenance (A)	UCLA	Housing Information Technology (A)
UCB	IT Unit Surveys (A)	UCLA	Mail, Document, Distribution Services - Check control (A)
UCD	Chancellor Fund Allocations (A)	UCLA	Office of Insurance and Risk Management (A)
UCD	University Related Event and Agency Accounts (A)	UCLA	University Housing Major Maintenance- UC Housing Sys (A)
UCD	Investigations Coordination Workgroup (C)	UCLA	UCLA Police Depart Cash Management (A)
UCD	FARE Committee (C)	UCLA	UCLA Police Depart Equipment Inventory Management (A)
UCD	Senior Advisor Group (C)	UCLA	UCLA Police Depart Recharges and Revenue (A)
UCD	Committee for Research Integrity (C)	UCLA	University Apartments Revenue/Leasing/Vacancy (A)
UCD	Ethics Advisory Committee (C)	UCLA	Academic Dept. Reviews (A)
UCD	COSO Questionnaire (C)	UCLA	Database Systems Management (A)
UCD	Academic Personnel Investigation Support (C)	UCLA	Research Institutes - Institute of the Environment (A)
UCD	Cost Sharing Expenditure Consultation (C)	UCLA	SAS 112 (A)
UCD	Summer Abroad (C)	UCLA	Fleet & Transit Services - Auto Parts Inventory (A)
UCD	Survive An Audit (C)	UCLA	Fleet & Transit Services - Fuel Accountability (A)
UCD	CCFIT - SR (C)	UCLA	Transportation - A/P Purchasing (A)
UCD	Enterprise Risk Work Group (C)	UCLA	Transportation - Accounts Receivable (A)

# APPENDIX 4 – DETAIL OF PLANNED PROJECTS (Continued)

## Campus Specific

UCLA	Transportation - Cash Count/Other Miscellaneous (A)	UCR	Training - WB & Fraud Awareness (C)
UCLA	Transportation - Cashier's Office/Meter Collection (A)	UCR	Training - Accountability & New Employee (C)
UCLA	UCLA Real Estate (C)	UCSB	Daily Nexus - Internal Control Review (A)
UCLA	Graduate Division Student Support Funding (C)	UCSB	Organized Research Units (A)
UCLA	DACSS/ASAP System Support (C)	UCSB	Emergency Response/Business Continuity Committee (C)
UCLA	Training Development Support (C)	UCSB	Development of Self Assessment Tools (C)
UCOP	Oversight of the Willd Body Program (A)	UCSC	Graduate Division (A)
UCOP	Vector-borne Disease Research Program (A)	UCSC	Record Retention (A)
UCOP	University Affairs Division Review (A)	UCSC	SMG Comp Policy Implementation (A)
UCOP	Review for SAS 112 Department Controls (A)	UCSC	EPC and COSMOS Internal Controls (A)
UCOP	ANR: AREERA Reporting (A)	UCSC	New Teachers Center Internal Controls (A)
UCOP	UC Merced Affiliated Entity: Great Valley Center (A)	UCSC	Conflict of Interest Coordination- (C)
UCOP	Office of the Treasurer: Validation of Incentive Plan (C)	UCSC	Cruz Buy SDLC and controls review (C)
UCOP	Office of Health Affairs Ballot Validation: AIDS (C)	UCSC	Change Management Process Project (C)
UCOP	Office of Health Affairs Ballot Validation: BCRP (C)	UCSD	Price Center Lease Audit - Shogun Sushi (A)
UCOP	Office of Health Affairs Ballot Validation: TRDRP (C)	UCSF	Clinical Pharmacy Departmental (A)
UCR	Analytic Review & Fraud Detection (A)	UCSF	Biopharmaceutical Sciences Departmental (A)
UCR	Distributed Identity Mgmt System (A)	UCSF	Pharmaceutical Chemistry Departmental (A)
UCR	International Education Center (A)	UCSF	RSSG (C)
UCR	International Scholars Services (A)	UCSF	Capital Budget Workgroup (C)
UCR	SAS 112 - Departmental Key Controls (A)	UCSF	Information Security Committee (C)
UCR	SAS 112 - IT Key Controls (A)	UCSF	RASG (C)
UCR	SAS 112 - UCR Foundation Key Controls (A)	UCSF	FASG (C)
UCR	NCAA Compliance (C)	UCSF	University Support Groups Oversight Committee (C)
UCR	Utilization - New systems (C)	UCSF	Balanced Scorecard Implementation (C)
UCR	ERM (C)	UCSF	External Audit Coordinating Committee (C)
UCR	Training - SAS 112 (C)	UCSF	Encryption Security Workgroup (C)

