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1000 AUTHORITY, ORGANIZATION AND PROFESSIONAL STANDARDS

- Section Overview** .01 The following sections set forth the mission and charter of the UC Internal Audit Program and outline the policies and guidelines for UC Internal Audit dual reporting and professional standards and ethics.
- Authority** .02 The mission and charter authorize and guide the UC Internal Audit Program in carrying out its independent appraisal function.
- Organization** .03 It is the policy of The UC Board of Regents to establish and maintain an Internal Audit Program as a staff and independent appraisal function. Internal Audit is a management control that functions by assessing the effectiveness of other managerial controls. Internal Audit examines and evaluates University business and administrative activities in order to assist all levels of management and members of The Board of Regents in the effective discharge of their responsibilities and furnishes them with analyses, recommendations, counsel and information concerning the activities and records reviewed.
- Internal Audit is headed by the SVP/Chief Compliance and Audit Officer (SVP/CCAO) and is a component of the Office of the Regents. The SVP/CCAO is appointed by the Regents and the President. The SVP/CCAO prepares, for approval by the President and The Board of Regents Compliance and Audit Committee, a UC Internal Audit Annual Plan that defines the Audit Program to be conducted for the University during the year.
- Professional Standards** .04 The University of California Internal Audit Program complies with the Institute of Internal Auditor's (IIA) *International Professional Practices Framework*, which includes the *Core Principles for the Professional Practice of Internal Auditing*, the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing (Standards)*, as well as University policies and UC *Standards for Ethical Conduct*.

1100 Internal Audit Charter

Policy Statement **.01** It is the policy of the University of California to maintain an independent and objective internal audit function to provide the Regents, President, and campus Chancellors with information and assurance on the governance, risk management and internal control processes of the University. Further, it is the policy of the University to provide the resources necessary to enable Internal Audit to achieve its mission and discharge its responsibilities under its Charter. Internal Audit is established by the Regents, and its responsibilities are defined by The Regents' Committee on Compliance and Audit as part of their oversight function.

Vision **.02** UC Internal Audit will be a universally recognized knowledgeable, collaborative and trusted resource on governance, risk management and control.

Mission Statement **.03** The mission of the University of California (UC) internal audit program (IA) is to provide the Regents, President, and campus Chancellors, and Laboratory Director independent and objective assurance and consulting services designed to add value and to improve operations. We do this through communication, monitoring and collaboration with management to assist the campus community in the discharge of their oversight, management, and operating responsibilities. Internal audit brings a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Authority **.04** IA functions under the policies established by the Regents of the University of California and by University management under delegated authority.

IA is authorized to have full, free and unrestricted access to information including records, computer files, property, and personnel of the University in accordance with the authority granted by approval of this charter and applicable federal and state statutes. Except where limited by law, the work of IA is unrestricted. IA is free to review and evaluate all policies, procedures, and practices for any University activity, program, or function. In performing the audit function, IA has no direct responsibility for, nor authority over any of the activities reviewed. The internal audit review and approval process does not in any way relieve other persons in the organization of the responsibilities assigned to them.

1100 Internal Audit Charter

**Independence
and Reporting
Structure**

- .05** To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by external industry standards.

The Senior Vice President (SVP) - Chief Compliance and Audit Officer (SVP/CCAO) has a direct, independent reporting relationship to the Regents, communicating directly with the Board of Regents and the Regents Committee on Compliance and Audit regarding all elements of meaningful compliance and audit programs, including providing annual reports on compliance with applicable laws, regulations and University policy. The SVP/CCAO shall also consult with and advise the President on compliance and audit activities. The SVP/CCAO has established an active channel of communication with the Chair of The Regents' Committee on Compliance and Audit, as well as with campus executive management, on audit matters. The SVP/CCAO has direct access to the President and the Regents' Committee on Compliance and Audit. In addition, the SVP/CCAO serves as a participating member on all campus compliance oversight/audit committees.

Campus/Laboratory Internal Audit Directors (IADs) report administratively to the Chancellor/Laboratory Director and directly to The Regents' Committee on Compliance and Audit through the SVP/CCAO. IADs have direct access to the SVP/CCAO and to the president or The Regents' Committee on Compliance and Audit as circumstances warrant.

Campus IADs will report periodically to the campus compliance oversight/audit committees on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work; the status of the annual audit plan, and the sufficiency of audit resources. The local audit functions will coordinate with and provide oversight of other control and monitoring functions involved in governance such as risk management, compliance, security, legal, ethics, environmental health & safety, external audit, etc.

IADs may take directly to the respective Chancellor or Laboratory Director, the SVP/CCAO, the President, or the Regents matters that they believe to be of sufficient magnitude and importance. IADs shall take directly to the SVP/CCAO, who shall report to the President and the Regents' Committee on Compliance and Audit Chair, any credible allegations of significant wrongdoing (including

1100 Internal Audit Charter

**Independence
and Reporting
Structure (cont'd)**

- .04** any wrongdoing for personal financial gain) by or about a chancellor, executive vice chancellor or vice president, or any other credible allegations that if true could cause significant harm or damage to the reputation of the University.
- .05** The Chancellors/Laboratory Director may delegate other IAD administrative oversight responsibilities such as time and expense approval and departmental budget oversight to a position no lower than the Vice Chancellor/Associate Laboratory Director or Chief Operating Officer level. To maintain organizational independence, this position should generally not have responsibility over key operating units routinely reviewed by internal audit. The Chancellor/Laboratory Director shall retain responsibility for: approval of the campus/laboratory annual audit plan; approval of local audit committee/work group charter; and shall meet with the IAD regularly to review the state of the internal audit function and the state of internal controls locally. The Regents have the ultimate authority to approve and/or amend the systemwide audit plan, which is a consolidation of all campus and laboratory audit plans.

Scope of Work

- .06** The scope of IA work is to determine whether UC's network of risk management, control, and governance processes, as designed and represented by management at all levels, is adequate and functioning in a manner to ensure:
- Risk management processes are effective and significant risks are appropriately identified and managed.
 - Ethics and values are promoted within the organization.
 - Financial and operational information is accurate, reliable, and timely.
 - Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
 - Resources are acquired economically, used efficiently, and adequately protected.
 - Programs, plans, and objectives are achieved.
 - Quality and continuous improvement are fostered in the organization's risk management and control processes.
 - Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
 - Effective organizational performance management and accountability is fostered.

1100 Internal Audit Charter

**Scope of Work
(cont'd)****.06**

- Coordination of activities and communication of information among the various governance groups occurs as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports UC strategies, objectives, and the organization's privacy framework.
- Information technology security practices adequately protect information assets and are in compliance with applicable policies, rules, and regulations.

Opportunities for improving management control, quality and effectiveness of services, and the organization's image identified during audits are communicated by IA to the appropriate levels of management.

**Nature of
Assurance and
Consulting
Services****.07** IA performs three types of projects:

Audits – are assurance services defined as examinations of evidence for the purpose of providing an independent assessment on governance, risk management, and control processes for the organization. Examples include financial, performance, compliance, systems security and due diligence engagements.

Consulting/Advisory Services – the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include reviews, recommendations (advice), facilitation, and training.

Investigations – are independent evaluations of allegations generally focused on improper governmental activities including misuse of university resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

1100 Internal Audit Charter

**Mandatory
Guidance**

.08 IA serves the University in a manner that is consistent with the standards established by the SVP/CCAO and acts in accordance with University policies and *UC Standards for Ethical Conduct*. At a minimum, it complies with relevant professional standards, and the Institute of Internal Auditors' mandatory guidance including the *Core Principles for the Professional Practice of Internal Auditing*, the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing*. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

**Certain Personnel
Matters**

.09 Action to appoint, demote or dismiss the SVP/CCAO requires the approval of The Regents. Action to appoint an IAD requires the concurrence of the SVP/CCAO. Action to demote or dismiss an IAD requires the concurrence of the President and Chair of the Compliance and Audit Committee upon the recommendation of the SVP/CCAO.

1200 Policy on Dual Reporting for Internal Audit

**Dual Reporting
Structure**

- .01** In March 1995, The Regents' Committee on Audit (predecessor to the Regents' Committee on Compliance and Audit) approved a recommendation for a dual reporting structure for the University's Internal Audit Program. This Policy is intended to assist The Regents and senior administrative officials with local responsibility for the Internal Audit Program and internal auditors in the understanding and execution of their responsibilities under the dual reporting relationship.

It is acknowledged that Lawrence Berkeley National Laboratory (LBNL) has reporting responsibility to the U.S. Department of Energy (DOE) as delineated in its contracts and the Cooperative Audit Strategy. The DOE in its oversight role may require certain activity and has certain authority, for example, approval of the Annual Audit Plan. These guidelines are not intended to usurp any of the DOE's authority and any conflict in the application of these guidelines by LBNL with its contracts and the Cooperative Audit Strategy should be brought to the attention of the SVP/CCAO.

Purpose

- .02** Both the Regents, the President, and campus/laboratory management have an interest in a capable and effective Internal Audit Program. Both recognize the need for objectivity and an appropriate level of organizational independence from day to day operations and management activities. Campus/laboratory management further recognizes the benefit of a local Internal Audit Program that is:
- a) knowledgeable about local policies, procedures and practices,
 - b) available and responsive to local needs, especially for investigations,
 - c) respectful of campus/laboratory local authority for decision making, and,
 - d) for LBNL, responsive to the needs of the local DOE contracting officer.
 - e) The dual reporting relationship structure is designed to accommodate both interests by providing for a locally operated Internal Audit Program while preserving the organizational independence necessary for objectivity and accountability to The Regents.

1200 Policy on Dual Reporting for Internal Audit

Definition

- .03** Consistent with the guidelines of the Institute of Internal Auditors, dual reporting means functional reporting to The Regents' through their Committee on Compliance and Audit, and administrative reporting to management. Campus/lab Internal Audit Directors report functionally to The Regents through the SVP/CCAO.

Structurally, these relationships are depicted in organization charts by a dual solid line reporting relationship for the campus/laboratory Internal Audit Director (IAD) to the Chancellor/Laboratory Director (or designee as provided by the Internal Audit Charter) and the SVP/CCAO.

Typically, the IAD's avenue for communications with The Regents' Committee on Compliance and Audit will be through the SVP/CCAO. However, each IAD has the authority to communicate directly with the Chair of The Regents' Committee on Compliance and Audit as necessary in his/her judgment regarding matters of independence.

In accordance with the requirements set forth in Regents Bylaw 23.5, the SVP/CCAO is expected to report to the Board any significant concerns regarding the Office of the President that could result in substantial financial, reputational or other harm to the University. With regards to audits and investigations of the Office of the President, the SVP/CCAO reports solely and exclusively to the Board.

It is acknowledged as a practical matter that campus/laboratory management will have primary responsibility for local administrative matters (such as space allocation and funding), and in the case of the laboratory, management of an audit program that is acceptable to the local DOE contracting officer, while the SVP/CCAO will have primary responsibility for the professional and technical aspects of the Internal Audit Program.

Shared Responsibilities

- .04** There are certain responsibilities shared by campus and laboratory management and the SVP/CCAO. However, for many of the shared responsibilities, the SVP/CCAO has been delegated as having primary responsibility as noted below. These shared responsibilities (and any primary responsibility delegation) include the following:
- a) Approval of the campus/laboratory annual audit plan.
(SVP/CCAO primary)

1200 Policy on Dual Reporting for Internal Audit

**Shared
Responsibilities
(cont'd)**

- .04** b) Approval of changes to the audit plan (SVP/CCAP primary)
- c) Selection of the campus/laboratory IAD (SVP/CCAO consent required)
- d) Annual performance evaluation of the IAD
- e) Determination of the compensation/classification of the IAD (Campus/lab management primary)
- f) Assessment of the adequacy of resources provided for the Internal Audit Program (e.g. human, financial, technological) (SVP/CCAO primary).
- g) Collaboration on Internal Audit policy development and implementation.(SVP/CCAO primary)
- h) Pursuant to the Internal Audit Charter, termination of an Internal Audit Director requires the approval of the President and Chair of the Compliance and Audit Committee, which will be requested upon the concurrence of campus/laboratory management and the SVP/CCAO.

**SVP/CCAO
Responsibilities**

- .05** The SVP/CCAO works closely with campus senior leadership, campus leadership committee members, campus Internal Audit personnel, and campus department heads.

Detail on Roles and Responsibilities as pertaining to SVP/CCAO can be found at Section 4100.

**Campus and
Laboratory Local
Management
Responsibilities**

- .06** The following are responsibilities of local management with oversight responsibility for the Internal Audit Program.
- Establish and fund at an appropriate level the Internal Audit Program operating budget. The SVP/CCAO will consult on needs as requested or necessary to provide information on comparability or appropriate levels of support.
 - Maintain an active campus/laboratory leadership committee or workgroup within UC guidelines established by the /SVP/CCAO.
 - Provide for appropriate physical location and space requirements of the Internal Audit Program and employee needs (e.g., technology, data access).

1200 Policy on Dual Reporting for Internal Audit

**Campus and
Laboratory Local
Internal Audit
Responsibilities
(Cont'd)**

- .06**
- Involve internal audit in the design of major new automated systems.
 - Consult with the SVP/CCAO before assigning to the local IAD any responsibility other than management of the internal audit program in order to ensure that the audit program's independence is not impaired.
- .07** The following are responsibilities of the local campus or laboratory Internal Audit program:
- Conduct the local Internal Audit Program in accordance with the provisions of the Internal Audit Charter, the Systemwide Internal Audit Manual, the IIA Professional Standards, UC policies, Standards for Ethical Conduct, and, for LBNL, in a manner that is "satisfactory" to DOE, and in compliance with the Cooperative Audit Strategy.
 - Prepare an annual internal audit plan using Risk Assessment and other planning methodologies established by the SVP/CCAO.
 - Recommend the annual internal audit plan first to the Chancellor/Lab Director and local leadership committee for approval. Once approved, recommend to the SVP/CCAO for approval and ultimate submission to The Regents' Committee on Compliance and Audit. LBNL's annual audit plan is subject to the concurrence of the DOE.
 - Implement the annual campus internal audit plan approved by the Chancellor/Laboratory Director, the SVP/CCAO and The Regents' Committee on Compliance and Audit, reporting periodically, as requested by the SVP/CCAO on conformance with the plan and reasons for material deviations from the plan. Day to day execution of the plan, including prioritization of assignments, will rest locally.
 - Develop and maintain procedures to respond to Whistleblower hotline complaints related to improper governmental activities, assuring timely notification to the Office of the President of matters under investigation either internally, or by external audit agencies.
 - Conduct investigations in accordance with the Whistleblower Policy and local implementing policies, keeping the SVP/CCAO and the Office of the President informed of major developments in open investigations.
 -

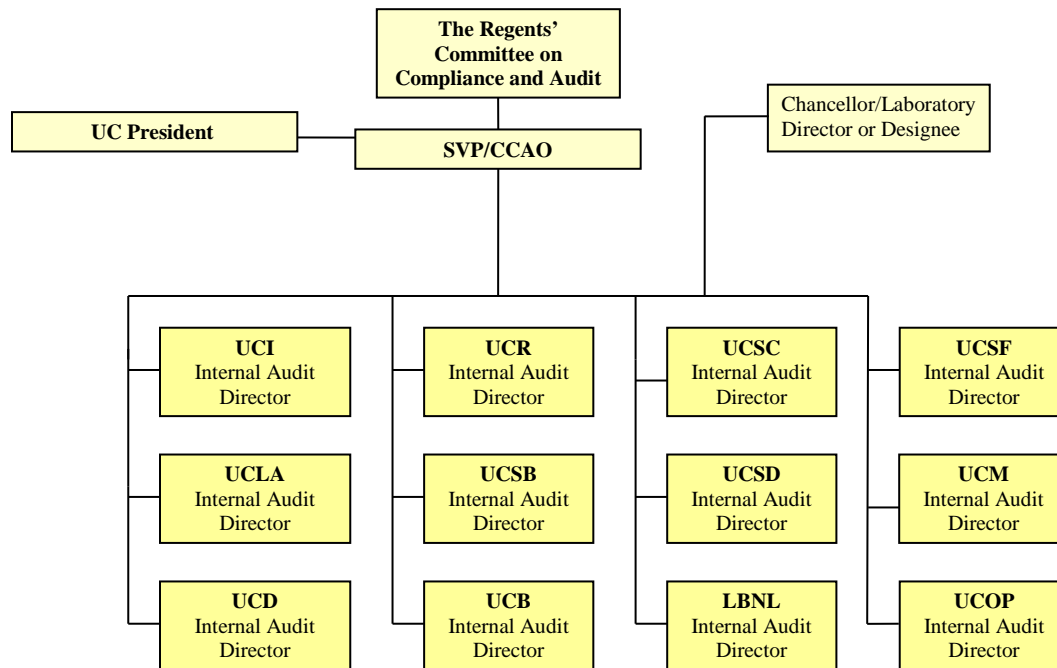
1200 Policy on Dual Reporting for Internal Audit

**Campus and
Laboratory Local
Internal Audit
Responsibilities
(Cont'd)**

- Submit for review by the SVP/CCAO in draft form, audit and investigation reports on sensitive matters and those that are expected to be distributed outside of the normal campus/ laboratory channels. This will include all investigation audit reports on matters reported to the Systemwide Locally Designated Official (SWLDO) pursuant to the Whistleblower Policy.
- Participate in benchmarking and other surveys, etc., as requested for the assessment of the Internal Audit Program.
- Contribute to the strategic planning efforts and accomplishment of Internal Audit Program initiatives.
- Designate an external audit coordinator. (Note: the coordinator does not have to be in the internal audit office.)
- Fulfill reporting requirements as established by the SVP/CCAO

**Overall
Responsibility**

- .08** A. The overall responsibility for implementation of an effective dual reporting relationship for auditors in the UC system rests jointly with the SVP/CCAO and the campus or laboratory management to whom local internal auditors report.
- B. The necessity for independence and accountability to The Regents in order for the Internal Audit Program to have credibility will be paramount in resolving conflicts or issues arising in the implementation of the dual reporting relationship.

1200 Appendix 1200.1 – Organizational Chart**University of California Internal Audit Program Organizational Chart**

1200 Appendix 1200.2 – Responsibility Chart

The following chart summarizes the Shared responsibilities over the Internal Audit Program:			
Reporting Responsibilities	Shared	Campus/Lab	SVP/CCAO
Administration (funding and space)		S	
Professional and technical aspects			S
Approval of the audit plan	X		P
Evaluation of the internal audit plan	X		P
Selection of the Internal Audit Director (IAD)	X		P
Annual performance of the IAD	X		
Determination of IAD compensation	X	P	
Assess the adequacy of the resources	X		P
Agreement on the hiring/termination of the IAD	X		P
Approval of changes to the audit plan	X		P
<i>S = Sole responsibility</i>			
<i>P = Primary responsibility</i>			
<i>X= Shared responsibility</i>			

1300 Professional Standards and Ethics

Section Overview

- .01** The internal auditing profession is governed by a set of standards, the Institute of Internal Auditors' (IIA) *International Professional Practices Framework*, which includes the *Core Principles for the Professional Practice of Internal Auditing*, the *Definition of Internal Auditing*, the *Code of Ethics* and the *International Standards for the Professional Practice of Internal Auditing (Standards)*. These pronouncements provide guidance to internal auditors on the practice of the internal auditing profession and protect the interests of those served by internal auditors. The UC Audit Program has adopted the *Standards* and the *Code of Ethics* and has designed the policies and procedures included in this systemwide Internal Audit Manual to comply with them, in addition to UC policies and UC *Standards for Ethical Conduct*.

Alignment with the Standards for the Professional Practice of Internal Auditing

- .02** The UC Internal Audit Manual incorporates the practices and procedures described in the IIA's *International Standards for the Professional Practice of Internal Auditing*. A matrix has been prepared that cross-references the IIA Standards to the UC Internal Audit Manual and demonstrates the audit program's alignment with the *International Standards for the Professional Practice of Internal Auditing*.

