



UNIVERSITY OF CALIFORNIA
2008-09 INTERNAL AUDIT PLAN

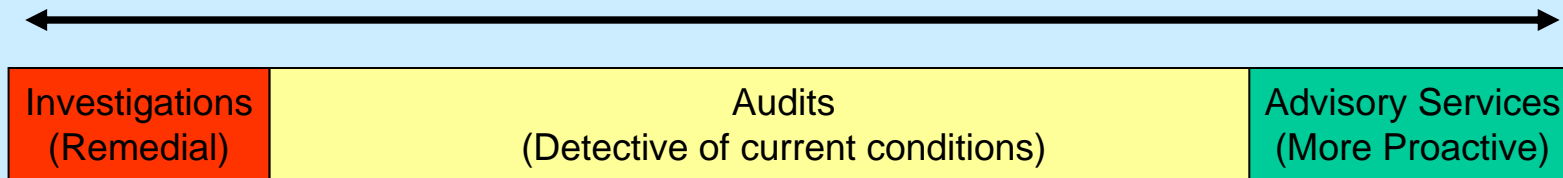
INTERNAL AUDIT PLAN OBJECTIVES

- Address the University's significant financial, operational and compliance risks;
- Leverage existing efforts by others to identify, evaluate and mitigate risks;
- Support management's restructuring and budget coping strategies;
- Serve the needs of campus/lab leadership while addressing broader issues from a systemwide perspective;
- Support the evolution of the Systemwide Compliance Program; and
- Meet the challenge to enhance the value of the Internal Audit Program.

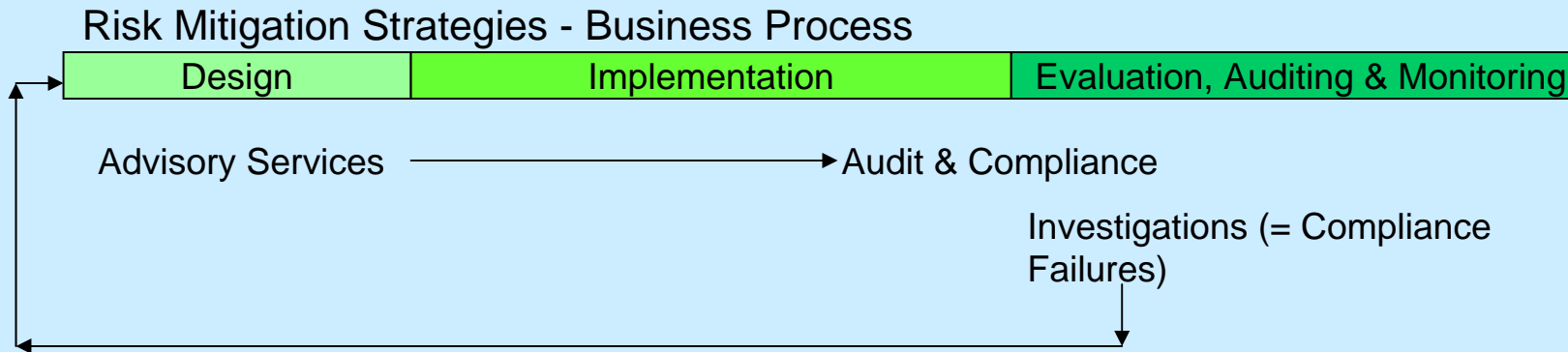
THE EVOLVING ROLE OF INTERNAL AUDIT

Challenge: *To provide increased value to The Regents and Management in addressing a broader set of strategic risks in a highly dynamic environment*

Historically Internal Audit's Role Viewed on a Continuum



Engaged Role of Compliance and Audit



AUDIT PLAN DEVELOPMENT – Risk Assessment Process for 2008-09

- Simplify and streamline prior process
 - Solicit input “from the top”; Regents, Senior Management, systemwide and campus management perspective
 - Identify and “tap into” existing risk identification processes wherever they exist (e.g. ERM, functional areas)
 - Gather and assess input from external sources (e.g. regulatory areas of interest, industry sources)
 - Share information among campus/lab auditors to leverage input and ensure consistent consideration of risks.