# APPENDIX 4 – DETAIL OF PLANNED PROJECTS (Continued)

## Health Sciences Specific

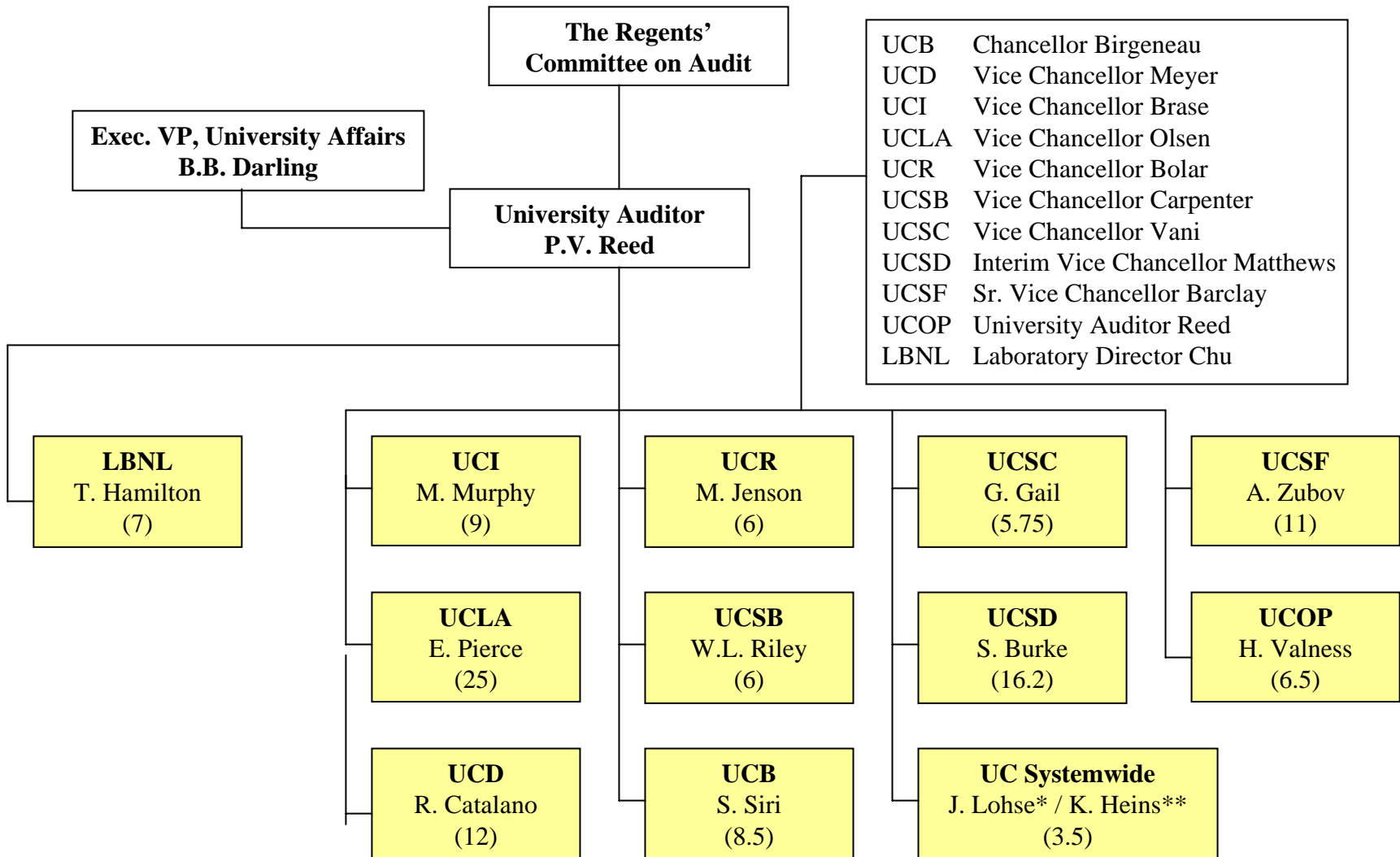
UCD	IT Cyber Safety - School of Medicine (A)	UCI	UCIMC - Medical Staff Administration (A)
UCD	Continuing Medical Education (A)	UCI	Department Surveys (A)
UCD	Department Review - Dermatology (A)	UCLA	Capital Equipment (A)
UCD	Corporate Compliance Committee (C)	UCLA	Cashiering/Subcashiering (A)
UCD	Pro-Fee Billing Compliance Committee (C)	UCLA	Disaster Resource Center - WWH (A)
UCD	Facilities Compliance (Hospital) (C)	UCLA	Disaster Resource Center - SMH (A)
UCD	HIPAA Committee	UCLA	Neuropsychiatric Hospital-Based Clinic - Phase I (A)
UCD	SAS 112 Committee (C)	UCLA	Neuropsychiatric Hospital-Based Clinic - Phase II (A)
UCD	Time and Attendance System (C)	UCLA	Software Acquisition, Devel and Maintenance (A)
UCD	Travel & Entertainment Committee (C)	UCSF	Compensation Plans (A)
UCI	UCIMC - Hospital Security (A)	UCSF	IT Steering Committee (C)
UCI	UCIMC - Medical Directorships (A)	UCSF	Clinical Enterprise Compliance Committee (C)

## DOE Laboratory Specific

LBNL	Appendix B Independent Evaluation (C)
LBNL	SAS 112/OMB A-123 (C)

(A) Audit Project (C) Advisory Services Project

# APPENDIX 5 – University of California Internal Audit Program



Total Professional Staff, including the Director, is in parentheses  
 Total Authorized Professional Positions = 116

(LLNL Audit Department not reflected in UC Audit Program)

\*Director of Investigations / \*\*Director of IT Audit Services