The matrix cross-referencing the International Standards for the Professional Practice of Internal Auditing to the UC Internal Audit Manual can be found at Appendix 1300.2.

Code of Ethics

- .03** The UC Internal Audit Program Professional Code of Ethics incorporates the *Code of Ethics* adopted by the Institute of Internal Auditors in June 2000 and UC policies and UC *Standards for Ethical Conduct*. The Code of Ethics applies to all members of the internal audit professional staff and should not be modified from location to location. The Audit Director is responsible for regularly reinforcing the concepts and behaviors embodied in the Code of Ethics, for example, through discussions at staff meetings, during interim or annual performance evaluations, or by other appropriate methods.

The UC Internal Audit Program Professional Code of Ethics can be found at Appendix 1300.1.

UC Standards of Ethical Conduct can be found at http://www.ucop.edu/ucophome/coordrev/policy/Stmt_Stds_Ethics.pdf

1300 Appendix 1300.1 - Professional Code of Ethics

P.1 of 2

**UNIVERSITY OF CALIFORNIA
Internal Audit Program
Professional Code of Ethics
Campus/Laboratory Location**

The Institute of Internal Auditors has adopted the following Code of Ethics, which applies to both individuals and entities that provide internal auditing services. The Code of Ethics provides guidance for staff in the conduct of their profession and elicits the trust and confidence of those for whom services are rendered. The University of California Audit Program has adopted the Code of Ethics promulgated by the Institute of Internal Auditors.

Principles

Internal auditors are expected to apply and uphold the following principles:

- **Integrity**
The integrity of internal auditors establishes trust and thus provides the basis for reliance on their judgment.
- **Objectivity**
Internal auditors exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors make a balanced assessment of all the relevant circumstances and are not unduly influenced by their own interests or by others in forming judgments.
- **Confidentiality**
Internal auditors respect the value and ownership of information they receive and do not disclose information without appropriate authority unless there is a legal or professional obligation to do so.
- **Competency**
Internal auditors apply the knowledge, skills, and experience needed in the performance of internal auditing services.

Rules of Conduct**1. Integrity**

Internal auditors:

- 1.1. Shall perform their work with honesty, diligence, and responsibility.

1300 Appendix 1300.1 - Professional Code of Ethics

- 1.2. Shall observe the law and make disclosures expected by the law and the profession.
- 1.3. Shall not knowingly be a party to any illegal activity, or engage in acts that are discreditable to the profession of internal auditing or to the organization.
- 1.4. Shall respect and contribute to the legitimate and ethical objectives of the organization.

2. Objectivity

Internal auditors:

- 2.1. Shall not participate in any activity or relationship that may impair or be presumed to impair their unbiased assessment. This participation includes those activities or relationships that may be in conflict with the interests of the organization.
- 2.2 Shall not accept anything that may impair or be presumed to impair their professional judgment.
- 2.3 Shall disclose all material facts known to them that, if not disclosed, may distort the reporting of activities under review.

3. Confidentiality

Internal auditors:

- 3.1 Shall be prudent in the use and protection of information acquired in the course of their duties.
- 3.2 Shall not use information for any personal gain or in any manner that would be contrary to the law or detrimental to the legitimate and ethical objectives of the organization.

4. Competency

Internal auditors:

- 4.1. Shall engage only in those services for which they have the necessary knowledge, skills, and experience.
- 4.2 Shall perform internal auditing services in accordance with the *International Standards for the Professional Practice of Internal Auditing*.
- 4.3 Shall continually improve their proficiency and the effectiveness and quality of their services.

1300 Appendix 1300.2 - Professional Standards and Ethics Cross-Reference

CROSS-REFERENCE OF INSTITUTE OF INTERNAL AUDITORS ATTRIBUTE AND PERFORMANCE STANDARDS TO THE UNIVERSITY OF CALIFORNIA AUDIT MANUAL (Page 1 of 2)

Standard No.	Short Description of Standard	UC Audit Manual Reference	Section Title/Description
	Attribute Standards		
1000	Purpose, Authority, and Responsibility - The purpose, authority, and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the Core Principles for the Professional Practice of Internal Auditing, the Definition of Internal Auditing, the Code of Ethics, and the <i>Standards</i> . The chief audit executive must periodically review the internal audit charter and present it to senior management for approval.	1100 1200	Internal Audit Charter Policy on Dual Reporting for Internal Audit
1100	Independence and Objectivity - The internal audit activity must be independent, and internal auditors must be objective in performing their work. Safeguards must be in place to limit impairment to independence or objectivity if the CAE as roles that fall outside of internal audit.	1100.04 1200 2200	Internal Audit Charter – Independence and Reporting Structure Policy on Dual Reporting for Internal Audit Customers and Services
1200	Proficiency and Due Professional Care -Engagements must be performed with proficiency and due professional care.	1200.05 4100.04 6100.04 6200.01 4400	Policy on Dual Reporting for Internal Audit - SVP/CCAO Responsibilities Roles and Responsibilities – Director Planning an Audit – Audit Plan and Program Development Conducting an Audit – Policy Skills Assessment and Resource Analysis
1300	Quality Assurance and Improvement Program -The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	1100.04 1200.05 9100 9200 9300	Internal Audit Charter – Independence and Reporting Structure Policy on Dual Reporting for Internal Audit – SVP/CCAO Responsibilities Quality Assurance Processes at the Local Level System-wide Quality Assurance Programs Quality Assurance Reporting

1300 Appendix 1300.2 - Professional Standards and Ethics Cross-Reference

(Page 2 of 2)

Standard No.	Short Description of Standard	UC Audit Manual Reference	Section Title/Description
	Performance Standards		
2000	Managing the Internal Audit Activity - The chief audit executive and IADs must effectively manage the internal audit activity to ensure it adds value to the organization.	1100.04 1200.04 1200.05 3100 3200 4100	Internal Audit Charter – Independence and Reporting Structure Policy on Dual Reporting for Internal Audit – Shared Responsibilities Policy on Dual Reporting for Internal Audit – SVP/CCAO Responsibilities Internal Audit Program Planning and Reporting – Strategic Plan Internal Audit Program Planning and Reporting – Operating Plan Personnel – Roles and Responsibilities
2100	Nature of Work - The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic, and disciplined, and risk-based approach. Internal audit credibility and value are enhanced when auditors are proactive and their evaluations offer new insights and consider future impact.	1100.05 3200	Internal Audit Charter – Scope of Work Operating Plans
2200	Engagement Planning - Internal auditors must develop and document a plan for each engagement, including the scope, objectives, timing, and resource allocations. The plan must consider the organization's strategies, objectives, and risks relevant to the engagement	6100	Planning an Audit
2300	Performing the Engagement - Internal auditors must identify, analyze, evaluate, and record sufficient information to achieve the engagement's objectives.	6200	Conducting an Audit
2400	Communicating Results - Internal auditors must communicate the engagement results.	6300	Reporting Results
2500	Monitoring Progress - The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	1200.05	Policy on Dual Reporting for Internal Audit – SVP/CCAO Responsibilities
2600	Communicating the Acceptance of Risks - When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.	1100.04 1100.08 6500.07	Internal Audit Charter – Independence and Reporting Structure Internal Audit Charter – Certain Personnel Matters Other Audit Matters – Dispute Resolution

2000 INTERNAL AUDIT PROGRAM

- Section Overview**
- .01** The following section provides an overview of the history and evolution of the UC Internal Audit Program and of its current array of customers and services. Additionally, it outlines the requirements for Internal Audit to communicate information and findings about its activities to its customers, the role of the Systemwide Office of Ethics, Compliance and Audit Services in the Internal Audit Program and guidelines for local oversight audit committees.

2100 History and Overview

Overview

- .01** UC Internal Audit has evolved since the mid-1950s from a single function performing campus audits to an Internal Audit Program comprised of twelve Internal Audit Departments operating under the oversight of the Chief Compliance and Audit Officer's Office. The Program provides a broad spectrum of services to assist The Board of Regents and University management in the discharge of their oversight, management and operating responsibilities.

Establishment and Early Growth

- .02 Campus Audits -** The Internal Audit Program was first established at the University of California, Berkeley campus in July 1955 with one auditor responsible for auditing at all of the campuses. Soon thereafter, a second auditor established a "branch office" based out of UCLA to provide audit services to the southern campuses. The audit function remained centralized and grew over time to a staff of approximately eight in the northern division and six in the southern division by the early 1960s.

Laboratory Audits - In the early 1970s, a Laboratory Contract Audit Group was established operating out of the Lawrence Livermore National Laboratory. The addition of the Lab Internal Audit staff eventually brought the total staff to 21 professionals.

Efforts to Expand Program - During the 1970s, University administration consistently reported to The Regents' Committee on Audit that the Internal Audit Program was understaffed due to budget constraints.

In 1976, the University of California's external auditors, Haskins & Sells, observed that Internal Audit staffing, which had not increased since 1963-1964, had not kept pace with the growth of the University. With local management's interest in an Internal Audit function, certain campuses began to establish their own "management audit" capabilities. Management committed to increase the audit staffing level and to study the organization of the Internal Audit Program.

2100 History and Overview

**Plan of
Reorganization**

.03 Decentralization - As a result of the study referenced in 2100.02, University administration worked with Haskins & Sells to develop a Reorganization Plan for the Internal Audit Program in 1978. This plan was consistent with the strict accountability program in a decentralized environment introduced by President Saxon and based on the premise that campuses are responsible for monitoring their operational activities.

Staffing Increases - The Reorganization Plan called for a three-fold increase in the number of auditors situated at the campuses. Although funding and coordination issues delayed ramping up staffing to these levels and UC was still at the low end of adequate audit coverage, the staffing concerns of the external auditors were adequately addressed.

The campuses continued to add staff during the 1980s, especially in Health Sciences, with funding support from the Schools of Medicine and Medical Centers.

Roles and Reporting - The external auditors also observed in 1980 the need to more firmly establish lines of reporting for internal auditors under the new decentralized structure as follows:

- Campus-based auditors should report to the Chancellors or their designees.
- The primary role of the System-wide Internal Audit Office should be to "provide leadership for policy development, coordination, representation, resource acquisition and allocation, accountability and evaluation."

**Development of
System-wide
Program**

.04 Core Audit Program - Based on The Regents' Committee on Audit's continuing concern about the adequacy and effectiveness of the Internal Audit Program's structure and operations, Arthur Andersen & Co. completed a study in 1987.

2100 History and Overview

**Development of
System-wide
Program (cont'd)**

- .04** The resulting report, accepted by the Committee on Audit in November 1987 recommended the following actions:
- Development of a system-wide "stewardship" audit program that became known as the Core Audit Program
 - Creation of campus audit committees
 - Strengthening of the oversight provided by the Office of the University Auditor
 - Maintenance of the decentralized structure, but with a more central focus on the major portion of the audit work plan

Implementation

- .05 Risk Assessment** - The Core Audit Program was implemented for the 1988-1989 fiscal year after additional system-wide staffs were added to design and administer its elements. Its concepts were used to drive the assessment of system-wide or "institutional" risk in approximately 45 common areas of operations as a basis for determining areas of audit focus on a system-wide basis. During the seven years that the Core Audit Program was active, 23 Core Audits were completed covering approximately one-half of the universe of institutional risk areas identified by the Core Audit Program.

Laboratory Contract Auditors - As part of that the Core Audit Program implementation, Laboratory Contract Auditor groups were established under the local jurisdiction of Laboratory Audit Directors, whose professional experience and responsibilities were consistent with those of the campus Internal Audit Directors (IAD). Previously, its members reported directly to the Office of the University Auditor.

**Additional
Restructuring of
Program**

- .06 Continued growth** - From the late 1980s to the mid-1990s Internal Audit Program staffing increases at the individual locations was largely driven by campus growth and by local events that brought audit issues to the forefront.

2100 History and Overview

**Additional
Restructuring of
Program (cont'd)**

- .06 Dual Reporting** - Together with the hiring of a new University Auditor, the appropriateness of the structure and adequacy of operation of the Internal Audit Program was further studied at the request of the Regents' Committee on Audit. This resulted in the March and September 1995 recommendations accepted for adoption by the Regents' Committee on Audit of a dual reporting structure. After an external review in 2003, the guidelines were subsequently updated in order for the University Auditor to take full responsibility for certain responsibilities that were previously shared with the campus/lab.

See Policy on Dual Reporting for Internal Audit at Section 1200.

Audit Plan

- .07** The Core Audit Program was abandoned in 1995 in favor of a system-wide risk assessment and audit planning methodology, and increased reporting of local audit department activities to the University Auditor. The risk based operating plan is discussed in more detail in **Section 3200**.

The University Auditor began to meet quarterly with the Regents' Committee on Audit to report progress against the annual audit plan in 1996. This process was designed to increase visibility and accountability.

Additional developments during the late 1990s were intended to strengthen the Program through increased information sharing and communications among the thirteen Internal Audit Departments. In addition, a system-wide Director of Investigations was hired to provide investigative expertise and support for this area of service that had grown in hours substantially in the middle 1990's and continued to consume a significant portion of Internal Audit's time.

In 1998, another external review of the Program was conducted using a panel of experts from both internal auditing and public accounting. This review reaffirmed the appropriateness of the decentralized model as modified by the dual reporting structure. This was also reaffirmed in their 2000 follow up review.

2100 History and Overview

**Audit Plan
(cont'd)**

- .07** In 2006, management control of Los Alamos National Laboratory was taken over by Los Alamos National Security, a limited liability company (LANS LLC). In 2007, a separate limited liability company, Lawrence Livermore National Security (LLNS LLC) assumed control of Lawrence Livermore National Laboratory. With these structural changes, the internal audit departments began operating as separate organizations, thus discontinuing functional reporting to the Office of Ethics, Compliance & Audit Services. However, UC's Chief Audit Officer is a member of the Ethics and Audit Committee of LANS LLC and LLNS LLC.

In May 2006, the Regents created the role of Senior Vice President – Chief Compliance and Audit Officer (SVP/CCAO) as a corporate officer reporting directly to the Regents through the Committee on Compliance and Audit, responsible for developing and overseeing the university's corporate compliance and audit program. In October 2007, the SVP/CCAO position was filled by Regental appointment.

The Director of Investigations position was moved to a Systemwide compliance position in 2008.

In September 2009, the University Auditor retired. Since that time, all of the University Auditor's duties have been assumed by the SVP/CCAO.

In February 2013, a Quality Assurance review of the UC IA program was completed by an independent review team. In response to recommendations from the review team, the UC IA Program developed a strategic plan to enhance the program with the following initiatives:

- Knowledge Sharing and Leveraging Resources;
- Leadership and Staff Development;
- Marketing;
- Vision- Mission; and
- Training.

2200 Customers and Services

Overview

- .01** The UC Internal Audit Program's perspective of its customers and services has evolved and broadened along with the changes occurring within the internal auditing profession. The changes in the profession itself are in part based on the standards and guidance issued by the Institute of Internal Auditors. Even the definition of *internal auditing* has been revised.

The University of California Internal Audit Program fully ascribes to the revised definition including the emphasis on advisory service activities in addition to assurance activities.

Customers of Internal Audit Services

- .02** In the broadest sense, the beneficiaries of the services of Internal Audit include the taxpayers of the state of California, donors, federal, state and private research sponsors, and all faculty, students, patients and staff of the University. However, customers are those we serve more directly and who are the recipients of our services, or reports on services provided. The customers of Internal Audit include those parties with oversight, management and operating responsibilities for the University such as:

- The Board of Regents
- The Regents' Committee on Compliance and Audit
- Senior Management
- Local Audit Oversight Committees
- Operating Management

Services Provided by Internal Audit

- .03** Internal Audit's primary activity in fulfilling its mission is the conduct of a program of regular audits of the University's business operations. However, as the Internal Audit Program has evolved and restructured in recent years, it has expanded to include additional activities in order to enhance the value of services to its customers. The Annual Audit Plan outlines Internal Audit services under three types of activities as follows:

Audits - These services include the planned and supplemental program of regular audits of business units (including academic departments) and business processes that cut across all organizational units (e.g., purchasing, travel, etc.). The internal audit activity may provide assurance services where it had previously performed consulting services, provided the nature of the consulting did not impair objectivity.

2200 Customers and Services

**Services Provided
by Internal Audit
(cont'd)**

- .03 Investigations** - Pursuant to University of California Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities (Whistleblower Policy), Internal Audit conducts investigations into suspected financial irregularities whether reported via the whistleblower hotline, uncovered in the course of regular audits, or based upon concerns conveyed by management.

See UC Internal Audit policies and procedural guidelines on investigative services at Section 7000.

Advisory Services - Advisory Services encompasses a broad array of activities beyond regular audits. These additional activities are proactive or preventive in nature and are focused in the following areas:

Internal Control & Accountability - Promotes the systems of internal controls through training of University personnel in concepts of internal control and consultation on their implementation. These services include our efforts to support the Controllers' accountability initiatives, including Control Self-Assessment as well as the independent Control Self-Assessment effort at Lawrence Berkeley National Laboratory.

Special Projects and Consultations - Promote effective and efficient operations through special management studies, advisory participation on business process and systems reengineering teams and consultation on business issues (e.g., regulatory compliance matters) and assist department and program managers in dealing with issues before they become audit or investigation problems.

Systems Development and Reengineering - Involves participation with teams and committees to assist in the continued efforts of campuses and Lawrence Berkeley National Laboratory to develop and implement new systems, redesign business processes to be more effective and efficient and deal with other campus or lab business issues. Involvement of auditors in a consultative manner during the design and development phase helps to ensure that sound business practices, including effective internal controls, are built into the systems and processes.

2200 Customers and Services

Services Provided by Internal Audit (cont'd)

.03 Other - Internal Audit may serve in additional capacities such as External Audit Coordinator (acting as liaison for campus visits by regulators and investigators), Information Practices Act Coordinator or Conflict of Interest Coordinator.

Alignment of Services with Customer Needs

.04 Internal Audit's Services are designed to fulfill the varying needs of its diverse customers. The operating plan of the Internal Audit Program prepared annually aligns these services, across all of the University's business operations.

University Lines of Business

.05 The business operations of the University are organized under the following three lines of business.

Campuses - The University encompasses ten campuses located throughout the state, five medical schools and approval for a sixth, four law schools and a statewide Division of Agriculture and Natural Resources.

Nine campuses are general campuses. One campus, UCSF, is a health sciences only campus. University of California Office of the President (UCOP) is viewed by management as another campus. Access the following internet link to see the most recent fact sheet for the campuses: <http://universityofcalifornia.edu/uc-system>

Laboratory - Under contract with the U.S. Department of Energy, UC manages the Lawrence Berkeley National Laboratory. The laboratory conducts broad and diverse basic and applied research in energy efficiency and sustainable energy production, environmental sciences, biological sciences for energy research, and computational science and networking.

Health Sciences - UC's health science and medical instructional program is conducted in 14 health sciences schools on six campuses. They include five medical schools and an approved sixth, two dentistry schools, two nursing schools, two public health schools, a school of optometry, two schools of pharmacy and a school of veterinary science.

Access the following internet link to access the most recent fact sheet for the medical centers:

http://health.universityofcalifornia.edu/files/2014/01/academicmedicalcenters101_1.21.14.pdf

2300 Communications

Overview

- .01** Beyond the issuance of reports on audits, investigations, and advisory services, the Internal Audit Program formally communicates with its customers on a systematic basis.

Regents

- .02** The SVP/CCAO is responsible for establishing an active channel of communication with the Chair of The Regents' Committee on Audit, and for the Committee as a whole. The Chief Compliance and Audit Officer meets quarterly with the Regents' Committee on Compliance and Audit.