The result of the risk assessment is an informed perspective on the current risk environment. A high level overview of the risk environment focusing on “auditable” risks follows.

HIGH LEVEL VIEW OF KEY AUDIT RISKS AREAS

Financial

- SAS 112 Key Controls
- Compensation
- Construction
- Account Reconciliations
- Auxiliary Activities
- Extramural Funds Accounting
- Hospital Charges & Receivables
- Physician Billings
- Recharge Activities
- Investments

Operational

- IT Security
- Business Continuity
- Data Center Operations
- Business Contracts
- Third Party Relationships
- Emergency Management Plans
- Contracts & Grant Administration
- Foreign Travel
- Facilities Administration

Compliance

- Research
- Conflicts of Interest/commitment
- Compensation
- Health Sciences
- HIPAA
- EH&S
- Federal Acquisition Regulations & DOE Orders
- Athletics
- Gift Stewardship
- Transplant Services

Note: Issues are inter-related across these risk types. The above categorization is not meant to be exclusive.

The Risk Assessment Drives the Audit Plan at Multiple Levels

1. Risks to be addressed with Audits or Advisory Services carried out at each location simultaneously



Page 7

2. Risks to be addressed from a UCOP or Systemwide perspective combining Compliance and Audit capabilities



Page 8

3. Risks to be addressed via the location specific Audit Plans



Appendix 1

2008-09 PLANNED SYSTEMWIDE AUDIT AREAS

AREA	SCOPE	PROJECTED TIMING
Compensation	Executive Compensation Policies-Implementation & Effectiveness of new policies as rolled out and a review of Annual Report on Executive Compensation.	To Be Determined
IT Security	Evaluation of IT Security Self Assessments conducted at each location.	3rd Quarter
Research Compliance*	Specific topic(s) to be determined based on Compliance Inventory outcome and continuing evaluation of risk areas by Compliance.	To Be Determined
General Compliance*	Specific topic(s) to be determined based on Compliance Inventory outcome and continuing evaluation of risk areas by Compliance.	To Be Determined
Support Groups/Affiliated Organizations	Evaluation of compliance with UC policy by supporting organizations which use the University's name and which function on its behalf.	2nd Quarter
Denial Management	A review at the Health Sciences campuses to evaluate claims denial management processes and systems implemented during the revenue cycle project.	To Be Determined

**Represent integration of Compliance and Audit on specific efforts. Other topics (e.g. Compensation) have shared interests as well.*

2008-09 Additional Areas Addressed from a System Audit/Compliance Perspective

<u>Activity</u>	<u>Risk Type</u>	<u>Business Process Phase</u>
UCOP Restructuring--Business Services Unit Restructuring Workgroup—Controls Design	Financial/Operational	Design
UCOP Restructuring--Budget Utility—Forensic Accounting Review of Budget Transfers	Financial	Monitoring/Auditing
Construction Compliance/Auditing (new capital projects program structure and subject matter expert involvement)	Operational	Implementation
HIPAA Privacy and Security Program Enhancements	Compliance	Design/Implementation
Conflicts of Interest/Commitment	Compliance	Monitoring/Auditing (possibly leading to redesign)
Willed Body Program—System Implementation	Operational	Implementation
IT Security—Third Party Audit Requirements	Operational	Implementation
Development of Continuous Monitoring capabilities for Business Transaction Processes (Joint with Controllers)	Financial/Operational	Design
Development of Audit Software Tools/Capabilities	Operational	Design
Principal Investigator Fiscal Accountability Training	Financial	Design/Implementation
SAS 112 Key Controls Testing	Financial	Monitoring/Auditing
Compensation Classification Process Reengineering	Financial/Operational	Implementation
Annual Report on Executive Compensation – Process Enhancements	Financial/Operational	Monitoring/Auditing (and some re-design)

HIGHLIGHTS OF THE CONSOLIDATED AUDIT PLANS

Personnel:

