

Report of the Independent Validation of the Quality Assessment Review of the University of California's Office of Audit Services

July 30, 2018

July 30, 2018

Mr. Alexander Bustamante
Senior Vice President and Chief Compliance and Audit Officer
University of California, Office of the President

The University of California (UC) Board of Regents (Board or Regents) governs the University of California and its ten distinct campuses, the Office of the President, and the Lawrence Berkeley National Laboratory. These organizations each maintain an internal audit (IA) function and comprise the UC System (System). UC's Office of Ethics, Compliance and Audit Services (ECAS) engaged an independent review team consisting of internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of its Quality Assessment Review (QAR) self-assessment of the Office of Audit Services (Audit Services). The primary objective of the validation was to verify the assertions made in the QAR report concerning Audit Services' conformity to The Institute of Internal Auditors' (The IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)* and Code of Ethics.

The IIA's *Quality Assessment Manual* suggests a scale of three ratings: "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities. Based on our independent validation, we conclude that Audit Services "**Generally Conforms**" to the *Standards* and Code of Ethics. Our review identified strengths as well as opportunities for enhancing the IA function.

This information has been prepared pursuant to a client relationship exclusively with, and solely for the use and benefit of, the University of California and is subject to the terms and conditions of our related contract. Baker Tilly disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than administration of the University of California.

The review team appreciates the cooperation, time, and candid feedback of the Regents, executive leadership, stakeholders, and Audit Services personnel.

Very truly yours,

Baker Tilly Virchow Krause, LLP

Table of Contents



Candor. Insight. Results.

> Summary	1
> Observations	2
o Strengths	2
o Opportunities for Enhancement	3
> Appendix A: Work Performed	5
> Appendix B: Interviews Conducted	6
> Appendix C: Key Words from Interviews	8
> Appendix D: Independent Review Team Member Information	9
> Attachment I: University of California Audit Services System-wide Internal Assessment	12

Background

Baker Tilly was engaged to conduct an independent validation of the University of California's (UC) Audit Services' self-assessment. The primary objective of the validation was to verify the assertions made in Audit Services' May 2018 self-assessment report (refer to **Attachment I**) concerning adequate fulfillment of the organization's expectation of the internal audit activity and its conformity to The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics.

The approach and scope for the independent validation included:

- > Reviewing audit documentation, including documentation supporting Audit Services' self-assessment and a subset of Audit Services' operational documents, processes, work papers, and reports (refer to **Appendix A** for a full list of procedures performed)
- > Interviewing stakeholders to assess IA's effectiveness and compliance with the *Standards* and Code of Ethics (refer to **Appendix B** for a full list of interviewees)
- > Evaluating Audit Services in the context of the *Standards*, based on documentation review and interviews
- > Identifying opportunities to enhance the IA function and other institution-wide considerations, including an opinion as to the conformance with the *Standards* and Code of Ethics

Conclusions of the Independent Review Team

Based on our independent validation of the QAR performed by Audit Services, it is our overall opinion that the internal audit function "**Generally Conforms**" with the *Standards* and Code of Ethics. The IIA's *Quality Assessment Manual* suggests a scale of three ratings: "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Our review identified strengths as well as opportunities for enhancing the IA function and processes that affect Audit Services' effectiveness, as further detailed on the following pages.

Strengths

During our review we identified a number of strengths, including the following:

- > **Responsiveness of the IA plan** – IA’s annual planning process engages senior leadership and incorporates their feedback; leadership credits IA’s plan as being both risk-based and responsive to campus and leadership input.
- > **Relationships with stakeholders and management** – Stakeholders view IA as an open, collaborative partnership, value its work, and proactively seek advisory services.
- > **System-wide cybersecurity capabilities within IA** – The System recently established a System-wide cybersecurity audit function within Audit Services at the UC Office of the President (UCOP). This team provides expertise across the institutions within the System, and will have opportunities to share common risks and solutions across all campuses.
- > **Continuous successful performance and evolution** – The maturity of the IA function, including processes and personnel, facilitated a smooth, successful transition to a new Chief Compliance and Audit Officer (CCAO) who is capitalizing on opportunities to evolve in areas such as investigations and collaborative risk assessments within ECAS.
- > **Creative staff development approaches** – IA has implemented creative staff development approaches, including a mentorship program, succession planning, and campus-level internship and fellowship programs.
- > **Use of subject matter experts** – IA is nimble in addressing varying and urgent needs across campuses. IA has been strategic with co-sourcing opportunities to incorporate subject matter experts in specialized areas, and is proactively collaborating with UC risk partners to form a System-wide Risk Council.