Regents Policy 7307: Policy on Independent Reporting to the Board by Officers of the Regents with Dual Reporting Obligations to the Board and to the President of the University establishes the following requirements regarding communication with the Regents:

A. Chief Compliance and Audit Officer Meetings with the Chair of Compliance and Audit Committee and Chair of the board.

To facilitate an effective working relationship between the Chief Compliance and Audit Officer (CCAO) and the Regents and to enhance independent oversight by the Regents, to whom the CCAO owes a direct reporting obligation, the Chair of the Compliance and Audit Committee and the Chair of the Board shall confer with the CCAO alone on a regular basis and shall meet with him or her alone not less than twice a year.

B. Systemwide Deputy Audit Officer Meeting with and Access to the Compliance and Audit Committee.

The principal avenue for the Systemwide Deputy Audit Officer to communicate with the Committee on Compliance and Audit shall be through the Chief Compliance and Audit Officer (CCAO). Notwithstanding the foregoing, the Systemwide Deputy Audit Officer shall have the authority to bring the following matters to the attention of the Chair of the Compliance and Audit Committee, after advising the CCAO of such matters:

1. failure by a senior University official or officials to investigate and/or resolve allegations of improper governmental activities in accordance with law and University policies;

2300 Communications

Regents (Cont'd)

2. violations of law or policy by a senior University official that could result in substantial financial, reputational, or other harm to the University; and
3. obstruction or interference with an audit initiated by the California State Auditor or by the University's independent financial accountants.

Senior Management

- .03 Client Satisfaction Survey** - A management survey is sent at least annually to elicit management's perception of the Internal Audit Program's ability to fulfill its mission of assisting management in the effective discharge of their responsibilities.

Local Internal Audit Oversight Committees

- .04** Local Committees provide oversight for the communication and coordination of Internal Audit and related matters (e.g. external audit matters and control initiative activities). The guidelines for local audit oversight committees include the regular agenda of information and reports to be reviewed.

See Guidelines for Local Audit Oversight Committees at Section 2500.

Council of Vice Chancellors-Administration (COVCA)

- .05** The Council of Vice Chancellors—Administration is a group of the University's senior business officers who meet regularly with the Executive Vice President—Business & Operations and his/her staff. The group includes the Deputy Laboratory Director for Operations at Lawrence Berkeley National Laboratory. The SVP/CCAO communicates with this group about broad Program strategies and developments that impact all locations.

2300 Communications

**President's
Compliance and
Audit Committee**

- .06** The President's Compliance and Audit Committee (PCAC) meets periodically. The role of the PCAC is to ensure the President and other senior management officials are fully aware of major systemwide compliance and audit issues, provide oversight of the systemwide consolidated financial statement preparation process, provide advice on staffing and direction of the internal audit function, and advise on the adequacy of the organization and staff pay of the campus audit offices.

The SVP/CCAO serves as the vice-chair of the PCAC along with the President and is heavily involved in setting the agenda for these meetings. The content of PCAC meetings is typically similar to the content of the meetings of the Regents' Committee on Compliance and Audit.

2400 Role of the Office of Audit Services

Overview

- .01** The Office of Audit Services (part of the Office of Ethics, Compliance and Audit Services) is a Department of the Office of the Regents. Within it are two functions: the Office of the President Internal Audit Department and the Systemwide Office of Audit Services.

The Internal Audit Department operates in a manner similar to the campus and lab Internal Audit Departments and is managed by a Director independently from the Chief Compliance and Audit Officer's involvement on a day to day basis.

The Office of Systemwide Audit Services is responsible for overall management, coordination, administration and development of the Internal Audit Program of the University. The SVP/CCAO is the Program's principal representative before The Regents.

**Duties of the
Systemwide Office
Audit Services****.02 Management**

- Oversee the preparation of the annual plan
- Prepare reports to The Regents
- Assess staffing and funding sufficiency
- Assist locations in selection of IADs
- Consult with IADs on significant audit, investigation, staffing, or operational issues
- Appoint and guide workgroups of IADs and managers as necessary for the execution of the strategic plan
- With the Director of Investigations, lend assistance to, monitor and manage communications regarding significant investigations

Coordination

- Conduct regular meetings of the IADs and other sub-groups (e.g. health sciences IADs) as necessary
- Communicate with IADs regularly on all issues of interest to the Internal Audit Program

2400 Role of the Office of Audit Services

**Duties of the
Systemwide Office
Audit Services
(cont'd)**

- .02**
- Coordinate overlapping activities of the workgroups addressing strategic and operational issues
 - Facilitate training activities including Compliance and Audit Symposiums and other periodic training and specialized training as needed
 - Facilitate the development of the Internal Audit Program's collective views on University policy matters
 - Act as liaison as necessary for campuses and Lawrence Berkeley National Laboratory with other Office of the President functions
 - Coordinate activities with other groups such as the Controllers, Vice Chancellors for Administration (VCA's), and Budget and Planning.

Administration

- Maintain Program records including staffing, reports issued, Regents reports etc.
- Provide support to the workgroups in execution of the strategic plan
- Provide support for conference and other training activities
- Maintain a public website that provides access to internal audit reports issued
- Maintain an internally-accessible website to facilitate systemwide sharing of internal audit information
- Prepare analyses to assist in the management of Program including staffing, compensation, benchmark/best practices, and risk assessment

Development

- Assist with IAD development and training
- Establish policies for the conduct of the Internal Audit Program in consultation with the IAD's

2400 Role of the Office of Audit Services

**Duties of the
Systemwide Office
of Audit Services
(cont'd)**

- .02**
- With the IAD's, create and monitor the execution of a strategic plan. Maintain an awareness of and assess the impact on the Program of developments in the accounting, public accounting, and internal audit professions
 - Informally conduct internal assessments of staff and the internal audit function at the campus level on a periodic basis
 - Assess the results of the Quality Assurance Program for impact on needs of the Program
 - Evaluate the Program's accomplishment of its objectives and the extent to which the Regents and managements' needs and expectations are being satisfied
 - Facilitate a periodic evaluation of the Program by outsiders to be performed against best practices of the profession and The Regents and management's expectations

Dual Reporting

- .03** *See Guidelines for the Chief Compliance and Audit Officer's administrative responsibilities for dual reporting at Section 1200.*

**Role and
Responsibilities**

- .04** *See The Chief Compliance and Audit Officer's role and responsibilities at Section 4100.*

2500 Guidelines for Local Audit Oversight Committees

**Purpose, Charter
and Scope**

- .01** Each UC campus and the Lawrence Berkeley National Laboratory have a local committee that provides oversight for Internal Audit activities to ensure appropriate communication and coordination of internal audit and related matters. The intent is to share information with and promote a dialogue among a variety of local participants who collectively represent the customers of internal audit services.

The scope of the audit oversight committees' function and perspective may be expanded locally to include external audit coordination matters and the control and accountability initiatives of the controllers, or these matters may be separate.

While the campus or lab audit oversight committee should have an interest in investigation matters (at least in regard to the impact on the audit program and indications of internal controls deficiencies), the campus Local Designated Official (LDO) provides oversight for whistleblower complaint investigation activities.

A local charter for the committee should be prepared documenting the purpose, scope and designated members. Such charter for the committee is separate and distinct from a local audit charter, which is optional, given The Regents' charter.

Some locations may choose to combine the audit committee with the oversight of other related monitoring activities including the Controls Initiative, the local Campus and Health Sciences Compliance Programs, Risk Management and others. This combined governance committee is generally referred to as a Campus Ethics, Compliance and Risk Committee (CECRC) at the systemwide level but is assigned a different name at the local level. Such an expansion of the charter is not in conflict with the objectives of these guidelines and is a local option.

A sample charter is included as **Appendix 2500.1**.

**Appointment of
Members and
Orientation**

- .02** The Chancellor or Laboratory Director appoints the members of the local audit oversight committee. The IAD should prepare a packet of materials including Regental and campus charters and other materials as appropriate for orientation of new members.

2500 Guidelines for Local Audit Oversight Committees

Composition and Chair

- .03** The composition of the committee will depend to some extent on local custom, but should be broad enough to represent the interests of the campus or lab community as a whole. It is important that there be sufficient representation from the faculty administrative leadership, the health sciences enterprise, a research perspective and others deemed appropriate. Consideration should also be given to including the campus or lab counsel if the committee is to deal with investigation matters.

Unless the Chancellor or Lab Director chooses to chair the committee, it should be chaired by the senior manager to whom the IAD reports. That senior manager, the Chief Compliance and Audit Officer and the IAD are ex officio members of each campus or lab audit committee.

Meeting Frequency

- .04** Committees should meet quarterly, or three times per year at a minimum. The meeting cycle can be viewed as tied to the annual audit plan cycle.

Regular Agenda Items

- .05** The regular agenda should cover at a minimum:
- approval of prior meeting minutes
 - A summary of progress against the annual plan
 - Current project-specific summaries of significant reports issued and their observations including significant investigation activities (and influence on the program of regular audits),
 - Proposed changes in the approved plan
 - Staffing changes and their impact on completion of the audit plan

2500 Guidelines for Local Audit Oversight Committees

**Regular Agenda
Items (cont'd)****.05**

- A summary of external activities and significant issues identified
- A summary of open management corrective actions from previously issued audit reports especially for situations where senior management awareness could lead to more rapid action or the removal of barriers to action to improve controls,
- On an annual basis, the regular agenda should include the proposed annual plan and an annual summary report of the activities conducted by the Internal Audit function during the year.

In addition, open recommendations from previously issued audit reports should be reported at regular intervals, especially for situations where senior management awareness could lead to more rapid action or the removal of barriers to action to improve controls.

Audit Plan Role**.06**

The local audit oversight committee shall recommend the annual audit plan to the Chancellor/Laboratory Director for approval, who in turn recommends the audit plan to the Chief Compliance and Audit Officer for approval. The Systemwide Office of Audit Services consolidates the location audit plans and submits the *Annual Report Internal Audit Plan* to the Regents' Committee on Compliance and Audit for ultimate approval.

The most important role the audit oversight committee plays in the formulation of the audit plan is assistance in risk identification. A significant portion of each meeting should be devoted to discussion of risk issues facing the University and the location.

Any changes to the annual plan that result in approved audits being dropped from the current year work plan, even if only deferred until a subsequent year, require the approval of the audit oversight committee and the SVP/CCAO. This mechanism for change acknowledges the dynamic nature of our environment but also our accountability for completion of the plan of work approved by the committee, the Chancellor and others.

2500 Guidelines for Local Audit Oversight Committees

**Audit Reports and
Follow-ups**

- .07** The audit oversight committee's input and guidance on sensitive matters can be very useful to effective communications in audit reports. In addition, their support in gaining customer acceptance and encouraging committed responses to recommendations can be very useful to effecting improvements. And lastly, broad awareness that the audit oversight committee has an active interest in tracking follow-up activities to make sure that committed actions are completed in a timely manner helps assure their appropriate attention. Accordingly, IADs may choose to share draft audit reports with audit oversight committee members to further these objectives as appropriate on an ad hoc basis.

Care should be taken so as not to create a report issuance protocol that conveys an impression that the audit oversight committee approves the draft reports for issuance. The reports are the product of the Internal Audit Program and must be viewed as independent of management influence.

**External Audit &
Agency Reviews**

- .08** The audit oversight committee should routinely receive updates on external audit and agency reviews occurring at the institution. Such reviews can pose serious risks to the institution and warrant active oversight and monitoring. As external reviews may be coordinated by various functional units, schools, or divisions, the audit oversight committee should serve as the central oversight and monitoring body to assure risks are identified and corrective actions implemented where indicated.

Annual Report

- .09** The audit oversight committee should be presented with a formal annual report on internal audit activities. Such reporting will apprise the committee of activities of the Internal Audit Program as well as summarize key audit areas covered, identify significant risk and internal control deficiencies, as well as outstanding high risk corrective actions.

2500 Appendix 2500.1 Local Audit Oversight Committee Sample Charter

P.1 of 3

**(CAMPUS/LAB LOCATION)
LOCAL AUDIT OVERSIGHT COMMITTEE
SAMPLE CHARTER**

Purpose

The (Campus/Lab Location) local (Name) Committee will assist the (Campus/Lab Location) Audit Department (Department) by helping to ensure that its objectives and goals support those of (Campus/Lab Location) and the University.

Mission

The mission of the Department is to assist management and the Board of Regents in the discharge of their oversight, management, and operating responsibilities through independent audits and consultations designed to evaluate and promote the system of internal controls, including effective and efficient operations.

Composition and Chair

The local (Name) Committee will be chaired by the (position title of person who will chair the committee) and will be comprised of representatives from (list constituencies represented, which should include representatives from the faculty administrative leadership, the health sciences enterprises, the research perspective, and others as deemed appropriate, such as controller, student and auxiliary services, budget, human resources, etc.). The Chair, the Chief Compliance and Audit Officer, and the Internal Audit Director are ex officio members of the (Name) Committee.

Meeting Frequency

The local (Name) Committee will meet quarterly (or no less frequently than three times a year).

Independence and Objectivity

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors are independent of the activities they audit. This independence is based primarily upon organizational status and objectivity.

Regarding organizational status, the Internal Audit Director reports functionally to the Chief Compliance and Audit Officer, who in turn reports to the Board of Regents and the President, and administratively to the (indicate position to whom the Audit Director reports, who in turn

2500 Appendix 2500.1 Local Audit Oversight Committee Sample Charter

P2 of 3

reports to the Chancellor). In performing the audit function, the Department has no direct responsibility for, or authority over, any of the campus/lab processes reviewed.

Internal Audit's independence is also based on its objectivity. Objectivity is a mental attitude which internal auditors should maintain in performing audits. Internal auditors are not to subordinate their judgment on audit matters to that of others.

Scope of Responsibilities

In order for the local (Name) Committee to assist the Department in carrying out its mission and maintaining its objectivity and independence, the regular agenda will cover:

- Approval of prior meeting minutes
- A summary of progress against the Annual Audit Plan
- Proposed changes to the approved Annual Audit Plan
- Personnel changes and their impact on the completion of the Annual Audit Plan
- Current project-specific summaries of significant reports issued and their observations
- Major investigation activities and their impact on the program of regular audits
- Summary of external activities and significant issues identified
- Open recommendations and/or management corrective actions from previously issued audit reports, especially for situations where senior management awareness could lead to more rapid action or the removal of barriers to action to improve controls
- On an annual basis, the proposed Annual Plan and an annual summary report of the activities conducted by the Internal Audit function during the year.

2500 Appendix 2500.1 Local Audit Oversight Committee Sample Charter

P.3 of 3

Role in the Development of the Annual Audit Plan

The local (Name) Committee should participate in and review the activities related to the development of the Annual Audit Plan, including the risk identification and risk assessment processes. The local (Name) Committee should review the proposed Annual Audit Plan and recommend its approval prior to its submission to the Chief Compliance and Audit Officer for consolidation into the systemwide Annual Audit Plan. Any changes to the Annual Audit Plan that result in approved audits being dropped from the current year's plan, even if it only involves the audit's deferral into a subsequent year, require the approval of the local (Name) Committee and the Chief Compliance and Audit Officer.

Other Roles and Responsibilities

(Describe any other roles and responsibilities of the local (Name) Committee that have not already been discussed.)

3000 INTERNAL AUDIT PROGRAM PLANNING AND REPORTING

- | | |
|-------------------------|--|
| Section Overview | .01 The following section sets forth the annual processes by which the operating and strategic plans for the Internal Audit Program are developed, monitored for progress and reported to customers. |
| Planning | <p>.02 UC Internal Audit undertakes an extensive planning process to establish the operating plans for the Internal Audit Program on an annual basis. These plans guide the Program in its goal of providing the most timely and comprehensive scope of audit and other services possible and in deploying its resources in an effective and efficient manner.</p> <p>In addition to the operating plan, a strategic plan for the continuous improvement of the Program is established and maintained on an ongoing basis. While the strategic plan goals, objectives and initiatives are re-assessed on an annual basis, many elements of the plan may have a multi-year planning perspective.</p> |
| Reporting | <p>.03 Internal Audit monitors activities and progress toward both the annual operating and strategic plans and reports the related information to The Regents and to UC Senior Management on a quarterly and annual basis.</p> |

3100 Strategic Plan

- | | |
|---------------------------|--|
| Overview | .01 The strategic plan is one component of the Internal Audit Program Annual Plan and conveys the planned efforts designed to provide continuous improvement to the Internal Audit Program. |
| Objectives | .02 The strategic plan objectives are driven by Internal Audit's recognition of the needs and opportunities to improve the Program, recommendations from periodic external reviews and changes in the direction of the Internal Auditing profession. The specific strategic plan goals in place at any given time can be found on the Audit Services homepage. |
| Plan Establishment | <p>.03 The SVP/CCAO convenes the IAD's for the purpose of creating the strategic plan.</p> <p>The strategic plan is a dynamic set of goals and objectives agreed to by the SVP/CCAO and Internal Audit Directors (IADs) for the purposes of strengthening the Internal Audit Program. The strategic plan is established and revised every two years, although external events or newly recognized Program needs may dictate a different interval. It is created with a multi-year perspective with short-term milestones that can be measured to assure progress. The current initiatives are periodically assessed to validate the direction of the Program.</p> |
| Plan Execution | <p>.04 Structure and Charter of workgroups - Execution of the strategic plan is carried out by all of the IADs and managers through their organization into various workgroups. The workgroups are charged with execution of the strategic plan on behalf of the SVP/CCAO and IADs as a whole. Their efforts are preliminary rather than determinative as significant proposals for Program policies, initiatives and direction are brought back to the entire group for approval before significant effort or resources are committed. The SVP/CCAO participates in the activities of all workgroups and provides overall leadership to the strategic planning efforts as one of the position's principal responsibilities.</p> <p>Each workgroup has a Director who, at the request of the SVP/CCAO, convenes the workgroup and is generally the spokesperson for the workgroup in communications with the Directors as a whole.</p> |

3200 Operating Plans

- | | |
|--|---|
| Overview | .01 The Operating Plan is the primary component of the UC Annual Audit Plan. The Plan represents the consolidated audit plans of each of the campus and lab Internal Audit Departments, as well as the allocation of human resources necessary to deliver these services to customers. The Plan strives to assure an appropriate balance among the University's lines of business as well as the Internal Audit Program's service activities. The Plan also serves as a tool to assist Internal Audit management in analyzing its mix of customers and services and for measuring and monitoring the risk exposure in the audit universe. |
| Annual Audit Planning | .02 The Plans are developed annually through a comprehensive risk assessment and audit planning process. The Systemwide Office of Audit Services (OAS) leads a collaborative process to establish the audit universe, identify strategic and business risk and develop the planning guidelines to complete the annual audit planning process. |
| Establishment of Audit Universe | .03 The 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, traditionally referred to as the audit universe. The planning process involves annual reconsideration of transactions, events or conditions which may impact the audit universe such as: <ul style="list-style-type: none">• New activities, organizations and programs• Changes within the existing organization or operating units |
| Identification of Risk | .04 The Annual Audit Plan is driven by consideration of the institution's strategic, financial, operational, regulatory and reputational risks at both a system-wide and local level, thus permitting local flexibility and input in determining the allocation of audit resources. The risks identified are organized along the University's lines of business: <ul style="list-style-type: none">• University-wide Risk – Risks which affect the University's mission of teaching, research and public service as well as patient care• Campus Based Risk – Risks that impact the campuses generally, such as enrollment growth, capital, operations and research funding |

3200 Operating Plans

Identification of Risk (cont'd)**.04**

- Laboratory Based Risk – Risks that impact Lawrence Berkeley National Laboratory, such as political and regulatory risks or matters affecting the DOE contract
- Health Sciences Based Risk – Industry and regulatory risks, such as managed care, medical education and disproportionate share funding, and Medicare/MediCal enforcement

Sources of Information - A variety of sources are utilized to identify risks for the University as a whole. These sources include: regulatory experts, financial experts, The Regents' Compliance and Audit Committee, Office of the President Executives, Laboratory Directors, Chancellors, Vice Chancellors, local Audit Workgroup Members, and senior laboratory and campus managers.