Authorized staff level	118 FTE's. (no change)
Avg. Staff Level	110 FTE's (current YTD avg. is 102)

Distribution of Planned Activities :

By Audit Activity Type (hours/%):

<i>Audits</i>	98,180	64%
<i>Advisory Services</i>	34,493	22%
<i>Investigations</i>	<u>21,782</u>	<u>14%</u>
	154,455	100%

By University area:

<i>Campus</i>	63%
<i>Health Sciences</i>	26%
<i>Labs</i>	5%
<i>Office of the President</i>	<u>6%</u>
	100%

HIGHLIGHTS OF THE CONSOLIDATED AUDIT PLANS

- The Plan contains over 8,600 hours to continue the emphasis on audit follow-up on corrective actions;
- The Plan affords greater flexibility with over 14,000 hours provided for topics to be determined based on emerging local or systemwide priorities;
- The Plan provides for a 50% increase in Advisory Service hours to be able to assist management in addressing internal control issues in a restructured and budget constrained environment;
- Approximately 5,000 hours are budgeted to support the Compliance Program as monitoring activities are still evolving in certain compliance areas; and
- The budgeted hours for investigations are reduced by 3,000 reflecting the movement of case management from Audit to Compliance, but also the effort to reduce audit involvement in investigations appropriately handled by management.

Available Resources	FY09 Plan		3/31/08 Annualized	
	Hours	Percent	Hours	Percent
Weighted Average FTE	110		102	
Personnel Hours	229,124	98.7%	213,177	97.7%
Other Resource Hours	<u>3,075</u>	<u>1.3%</u>	<u>4,917</u>	<u>2.3%</u>
Gross Available Hours	232,199	100.0%	218,094	100.0%
Less: Non-Controllable Hours	37,863	16.3%	39,259	18.0%
Less: Admin/Training	<u>28,533</u>	<u>12.3%</u>	<u>26,597</u>	<u>12.2%</u>
Total Direct Hours	<u>165,803</u>	<u>71.4%</u>	<u>152,238</u>	<u>69.8%</u>

Available Resources

The table to the left depicts the staffing level assumed in the Plans and quantifies the human resources available to assign to audit activities. Total hours are reduced for non-controllable hours (vacation, holiday and illness per University policy) and for program administration and training.

Resource Allocation	FY09 Plan		3/31/08 Annualized	
	Hours	Percent	Hours	Percent
Audit Program				
Planned Audits* (265 projects)	75,346	45.4%	75,613	49.7%
Supplemental Audits	14,214	8.6%	9,195	6.0%
Audit Follow Up	<u>8,620</u>	<u>5.2%</u>	<u>9,703</u>	<u>6.4%</u>
Total Audit Program	98,180	59.2%	94,511	62.1%
Advisory Services				
Planned Projects* (132 projects)	13,687	8.3%	n/a	n/a
Supplemental Hours	<u>20,806</u>	<u>12.5%</u>	<u>n/a</u>	<u>n/a</u>
Total Advisory Services	34,493	20.8%	22,062	14.5%
Investigations	21,782	13.2%	24,897	16.3%
Audit Support Activities	11,348	6.8%	10,769	7.1%
Total Direct Audit Hours	165,803	100.0%	152,238	100.0%

Resource Allocation

The table to the left displays the deployment of the Available Resources among our activities by type (audit, advisory services and investigations). While the mix over time tends to shift somewhat between Investigations and Advisory Services, the commitment of the majority of our efforts to a substantial program of regular audits remains evident.