Refer to **Appendix C** for key words captured during stakeholder interviews.

"Our relationship [with IA] has a good balance between close coordination and collaboration while respecting IA's independence."

"[The team has] done a really good job of managing relationships."

"It feels like a very healthy partnership; when I've got problems, they help me with my problems."

"We have a good team; they are accessible, excellent communicators."

Opportunities for Enhancement

The review team agrees with Audit Services' March 2018 self-assessment report, including the assessment of individual *Standards* and self-identified opportunities for enhancement. We offer the following additional observations and recommendations to build on IA's strong foundation.

- > **Further define IA, Compliance, and Risk** – IA Directors and UCOP Audit Services should continue to collaborate to further define and communicate the different roles and responsibilities of each of the three functions throughout campuses, and explain the similarities, interactions, and collaborations among the functions. This delineation will help campus stakeholders better understand the value that each function provides and how the functions may collaborate.
- > **Evolve annual risk assessment discussions and clearly link IA activities to System and campus strategies** – IA can foster greater support for the annual risk assessment process by explaining the rationale behind IA and Compliance risk assessments and work plans, and linking IA activities to System-level and institutional strategies. IA can explicitly place identified risks into the context of the institutions' strategic priorities, discuss cross-cutting themes, and extend the identified risks beyond auditable units during the risk assessment process. For example, IA could enhance the strategic alignment section within the fiscal year audit plan by specifying which top risks impact these strategies.

Additionally, IA should continue to expand the discussion with business officers and other leadership members during the risk assessment process to include emerging risk areas (e.g., public-private partnerships, deferred maintenance, and seismic initiatives) and other non-traditional areas of risk that may not be assignable to one auditable unit. The following are examples of non-traditional, cross-cutting topics to include in risk assessment discussions:

- Campus safety
 - Culture of ethics and compliance
 - Enrollment management
 - Resource optimization
 - Restricted gifts spending
- > **Build out the use of data analytics** – IA can expand on its data analytics community of practice by considering the following activities:
 - Developing a data analytics strategy
 - Sharing scripts systemically
 - Centralizing work related to data analytics at the System-level
 - Identifying ways to incorporate data analytics into reports
 - Facilitating data analytics trainings by campus experts
 - Reviewing and consolidating predictive indicators of risk to drive audit and risk management activities

Additionally, upon the completion of the System-wide implementation of a human resources and payroll system (UCPath), IA has an opportunity to pilot System-wide tests and/or reports to roll out to all campuses.

- > **Clarify UCOP Audit Services leadership roles** – The CCAO should consider providing additional communication to clarify the supporting roles of each Audit Services leadership position to assist the campus IA functions in achieving their goals. Along with this communication, ECAS should consider identifying additional ways to support the campus IA functions, including via the continuation of regular in-person and virtual meetings.

In completing our review, the independent review team:

- > Conducted interviews with 54 individuals from positions across UC to understand their views of the current internal audit function in relation to strategic goals, major initiatives, and challenges;
- > Reviewed documentation, including:
 - Internal audit charter
 - Recent annual audit plans
 - Recent annual risk assessments
 - Departmental policies and procedures
 - Staff training plans and qualifications
 - Reports to the Committee on Compliance and Audit of the Board of Regents and the Compliance, Ethics, and Risk Committees
 - Sample internal audit reports
 - Quality assurance and improvement plan (QAIP) documentation
- > Considered the current internal audit function in relation to the *Standards* promulgated by The IIA in the areas of:
 - Structure and reporting relationships
 - Charter
 - Roles and responsibilities
 - Degree of independence and objectivity
 - Education, training, qualifications, and experience of personnel
- > Reviewed results of IA functions' work paper reviews on internal audit projects, validating the appropriateness and completeness of the internal assessment performed; and
- > Assessed additional materials, as necessary, to further validate the self-assessment completed.