Development of Annual Planning Guidelines**.05**

The Systemwide OAS develops Guidelines for Audit Planning on an annual basis and submits proposals for any revisions to the SVP/CCAO and Campus and Laboratory IADs. These guidelines include:

- Timeline for audit planning process
- Risk Model, risk analysis worksheets and guidelines for the assignment of predictive risk factors
- Narrative outline of the lines of business risk
- Guidelines for resource allocation

Annual Planning Time Line**.06**

The Systemwide OAS distributes a specific time line defining procedures and related deadlines for the audit planning process to the Campus and Laboratory IADs each year. The timeline helps to facilitate the preparation of the Operating Plan for its inclusion in the draft Annual Audit Plan. The draft plan is presented to The Regents Committee on Compliance and Audit at their May meeting.

Refer to Appendix 3200.1 for a sample timeline.

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**Annual Audit
Planning Process**

- .07** The annual audit planning process involves the Risk Assessment Phase and the Audit Plan Preparation Phase.
- The Risk Assessment Phase is performed at the beginning of the planning cycle and is focused on gathering current risk information about the audit universe components and assessing the relative risks necessary to prepare the Annual Audit Plan, all in the context of the institution's risks previously identified.
 - The Audit Plan Preparation Phase is performed upon completion of the Risk Assessment Phase and represents an exercise in deploying Internal Audit's resources in the most effective manner possible prioritizing risks and assuring balance in the Annual Plan.

Risk Assessment

- .08** A comprehensive and thorough risk assessment is the key driver in the development of an effective audit plan. The risk assessment process involves both a high level overview of topical and selected strategic business risk as well as an intensive and comprehensive process to assess risk for all items included in the audit universe.

**Audit Universe
and Definitions**

- .09** The audit universe identifies process and entity topics to allow individual campuses and labs the flexibility to include local and specific topics, to minimize the number of line items requiring calculated risk assessments, and to provide a reporting format that can be condensed at the levels of the various "tiers" for reporting to different audiences and for different purposes. The audit universe should be reviewed quarterly and updated as necessary to address risk priorities in a changing environment.

The universe is divided into four tiers as follows:

- Tier One consists of major reporting categories.
- Tier Two consists of major processes and entity groupings.
- Tier Three consists of predominantly major process topics and is generic across all sites. This permits comparative evaluation of risk scores across all sites for specific topics. Sites do not have the ability to modify Tier Three.

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**Audit Universe
and Definitions
(cont'd)****.09**

- Tier Four consists of predominantly local specific organizational entities and minor process topics
- Entities that are related to Tier Two broad categories such as “departments” or “programs” should be added to Tier Four by individual sites, based on specific site criteria. It is possible that elements of Tier Four could change each planning year for each site.

NOTE: The term “sites” rather than “locations” is used because at the health science campuses risk assessment is performed for both the campus and health sciences sites separately.

**Relative Risk
Assessment****.10**

The audit risk of each component unit in the audit universe is assessed. Relative risk assessment is necessary to provide a means for rational deployment of limited resources across the audit universe.

In assessing relative risk, auditors at each location gather information from:

- Financial analyses
- Change analyses (management, systems, funding sources/levels, regulations, etc.)
- Interviews with management
- Discussions with the campus Compliance function and Locally Designated Officials
- Consideration of external audit activities
- Audit issues identified and shared by the controllers, other UC locations and other universities

3200 Operating Plans

**Relative Risk
Assessment
(cont'd)**

- .10** • Other campus or laboratory department risk assessment processes

As part of the annual audit planning process, each campus internal audit department must perform a formal risk assessment to meet IIA standards and UC Internal Audit Manual guidelines. The UC Risk Model (Predictive Factors & Weights) is to be used in assessing the Audit Universe components for all University audit environments (campuses, health sciences, and laboratories). The method(s) for performing the assessment using the UC Risk Model is left to the discretion of each campus; however, the methodology must meet the IIA standards and be adequately documented. Additionally, those items for which the risk assessment indicates inclusion in the audit plan must be scored in TeamRisk for final audit plan preparation in accordance with the prescribed timeline requirements of the University's Annual Planning Guidelines.

Risk Model

- .11** The Risk Model reflects terminology of the Committee of Sponsoring Organizations (COSO) of the Treadway Commission and is applied to all UC lines of business. The factors proposed for campus, laboratory and health sciences environments are identical. However, different weightings for each factor within these three environments have been established.

Refer to Additional Resources at Appendix 3200.2 for more information about COSO.

In the risk model, each component of the audit universe is assessed for relative risk considering five predictive factors: Quality and Stability of Control Environment, Business Exposure, Public and Political Stability, Compliance Requirements and Information Technology and Management Reporting. These predictive factors are defined below.

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Predictive Factors And Value Weight **.12 Quality and Stability of Control Environment** - Assessment of control environment is based on factors such as:

- Adequacy of the existing control structure
- Expertise of management
- Historical problems
- Interval since the last audit review
- Conditions found during recent reviews
- Adherence to the budget

Predictive Factors And Value Weights (cont'd) **.12**

- Complexity of operations and technology
- Overall effectiveness and efficiency of operations
- Significant downsizing
- Early retirement programs
- Reengineering efforts to streamline processes

The relative performance of a function as perceived by other managers may influence risk. In general, effective management reduces overall risk.

Business Exposure (Materiality and Liquidity of Operational Resources) - Larger potential losses are normally associated with larger sized activities, as indicated by revenues and expenditures. Other things being equal, large dollar amounts either flowing through a system or committed to an activity or project will increase audit interest. Dollar amount and relative liquidity of assets safeguarded will impact this factor. Other objective information to be considered for each auditable unit includes the dollar amount of cash receipts, receivables, inventory, plant and property safeguarded.

Public and Political Sensitivity - A public relations exposure exists whenever an event occurs which would erode public

confidence in the University. The following conditions influence this factor:

- Probability of adverse publicity
- Reduced support
- Tarnished reputation or depletion of goodwill
- Erosion of the legitimacy of the University's mission or miscommunication of traditional values

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Predictive Factors And Value Weights (cont'd)

- .12** Selected audit topics may not appear to be material, but could nevertheless influence risk. As sensitivity, exposure, or potential for public embarrassment increases, the risk factor assigned will increase. The amount of interest that The Regents or the Office of the President expresses in a particular unit or function could also impact this factor.

Compliance Requirements - Complexity and clarity of all internal and external policy, procedure, regulatory and statutory matters affecting the operations of the organization as a whole or any of its sub-units impacts an organization's ability to comply, and therefore influences risk. Risk associated with non-compliance relates to the inability to meet business objectives which can result in monetary loss due to:

- Improper business practices
- Levy of fines or litigation
- Loss of funding sources and disallowed costs from funding agencies.

Information Technology and Management Reporting - Reliable information is needed at all levels of an organization to run the business and move toward achievement of the entity's objectives in all categories. Reliable internal measurements are essential for generating information used in:

- Developing financial statements for external dissemination
- Operating decisions, planning, budgeting and pricing
- Monitoring performance, providing services and allocating resources
- Evaluating vendor performance and joint ventures

Risk factors for information and reporting to be considered for assigning value weights to each auditable unit include:

- Extent to which the process or entity depends upon a computerized information system and the complexity of that system

3200 Operating Plans

Predictive Factors And Value Weights (cont'd)

- .12**
- Time sensitivity, mission criticality, support of life safety processes
 - Campus wide impact due to the loss of access to information or reporting
 - Accuracy, availability, and integrity of the information provided either via manual or automated systems.
 - Storage of personally identifiable information (PII) or protected health information (PHI) on a system

Risk Model Scoring and Ranking

- .13** These predictive factors are weighted, scored and the relative risk ranking of each component of the audit universe is compiled by local Audit Management.

Risk index results for the audit topics in one line of the business environment should be comparable to risk index results for audit topics in other environments. For example, an index of 700 for a medical center topic should indicate the same level of risk as an index of 700 for a campus or laboratory topic.

The Risk Model and Guidelines for the assignment of predictive risk factors are included as Appendix 3200.2.

Analyses of Risk Assessments

- .14** As part of the risk assessment process the Systemwide OAS may prepare various analyses of the preliminary risk assessments to assist in the consistent application of the risk assessment methodology among all of the UC sites. The analyses also strive to identify common risks for the purpose of recognizing opportunities for sharing risk mitigation strategies. The analyses and their impact on the Annual Audit Plan will be discussed among Audit Directors and their managers at a meeting held for this purpose and scheduled as part of the annual planning timeline.

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Audit Plan Preparation

- .15** Upon completing the risk assessment process, each campus or laboratory Internal Audit department prepares a local Annual Audit Plan following the requirements of the Planning Guidelines. The package of Audit Plan materials is submitted to the Systemwide OAS along with the final risk assessment results according to the time line outlined under paragraph .02 of this section. The local plans and risk assessments results are consolidated into the systemwide Annual Audit Plan.

Resource Allocation Guidelines

- .16** General guidelines for the allocation of the percentage of time to selected time charge categories are provided below. These are only guidelines that may be changed from time to time, and local circumstances may dictate planned levels outside the ranges presented below. When this situation occurs, the IAD should address the unique circumstances in the transmittal letter accompanying the Audit Plan.

In general, it is anticipated that an average of approximately 85% of total time available should be budgeted for direct time charges.

The range of regular audit time is expected to be between 40% and 70%. This is a very large range and will depend on matters such as demand for investigations and advisory services. Within this total, approximately 10% is normally expected to be set aside for Supplemental Audits.

The range for audit advisory services (consisting of consultations, special projects, systems reengineering, and internal control training--including control and accountability initiatives) is expected to be between 10% and 25% including External Audit Coordination which is to be a part of this reporting category.

On an overall basis, it is expected that investigation time will be between 5% and 15%. Local offices should budget this category based on their own experience and expectations.

An expectation of 5% to 10% has been established for audit support activities including audit planning, audit committee support, system-wide audit support, computer support, and quality assurance on an overall basis.

3200 Operating Plans

**Resource
Allocation
Guidelines
(cont'd)**

- .16** The laboratory audit function must be responsive to DOE requirements. In some cases, these requirements may impact the ability of the laboratory audit function to meet the above guidance.

**Documentation of
Planning Process**

- .17** Each IAD should maintain documentation of the annual audit planning process. This documentation should include:
- Records of internal planning sessions
 - Records of management input to the planning process
 - Financial and other background information collected for selected audit planning topics

The IAD should also provide a written explanation in the annual audit planning documentation for any topic assessed as a high risk that is not included in the final Annual Audit Plan.

**Approval of the
Annual Audit
Plan**

- .18** Upon completion, the Annual Audit Plans are subject to review and approval as follows:
- By the Local Audit Oversight Committee (who recommends approved plan to the Chancellor/Lab Director)
 - By the Chancellor/Lab Director (who recommends approved plan to the SVP/CCAO)
 - By the SVP/CCAO (who submits the Annual Report Internal Audit Plan to the President's Audit Committee and the Regent's Committee on Compliance and Audit for final approval)

Laboratory - In accordance with UC/DOE contractual guidance, Lawrence Berkeley National Laboratory must submit its Annual Audit Plans to DOE for review and approval, and must be responsive to DOE requests for DOE mandated audits for topics such as cost allowability.

3200 Operating Plans

**Changes to the
Annual Audit
Plan**

- .19 Minor Changes** - Relatively minor changes to priorities and the contents of the plan should be submitted for information to the Campus Audit Oversight Committee. If the above guidelines cannot be met, the IAD should consult with local management and the Systemwide OAS.

Significant Changes - Significant modifications to the plan should be addressed with the Campus Audit Oversight Committee and the SVP/CCAO. For example, all topics which are ultimately defined as being in the high risk category and are included in the Annual Audit Plan and which are subsequently likely to be cancelled or postponed must be reported to and discussed with the Campus Audit Committee and the SVP/CCAO. The SVP/CCAO will report any significant interim changes to the systemwide annual audit plan to the President's Audit Committee and the Regent's Committee on Compliance and Audit.

Laboratory - Modifications to Lawrence Berkeley National Laboratory's audit plan should be made in accordance with contractual responsibilities to DOE. In general, significant changes should be discussed in advance with appropriate DOE representatives, as well as the Local Audit Committee and SVP/CCAO.

**Request for
Assistance**

- .20** Any location which does not expect to accomplish at least 50% of planned audit and advisory services (line items) listed in the Annual Audit Plan as amended should confer with the Campus Audit Oversight Committee and the SVP/CCAO to determine a mutually acceptable method of obtaining additional resources or implementing an alternative method to provide greater breadth of coverage.

The SVP/CCAO must communicate the impact of resource limitations and ensure that internal audit resources are appropriate, sufficient, and effectively deployed to achieve the approved plan.

In addition, because the laboratory audit function must be conducted in a manner "satisfactory to DOE," if it does not expect to make substantial progress in meeting the Annual Audit Plan, it should communicate this circumstance to DOE for appropriate mutual resolution.

3200 Appendix 3200.1 Annual Audit Planning Time Line

Annual Audit Planning Time Line			
Step	Procedure	Responsibility	Timing
1	Work with IADs and managers to obtain and review current information relevant to the audit universe and determine its effect on the Annual Planning Guidelines.	Systemwide OAS	November and December
2	Distribute Annual Planning Guidelines and Risk Analysis Worksheets to Audit Directors.	Systemwide OAS	January
3	Perform the risk assessment process utilizing the risk model and methodology and validate procedures with local management.	Local Audit Management	January to March
4	Submit the local risk assessment results to the SVP/CCAO.	Local Audit Management	March
5	Perform comparative analyses based on the risk assessment results and distribute the analytical results to the Local Audit Management.	Systemwide OAS	March/April
6	Meet with SVP/CCAO to discuss preliminary risk results and share information in order to prepare draft local Annual Audit Plans.	Local Audit Management	March
7	Present draft local Annual Audit Plans to local Audit Oversight Committees.	Local Audit Management	March
8	Submit draft local Annual Audit Plans to the SVP/CCAO.	Local Audit Management	End of March
9	Prepare draft consolidated UC Annual Audit Plan and present to President's Audit Committee	Systemwide OAS	April to May
10	Present draft consolidated UC Annual Audit Plan to UC Regent's Committee on Compliance and Audit.	Systemwide OAS	May
11	Refine draft plan and present revised plan to local Audit Oversight Committees.	Local Audit Management	May/June
12	Submit final consolidated UC Annual Audit Plan to SVP/CCAO.	Local Audit Management	July
13	Present final consolidated UC Annual Audit Plan to President's Audit Committee and UC Regent's Committee on Compliance and Audit.	Systemwide OAS	July

3200 Appendix 3200.2 University of California Risk Model

University of California Risk Model (Page 1 of 2)

Score	Key Descriptive Phrases
Quality and Stability of Control Environment	
1	High confidence in control environment, well run organization, good reputation, efficient and effective operations, sound system of internal control, recently audited with good results, stable organization, no increase or decline in budget
2	Good/reasonable confidence in control environment, audited with moderate issues within the last three- five years with completed follow-up and corrective actions, average turnover in key personnel, average change in prior year budget
3	Limited confidence in control environment, not audited within the last five years, management changes, significant change in processes, downsizing, early retirements, turnover in key personnel
4	Little or no confidence in control environment, no prior audit coverage, or fairly recent audit with significant unresolved issues or material cash losses, poor campus reputation, high whistleblower or grievance activity, high turnover, major system changes, significant reengineering, significant change in prior year budget.
Business Exposure (Materiality and Liquidity of Operational Resources)	
1	Low probability of loss/ Exposure potential is relatively immaterial
2	Exposure represents a relatively low percentage of total campus operations, loss probability is moderate
3	Exposure represents a moderate percentage of total campus operations, loss probability is significant
4	Exposure represents a significant percentage of total campus operations, loss probability is high
Public and Political Sensitivity	
1	No press or local press interest in generic topic/ exposure potential is relatively immaterial
2	Somewhat politically sensitive, but interest is narrowly focused to a limited audience
3	IGA potential, State or Federal audit interest, high public interest
4	Regents, national exposure, loss of funding, extreme public interest

University of California Risk Model

University of California Risk Model (Page 2 of 2)

Score	Key Descriptive Phrases (cont'd)
Compliance Requirements	
1	Few or limited regulations, clear and simple policies, procedures, & guidance, flexibility permitted in meeting policies, procedures & regulations
2	Moderate or significant percentage of transactions subject to policies, procedures & regulations; effective and efficient business processes
3	Significant or high percentage of transactions subject to complex policies, procedures, & regulations; heavy fines, unallowable costs, somewhat inefficient or ineffective processes
4	High percentage of transactions subject to complex and changing policies, procedures, and regulations; ineffective or inefficient processes; high probability of monetary or funding source loss
Information Technology and Management Reporting	
1	High degree of accuracy, availability, timeliness & usefulness of information; Information system, application, or entity is secure, stable, utilizes good technology, and has adequate and trained staff. Loss of access to system generated information or reporting capability would have low campus, process or entity impact
2	Some minor issues of accuracy, timeliness or usefulness of information; System, application, and entity are relatively stable and secure; needs minor enhancements to fully achieve appropriate system objectives and functionality; implementation of system was adequate
3	Uncertain reliability of data, timeliness of information or usefulness; Information system, application, or entity is complex or newly implemented and tested; Loss of access to system or reporting will have fairly major campus, process or entity impact; system may be older and unable to provide necessary data; system is complex, impacts other processes or entities or may support life safety process or entities
4	Low degree of information accuracy, availability, timeliness and usefulness; Information system, application, or entity is outdated, unstable, and has poor security; system is highly complex, has campus-wide impact, mission critical or supports life safety processes or activities; Computing risks have not been adequately addressed or controlled.

3300 Monitoring and Reporting

- | | |
|-----------------------|---|
| Overview | .01 This section outlines the processes by which both the Strategic and Operating Plans are monitored and the standard reporting requirements for both internal reporting (within the Internal Audit function) and reporting to management and The Regents. |
| Strategic Plan | .02 The SVP/CCAO has ultimate responsibility for monitoring the execution of the strategic plan. The “master” version of the plan is maintained by the Systemwide OAS and is updated by input from the workgroups as progress is reported. There are no set forms or intervals for reporting against the strategic plan. |
| Operating Plan | .03 The Internal Audit Program demonstrates accountability for its resources as well as communicates its accomplishments through quarterly reports to The Regents Committee on Compliance and Audit and UC Senior Management. |

(NOTE) Because of the federal government fiscal year employed by Lawrence Berkeley National Laboratory, the period of time encompassed in reports for the campuses and OP and the lab is different by one quarter, with the lab’s data trailing by three months. Therefore, the Annual Report presented in November of 20XX includes activity for the twelve months ended June 30, 20XX for the campuses and OP but includes activity for the twelve months ended September 30, 20XX for the lab. Since the Annual Report isn’t presented until November, this reporting convention is appropriate.

However, for quarterly reporting purposes, the activities accomplished on a year-to-date basis against the current year plan for the same calendar period are reported. For example, the September 30th quarterly report includes no lab activity since none has been commenced against the fiscal year being reported on, while the report for December 31st includes two quarters for the campuses and one quarter for the lab—a consistent 90 day lag.

The activity data presented in the Annual Report is a summary of the systemwide project and resource data compiled throughout the year. In addition, the Annual Report should be prepared to include other information about the Program (e.g., staffing analyses, etc.), the University’s controls, developments in the internal audit profession or to otherwise educate the Committee or

provide information requested by the committee. The Annual Report is also the venue in which audit follow-up activity

3300 Monitoring and Reporting

Operating Plan (cont'd)

.03 (specifically Management Corrective Actions) are communicated to The Regents.

The Chair of The Regents Committee on Compliance and Audit should be consulted in advance of preparation of the Annual Report to determine if additional reporting elements would assist in the oversight of the Internal Audit Program.