*Total Hours for Planned Projects = 89,033

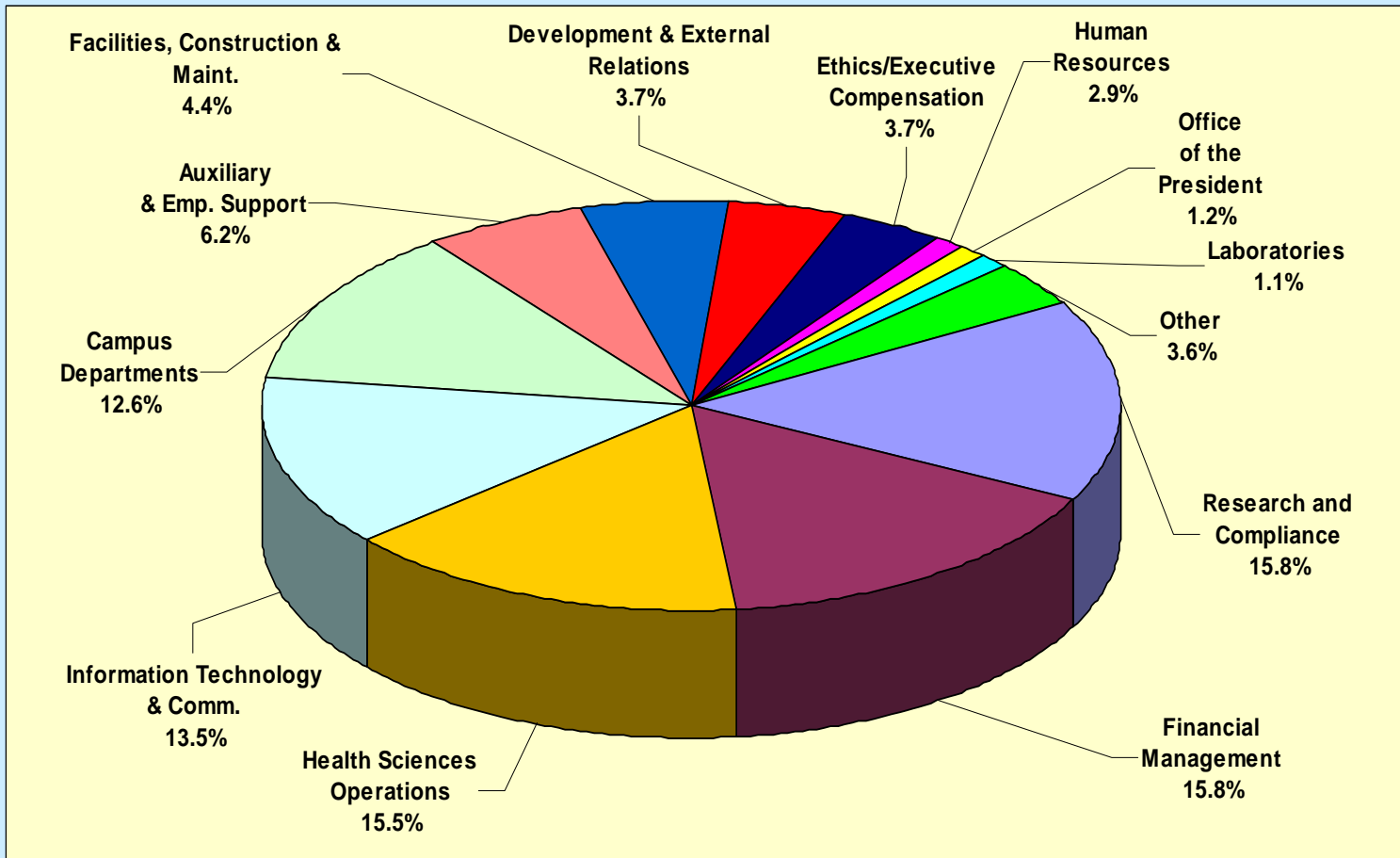
DISTRIBUTION OF AVAILABLE HOURS

	FY09		3/31/2008	
	Plan	Percent	Annualized	Percent
INDIRECT HOURS				
Administration	16,623	8.6%	16,458	9.2%
Professional Development	10,633	5.5%	8,609	4.8%
Other	<u>1,277</u>	0.7%	<u>1,530</u>	<u>0.9%</u>
Total Indirect Hours	28,533	14.8%	26,596	14.9%
DIRECT HOURS				
Audit Program				
Planned Audits	75,346	38.8%	75,613	42.3%
Supplemental Audits	14,214	7.3%	9,195	5.1%
Follow Up Audits	<u>8,620</u>	<u>4.4%</u>	<u>9,703</u>	<u>5.4%</u>
Total Audit Program	98,180	50.5%	94,510	52.8%
Advisory Services				
Consultations/Special Projects	15,951	8.2%	11,197	6.3%
Systems Dev., Reengineering Teams	5,279	2.7%	2,883	1.6%
Internal Control & Accountability	3,572	1.8%	1,977	1.1%
External Audit Coordination	3,733	1.9%	5,009	2.8%
Compliance Support	4,995	2.6%		
IPA, COI & Other	<u>963</u>	<u>0.5%</u>	<u>996</u>	<u>0.6%</u>
Total Advisory Services	34,493	17.7%	22,062	12.4%
Investigations	21,782	11.2%	24,897	13.9%
Audit Support Activities				
Audit Planning	2,475	1.2%	3,099	1.7%
Audit Committee Support	1,490	0.8%	1,351	0.8%
Systemwide Audit Support	3,456	1.8%	3,668	2.1%
Computer Support	1,840	0.9%	1,601	0.9%
Quality Assurance	<u>2,087</u>	<u>1.1%</u>	<u>1,049</u>	<u>0.6%</u>
Total Audit Support	11,348	5.8%	10,769	6.0%
Total Direct Hours	165,803	85.2%	152,238	85.1%
TOTAL AVAILABLE HOURS	<u>194,336</u>	100.0%	<u>178,834</u>	100.0%

Distribution of Available Hours

The table to the left provides a more detailed breakdown of planned time as a basis for ongoing accountability. From this detail the continuing commitment to timely audit follow-up is displayed by the plan to invest over 8,600 hours and the new category of Compliance Support is intended to facilitate our efforts to integrate the Compliance and Audit Programs into joint efforts, some of which are yet to be determined.

The chart below depicts audit coverage across the University organizationally. It demonstrates breadth of coverage while indicating that major business processes, Research & Compliance activities, Health Sciences operations, campus academic departments and information technology collectively command nearly 75% of our effort.