Board of Regents Member

Charlene Zettel, Chair, Board of Regents' Committee on Compliance and Audit

University of California System / Office of the President

Nathan Brostrom, Executive Vice President – Chief Financial Officer
Alex Bustamante, Senior Vice President and Chief Compliance and Audit Officer
Peter Cataldo, Systemwide Audit Manager
Ilana Harms, Cybersecurity Audit Specialist
Matthew Hicks, Systemwide Deputy Audit Officer
Cheryl Lloyd, Chief Risk Officer
Jake McGuire, Controller – Division of Agriculture and Natural Resources
Janet Napolitano, President
Rachael Nava, Executive Vice President – Chief Operating Officer
Charles Robinson, General Counsel and Vice President – Legal Affairs
David Rusting, Chief Information Security Officer

Lawrence Berkeley National Laboratory

Adel Flores, Internal Audit Services Department Head
Kim Martens, Principal Auditor
Horst Simon, Deputy Director for Research
Adam Stone, Deputy Chief Information Officer
Kim Williams, Chief Financial Officer
Michael Witherell, Director
Jim Yoshihara, Principal Auditor

University of California - Irvine

Mike Arias, Associate Chancellor and Chief of Staff
Mike Bathke, Internal Audit Director
Ron Cortez, Chief Financial Officer and Vice Chancellor – Division of Finance and Administration
Dana Roode, Chief Information Officer and Associate Vice Chancellor
Helen Templin, Senior Auditor
Lorenzo Wasan, Senior Auditor

University of California - Los Angeles (UCLA)

John Mazziotta, Vice Chancellor of UCLA Health Sciences and Chief Executive Officer of UCLA Health
Edwin Pierce, Director, Audit & Advisory Services
Victoria Sork, Dean of Life Sciences
Roger Wakimoto, Vice Chancellor for Research

University of California - Merced

Todd Kucker, Internal Audit Director
Charles Nies, Vice Chancellor for Student Affairs
Tom Peterson, Provost and Executive Vice Chancellor
Luanna Putney, Associate Chancellor and Senior Advisor to the Chancellor

University of California - Riverside

Niloufar Alian, Principal Auditor
Laura Bishin, Principal Auditor
Ron Coley, Vice Chancellor for Business and Administrative Services
Rodolfo Jeturian, Assistant Director for Audit & Advisory Services
Noahn Montemayor, Principal Auditor
Gregory Moore, Director for Audit & Advisory Services
Tom Smith, Interim Vice Chancellor for Student Affairs
Christine Victorino, Associate Chancellor
Kim Wilcox, Chancellor

University of California - Santa Cruz

Scott Brandt, Vice Chancellor for Research
Sarah Latham, Vice Chancellor for Business and Administrative Services
Lorena Penaloza, Chief Campus Counsel
Marlene Tromp, Provost and Executive Vice Chancellor

University of California - San Diego (UCSD)

Judy Bruner, Chief Ethics and Compliance Officer
Greg Buchanan, Audit & Management Advisory Services (AMAS) Manager, Investigations & External Audit Coordination
Patty Maysent, Chief Executive Officer of UCSD Health
Jennifer McDonald, AMAS Manager, Campus and Information Technology Audits
David Meier, Director, AMAS
Christina Perkins, AMAS Associate Director, Health Sciences Audits
Cheryl Ross, Assistant Vice Chancellor, Business and Financial Services and Controller
Steven Ross, Associate Vice Chancellor, Resource Administration

Appendix C: Key Words from Interviews



Note: The relative size of the words correlates to their occurrence/use by interviewees.