Quarterly Reports - The Systemwide OAS prepares quarterly reports after the end of each calendar quarter for dissemination to the President's Audit Committee and The Regents Committee on Compliance Audit. The quarterly reports may include the following detail:

- Progress achieved against the Annual Audit Plan
- Significant operational developments
- Significant audit results
- Personnel changes
- Progress achieved against the strategic plan

Time Reporting in Quarterly Reports

.04 Standard Time Reporting Categories and Definitions - Standard time categories and definitions have been adopted by all UC Audit departments. Standard categories and definitions are included as an Exhibit to this section. The standard definitions are provided in the interest of consistency and to facilitate consolidation of individual audit plans. Some categories may not be used by certain IADs. IADs will discuss any plans to deviate from the standard categories and definitions with the SVP/CCAO.

Standard Time Reporting Categories and Definitions are included as **Appendix 3300.1**.

3300 Appendix 3300.1 Standard Time Categories

Standard Time Categories and Definitions (page 1 of 3)

1. **Employees (FTEs)** - The number of FTEs (Full-Time Equivalents) actually expected to be employed by the department during the year to fulfill the audit plan being submitted should be used. For example, if it is expected that a position will be filled mid-year, only 1/2 FTE should be budgeted in the audit plan for that position.
2. **Other Resources** - This category will be used for paid overtime and hours in excess of forty per week for exempt employees, plus contract auditors and recharge activity if staff is shared between locations. Such recharges must eliminate in consolidation.
3. **Non-controllable Hours** - This category is for vacations, holidays, illness and all other non-controllable official absences (e.g. military leave, jury duty, furloughs, and bereavement).
4. **Indirect Hours** - Indirect hours includes Administration, Professional Development and Other. Administration as used here is basically for all time not captured anywhere else, including hiring and personnel management. Professional development is for all time associated with training, including travel, but normally for programs that qualify for continuing education credit. Other less formal types of training tend to be either related to audit planning or general understanding of UC policies and procedures or accounting and auditing matters, and should either be captured within the audit project or treated as administration.

Other will be limited and will be used for miscellaneous assignments such as suggestion box committee, floor warden, etc., as well as outside professional interests that are not captured as part of professional development.
5. **Direct Hours** - Direct Hours consist of the three lines of business—Audits, Advisory Services and Investigations—plus Audit Support Activities, such as development of Computer Assisted Audit Techniques (CAAT).
6. **Regular Audits** - The bulk of audit resources should be devoted to planned audits identified as a result of the audit universe model and risk ranking process. For internal reporting purposes only, planned audits are further broken down into categories representing work against the current year audit plan.
7. **Supplemental Audits** - This category is created to recognize the dynamic nature of our environment and to provide flexibility in the plan. Audits undertaken on a special request basis or because of interim amendments to the risk assessment results are supplemental audits. Audit work undertaken within the budget for Supplemental Audits is at the discretion of the IAD with no need to seek approval from local Audit Oversight Committees or the SVP/CCAO. If the volume of Supplemental Audits exceeds the

3300 Appendix 3300.1 Standard Time Categories

Standard Time Categories and Definitions (page 2 of 3)

budget in this category, then other planned work is generally being displaced (absent incremental resources) and care should be taken that the work undertaken is truly more essential than the work displaced. The work being displaced may constitute an amendment of the audit plan that should be dealt with as discussed herein for plan amendments.

8. **Advisory Services** - Advisory Services is comprised of separate categories for Consultations, Special Projects, Systems Reengineering, Internal Control and Accountability efforts and External Audit Coordination. At certain locations, other assignments such as conflict of interest and information practices act coordination should also be considered Advisory Services. The distinction between consultations and special projects is a judgment of the IAD. Advisory Services can be either planned or arise during the year. Projects should be classified by their nature and care should be taken to appropriately distinguish between activities that are Audit Services from those that are Advisory Services. Efforts in support of internal control training and other accountability initiatives should be reported here—however, if traditional Control Self Assessment (CSA) types of activities are undertaken in lieu of regular audit activities they may constitute an audit. Support for a CSA initiative on the other hand would be appropriately budgeted and reported in this category.
9. **Investigations** - Local experience and history should be used to establish an estimate of time that will be planned for investigation activities. All investigations are to be reported in this category (G-29 and others).
10. **Audit Support Activities** - Activities in support of our local and systemwide audit program are captured in this category. They are distinguishable from regular management activities in that they clearly relate to the program as a whole and are easily identified with the sub-captions that include:
 - a. **IT Support** - This includes the development and maintenance of internal audit management systems (TeamMate), main frame extraction capability, and the development of Computer Assisted Audit Techniques (CAATs). This category should not be used for IT Audit activities.
 - b. **Audit Planning** - This support activity category is intended for annual planning efforts including the risk ranking process and revisions to those plans. It is not intended for planning time that should be charged to individual audits.

3300 Appendix 3300.1 Standard Time Categories

Standard Time Categories and Definitions (page 3 of 3)

- c. **Audit Oversight Committee** - This support activity is intended for time spent preparing for Audit Oversight Committee meetings, attending meetings, handling minor specific requests for information from audit committee members, and in communication with Audit Oversight Committee members.
- d. **Systemwide Audit Support** - This support activity is for efforts in support of the overall systemwide audit program. Efforts on systemwide workgroups and projects should be charged to this category. It should not be used for systemwide audits.
- e. **Quality Assurance** - This support activity is intended primarily for the peer review program and other limited local uses and should not be used for time related to specific audits such as the pre-issuance review of audit reports

4000 PERSONNEL

- Section Overview**
- .01** This section of the manual describes personnel policies adopted by the Internal Audit Program. It includes sections on roles and responsibilities, career development and counseling, training and professional development, Skills Assessment and Resource Analysis, and performance evaluations.

4100 Roles and Responsibilities

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|--|---|
| Policy | .01 The roles and responsibilities required to efficiently and effectively perform the UC internal audit function are clearly defined and communicated. |
| Application of UC Policy for Roles and Responsibilities | .02 Each local Internal Audit Department consists of several levels of staff positions, each having varying responsibilities for carrying out the audit function. Each position is described and the related responsibilities required to perform it are outlined. |
| Job Descriptions | .03 Job descriptions that outline the roles and key responsibilities for each staff level position have been developed. Each member of the Internal Audit Department should have a current job description signed by both the employee and supervisor. The job description should reflect all of the activities and expectations for the particular position. It should also include the knowledge, skills and abilities required to perform the duties of the position. |

Sample job descriptions are included as an appendix to this section for these categories of staff members:

- Internal Audit Director (IAD) (**Appendix 4100.4**)
- Assistant/Associate Director/Manager (**Appendix 4100.3**)
- Supervisor/Principal Auditor (**Appendix 4100.2**)
- Senior/Staff Auditor (**Appendix 4100.1**)

Local campus/lab Internal Audit Departments may opt to modify the sample job descriptions to meet their specific needs.

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|-----------------------------------|--|
| Roles and Responsibilities | <p>.04 Key roles and responsibilities for the various staff levels are summarized below:</p> <p>SVP/Chief Compliance and Audit Officer. The SVP/Chief Compliance and Audit Officer (SVP/CCAO) reports jointly to the Board of Regents and the President. The SVP/CCAO assists the Board and University management in the discharge of their oversight, management, and operating responsibilities using independent audits, advisory services and consultations designed to evaluate and promote the internal controls system.</p> |
|-----------------------------------|--|

4100 Roles and Responsibilities

Roles and Responsibilities (cont'd)

- .04** In carrying out this responsibility, he or she performs the following:
- Oversees a highly visible audit function which is both strategically and operationally important to the governance of the institution
 - Provides strategic direction for internal audit services systemwide
 - Makes revisions to the UC Internal Audit Program
 - Develops University-wide audit policies, procedures and practices
 - Manages communications with The Regents' Committee on Compliance and Audit and applies their direction to the program's development
 - Oversees performance standards and works with local Audit Directors to continually improve audit productivity and technical skills such as use of electronic resources
 - Provides oversight of investigations and external review processes

The SVP/CCAO works closely with campus senior leadership, campus Audit Committee members, campus Internal Audit personnel, and campus department heads.

Internal Audit Director (IAD) - The IAD guides the local campus/lab Internal Audit Department in performing its audit function. This generally requires that he or she:

- Oversees a highly visible audit function which is both strategically and operationally important to the governance of the campus
- Evaluates the effectiveness and contributes to the improvement of risk management processes throughout the organization

4100 Roles and Responsibilities

**Roles and
Responsibilities
(cont'd)****.04**

- Determines the nature, scope, and effectiveness of existing compliance structures, processes, and policies for campus activities
- Formulates strategic long-term plans that ensure application of the system-wide philosophy and vision
- Establishes annual work plans to review significant high-risk areas of university activities through the conduct of financial, operational, compliance, information systems audits, investigations, and advisory services projects
- Ensures the availability of qualified Internal Audit resources and their efficient and effective use to meet planned and other obligations

Promotes a culture of accountability and ethics through presentations and consultations. Acts as a representative on various campus committees and task forces which impact the internal control environment.

- Contributes to the improvement and enhancement of the system-wide audit function through participation in workgroups and meetings
- Ensures that all professional activities comply with IIA Standards and University Policy

4100 Roles and Responsibilities

**Roles and
Responsibilities
(cont'd)**

.04 Assistant/Associate Director/Manager - The Assistant/Associate Director/Manager assists the IAD and may function as IAD in the IAD's absence. To fulfill these responsibilities, the Assistant/Associate Director/Manager generally:

- Assigns and manages the daily work of the professional audit staff
- Participates in or is responsible for many departmental management responsibilities such as counseling staff

In the absence of an Assistant/Associate Director/Manager, these responsibilities will typically be performed by the IAD or his/her designee.

Supervisor/Principal Auditor - The Supervisor/Principal Auditor plans and conducts the most difficult, complex and sensitive assignments and reports results to management. He or she may supervise others, generally works independently with only general direction and should have strong critical decision making skills. A Supervisor/Principal Auditor generally has several years of experience.

Senior/Staff Auditor - The Senior/Staff Auditor plans and conducts assignments and reports results to management. The primary distinctions between the senior and junior staff positions are the complexity of assignments and degree of supervision. Seniors will conduct complex assignments with direction from the project supervisor while staff auditors will conduct less complex assignments with closer supervision. Seniors may function as team leaders on assigned projects. Generally, a Senior/Staff Auditor has less years of experience than a Supervisor/Principal Auditor and does not work autonomously.

The individual's specific responsibilities will vary depending upon his or her staff level and assigned audit role.

4100 Roles and Responsibilities

**Related Guidelines
for Roles and
Responsibilities**

.05 Recruitment and Advancement Guidelines - The Internal Audit Program identifies guidelines for basic educational and professional experience qualifications as well as desired knowledge, skills and abilities for each staff level. The qualifications and knowledge, skills and abilities apply to both candidates who are being recruited as well as staff members who are being considered for advancement. They are also a useful reference tool that can assist supervisors in preparing staff evaluations and conducting career development and counseling sessions.

Career Development and Counseling - Each staff member receives career development and counseling in order to continuously enhance his or her knowledge, skills, and abilities and ensure that they are commensurate with his or her assigned roles and responsibilities.

Career Development and Counseling Policies and Procedures can be found at Section 4200.

Performance Evaluation - Each staff member's performance is evaluated regularly to assess how his or her knowledge, skills, and abilities compare to the responsibilities outlined in his or her job description.

Performance Evaluation Policies and Procedures can be found at Section 4500.

4100 Appendix 4100.1 Sample Job Description – Staff/Senior Auditor

Sample Job Description – Staff/Senior Auditor		(Page 1 of 1)
POSITION OVERVIEW		
In conjunction with the Assistant/Associate Director and/or Internal Audit Director (IAD), responsible for and conducting financial, compliance and operational audits of campus organizations, departments and functions to determine the adequacy of controls, the degree of compliance with established policies and procedures, and the effectiveness and efficiency of the area under review.		
FUNCTION/TASKS		
% of Time	List the functions and tasks of the position.	
5%	In consultation with the Assistant/Associate Director and/or IAD, plans the scope of the audit, prepares the audit program, and determines the appropriate auditing procedures and examination techniques to be applied (e.g., computer extracts, statistical sampling, etc.).	
50%	<p>Performs audit assignments which involve research and analysis of University policy and procedures, and an evaluation of audit related documentation as a basis for an objective opinion on the effectiveness and efficiency of operations and the adequacy of internal control.</p> <p>Depending on scope and complexity of the project may conduct or assist in fraud investigations requiring strict confidentiality and the ability to deal with sensitive personnel situations .</p>	
5%	Depending on scope and complexity of the project, may direct auditors assigned to assist on audit projects and review their work for completeness and accuracy.	
5%	Makes oral presentations to auditees and other campus administrators during and at the conclusion of the audit covering the results of the audit and recommendations for corrective action.	
15%	Prepares and organizes audit workpapers that adequately support audit conclusions and recommendations, and which adhere to prescribed internal auditing standards for workpaper content and presentation.	
10%	Prepares formal written reports covering the results of assigned audit projects and participates in report reviews with auditees and campus management.	
5%	Provides advisory services as assigned to campus operating staff, administrators and management involving a wide range of procedural and control issues.	
5%	Assists the Assistant/Associate Director and/or IAD on special projects.	

4100 Appendix 4100.2**Sample Job Description – Principal/Supervising Auditor**

Sample Job Description – Principal/Supervising Auditor			(Page 1 of 3)
POSITION OVERVIEW			
Internal auditor position is responsible for performing or supervising full scope auditing and advisory services that encompasses financial, compliance, economy and efficiency, and effectiveness reviews as a service to management according to professional auditing standards. Performs and directs audits and management studies of highly complex areas at UCxx. Exercises interpersonal skills and judgment required for controversial and sensitive assignments. Assesses organizational and operational risks for assigned review area, designs and prepares audit programs, establishes contact with operating personnel, conducts fieldwork, prepares work papers, drafts reports, and follows up on observations and recommendations. On a project basis, provides direction to support audit staff as may be assigned by the Internal Audit Director (IAD), and mentors other staff members as assigned. Ability to act in an audit management capacity in the absence of the Assistant/Associate Director. Communicates and interacts effectively with all levels of management and staff.			
FUNCTION/TASKS			
% of Time/ Frequency	Function/ Task No.	List the functions and tasks in descending order of importance starting with the essential functions. Number each function and write ESSENTIAL after each essential function.	
50%	1.	<u>Conducts Financial, Operational, Functional and IS Application Audits (Essential)</u> Performs full scope financial and compliance, efficiency, and effectiveness auditing as a service to management in accordance with professional auditing standards. Audit scopes encompass moderate risks that cross organizational lines; and involve complex technology associated with the use of financial, medical, research and information resources.	
D	a.	Exercises individual judgment and initiative in selecting emphasis of audit coverage and determining and locating sources of information. Designs audit programs to accomplish stated objectives for review by audit management.	
D	b.	Performs studies and analyses of organizations, policies, procedures, information systems, administrative practices, and operations of organizations assigned by the IAD, exercising individual judgment to analyze complex problems, to gather meaningful data and information, to find and evaluate alternative solutions, and to make final recommendations.	
D	c.	Uses the computer in applying analytical techniques and tools such as statistical sampling, correlation studies, and flow-charting in gathering, reviewing, analyzing, and summarizing information and data. For assigned projects, reviews and evaluates the adequacy of systems controls and documentation; and recommend appropriate changes in design to accomplish desired control objectives.	
W	d.	Writes, reviews, edits and presents reports to UCxx officials containing recommendations for the establishment or revision of complex policies, procedures, information systems and the improvement of operations.	

4100 Appendix 4100.2**Sample Job Description – Principal/Supervising Auditor**

Sample Job Description – Principal/Supervising Auditor (Page 2 of 3)		
% of Time/ Frequency	Function/ Task No.	List the functions and tasks in descending order of importance starting with the essential functions. Number each function and write ESSENTIAL after each essential function.
D	e.	Maintains documentation of audits and studies by establishing supportable and logical indexed working papers.
25%	2.	<u>Lead Responsibilities for Complex Audits (Essential)</u> Directs audits and management studies of a high level of complexity as assigned by the IAD. Audit projects may require direction of up to three auditors to meet the objectives. Exercises interpersonal skills and judgment required for controversial and sensitive assignments
W	a.	Directs, counsels, and instructs staff auditors for assigned audit projects. Prepares and conducts project performance evaluations for staff auditors that identify their strengths and weaknesses as determined by the IAD.
W	b.	Directs studies and analyses performed by assigned staff of organizations, policies, procedures, information systems, administrative practices, and operations for organizational assignments.
W	c.	Reviews the work of staff auditors for technical proficiency, reasonableness, and adequacy of documentation.
W	d.	Ensures that the project resources involving one to three auditors are used effectively and efficiently.
10%	3.	<u>Promotes Concepts of Internal Control Through Effective Communications (Essential)</u> Promotes concepts of internal control that assist management and staff in meeting their responsibilities for effective internal control and develop professional respect for the audit function.
W	a.	Acts as consultant to individuals at UCxx regarding control issues for financial and admin. systems, management techniques, and systems design.
D	b.	Acts as a resource to staff auditors in specialized areas of expertise. On selected projects, mentors other staff members as assigned.
5%	4.	<u>Completes Special Projects as Assigned by the IAD.</u>
Q	a.	Provides research support as required.
Q	b.	Provides assistance in developing manuals and training guides and in presenting training courses to the audit staff.
Q	c.	Assists in establishing audit coverage and schedules
Q	d.	Ability to act in an audit management capacity in selected areas in an audit manager's absence.
10%	5.	<u>Training</u> Provides training assistance as assigned by audit management to assist internal audit staff in becoming proficient with auditing standards and internal control systems at UCxx.
Q	a.	Assists in developing training programs specifically designed for UCxx audit staff that promote understanding of systems and methods of effective internal control.
Q	b.	Presents training programs as assigned by audit management with emphasis on how the auditor can assist management in developing efficient and effective control systems.

4100 Appendix 4100.2
Sample Job Description – Principal/Supervising Auditor

(Page 3 of 3)

EMPLOYEE SIGNATURE

I certify that the above job description is correct, complete and describes my job as I understand it.
I have read and understand both the Safety and Overtime Payment statements.

Employee's Signature_____
Date**SUPERVISOR'S SIGNATURE**

I have reviewed the job description and the above statements and certify to their accuracy.

Supervisor's Signature_____
Date

4100 Appendix 4100.3 Sample Job Description – Associate Director/Audit Manager

Sample Job Description – Associate Director/Audit Manager (Page 1 of 4)		
POSITION OVERVIEW This internal auditor position is responsible for performing full scope auditing that encompasses financial, compliance, economy and efficiency, and effectiveness reviews as a service to management according to professional auditing standards. Supervises or performs audits and management studies of the highest level of complexity that may include a myriad of external agencies' regulations and fraud issues. Serves as audit coordinator with outside agencies to ensure effective interaction on external audits, investigations and control system certifications. Assesses organizational and operational risks for assigned review area, designs and prepares audit programs, establishes contact with operating personnel, conducts fieldwork, prepares work papers, drafts reports, and follows up on observations and recommendations. Assists the Internal Audit Director (IAD) as a member of the management team in the audit planning process, selecting candidates for hiring, conducting performance evaluations and determining disciplinary action for pool of staff auditors. Communicates and interacts effectively with all levels of management, staff, and external agencies (public and private). Designs and presents seminars to assist management and staff in the effective resolution of external audit and fraud issues. With the IAD, is jointly responsible for supervision of campus and health sciences audits.		
FUNCTION/TASKS		
% of Time/ Frequency	Function/ Task No.	List the functions and tasks in descending order or importance starting with the essential functions. Number each function and write ESSENTIAL after each essential function.
25%	1.	<u>External Audit Coordination (Essential)</u> Serves as the primary contact to coordinate external agencies' audits, investigations, system certifications and preliminary reviews for compliance purposes.
W	a.	Acts as a liaison with external agencies regarding regulatory changes affecting UCxx and prospective visits to UCxx.
W	b.	Serves as the primary contact for coordinating on-campus visits by external agencies with the campus personnel. Ensures campus personnel are informed of the purpose for the visit and the information being sought. Conducts entrance, interim and exit status meetings with visiting personnel.
W	c.	Identifies any issues disclosed by visiting personnel and stays informed of their status in terms of resolution. Assists management regarding effective controls for resolving issues. Ensures management is kept informed as to the status of open issues.
30%	2.	<u>Conducts Special / Fraud Audits and Manages Fraud Hotline (Essential)</u> Performs full scope financial and compliance, economy and efficiency, and effectiveness auditing as a service for management according to professional auditing standards. Audit emphasis is on regulatory compliance and fraud. Audit scopes encompass high risk issues that cross organizational lines; require interaction with external agencies; involve complex technology associated with use of financial, medical, research, and information resources; and are sensitive to media exposure. Manages UCxx's hotline and performs appropriate follow-up as necessary.