Distribution of Planned Projects

Appendix 1 – List of Audit and Advisory Service Projects

Lawrence Berkeley Lab

Audits

Executive Compensation Policy Review
Cost Allowability
Disclosure Statement
Equipment leases
General Compliance
Research Compliance

Advisory Services

Gift Accounting

NIH Agreements

Meals

Check Requests

Joint Institute Accounting

Use of Consultants

Signature Authorizations

Annual Report on Executive Compensation

Appendix 1 lists all the planned audit and advisory service projects at each location - the progress and status of these projects are reported quarterly.

UC Berkeley

Audits

Restricted Data
Executive Compensation Policy Review
Computer Assisted Analytical Reviews
Optometry
Hearst Museum of Anthropology
BP Contract Management
General Compliance
Research Compliance

Cost Transfers

IT Planning and Organization

IT Surveys

Departmental Visitations

Support Groups

Student Safety-Learning Outside the Classroom

Foreign Travel

Balance Sheet Acct Reconciliation

Appendix 1 – List of Audit and Advisory Service Projects

UC Berkeley

Audits

IT Security Self Assessment

Effort Reporting - Post Implementation

Private Gift Stewardship

Team Travel - Athletics and Recreational Sports

Advisory Services

Develop IT Risk Self Assessment Tool

Enterprise Risk Management

Annual Report on Executive Compensation

IT Security Self Assessments

UC Davis

Audits

Contract and Grant - Post Award

Data Center Controls

Financial Aid

Visa Immigration and Support

Executive Compensation Policy Review

Human Resources - Payroll Data Processing

Major Construction - Consultant Coordination

Department Review - Pediatrics

General Compliance

Research Compliance

Cyber Safety Review - College/School/Major Administrative Area 1

Cyber Safety Review - College/School/Major Administrative Area 2

UCDHS Perimeter Security Audit

Pharmacy

Chartwell Joint Venture

Major and Subcashiering Stations

School of Medicine Department Review

IT Cyber Safety - Medical Center

Laboratory Charge Capture

Vitamin Supplement Grant

Appendix 1 – List of Audit and Advisory Service Projects

UC Davis

Audits

Campus Donor gift expenditures
Departmental Reviews
Research Management and Oversight
Accounts Payable