Raina Rose Tagle, CPA, CISA, CIA, Review Team Leader
Partner and National Higher Education Consulting Practice Leader, Baker Tilly

Raina Rose Tagle is a Partner with Baker Tilly, an accounting and advisory firm with more than 3,000 personnel nationwide. Raina leads Baker Tilly's higher education and research institutions industry consulting practice, as well as its national risk and cybersecurity consulting services practice, which provides services in the areas of internal audit, financial and operational risk management, construction audit, fraud investigation, cybersecurity and technology risk, and organizational governance. In addition to her extensive work with higher education clients, Raina's practice serves the healthcare, not-for-profit, government contracting, real estate, manufacturing, and financial services industries. Raina started her career with Arthur Andersen. Prior to joining Baker Tilly, she led her own consulting practice that offered strategic planning facilitation, executive coaching, and organizational development for not-for-profits. Raina holds a bachelor of science in accounting from Oklahoma State University. Her community involvement includes serving as the selection committee chair for the *Washington Post* Award for Excellence in Nonprofit Management. Raina presents at conferences of the Association of College and University Auditors, the National Council of University Research Administrators, and the National Association of College and University Business Officers, and has co-authored articles in NCURA Magazine and Research Global. Raina's clients include the University of California System, University of Texas System, University of Wisconsin System, the University of North Carolina at Chapel Hill, University of Washington, Cornell University, Princeton University, Stanford University, University of Pennsylvania, Massachusetts Institute of Technology, Harvard University, and Georgetown University.

Richard Cordova, CPA, MBA
Executive Director Internal Audit, University of Washington

Richard Cordova is the Executive Director of Internal Audit at the University of Washington, and has led the expansion of the "scope" of work of the department to include the first audit of UW international operations overseas (I-Tech Africa) and to the newly acquired medical operations (Northwest Hospital & Valley Medical Center). Richard began his tenure at UW in July of 2009 and participates in a number of university-wide initiatives and committees, including acting as an advisor on the implementation of the new UW HR/Payroll System. Prior to joining the University of Washington, Richard worked for a year at Starbucks as the Director of Internal Audit assisting in the completion of their audit program, which included audits in Mexico, Costa Rica, and China as well as overseeing the completion of the Sarbanes Oxley Audit requirements. Richard also participated in the Starbucks QAR process, whereby Starbucks, Nike, and MGM Grand Hotels worked together to conduct QAR's across each organization. Richard currently serves on the Internal Audit Committee of the Board of Directors for the Association of College and University Auditors (ACUA). Richard led the QAR team which conducted the review of the Oregon University System in 2011 and was a team member of the University of Virginia QAR in January 2015, Texas Tech in June 2015, and Virginia Tech in May 2016. Richard obtained his Bachelor of Science from the University of Notre Dame and his MBA from the University of California, Irvine.

Sandy Jansen, CIA, CCSA, CRMA

Chief Audit and Compliance Officer, The University of Tennessee System

Sandy Jansen is the Chief Audit and Compliance Officer for the University of Tennessee System and reports to the Audit and Compliance Committee of the Board of Trustees. She leads the internal audit and institutional compliance teams who help the University by providing objective, independent evaluations to reduce risk and improve operations. Prior to joining UT, Sandy served as the Assistant Chief Audit Executive at Texas Tech University System, where she worked for 21 years. Sandy has been in higher education auditing for over two decades, beginning her career at an academic medical center. Her areas of expertise include quality assurance and improvement programs, fraud risk assessments, audit and project management, audit planning, auditor development, and team building. Sandy is a qualified validator for internal audit quality assessment reviews and has participated in and led several reviews of peer institutions, including the University of South Carolina System, Texas A&M University System, Virginia Commonwealth University, the University of North Texas System, and four universities within the University of Texas System. Sandy is involved in a number of professional organizations and previously served as the President of the Association of College and University Auditors (ACUA). A native of Texas, Sandy earned her bachelor's degree in accounting at Texas Tech University.

Brynn Tomlinson, CFE

Manager, Baker Tilly

Brynn Tomlinson is a manager in the risk, internal audit, and cybersecurity services practice at Baker Tilly, specializing in higher education. She has been with the firm since October 2013, and previously worked at a Big Four firm for three years. She regularly documents and provides best practice solutions for financial and operational processes and internal controls, including gap analyses, flowcharts, walkthroughs, and on-site interviews. She also performs internal control and business process reviews for efficiency and effectiveness, including summarizing client policies and procedures in order to identify improvement opportunities in content and level of detail. Additionally, she assesses business processes and internal controls for compliance with various federal government regulations, including Uniform Guidance, U.S. Federal Sentencing Guidelines, and the *Standards*. Brynn obtained her Bachelor of Science in accounting from The Pennsylvania State University, is a Certified Fraud Examiner (CFE), holds a CPA license in Virginia and Pennsylvania, and is a member of The IIA.