4100 Appendix 4100.3**Sample Job Description – Associate Director/Audit Manager**

Sample Job Description – Associate Director/Audit Manager		
(Page 2 of 4)		
% of Time/ Frequency	Function/ Task No.	List the functions and tasks in descending order or importance starting with the essential functions. Number each function and write ESSENTIAL after each essential function.
D	a.	Exercises individual judgment and initiative in selecting emphasis of audit coverage and determining and locating sources of information. Design audit programs to accomplish stated objectives for review by the Internal IAD.
D	b.	Performs studies and analyses of organizations, policies, procedures, information systems, administrative practices, and operations of organizations assigned by the IAD, exercising individual judgment to fully analyze complex problems, to gather meaningful data and information, to find and evaluate alternative solutions, and to make final recommendations.
D	c.	Uses the computer in applying analytical techniques and tools such as statistical sampling, correlation studies, and flow charting in gathering, reviewing, analyzing, and summarizing information and data.
W	d.	Writes, reviews, edits and presents reports to UCxx officials containing recommendations for the establishment or revision of complex policies, procedures, information systems and the improvement of operations.
D	e.	Maintains documentation of audits and studies by establishing supportable and logical indexed working papers.
D	f.	Receives and analyzes all complaints received through the hotline. Chairs the university's hotline triage group (comprised of high level university management) and presents complaints for a determination of appropriate action. Performs follow-up on all cases to ensure action was taken.
Q	g.	Summarizes hotline activity and presents to the Audit Committee, hotline triage group, and Committee on Accountability and Controls.
25%	3.	<u>Lead Responsibilities for Complex Audits (Essential)</u> Supervises audits and management studies of the highest level of complexity as assigned by the IAD. Audit projects may require supervision of an audit team to meet the audit objectives.
W	a.	Directs, counsels, and instructs staff auditors for assigned audit projects. Prepares and conducts project performance evaluations for staff auditors that identify their strengths and weaknesses. Recommends hiring, merit and disciplinary actions to the IAD as a member of the management team.
W	b.	Supervises studies and analyses performed by assigned staff of organizations, policies, procedures, information systems, administrative practices, and operations for organizational assignments.
W	c.	Reviews the work of staff auditors for technical proficiency, reasonableness, and adequacy of documentation.
W	d.	Ensures that the project resources involving one to six auditors are used effectively and efficiently.

4100 Appendix 4100.3**Sample Job Description – Associate Director/Audit Manager**

Sample Job Description – Associate Director/Audit Manager (Page 3 of 4)		
% of Time/ Frequency	Function/ Task No.	List the functions and tasks in descending order or importance starting with the essential functions. Number each function and write ESSENTIAL after each essential function.
10%	4.	<u>Staff Training (Essential)</u> Provides training seminars as assigned by the IAD to assist management and staff to understand effective control systems, the latest issues related to compliance and fraud, and information access.
Q	a.	Develops training programs specifically designed for UCxx audit staff that promote understanding of fraud auditing, and systems and methods of effective internal control.
Q	b.	Presents training programs with emphasis on how the auditor can assist management in developing efficient and effective control systems.
5%	5.	<u>Promote Concepts of Internal Control Through Effective Communications (Essential)</u> . Promotes concepts of internal control that assist management and staff in meeting their responsibilities for effective internal control and develop professional respect for the audit function.
W	a.	Establishes and maintains contact with various departments, groups and staff.
W	b.	Provides campus consultation to individuals regarding control issues for financial and administrative systems, management techniques, and fraud cases.
D	c.	Acts as a resource to staff auditors in specialized areas of expertise.
5%	6.	<u>Complete Special Projects as Assigned by the IAD.</u>
Q	a.	Provides research support as required.
Q	b.	Provides assistance in developing manuals and training guides.
Q	c.	Assists in the audit planning process and selecting staff for assigned projects.
Q	d.	Provides technical support in areas of expertise.

4100 Appendix 4100.3**Sample Job Description – Associate Director/Audit Manager****Sample Job Description – Associate Director/Audit Manager****(Page 4 of 4)****EMPLOYEE SIGNATURE**

I certify that the above job description is correct, complete and describes my job as I understand it.
I have read and understand both the Safety and Overtime Payment statements.

Employee's Signature_____
Date**SUPERVISOR'S SIGNATURE**

I have reviewed the job description and the above statements and certify to their accuracy.

Supervisor's Signature_____
Date

4100 Appendix 4100.4**Sample Job Description – Internal Audit Director**

<div>Sample Job Description – Internal Audit Director (IAD)</div> <div>(Page 1 of 1)</div>
<p>Basic Functions</p> <p>The Director, Audit Services has overall responsibility for the conduct of the internal audit program as provided for by the Audit Services mission and charter, the University of California Audit Management Plan approved by The Regents, dual reporting structure for internal audit approved by The Regents and professional standards issued by the Institute of Internal Auditors (IIA).</p>
<p>FUNCTION/TASKS</p>
<p>Oversees the preparation and execution of an annual campus audit plan prepared on the basis of established systemwide risk assessment methodologies. Directs the performance of the staff of audit professionals and support staff in the conduct of a comprehensive program of financial, operational, compliance and IT audits.</p>
<p>Conducts fraud investigations and coordinates with campus management, the Locally Designated Official, Campus Police, Human Resources, General Counsel and the OP Director of Investigations as appropriate.</p>
<p>Consults, as requested, with both academic and business and finance administration on internal control aspects of business practices and policy, and procedure development, implementation and monitoring. Participates in or provides staff for related training purposes as appropriate and coordinates with the Director of Controls and Accountability. Coordinates all external audit activity on campus other than the annual financial and A-133 audit conducted by the public accounting firm engaged by the UC Regents.</p>
<p>Manages the department's human resources. Recruits, develops, directs and evaluates performance of the staff of audit professionals and support staff. Maintains a working environment that fosters professional growth and advancement, teamwork, initiative and creativity. Identifies staff development and training opportunities. Ensures that processes are in place for feedback to and from staff on job related issues and the work environment. Resolves any internal or external conflicts or difficulties in a timely, fair and constructive manner.</p>
<p>Provides support to the Campus Audit Committee, prepares meeting agendas and reports of activities for the Committee and recording the actions requested/approved by the Committee.</p>
<p>Deals with matters of a highly confidential nature and extreme public and political sensitivity using sound judgment and discretion, consulting with campus management and the Chief Audit Officer as appropriate.</p>
<p>Ensures that the audit program adheres to the standards of the Institute of Internal Auditors, including the Code of Ethics, and the University adopted standards.</p>
<p>Contributes to the enhancement of the systemwide audit program through participation in systemwide initiatives, sharing best practices and participating in the UC Internal Audit Quality Assurance Program.</p>
<p>Participates in campus Administrative Services meetings, serves on campus committees and work groups as appropriate.</p>
<p>Manages the budget of the Audit Services Office. Ensures that financial resources are organized and expended in support of Audit Services activities in the most economic manner.</p>

4200 Career Development and Counseling

**Career
Development and
Counseling Policy**

- .01** The Internal Audit Program requires that a career development and counseling process be implemented at each campus' Internal Audit Department in order to continuously enhance the skills and abilities, guide the career paths and cultivate the varied interests and abilities of its professionals.

**Application of UC
Policy for Career
Development and
Counseling**

- .02** IIA Standard 1230 on Continuing Professional Development state, "Internal auditors must enhance their knowledge, skills, and other competencies through continuing professional development."

Every Internal Audit Department is responsible for establishing a process for career development and counseling. A career development and counseling process allows management and professional staff to work in a positive and participatory manner to establish career goals and guide the career paths of individuals interested in long-term careers within internal audit as well as for those who may be interested in internal audit as an avenue to other opportunities within the University.

**Career
Development and
Counseling
Session**

- .03** Each member of the professional staff should participate in an annual career development and counseling session to establish goals for the ensuing year. Career development and counseling sessions for the staff may be conducted by Managers or Assistant/Associate Directors. IADs should conduct career development and counseling sessions with Managers and Assistant/Associate Directors.

Objective - The focus of the meeting should be on both the short and long-term career development of the individual in a manner consistent with their aptitude and interests and the current and long-term objectives of the department.

4200 Career Development and Counseling

**Career
Development and
Counseling
Session (cont'd)**

.03 Goal setting - Specific achievable, measurable, attainable, realistic and timely goals should be established. The accomplishment should form a part of future performance evaluations (in addition to the handling of assignments and responsibilities during the year). An emphasis should be placed on development of skills necessary to achieve both individual career objectives and departmental objectives. System-wide or local efforts and the knowledge, skills, and abilities included in the Recruitment and Advancement Guidelines may be useful in identifying areas requiring the enhancement of individual skills.

Recruitment and Advancement Guidelines can be found at Section 4100.05.

Appropriate areas for the establishment of goals include, but are not limited to:

- Long-term career objectives
- Certification and training
- Enhancement of existing skills as well as acquisition or development of unique skills
- Types of future assignments as well as expected performance criteria for them
- Contributions to the Internal Audit Department and support for departmental objectives
- Outside activities associated with the University or profession

Documentation and Follow-Up - Goals agreed upon by the employee and supervisor should be documented and signed by both parties. Follow-up activities necessary to support the accomplishment of the goals may be the responsibility of either party depending on the nature of the specific goal. Ultimate accomplishment of the goals is the responsibility of the employee.

4200 Career Development and Counseling

**Related Guidelines
for Career
Development and
Counseling**

- .04 Performance Evaluation** - The career development and counseling session is completed in addition to the annual performance evaluation. It may be appropriate to combine the two sessions, particularly when there are performance issues to be dealt with through future improvement efforts.

Performance Evaluation Policy and Procedures can be found at Section 4500.

**Supplementary
Guidelines for
Career
Development and
Counseling**

- .05** The Internal Audit Department and the University benefit from the contributions of internal audit staff with traditional skill sets as well as from the involvement of professionals from varied and diverse backgrounds. Some of these individuals may be interested after some time in career paths outside of internal audit. While applying the Career Development and Counseling policy, the following supplementary guidelines may be considered:

**Career
Advancement
Goals**

- .06 Goal setting** - In connection with the Career Development and Counseling Program, each professional may establish goals for developing additional or enhanced skills necessary to adapt to changing environments and increase his or her contribution to Internal Audit. Through the enhancement of individual skills, professionals prepare themselves for advancement opportunities.

Following are suggested guidelines for setting career advancement goals:

- Goals should be aligned with both the individual's aptitude and interests and the objectives of the internal audit program.
- Goal setting should occur in a participatory environment where the short and long term interests of both the individual and the Internal Audit are considered.

Career advancement counseling may be incorporated into the career development and counseling session outlined above. The supervisor should make it clear to the employee that, while enhancing one's skill set increases one's value to the University, it is not a guarantee of future promotion.

4300 Training and Professional Development

Professional Certifications

- .01** All auditors are encouraged to have at least one professional auditing related certification (e.g. CIA, CPA, CISA, CFE) that is appropriate to their UC auditing responsibilities. Staff/Senior Auditors, and Principal/Supervising Auditors are expected to have at least one certification. Audit Managers should have an appropriate professional auditing related certification.

As an encouragement for audit professionals to obtain appropriate professional certifications, local audit offices *may* financially assist them by paying for preparatory examination study material, examination days and other costs directly associated with appropriate professional auditing related certifications. Such financial assistance is at the discretion of each local IAD and should be guided by a local implementing policy and procedure.

The Office of Audit Services maintains a database that includes the professional certifications held by each UC auditor.

Participation in Professional Associations

- .02** Subject to individual campus resource constraints, auditors are encouraged to participate in professional auditing associations that are appropriate to their UC auditing responsibilities such as - the American Institute of Certified Public Accountants (AICPA), the Institute of Internal Auditors (IIA), the Association of College & University Auditors (ACUA), the Association of Certified Fraud Examiners (ACFE), the Information Systems Audit and Control Association (ISACA), the Association of Healthcare Internal Auditors (AHIA), and any local chapters of the above organizations.

The ACUA and IIA professional associations are considered the most closely connected with the general practice of higher education internal auditing. The UC system-wide audit function holds a group IIA membership in which all professional staff are members, and group memberships to ACUA and AHIA in which interested professional staff are members.

4300 Training and Professional Development

**Participation in
Professional
Associations
(cont'd)**

- .02** As an encouragement for audit professionals to become members of appropriate professional associations, local audit offices *may* financially assist them by paying for association memberships, the time spent attending meetings and other costs directly associated with participation in the professional associations. Such financial assistance is at the discretion of each local IAD and should be guided by a local implementing policy and procedure.

The Office of Audit Services maintains a database that includes the professional association memberships held by each location institutionally as well as by each UC auditor.

4400 Skills Assessment and Resource Analysis

Overview

- .01** A number of Skills Self-Assessment documents are available to use for all professional staff throughout the system. These assessments have been developed for a number of critical skills identified by the UC IADs and are intended to assist in local resource analysis. Included in the resources is a list of subject matter experts at each location.

**Principal Goals
Assessment
Results**

- .02** In addition to demonstrating compliance with the Standards, the information gathered from the skills assessment can be used by the Directors to:
- Match auditors to planned audits in a way that best takes advantage of known competencies.
 - Design a professional development plan for individual auditors to ensure professional growth and continuity of required skills.
 - Determine whether some required skills are not present within the local department, necessitating further consideration and development of a plan to acquire those skills in order to complete the engagement.

On a systemwide level, analyzing the summary responses from the Skills Self-Assessments will provide a basis for stating that the organization overall possesses the knowledge, skills, and other competencies to fulfill its responsibilities, and identifying systemwide training opportunities.

4500 Performance Evaluations

**Performance
Evaluation Policy**

- .01** Performance evaluations are required for every staff member to document his or her performance, achievement of agreed upon goals and compliance with departmental standards. Performance evaluations serve several major functions:

Employee development - Through performance ratings and constructive comments, the evaluation assists employees in recognizing how their performance levels compare to the expectations of management and provides recommendations for further training or actions for improvement.

Management decisions - The evaluation process uses consistent criteria to measure staff performance and, therefore, provides a basis for making relative rankings among staff members. Relative rankings and individual experience levels provide input to salary and advancement decisions.

Professional standards - The evaluation is one of the components of the overall process of supervision, quality assurance, and development of the audit staff and demonstrates compliance with IIA and departmental standards.

**Application of UC
Policy for
Performance
Evaluations**

- .02** Performance evaluations should be conducted for every staff member annually by the IAD and periodically throughout the year by the Assistant/Associate Director/Manager or appropriate project manager.

The SVP/CCAO will participate in each IAD's performance evaluation in collaboration with the campus executive management. The person to whom the IAD reports locally will coordinate with the SVP/CCAO on the timing for input.

Performance evaluations are to be completed by September 30 annually.

**Interim
Performance
Evaluations**

- .03** In addition to the annual performance evaluation, staff members should receive feedback on an interim basis. One of the following interim evaluation procedures should be implemented by the local campus/lab Internal Audit Department.

4500 Performance Evaluations

**Interim
Performance
Evaluations
(cont'd)**

- .03**
- **Written project evaluations** - Every staff member who works on an individual project with a significant number of hours will receive, as determined by the IAD, a written performance evaluation from the audit management. Cumulative comments from these evaluations provide a basis for the annual evaluation.

or

- **Periodic evaluations** - Every staff member will receive a written performance evaluation from the project supervisor, Assistant/Associate Director/Manager, or IAD at least quarterly. Cumulative comments from these evaluations provide a basis for the annual evaluation.

Templates for Annual and Interim Performance Evaluation forms are included as Appendix 4500.1 and 4500.2 or a locally-developed equivalent should be used to facilitate and document this requirement.

**Related Guidelines
for Performance
Evaluations**

- .04 Career Development and Counseling** - The performance evaluation session is in addition to the annual career development and counseling session. It may be appropriate to combine the two sessions, particularly when there are performance issues to be dealt with through future improvement efforts.

Career Development and Counseling Policy and Procedures can be found at Section 4200.

**Supplementary
Guidelines for
Performance
Evaluation**

- .05** While applying the performance evaluation policy, the following supplementary guidelines may also be considered:

Continuous Feedback - Regular project update meetings may incorporate an element of evaluation in the form of performance feedback and guidance to create a continuous dialogue on the staff member's strengths and weaknesses as observed on the job. These timely assessments materially affect the quality of the work done and the improvement of staff performance.

Ongoing discussions of the staff member's strengths and weaknesses may be documented and used as support for or updates to annual evaluations. Customer feedback may also be sought and incorporated into staff performance evaluations.

4500 Appendix 4500.1 Sample Performance Evaluation

Sample Annual Performance Evaluation Form

University of California Performance Evaluation					(Page 1 of 3)
Evaluation Ratings: EE – Exceeds expectations, ME – Meets expectations, NI – Needs Improvement, NA – Not applicable					
Period Under review:					
		EE	ME	NI	NA
QUALITY CUSTOMER SERVICE and RELATIONSHIP BUILDING					
• Demonstrates knowledge of customer's business, needs and expectations.					
• Develops and maintains a strong relationship with customer personnel.					
• Makes personal sacrifices, if necessary, in order to benefit customer service.					
• Communicates audit plans and schedules to audit clients to avoid disruptions.					
• Presents a positive image of the UCxx audit department, and demonstrates poise, maturity and self-confidence.					
• Is well respected, and effectively develops and motivates others.					
• Works as part of a team, and considers feelings and perspectives of others.					
AUDIT PROJECT SKILLS and TECHNICAL KNOWLEDGE					
• Demonstrates good judgment and analytical ability, and uses common sense in making decisions.					
• Develops audit programs timely after completing preliminary survey/risk assessment.					
• Identifies high risk areas and designs appropriate tests to achieve audit objectives.					
• Demonstrates workpaper documentation skills (e.g. - well documented, crossed-referenced, complete, and well-organized)					
• Is adequately prepared for Entrance and Exit meetings.					
• Identifies and references necessary research and analysis of UC policies and procedures.					
• Demonstrates knowledge of professional auditing standards.					
• Demonstrates knowledge and use of technology to improve customer service/assignment efficiency.					