Hospital Billing - Denial Management
Financial Services - Payroll processing
Transplant Services

Advisory Services

IT Security Self Assessment
FSNEP Negotiations
Cost Saving/Revenue Generating Ideas
Veterinary Medicine Central Stores
Technology Infrastructure Forum
Travel & Entertainment Committee
Support Groups
Annual Report on Executive Compensation

Computer Inventory Management
COSO Questionnaire
Principal Investigator Training
2009 IT Security Symposium - Audit Presentation
CCFIT - SR
Supply Chain Assessment
Facilities Compliance (Hospital)

UC Irvine

Audits

Payroll Processing
Low Value Purchase Orders and PAL Cards
School of Social Science

SOM - Clinical Trial Billing
UCIMC-Credit Balances (Team w/Compliance)
UCIMC-Emergency Department (Team w/Compliance)

Appendix 1 – List of Audit and Advisory Service Projects

UC Irvine

Audits

SOM-Clinical Laboratory Compliance

Executive Compensation Policy Review

Housing

Communications Office

Contracts and Grants: A-21 Compliance

Athletics - NCAA & Travel Expenses

UCIMC - Cancer Center

SOM - Infusion Center

UCIMC- Hospital Billing – Denial Management

Research Compliance

General Compliance

IT-HS Laboratory Fee Billing System

IT-HS Radiology Billing System

IT Student Affairs - CFEP

IT-HS Physician Billing Group (PBG)

Focused Audits (Includes Referral Lab)

Advisory Services

IT Security Self Assessment

UCIMC - New Hospital Construction

IT - Security Peer Reviews

Annual Report on Executive compensation

Support Groups

UC Los Angeles

Audits

Executive Compensation Policy Review

Campus carry forward projects

HS carry forward projects

Executive Compensation & Benefits

Research Compliance

General Compliance

Donated Body Program

Physician Receivables (PSS Operations)

Appendix 1 – List of Audit and Advisory Service Projects

UC Los Angeles

Audits

Research Compliance	Primary Network Clinics
General Compliance	Nursing (Patient and Guest Services)
UCLA Foundation 07-08	Residency Program ACGME Duty Hours Compliance
IT Security	Transplant Services
Academic Dept. Reviews - Multiple	Controlled Substances
Materials & Equipment Purchasing	Main Cashiering
General Operations; Campus Maintenance	Disaster Resource Center-SM - UCLAMC
Craft/Alterations Materials & Equipment	Ancillary Services (Morgue/Pathology)
Work Order Review	Major Supplies Management
Housing Cashiers Office	Hospital-Based Clinics
Recharge Activity	School of Dentistry
Central Ticket Office Ticket Inventory	School of Medicine Academic Departments
UCLA Police Department- Alarm Services Program	Communication Technology Services recharges
UCLA Events Office	Lake Arrowhead Conf Center
Mail, Document and Distrib services	Real Estate
Cash Count/Other Miscellaneous	UCLA Police Dept Recharges and Revenue Recognition
Faculty/Staff/Student Carpool Program	UCLA Police Department Equipment Inventory
Cashier Office/Meter Collection	UCLA Police Department Records Management

Appendix 1 – List of Audit and Advisory Service Projects

UC Los Angeles

Audits

Vanpool Program	University Apartments Furniture and Equip Inventory
Parking Citation Processing Contract	University Apartments Maintenance Shop
Store Operations	University Guest House
Health Sciences Store	Vending Cashiering Office
Restaurants - Ackerman/South Division	Support Groups
Cash Manager's Office	Construction
Main Cashiers Office	Nutrition
Ratex Point of Sales System	

Advisory Services

Annual Report on Executive Compensation	Support Groups
Education/Training (Mandatory Nurse Education)	IT Security Self Assessment
Security Services	Temporary Staffing - Nursing
Capital Equipment Inventory	DACSS/PAN System Support
IT Security Self Assessment	