Appendix D: Independent Review Team Member Information



Candor. Insight. Results.

John Kiss, CPA, CFE

Director, Baker Tilly

John Kiss is a director in the risk and internal audit services practice at Baker Tilly, specializing in higher education and healthcare. John has over twelve years of experience serving primarily research institutions, academic medical centers, and not-for-profit organizations. John also works with clients to provide internal audit, financial and operational risk management, fraud investigation, organizational governance, and other assurance services. John has participated in the Quality Assessment Review process for many leading research institutions, while also assisting a university in preparing its own Self-Assessment according to the *Standards*. He routinely develops and leads trainings and presentations focused on internal audit, risk management, and compliance specifically targeted to higher education and not-for-profit institutions. John holds a Bachelor of Science in Information Systems Management and a Masters in Accountancy from Wake Forest University. He is a Certified Public Accountant and Certified Fraud Examiner. John's clients include The University of Texas System, the University of California System, the Iowa Regents Institutions, University of Michigan, George Washington University, Georgetown University, Howard University, Marquette University, Princeton University, and Stanford University.

UNIVERSITY
OF
CALIFORNIA

UC Audit Services
Systemwide Internal Assessment
May 2018



Executive Summary

The Office of Ethics, Compliance and Audit Services has completed a systemwide internal self-assessment of the internal audit (IA) activity. The review was conducted during the period of November 2017 to May 2018, with an emphasis on current practices. The principal objective of the review was to assess internal audit's conformance to The Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, and the IIA Code of Ethics, as well as the University of California Internal Audit Manual.

Based on our self-assessment, it is our overall opinion that our systemwide internal audit program generally conforms to the IIA *Standards* and Code of Ethics. The internal assessment identified opportunities for further improvement, the details of which are provided below.

IIA Quality Assessment Ratings

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform."

"Generally Conforms" is the top rating and means that an IA activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially Conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude IA from performing its responsibilities in an acceptable manner. "Does Not Conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Background

While the *Standards* require continuous internal review of the internal audit departments, the Standards also require that every internal audit department must also be reviewed once every five years by a qualified independent reviewer. The University of California elected to fulfill this requirement by performing a self-assessment with independent validation - which is one of the approaches approved by the IIA.

The self-assessment with independent validation method was a more cost effective approach and included the engagement of campus audit departments. The independent validation was performed by a team comprised of Chief Audit Executives from the University of Washington and the University of Tennessee and led by the firm Baker Tilly. This external review team reviewed and evaluated our campus and system-wide self-assessments, performed limited testing, and interviewed a sample of UC auditors and internal audit stakeholders. The review team will prepare a separate report and opine on our compliance with the *Standards* and identify opportunities for improvement.

Scope and Methodology

Each campus and Lawrence Berkeley National Laboratory Internal Audit department completed a comprehensive self-assessment that reviewed information about their respective practices and policies, including risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, a review of a representative sample of work papers and reports, and interviews with audit staff and campus audit clients and leadership.

The campus and laboratory self-assessment results were reviewed, consolidated and supplemented with an overall systemwide self-assessment. This assessment also included interviews with systemwide leadership and a review of campus audit practices, with an emphasis of identifying value added activities.

Refer to Attachment A for the systemwide summary assessment of conformance to each of the IIA Standards based on the results of our IAP.

Positive Observations and Notable Achievements

As a result of our location and system-wide self-assessments, we have concluded that our systemwide internal audit environment is well-structured and progressive, IIA *Standards* are understood, and internal audit management provides useful audit tools and implements appropriate best practices. Some successful best practices and/or notable achievements identified during the review include the following:

- Enhanced efforts in the IT audit arena included the establishment of the Cybersecurity Audit Team (CAT). The CAT is a specialized team that consists of a Cybersecurity Audit Director and Cybersecurity Audit Specialists and an Analyst with information security backgrounds. The CAT works with campuses to deliver specialized cybersecurity audit and advisory services, and serves to provide independent assurance and advice on systemwide cybersecurity initiatives and programs.