4500 Appendix 4500.1 Sample Performance Evaluation

Sample Annual Performance Evaluation Form

Performance Evaluation		(Page 2 of 3)			
COMMUNICATION SKILLS					
• Demonstrates written communication proficiency (e.g. - reports are well written and require minimal edits).					
• Produces reports that are factual, supported by workpapers, and include only relevant information.		EE	ME	NI	NA
• Demonstrates verbal communication proficiency (e.g. - communication is clear, concise).					
TIME MANGEMENT and ADMINISTRATION					
• Meets time and budget deadlines while meeting quality requirements					
• Is well organized, effectively prioritizes assignments, and minimizes 'down time'.					
• Completes and submits department forms and reports timely.					
• Is responsive to Manager/Director concerns, and makes timely revisions to audit reports.					
• Follows directions and requires minimal supervision.					
• Recognizes and promptly advises Manager of important budget, scheduling, and technical issues.					
CAREER DEVELOPMENT					
• Made progress towards achieving previous years' goal/objectives.					
OVERALL EVALUATION:					
EE <input type="checkbox"/> ME <input type="checkbox"/> NI <input type="checkbox"/>					

4500 Appendix 4500.1 Sample Performance Evaluation

Sample Annual Performance Evaluation Form

Performance Evaluation		(Page 3 of 3)	
Employee Comments (Comment particularly on areas rated “exceeds”):			
Manager Comments:			
The above Performance Evaluation was discussed with the employee and agreed upon by the employee, Audit Manager, and IAD.			
Signatures:			
_____ Auditor	_____ Date	_____ Manager	_____ Date
_____ Director		_____ Date	

4500 Appendix 4500.2 Sample Interim Performance Evaluation

Sample Interim Evaluation Form

University of California Interim Evaluation Form (Project Based)						
Auditor: _____	Audit #: _____					
Report Issue Date: _____	Audit Title: _____					
Budgeted Hours: _____	Actual Hours: _____					
Rating Scale: 1 – Did not meet expectations in basic and fundamental respects 2 – Expectations not met in one or more material respects. Improvement needed. 3 – Met expectations in material respects. Satisfactory performance. 4 – Fully meets expectations in all respects. Very high quality work. 5 – Exceeded expectations. Exemplary performance.						
Rating						
	1	2	3	4	5	N/A
A. Planning the Audit						
B. Performing the Preliminary Survey						
C. Examine, Document and Evaluate Information						
D. Working Paper Preparation						
E1. Communicating Results Orally						
E2. Communicating Results in Writing						
F. Staff Relationships						
G. Audit Client Relationships						
H. Use and Organization of Resources						
I. Professional Proficiency and Development						
Signature: _____ _____ Supervising Auditor/Manager Date						

5000 LIAISONS

- Section Overview**
- .01** This section describes the relationships between Internal Audit and the Campus Controllers, the Office of the General Counsel, Office of Ethics and Compliance Services, Risk Services, External Audit entities, law enforcement agencies, and the Department of Energy.

5100 Control Environment Collaboration

Overview

- .01** Internal Audit works in collaboration with the Office of Ethics and Compliance Services, Risk Services and Campus Controllers in order to strengthen the University's control environment.

Background

- .02** In November of 1996, the University launched a controls initiative intended to heighten management's ownership and responsibility for the internal control environment. At the center of the controls initiative was the creation of a controllership position at each campus. (Medical Centers and the national lab already had financial controllership functions in place.) The creation of the controller's position reaffirmed the concept that management is responsible for controls.

In June of 2005 a cross-functional systemwide Enterprise Risk Management (ERM) Panel was formed to develop a systemwide ERM strategy for the University.

In October of 2007, the systemwide Office of Ethics and Compliance Services was created and a Chief Compliance and Audit Officer was appointed by the Regents to oversee compliance and audit efforts systemwide.

Control Environment & Responsibilities

- .03** All employees share responsibility for ensuring an effective and efficient control environment. However, certain groups of employees are charged with more specific and interrelated responsibilities with respect to the control environment.

Internal Audit - Assists management in their oversight and operating responsibilities through independent audits, advisory services, and consultations designed to monitor, evaluate and improve the effectiveness of risk management, control, and governance systems and processes.

Academic and Administrative Management - Responsible for developing, implementing and maintaining controls to mitigate risks and achieve objectives.

Campus Controllers - As part of Academic and Administrative Management, the controllers have primary responsibility for providing leadership to ensure effective internal control and accountability practices at the campus.

5100 Control Environment Collaboration

**Control
Environment &
Responsibilities
(Cont'd)**

- .03 Faculty and Staff** – Responsible for ensuring that operations are conducted consistent with University values, policies, procedures and regulatory requirements.

Office of Ethics and Compliance – Provides direction, guidance and resource references to each University entity on how to optimize ethical and compliant behavior through an effective Ethics and Compliance Program.

Risk Services – Works in collaboration with University faculty and staff to identify and manage risks associated with their activities. Risk Services strategically manages risk to reduce the chances of loss, create greater financial stability, and protect University resources.

**Interrelationship
Between Internal
Audit and Other
Controls-Focused
Departments**

- .04** The Internal Audit helps the Office of Ethics and Compliance Services, Risk Services and Campus Controllers identify the root cause of challenges that may deter achievement of University objectives. All of these controls-focused departments have a natural interest in promoting sound controls through such activities as training, development of appropriate policies and procedures, identification of risks and utilization of risk mitigation techniques. These activities are carried out jointly and separately as determined locally, and should be viewed as mutual interests rather than conflicting responsibilities.

In addition to evaluating controls through traditional audit activities, Internal Auditors also provide advice and consultation on the design, implementation and monitoring of controls, typically through advisory services. However, responsibility for the controls remains with management.

Internal Audit should gain an understanding of all University control initiative activities as part of their understanding of the control environment and in connection with the annual risk assessment. Jointly Internal Audit and other controls-focused departments have an opportunity to assist departments in the assessment and mitigation of institutional risks. Examples of interrelationships with other controls-focused departments are outlined below.

5100 Control Environment Collaboration

**Interrelationship
Between Internal
Audit and Other
Controls-Focused
Departments
(Cont'd)**

.04 Office of Ethics and Compliance Services – At the systemwide and local level, Internal Audit should maintain communication with Compliance groups to share information on compliance risks, related projects and other mitigation efforts ensure that the two departments' are leveraging each other work where possible, avoiding duplication of efforts, and using risk information collected by each department to assist in developing annual plans. Local and systemwide governance committees typically include members from Internal Audit and Compliance and risk information should be shared between the two groups during these committee meetings. The most important time for Audit and Compliance to share information is during the annual risk assessment process and annual plan development.

Campus Controllers – Controllers lead management's efforts to design, implement and monitor internal controls while auditors evaluate the effectiveness of the controls as designed and functioning.

Control Self Assessment (CSA) is a useful tool for monitoring and evaluating controls and in most organizations is principally utilized by auditors to supplement traditional audit techniques. For University campus and medical center activities, the Controllers utilize CSA to assist line management in evaluation of controls and their effectiveness. Internal Auditors sometimes assist in specific CSA activities, may have a more structured role in a campus' use of CSA, or may have little or no role in the Controllers' CSA activities, again as determined locally. Efforts are coordinated so as not to confuse our customers or produce duplicative efforts. Whether auditors or Controllers employ CSA, it should be remembered that CSA does not substitute for the validation of functioning controls that occurs within an audit.

Risk Services – Risk Management and Internal Audit are both risk-based functions focused on assisting management mitigate risk and protect University resources. In fulfilling their duties, Internal Audit and Risk Management both gather and maintain a significant amount of risk and control information. This information should be shared between the two departments to improve the effectiveness of both functions.

5100 Control Environment Collaboration

**Interrelationship
Between Internal
Audit and Other
Controls-Focused
Departments
(Cont'd)**

- .04** Internal Audit plays an important role in the ERM effort being coordinated by Risk Services. Primarily, Internal Audit serves as an evaluator of ERM efforts by assessing the effectiveness of ERM efforts at the systemwide, campus, or department level. Additionally, Internal Audit can assist in educating departments on ERM, facilitating risk assessments, coordinating ERM activities, and collecting, analyzing and reporting risk exposures and audit results on an aggregate enterprise-wide basis.

5200 Office of the General Counsel

Overview

- .01** Internal Audit works in liaison with the Office of the General Counsel (including Resident Counsel) on a number of matters, including many sensitive investigation matters. These or other matters may lead to a request to perform internal audit services for the General Counsel on a privileged basis. This section provides guidance on working with the Office of General Counsel.

Note: The guidance in this section does not purport to represent a legal determination regarding when an Internal Auditor's work may be determined to fall under a privilege, but intends only to guide internal auditors on certain procedural requirements when performing services for the Office of the General Counsel (OGC).

Background

- .02** Communications between Internal Auditors and attorneys from the OGC, in which legal advice is being sought or given, are covered by attorney-client privilege. Additionally, certain internal audit services that are undertaken under the direction and control of OGC attorneys are privileged communications under the work-product privilege.

Internal Audit Guidance

- .03** In general, it may be appropriate for Internal Auditors to undertake work for the General Counsel's Office so long as their professional obligations, including required communications, are not compromised.

There are three principal professional obligations to consider:

- 1) The Internal Auditor's independence must not be compromised by agreeing to perform work "at the direction of counsel". The Internal Auditor must retain the ability to exercise professional judgment as to the necessary scope and nature of procedures to be carried out.

5200 Office of the General Counsel

**Internal Audit
Guidance (cont'd)**

- .03** 2) The Internal Auditor's obligation to report in a fair and unbiased manner must not be compromised. This does not preclude sharing report drafts with attorneys, but the auditor must retain the freedom to report facts that are both favorable and unfavorable to the University's interests, and without undue influence.
- 3) The Internal Auditor's obligation to communicate with Senior Management and The Regents (through the Chief Compliance & Audit Officer (Audit Officer)) must not be compromised. The Internal Auditor must retain the ability to report fraud and other irregularities to management and The Regents. As a practical matter, the Office of the General Counsel frequently handles such communications in the normal course of the University's management of the matter. The Internal Auditor's responsibility is met by ensuring that the communication occurs—the Internal Auditor does not have to communicate directly with management or The Regents.

**Scope and
Procedures**

- .04** Counsel to approve audit program and direct us to perform the work according to the approved program. Any changes to the scope of the approved program should be discussed with and approved by the Audit Officer and Counsel before any additional work is undertaken.

Counsel may opt to participate in some of the fieldwork interviews or may conduct some of the work themselves.

**Required
Communications**

- .05** It is expected that work will be undertaken for the General Counsel only in rare circumstances, and as a result of special considerations. Therefore, the Vice President & General Counsel and the Audit Officer should be informed of each such instance. An engagement letter, which includes a standard reference to the conditions enumerated above should be prepared for each such arrangement and issued by the local Internal Audit Director (IAD) to the responsible Counsel with copies to the Vice President & General Counsel and the Audit Officer.

5200 Office of the General Counsel

**Regular
Communication**

- .05** Communications concerning attorney-client and work-product privileged audits are considered to be conducted at the request of Counsel and are privileged. Counsel will participate in regular communications (either in person or on conference calls) concerning status of the audit and strategies for moving forward. No parties other than designated by Counsel may be part of such communications.

**Systemwide
Reviews**

- .06** If an attorney-client or work-product privileged audit is being conducted systemwide (that is, all campus, lab, and Office of the President (OP) locations are performing concurrent work using a uniform audit program under the direction of Counsel) or in multiple locations, communications will typically occur through Conference Calls (if less than all locations are involved, only those locations conducting work under the direction of Counsel will participate on the call). The call will clearly communicate that what is being discussed is under attorney-client or work-product privilege.

**Email
Communication**

- .07** Care should be exercised in the use of informal communications, such as e-mail. All communications regarding attorney-client and work-product privileged audits should be marked as attorney-client or work-product privileged. Correspondence and substantive e-mail related to the audit should be formally incorporated into the workpapers as directed by Counsel.

To ensure that privileged email is appropriately disclaimed, the subject line in a privileged email communication should include a reference to attorney-client or work-product privilege and the body of the email should include the following statement:

The information contained in this email message is privileged and confidential information intended for the use of the addressee listed above. If you are neither the intended recipient or the employee or agent responsible for delivering this information to the intended recipient, you are hereby notified that any disclosure, copying, distribution, or taking any action in reliance on the content of this information is strictly prohibited.

5200 Office of the General Counsel

Draft Audit Reports

- .08** Particular attention should be paid to the handling and distribution of draft audit reports. In contrast with normal procedures, draft reports should be reviewed by the Audit Officer and Counsel before any outcomes are discussed with campus/lab management outside of Internal Audit. Draft reports should be shared with only those directed by Counsel (only those on a “need to know” basis) and should be carefully guarded. Distribution of any materials should be clearly defined as attorney-client or work-product privileged and should be collected after distribution as directed by OGC. Draft reports should contain a “DRAFT” marking to clearly identify them as such.

Documentation related to Internal Audit Services performed at the request of the Office of the General Counsel

- .09** Workpapers generated for audits and investigations performed at the request and direction of OGC may be privileged and thus protected from disclosure under the California Public Records Act and Information Practices Act. Workpapers may include the following: documents created specifically by the auditor to document fieldwork, documents reflecting auditor judgments and evaluations, and documents obtained from University personnel. Such workpapers should be marked “In Strict Confidence – Attorney/Client Privilege and Work Product”.

The auditor should use discretion in determining what documents or portions of documents to include in the workpapers. Only those documents or portions of documents that are relevant to the audit work being performed and the judgments or evaluations being made should be included in the workpapers. (For example, if only a few pages of a multi-page document are relevant to the work or the conclusions drawn, only those few pages that directly relate to the work or conclusions should be included in the workpapers.)

Whether action plans developed in response to the audit will be considered protected will be determined in consultation with the attorneys.

5200 Office of the General Counsel

TeamMate

- .10** TeamMate workpapers are encrypted and password protected. Access to the workpapers should be allowed only to those working on the audit (meaning there would be no “guest visitor” or “general” access granted). Because of the encryption feature, the workpapers can be stored as they normally would be and backed up according to local practices.

After completion of the audit (final report submitted to Counsel), assuming all relevant documents have been scanned into the workpapers, the auditor’s notes, hard copies of University reports and any other documents collected in connection with the audit but not included in the workpapers should be destroyed/shredded pursuant to existing Audit Manual instructions. Any permanent file or hard copy versions of the report or portions of the workpapers should be double-checked for appropriate labeling and separately stored. Workpaper retention periods are not affected by the attorney/client nature of the audit. The auditor, in collaboration with counsel, should determine whether a ruling or a specific statute may require longer retention period.

Reporting

- .11** Local campus, lab, and OP audit reports will be written and addressed to Counsel with copies to the Audit Officer. There may be a reason to consolidate and summarize the individual campus, lab, and OP reports, but consultation with Counsel will occur regarding this.

All communications to The Regents about the audit and the results obtained will occur through Counsel.

As previously noted, action plans developed in response to the audit may be considered protected. All action plans will be subject to follow-up practices. Inclusion in Team Mate and normal or special reporting of follow-up on action plans will be determined in consultation with Counsel.

5300 Audits by External Agencies

Overview

- .01** The systemwide or local internal audit function may be delegated responsibility, or shared responsibility, for the oversight of external audit activities, including external investigations, at the systemwide or local level. In these instances, Internal Audit should be involved in all matters involving the audit activities and has specific responsibility for:
- Assuring that senior management and the relevant governance committees are kept apprised of the status of external audits and investigations
 - Coordinating responses to audit and investigation reports
 - Coordinating follow-up reports of University actions in response to audit or investigation report recommendations

This section outlines the responsibilities and procedures that will be employed in coordinating and managing external audit activities when Internal Audit has been designated the responsibility for external audit coordination.

These procedures do not specifically apply to the handling of investigations performed by external agencies. Investigation protocols followed by external agencies and related University actions and responses will differ on a case by case basis.

Please refer to Sections .04 and .05 below for information on the Regents Policy on Compliance with State Audits and Guidelines on Audits Conducted by the California State Auditor.

Background

- .02** External audits of the University of California system and campus, laboratory and health sciences functions are performed by Federal, State, local government offices, and the Regents' audit firm. In addition, private sponsors may conduct audits of sponsored grant awards and/or retain an audit firm to perform an audit. External audits include the financial and A-133 audits, systemwide audits, pricing proposals, administrative reviews, and contract close-outs and on-site monitoring.

Responsibilities

- .03** An external audit coordinator should act as a liaison for external audit activities. This may include, but is not limited to, coordination and review of client responses; assistance in resolving questions and issues; coordination of interdepartmental meetings; tracking, documenting and reporting outside audit activities to management and relevant governance committees; and follow-up on agreed to corrective actions.

5300 Audits by External Agencies

**Responsibilities
(cont'd)**

.03 When serving as the designated external audit coordinator, Internal Audit's specific duties typically include:

- Notifying the cognizant department contacts of the external audit.
- Arranging for appropriate workspace and facilities for the external auditors.
- Arranging a formal entrance conference for all appropriate University representatives to clarify the scope of the audit, expected audit procedures, and necessary records and information.
- If the audit involves multiple departments, serving as a central point of contact to direct the external auditor's requests to the appropriate University personnel and coordinating responses.
- Attending significant interim meetings concerning the status of the audit.
- Resolving questions and providing guidance to the cognizant department contacts.
- Informing management if serious issues arise that requires immediate attention.
- Arranging an exit-conference at the close of fieldwork to discuss findings and recommendations.
- Distributing copies of the draft audit report to the cognizant department contacts for written management responses. Internal Audit should review responses for consistency, compliance with University policy, and institutional perspective. Internal Audit will suggest and coordinate changes with management as needed.
- Distributing copies of the final audit report to the cognizant departments.
- Performing follow-up on significant external audit findings and recommendations to ensure that departments implement corrective action within agreed upon time frame.

5300 Audits by External Agencies

**Responsibilities
(cont'd)****.03**

- Maintaining complete and accurate files of the external audit activity handled by Internal Audit.
- On an ongoing basis, identifying significant external audit concerns and communicating these concerns proactively, so that appropriate corrective action can be taken.

**Regents Policy on
Compliance with
State Audits****.04**

The Regents created and revised various governing documents in January 2018 to expressly prohibit obstruction or interference with the State Auditor or disclosures to the State Auditor and to clarify and strengthen the independence of certain administrators when responding to audits or investigations of the Office of the President. Included in these changes was the implementation of Regents Policy 7503: Policy on Compliance with State Audits, which includes the following requirements:

A. Prohibition on Obstruction of State Auditor

Members of the University of California Board of Regents, Officers of the Corporation, and University employees shall not, with intent to deceive or defraud, commit obstruction of the California State Auditor in the performance of his or her official duties related to an audit required by statute or requested by the Joint Legislative Audit Committee of the California State Legislature.

B. Prohibition on Interference with Protected Disclosure to State Auditor.

Members of the University of California Board of Regents, Officers of the Corporation, and University employees shall not, directly or indirectly use or attempt to use the official authority or influence of the employee for the purpose of intimidating, threatening, coercing, commanding, or attempting to intimidate, threaten, coerce, or command any person for the purpose of interfering with the right of that person to make a good faith communication to the State Auditor that discloses or demonstrates an intention to disclose information that may evidence improper governmental activity.

5300 Audits by External Agencies

**Regents Policy on
Compliance with
State Audits
(Cont'd)**

.04 C. Communication During State Audits of the Office of the President. If the subject of the State Auditor's audit or investigation is the Office of the President or any division or department within the Office of the President that reports directly to the President of the University, the Chief Compliance and Audit Officer, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Compliance and Audit Committee, and the General Counsel, when carrying out obligations related to that audit or investigation, shall report solely and exclusively to the Board of Regents, through the Chair of the Board. Where there is a lack of clarity regarding whether the Office of the President or any division or department within the Office of the President is the subject of the State Auditor's audit or investigation, the Chief Compliance and Audit Officer and the General Counsel shall consult with the Chair of the Board and the Chair of the Compliance and Audit Committee to determine whether single reporting is in effect for purposes of such audit or investigation. Both the Chief Compliance and Audit Officer and the General Counsel shall be responsible for keeping the Chair of the Board and the Chair of the Compliance and Audit Committee, respectively, apprised of the status of the State Auditor's audit or investigation.

D. Training and Compliance

Principal Officers of The Regents and University employees whose jobs are audit-related shall receive training to strengthen their oversight of the University's handling of State Audit responses. The training will cover any new or amended policies related to State Audit responses and related reporting relationships and other relevant governance documents. Principal Officers and employees receiving such trainings shall provide attestations that they have completed such training, and understand and will comply with the policies. Compliance with the policies will be expressly taken into consideration as part of annual performance evaluations and compensation decisions.