Appendix 1 – List of Audit and Advisory Service Projects

UC Office of the President

Audits

UC Merced Student Systems Financial Aid
Consolidation of Campus Financial Information
Information Security Review of Depts for Sensitive Information
ANR: AREERA Reporting
Office of Lab Mngt Post Contract Contingency Fund Phase 1
UCOP Executive Compensation Policy Review
UC Merced Executive Compensation Policy Review
UCOP Research Compliance
UC Merced Research Compliance
UCOP General Compliance

UC Merced General Compliance
UCOP Dept's- SAS 112 Key Controls/Compliance Reviews
UC Merced SAS 112 Controls/Compliance Reviews
STIP Administrative Fees and Allocations
UC Merced Personnel Records and I-9 Doc.
Office of Lab Mngt Post Contract Contingency Fund Phase 2
UC Merced Systems for NACHA Bank Acct Info
Controls over ACH Transmissions
Review of Department Computing General controls

Advisory Services

IT Security Self Assessment
UC Merced IT Security Assessment
UCOP Review of Annual Executive Compensation
UC Merced Review of Annual Executive Compensation
Office of Health Affairs: AIDS
Office of Health Affairs: BCRP

Office of Health Affairs: TRDRP
UCOP Support Groups
UC Merced Support Groups
EasyGrant Application System Development
DOS Code Project

Appendix 1 – List of Audit and Advisory Service Projects

UC Riverside

Audits

Executive Compensation Policy Review
ODC - Psychology Building
ODC - Student Academic Services Building
Research Compliance
General Compliance
Biology/Cell Biology & Neurosciences/NRS
Summer Sessions
Athletics
iGrade System

Advisory Services

Support Groups
Annual Report on Executive Compensation
Payroll Transactor Concerns
Inventory of Compliance Requirements
UCRFS Chartfields and Combinations
Campus email and Calendar systems
Assistant Professor Appointment Process
NCAA Compliance

Bookstore
Biomedical Sciences
IT - Disaster Recovery
eBuy System
Analytic Review & Fraud Detection
Highlander Newspaper
Transportation and Parking Services
Psychology

Training - Accountability & New Employee Orientation
Major Campus Systems - EDI
Major Campus Systems - GSIS
Major Campus Systems - LMS/HR
Major Campus Systems - Online Ck Req
Major Campus Systems - PAMIS
Major Campus Systems - SIS
Major Campus Systems - UA

Appendix 1 – List of Audit and Advisory Service Projects

UC Riverside

Advisory Services

IT Security Self Assessment

School of Medicine

ERM

Training - Other

Training - WB & Fraud Awareness

Major Campus Systems - UCRFS/AP/eBuy

Major Campus Systems - SAIS

Major Campus Systems - Asset Management

Major Campus Systems - FA

UC Santa Barbara

Audits

Executive Compensation Policy Review

Transportation and Parking Services

Laboratory Safety - Hazardous Materials Handling

Major Construction

Department Visitation: Public events

Department Visitation: Religious Studies

Department Visitation: Athletics

IT - UC Trust

Gift Processing

Research Compliance

General Compliance

Psychology

Campus Security

Business Contracts - international

Advisory Services

Annual Report on Executive Compensation

IT - Physical Security: IBM Follow-up

Support Groups

IT Security Self Assessment

Appendix 1 – List of Audit and Advisory Service Projects

UC Santa Cruz

Audits

University Relations Fund Raising and Gift Processing

Alumni Relations Office Controls

Record Retention

Main Cashiering and Bank Reconciliations

Executive Compensation Policy Review

EPC/ COMOS Internal Controls

Research Compliance

Advisory Services

IT Security Self Assessments

Annual Report on Executive Compensation

Institute of Global Science Policy

General Compliance

Childcare Services and IT Security

Budget Information and Monitoring

Arboretum Controls

Shakespeare Santa Cruz

IT Audit-EFT Controls

UARC Purchasing and IT controls

Counseling Services Growth & Controls

Continuous Monitoring Set-up

IDM System implementation

UC San Diego

Audits

Distributed Network Security - Student Health

Marine Physical Laboratory

San Diego Supercomputer Center

Network Security- Core & IS Emphasis

Physical Plant Maintenance

Balance Sheet Account Reconciliation

Small Department/ORU Audits

College Audits (College To Be Determined)