Positive Observations and Notable Achievements

- Following the 2012 Quality Assurance Review, we initiated a comprehensive strategic initiative plan to improve and enhance our internal audit program. Our strategic direction centered on the areas of leveraging resources/knowledge sharing, leadership and staff development, marketing and training. This strategic plan produced a number of notable achievements including the following:
 - Auditor skills inventory database
 - Subject matter expertise (SME) protocol
 - Dedicated UC Audit portal (SharePoint)
 - Data analytics workgroup
 - UC Internal Audit mentorship program
 - Auditor self-assessment worksheets
 - UC Auditor Recognition program
 - Sample audit client brochure
 - Monthly UC Internal Audit Webinar series
 - New UC Auditor training program
 - Numerous enhancements to our Audit Management System

Positive Observations and Notable Achievements

- In October 2014, the systemwide Office of Audit Services launched the “UC Internal Audit Mentorship Program.” This program pairs our professional staff with a mentor at another campus/laboratory who has significant experience and leadership responsibility within our UC audit community. Mentors and mentees agree on topics to discuss; these discussions are two-way conversations that contribute to professional and personal enrichment and satisfaction for both parties.
- We provided high quality and low cost professional training for internal audit staff, including training directed toward obtaining professional certifications. Our 2014 and 2016 Audit Forums provided educational and training sessions in the areas of critical thinking, leadership development and hands-on technical exercises addressing internal audit skill sets.

Positive Observations and Notable Achievements

- In 2016, we implemented a certification initiative to increase the number of UC auditors achieving the professional designation of Certified Fraud Examiner (CFE). Currently 27% of our professional staff possess the CFE certification. Since FY 2007-08, the percentage of professional staff with Certified Internal Auditor (CIA) certifications has remained relatively constant at 40%.
- Internal Audit management and staff from all locations participate on various system-wide, campus and external committees and work groups. Our systemwide committee involvement includes Lawrence Berkeley National Laboratory's Contract Assurance Council, the Laboratory Management Council, the Ethics and Audit Committee of the Los Alamos National Security and Lawrence Livermore National Security LLC, UCPath steering committees, and the Clery Act Compliance Committee. Additionally, Internal Audit personnel actively participate on various committees supporting management initiatives throughout the University system, including committees that address Ethics and Risk, IT Governance, Privacy, data analytics, HIPAA compliance, and new systems development projects, including UCPath.

Positive Observations and Notable Achievements

- Internal Audit has partnered with Compliance, Risk Services, and the Office of General Counsel in an effort to identify synergies on risk assessment and mitigation efforts, including defining roles and responsibilities for risk assessment and monitoring. Efforts also include the development of a common risk assessment framework and taxonomy. Once completed, this framework will help achieve consistency in the risk assessment approach across the system
- The Internal Audit Charter was amended to reinforce the reporting structure and independence by clarifying the direct reporting relationship of the Internal Audit Director to the Chancellor/Lab Director and that the systemwide position of Senior Vice President, Chief Compliance and Audit Officer reports directly to the Regents. The amendment also clarified that the Regents have the ultimate authority to approve or amend the systemwide audit plan. These amendments serve to reinforce Internal Audit's organizational independence and unrestricted access to leadership

Positive Observations and Notable Achievements

- A number of our campuses have implemented student internship programs. These programs provide our interns, who are mostly UC undergraduates and graduate students, with practical skills development, related training, and work experience in a professional setting at the University of California. Several audit departments that have experienced staffing and funding issues have used this program to help augment their existing audit resources.
- As part of our increased follow-up activity and in collaboration with management, we have reduced our count of open management corrective actions from 1,197 in FY 2011-12 to 568 at the end of FY2016-17.
- We continued to significantly improve campus audit plan completion rates and significantly reduced the number of projects carried forward from the previous years. Our audit plan completion rate has averaged 97% for the last three years compared to 80% in FY 2007-08 and 77% in FY 2008-09.

Opportunities for Improvement

Although our audit work and processes complied with the *Standards*, we did identify opportunities for additional training or communication reminders to increase awareness and reinforce our Internal Audit Manual requirements with our audit staff. Additionally, each UC campus and laboratory issued local reports summarizing their individual results, including local opportunities for improvement aimed at increasing efficiencies.