Appendix 1 – List of Audit and Advisory Service Projects

UC San Diego

Audits

Physician Receivables - Core	California Sea Grant Program
Medical Center Business Contracts- Core	Admissions and Registration (Revenue Cycle)
UCSD/VMRF Personnel Agreement Process	Hospital Receivables - Claims Denial Management
Investigational Device Monitoring	Hospital Cost Center - Hyperbaric Medicine
Hospital Receivables	Operating Room - Interoperative Monitoring
Transplant Programs	Clinical Research Project Management
Executive Compensation Policy Review	Department of Pediatrics
Research Compliance	Outpatient Treatment Centers - Business Operations
General Compliance	Research - Conflict of Interest
Large Academic Department (Psychology or other)	Physician Receivables - Remote System Charge Capture
Distributed Network Security - Research Affairs	Accounts Receivable Collection Processes
Construction Change Orders	

Advisory Services

Annual Report on Executive Compensation	Stem Cell Research Administration
Support Groups	Med Ctr. Supply Chain Management System
BPSA Compliance	Medical Center Business Contracting Processes
BPSA Control Environment	IT Security Self Assessment

Appendix 1 – List of Audit and Advisory Service Projects

UC San Francisco

Audits

International Research Contract Admin

SAS112 SOM

Transplant Services

Executive Compensation Policy Review

Stem Cell/Tissue Bank

Wireless Network Security

General Compliance

Research Compliance

Annual Report on Executive Compensation

Effort Reporting

Departmental Reviews - SOD

SOM SAS 112 GL Verification Controls

IT - Security Incident Handling

IT - Minimum Security Standards Review

CLS Cash Management

EH&S Compliance

New Hospital at Mission Bay

Gifts

Charity Care

CMS Conditions of Participation

Cost Report - GME

Clinical Research Billing

Hospital Billing - Denial Management

IT- Network Security

IT - Active Directory

Advisory Services

Support Groups

Capital Budget Workgroup

Information Security Committee

RASG

Integrated Data Repository

Privacy Steering Committee (HIPAA)

Clinical Enterprise Compliance Committee

Cafeteria Services

Appendix 1 – List of Audit and Advisory Service Projects

UC San Francisco Advisory Services

FASG

Encryption Security Workgroup

IT Steering Committee

Sub-Committee for Ethical Values and Standards

FAS Customer Service Committee

IT Security Self Assessment

Research vs. Instructional Accounts

Miscellaneous and Other NCA Assessment

Delegated Authority

FY08 Annual Report

External Audit Coordinating Committee

Balanced Scorecard Implementation

Compliance and Controls Steering Committee

Continuous Monitoring

Time and Attendance Vacation Leave Accrual

LINK Procurement

Identity Management System Implementation

Online Academic Payroll/Personnel System

Comprehensive Human Resources System

Care Cast/Ucare System Implementation

UC University Auditor's Office Oversight of Systemwide Audits

Research Compliance

General Compliance

Annual Report on Executive Compensation

IT Security Self Assessments

Executive Compensation Policy Review

Support Groups

Appendix 1 – List of Audit and Advisory Service Projects

UC University Auditor's Office

Advisory Services

Whistleblower Policy

Clery Act Group

E-Discovery

Enterprise Risk Management

HS Compliance/HIPAA Workgroup

Sys. Anatomical Material Review Com.

Research Compliance Advisory Com.

Lab Mgmt.Council/Contract Assurance Council

LANS Ethics and Audit Committee

UC Trust

UC Security and Policy

External IT Audit consulting

Ethics Roll Out/COI-PI Roll Out

Business Officers Institute

UC Kauli Software Project