We have identified the following system-wide strategic improvement areas that will further strengthen our internal audit business practices and adherence to the *Standards*:

1. Update the Internal Audit Strategic Plan.

Significant progress over the past few years produced a number of processes and/or practices that are currently operating in a maintenance mode, however, several tasks/projects would benefit from a fresh and renewed outlook to ensure all strategic initiatives and goals are relevant and realistic.

Opportunities for Improvement

2. Explore opportunities for standardization

Consider improvement opportunities to standardize systemwide practices such as Regent and campus stakeholder reporting, standard internal audit customer surveys and common internal audit report elements/template.

3. Evaluate systemwide performance benchmarks

In an effort to achieve a baseline of quality and to help improve efficiency, consider the implementation of additional systemwide benchmarks to monitor performance of the internal audit function on an on-going basis.

4. Explore additional mechanisms to share knowledge and data.

Continue to encourage and/or implement additional opportunities to share knowledge among the UC internal audit staff, including the use of data analytics, best practices and innovative audit techniques.

5. Continue to drive specialization.

Given the success of the Cybersecurity Audit Team, continue to explore opportunities to develop expertise in specialized areas such as tech transfer/royalties, health care, construction and research. Provide clear direction to the campuses regarding top priorities and where available resources exist across the system.

Opportunities for Improvement

6. Develop a training plan

In an effort to maintain a high level of professional expertise and competency, develop a systemwide training plan for Internal Audit personnel that considers the methodology for training (including the assessment and identification process of training needs), delivery options, frequency, cost and target audiences.

University of California
Office of Ethics, Compliance and Audit Services

Attachment A

**University of California Internal Audit
Systemwide IIA Standards Conformance Evaluation
Summary**

("X" Evaluator's Decision)		
GC	PC	DNC

ATTRIBUTE STANDARDS				
1000	Purpose, Authority, and Responsibility	X		
1010	Recognition of the Definition of Internal Auditing	X		
1100	Independence and Objectivity	X		
1110	Organizational Independence	X		
1111	Direct Interaction with the Board	X		
1112	CAE Roles Beyond Internal Auditing	X		
1120	Individual Objectivity	X		
1130	Impairments to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		
1210	Proficiency	X		
1220	Due Professional Care	X		
1230	Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
1310	Requirements of the Quality Assurance and Improvement	X		
1311	Internal Assessments	X		
1312	External Assessments	X		
1320	Reporting on the Quality Assurance and Improvement Program	X		
1321	Use of "Conforms with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
1322	Disclosure of Nonconformance	X		
PERFORMANCE STANDARDS				
2000	Managing the Internal Audit Activity	X		
2010	Planning	X		
2020	Communication and Approval	X		
2030	Resource Management	X		
2040	Policies and Procedures	X		
2050	Coordination	X		

University of California
Office of Ethics, Compliance and Audit Services

**University of California Internal Audit
Systemwide IIA Standards Conformance Evaluation
Summary**

		("X" Evaluator's Decision)		
		GC	PC	DNC
2060	Reporting to Senior Management and the Board	X		
2070	External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
2110	Governance	X		
2120	Risk Management	X		
2130	Control	X		
2200	Engagement Planning	X		
2201	Planning Considerations	X		
2210	Engagement Objectives	X		
2220	Engagement Scope	X		
2230	Engagement Resource Allocation	X		
2240	Engagement Work Program	X		
2300	Performing the Engagement	X		
2310	Identifying Information	X		
2320	Analysis and Evaluation	X		
2330	Documenting Information	X		
2340	Engagement Supervision	X		
2400	Communicating Results	X		
2410	Criteria for Communicating	X		
2420	Quality of Communications	X		
2421	Errors and Omissions	X		
2430	Use of "Conducted in conformance with the <i>International Standards for the Professional Practice of Internal Auditing</i> "	X		
2431	Engagement Disclosure of Nonconformance	X		
2440	Disseminating Results	X		
2450	Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Management's Acceptance of Risks	X		

University of California
Office of Ethics, Compliance and Audit Services

**University of California Internal Audit
Systemwide IIA Standards Conformance Evaluation
Summary**

	("X" Evaluator's Decision)		
	GC	PC	DNC
IIA Code of Ethics	X		
Key GC = Generally Conforms PC = Partially Conforms DNC = Does Not Conform			