5300 Audits by External Agencies

**Guidelines on
Audits Conducted
by the California
State Auditor**

- .05** The California State Auditor (CSA) plays a critical role in our State in promoting the efficient and effective management of public funds and programs. To that end, the CSA has been granted authority to access documents and other information from public entities, as further detailed below. It is the policy of the University of California not only to comply with all lawful requests by representatives of the CSA, but to facilitate the efforts of the CSA in carrying out his or her mandate.

Accordingly, University employees should follow the protocols set forth below during fieldwork for an audit conducted by the CSA:

- Cooperate fully with all lawful requests from the CSA. Please take special note of California Government Code §§ 8545.2(a), (c) and 8545.6, which are set forth below.
- Provide timely, candid and complete responses to lawful inquiries from the CSA. If you have no personal knowledge related to a particular question, you should acknowledge that fact to the CSA and identify individuals within the campus that may be able to answer their inquiry.
- There are new laws that limit the kinds of discussions that can occur between campus locations and the Office of the President.

Please take special note of California Education Code § 92005, which is set forth below.

State law provides the following regarding access and internal communication during State Audits:

California Government Code § 8545.2.(a):

“Notwithstanding any other provision of law, the California State Auditor during regular business hours shall have access to and authority to examine and reproduce, any and all books, accounts, reports, vouchers, correspondence files, and all other records, bank accounts, and money or other property, of any agency of the state, whether created by the California Constitution or otherwise, any local governmental entity, including any city, county, and school or special district, and any publicly created entity, for any audit or investigation. Any officer or employee of any agency or entity having these records or property in his or her possession, under his or her control, or otherwise having access to them, shall permit access to, and examination and reproduction thereof, upon

5300 Audits by External Agencies

**Guidelines on
Audits Conducted
by the California
State Auditor
(Cont'd)**

- .05** the request of the California State Auditor or his or her authorized representative.”
- California Government Code § 8545.2(c):
“Any officer or person who fails or refuses to permit access and examination and reproduction, as required by this section, is guilty of a misdemeanor.”
- California Government Code § 8545.6:
“Any officer, employee, or person who, with intent to deceive or defraud, commits obstruction of the California State Auditor in the performance of his or her official duties relating to an audit required by statute or requested by the Joint Legislative Audit Committee shall be subject to a fine not to exceed five thousand dollars (\$5,000).”
- California Education Code § 92005:
“(a) In order to ensure that accurate and unfiltered information is provided to the Legislature for purposes of making informed funding decisions, whenever a request for information relating to the security of funds of the University of California is made by the California State Auditor’s Office pursuant to this section to one or more campuses of the University of California, those campuses shall not coordinate their responses with, or seek counsel, advice, or similar contact regarding their responses from, the Office of the President of the University of California before submitting the requested information to the California State Auditor’s Office.
- (b) The California State Auditor’s Office, when requesting information under this section, shall include a statement in the request that it is requesting the information pursuant to this section and that the request for information is not to be shared with the Office of the President of the University of California.”

5400 Law Enforcement Agencies

- | | |
|--------------------------------|--|
| Overview | .01 Investigation activities may give rise to interactions with law enforcement agencies. This section provides policy and guidance for these circumstances. |
| UC Policy | .02 Investigation results that conclude that a crime has probably been committed shall be reported to the District Attorney or other appropriate law enforcement officials for the purpose of determining whether or not to pursue the matter criminally. The UC Police are normally the conduit for communications with law enforcement agencies. |
| Internal Audit Guidance | .03 In cases where the UC Police have jurisdiction, they should be the agency to which all investigation conclusions of potential criminality are initially referred. In situations where the UC Police do not have jurisdiction, the IAD needs to determine what the appropriate agency may be. Such a determination depends on the nature of the suspected criminality and local conditions. For instance, a case of embezzlement at a rural co-operative unit may be more appropriately handled at the level of County Sheriff than a local police department with few resources. The IAD may wish to consult the local UC Police unit or the Director of Investigations for aid in making such a determination. |

In investigations involving law enforcement agencies, Internal Audit should normally appoint a person to act as liaison with the law enforcement agency. If the liaison person is other than the IAD, a determination should be made as to the extent to which the person is authorized to speak for the department, and under what circumstances the IAD should be involved.

Internal Audit should normally provide support and assistance to the extent requested by law enforcement agencies. However, there may be circumstances where the nature of the support or assistance raises questions about the appropriateness of the activity. Consultation with the OGC should be sought in those circumstances. In addition, there may be circumstances where Internal Audit may question whether the support represents the best utilization of resources for the University. Management consultation and other possible resource avenues should be considered in those circumstances.

5400 Law Enforcement Agencies

**Internal Audit
Guidance (cont'd)**

- .03** Law enforcement officials may instruct Internal Audit to hold confidential information about the investigation matter being jointly addressed. Such instructions do not override the auditor's obligation to communicate with local senior management or the Audit Officer.

Additional information at Section 7100

5500 Department of Energy

Overview

- .01** UC Internal Audit maintains a liaison relationship with the United States Department of Energy (DOE) with respect to the audit services provided to Lawrence Berkeley National Laboratory (LBNL).

University of California manages and operates the LBNL. This longstanding relationship is governed by a management contract with the DOE.

History and Overview

- .02** The origins of the University of California internal audit presence at LBNL dates back to early 1970's, when the UC Office of the President maintained an internal audit function at each of the three UC/DOE Laboratories (LBNL, Lawrence Livermore National Laboratory and Los Alamos National Laboratory). A separate contract with DOE provided funding for the internal audit activities that were centrally managed through the Office of Ethics, Compliance and Audit Services. .

In late 1992, to more closely align the internal audit structure to that of the UC campuses and to meet the newly required internal audit clause in our contracts with DOE, the University decentralized its DOE Contracts Audit Group, assigning the function to the Laboratories.

Imbedded in each contract is the "standard" Department of Energy Acquisition Regulation (DEAR 970.5204-9(h)) that requires the UC/DOE Labs to:

"...conduct an internal audit examination, satisfactory to DOE, of records, operations, expenses, and transactions with respect to costs claimed to be allowable under this contract annually, and such other times as may be mutually agreed upon. The results of such audits, including working papers, shall be submitted or made available to the contracting officer."

5500 Department of Energy

**History and
Overview
(cont'd)**

.02 To provide a basis for interpreting the standard internal audit clause, in 1992 the DOE Contracting Officers, the Office of Inspector General (OIG), and the Contractor Internal Audit staffs developed the *Cooperative Audit Strategy*. The Strategy's governing principles include:

- assuring internal audit staff meet professional standards
- providing consistent guidance
- coordinating audits based on acceptable risk assessment methodology
- assessing and tracking the audit work performed at each management and operating contractor
- relying on the work of contractor internal audit staff
- improving communications between the OIG, Operations Offices, and contractor internal audit staff
- working with audit partners to ensure the Cooperative Audit Strategy is modified to address changing conditions with the DOE

In 2006, management control of Los Alamos National Laboratory was taken over by Los Alamos National Security, a limited liability company (LANS LLC). In 2007, a separate limited liability company, Lawrence Livermore National Security (LLNS LLC) assumed control of Lawrence Livermore National Laboratory. With these structural changes, the internal audit departments began operating as separate organizations, thus discontinuing functional reporting to the Office of Audit Services. However, the SVP/CCAO is a member of Ethics and Audit Committee of LANS LLC and LLNS LLC.

5500 Department of Energy

**DOE Audit
Criteria**

.03 The DOE Acquisition Guide entitled *Cooperative Audit Strategy* provides the following criteria to more fully define the contractors internal audit functions requirement to "...conduct an audit and examination satisfactory to DOE..."

- Organizational independence
- Sufficient size and training
- Performing financial, financial related, performance and specific audits as requested by the contracting officer
- Meeting Institute of Internal audit standards or similar standards as prescribed by the Comptroller General of the United States (Yellow Book)
- Preparing a satisfactory audit plan for each fiscal year by April 15th that is based upon an acceptable risk assessment and considers guidance provided by the DOE Office of the Inspector General
- Providing an annual report of activities for the previous fiscal year by January 31st or prepare a report data sheet with each audit report.
- Performing external peer review every three years.

Annual Reviews

.04 The DOE Contracting Officer is required to interpret and assess the compliance of the internal audit functions with the Cooperative Audit Strategy criteria. Additionally, the OIG performs annual reviews of selected working papers as prescribed in the DOE Office of Inspector General Audit Manual. These reviews provide the basis for DOE's reliance on work performed by the UC/DOE audit groups as well as the required external peer review.

5500 Department of Energy

DOE Orders

.05 Specific DOE Orders are accepted into the UC/DOE management contracts. The following DOE Orders are relevant to maintaining contract compliance and appropriate liaisons with the DOE Contracting Officer, the Office of Inspector General and the US General Accounting Office.

- 2030.4B - Reporting Fraud , Waste, and Abuse to the OIG
- 2300.1B - Audit Resolution and Follow-up
- 2320.1C - Cooperation with the OIG
- 2321.1B - Auditing of Programs and Operations
- 2340.1C - Coordination of GAO Activities

Contract Oversight

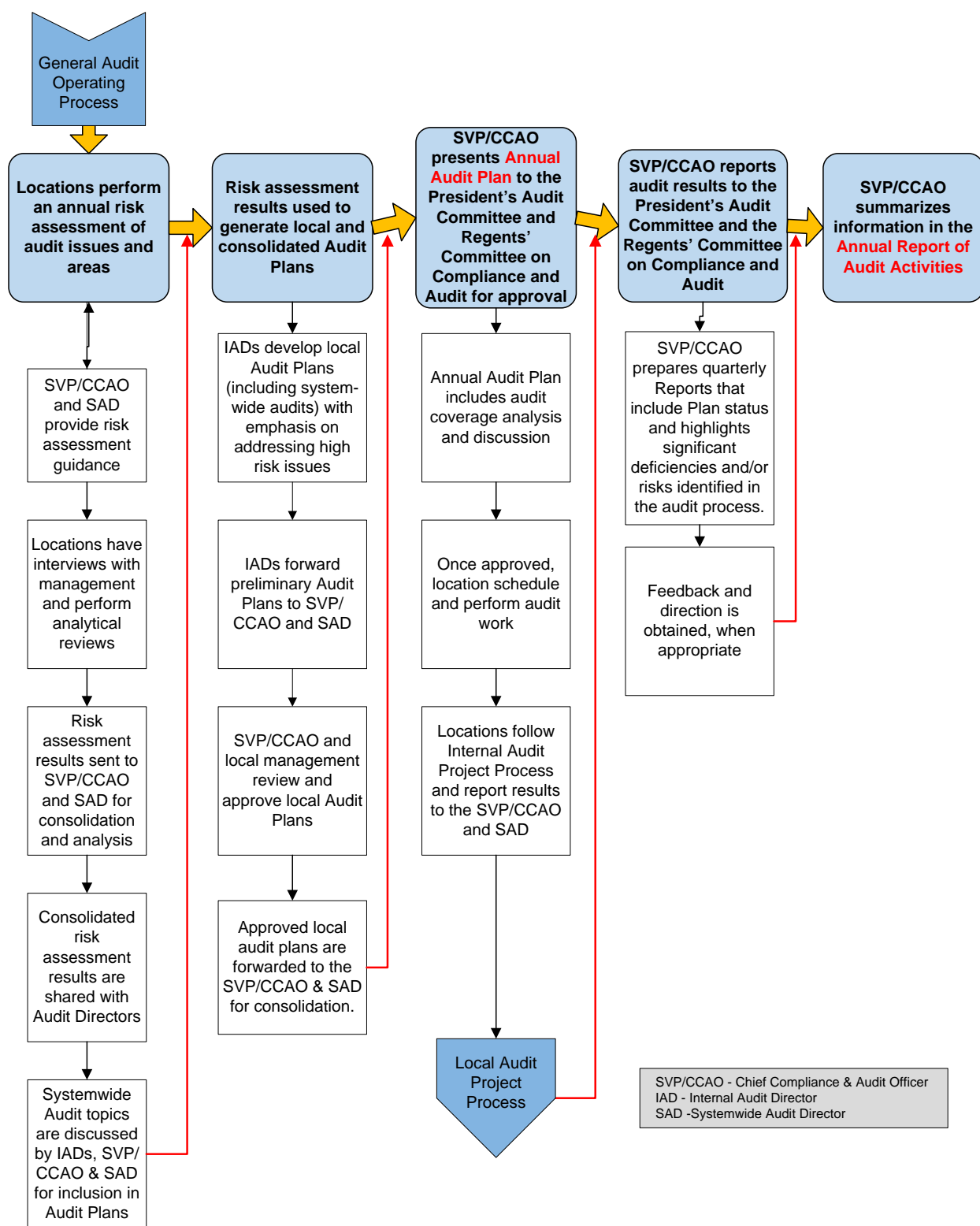
.06 The Laboratory Administration Office (LAO) is responsible for overseeing the UC/DOE contract for LBNL. All final internal audit reports are distributed to LAO and the SVP/Chief Compliance and Audit Officer (SVP/CCAO). Further, external audits coordinated by the laboratory internal audit functions should be appropriately communicated to LAO through opening announcements, formal responses and final reports. LAO approves the settlement of questioned costs on contracts with the Department of Energy.

6000 AUDIT SERVICES

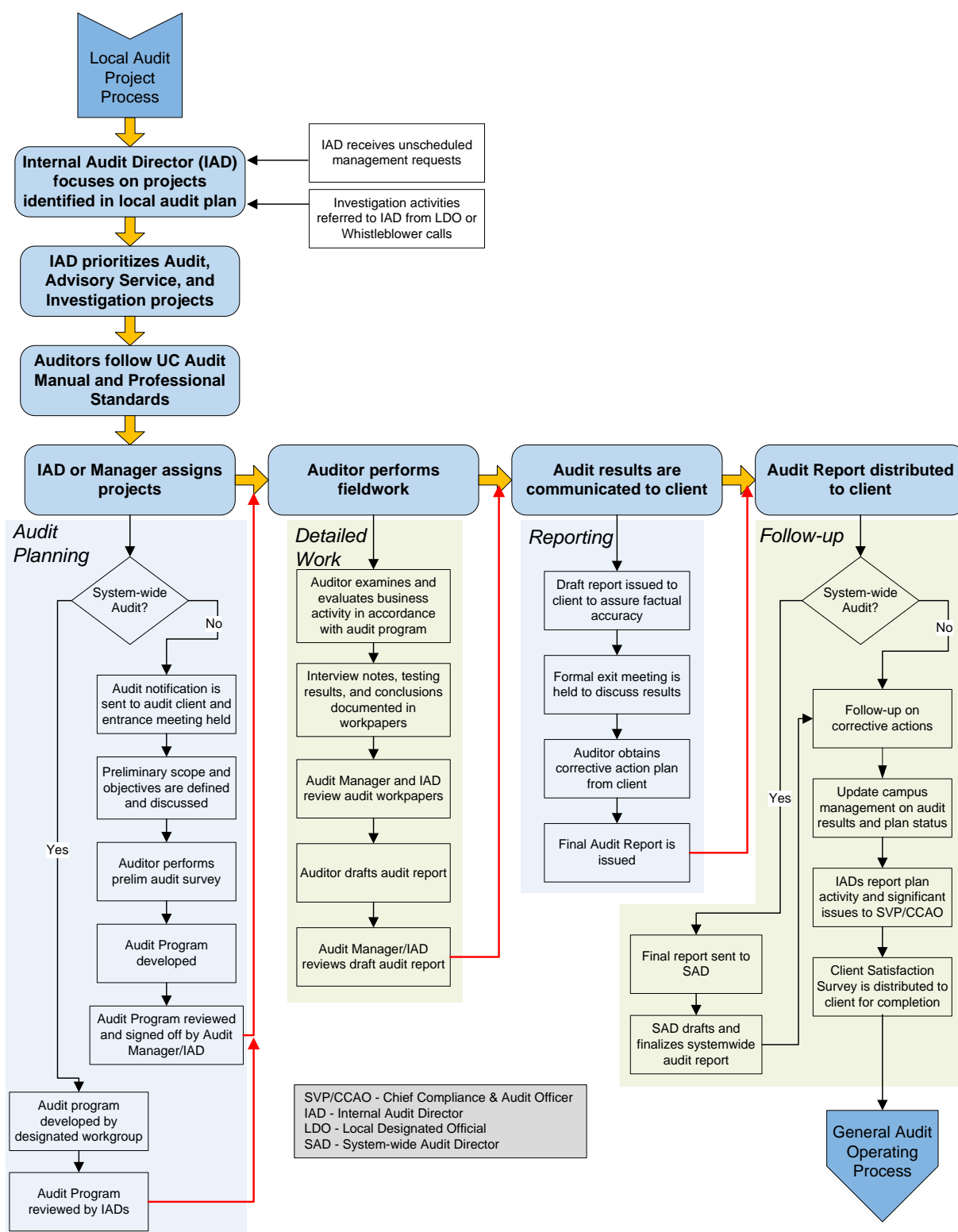
Section Overview **.01** This section of the manual outlines the entire internal audit process from the initial assignment through reporting and follow-up.

Flowcharts of the general audit operating process and the internal audit project process are included on the following pages to give the auditor an overview of these processes. (Appendix 6000.1 and 6000.2)

6000 Appendix 6000.1 Flowchart of General Audit Operating Process



6000 Appendix 6000.2 Flowchart of Local Audit Project Process



6100 Planning an Audit

Policy

- .01** Internal Audit develops and documents a plan for every audit prior to the commencement of audit fieldwork that includes the project objectives, scope, results, timing, and resource allocations.

This section provides information on planning policies and procedures related to individual audits.

Information on planning policies and procedures related to the Annual Audit Plan can be found at Section 3200.

**Application of UC
Policy for
Planning**

- .02** Adequate audit planning requires that audit management define an appropriate preliminary audit scope that considers relevant systems, records, personnel, and the resources needed for the audit.

In planning the project, auditors should consider:

- The strategies and objectives of the activity being reviewed and how the activity manages performance
- Significant risks to activity objectives, resources and operations and how risk is maintained at an acceptable level
- The adequacy and effectiveness of the activity's risk management and control processes, compared to a relevant control framework or model; and
- The opportunities for making significant improvements to the activity's risk management and control processes.

**Communication
with the Client**

- .03 Notification** – A member of the audit team should notify the parties responsible for an organization or area to be audited that an audit is scheduled using local audit office protocol. Notification should generally be sent via written memo or e-mail to the audit client with copies to senior officials as appropriate.

Preliminary Scope and Objectives - The audit timing and preliminary objectives should generally be communicated to the client in writing in advance of the beginning of fieldwork. This information may be included in entrance meeting materials or other documents sent to the client.

6100 Planning an Audit

**Communication
with the Client
(cont'd)**

.03 Client Input To Audit Project – Typically an entrance conference should be conducted with the client in order to discuss the preliminary scope and objectives, and to obtain management input as to what risks the audit should focus on. If an entrance conference is not held, communication should occur to the client about the preliminary project scope and objectives and to obtain feedback on risks to be covered in the audit. If an entrance conference is held, the following individuals should be invited and encouraged to attend the meeting:

- Directors and department heads responsible for the area being audited
- Internal audit director, for all high-risk audits

**Audit Plan and
Program
Development**

.04 Preliminary Survey - The auditor-in-charge should obtain and review the following types of background information about the area being audited (as applicable to audit scope):

- Objectives and goals
- Policies, plans, procedures, laws, regulations and contracts having significant impact on operations
- Organizational information, such as number and names of employees, job descriptions, process flowcharts, details about recent changes, etc.
- Budget information, operating results and financial data
- Systems, records and physical properties including those controlled by a third party
- Prior audit workpapers and audit reports (including reports of external auditors and other external parties), correspondence files and relevant authoritative and technical literature

Each campus CAE will establish a local protocol for documenting and summarizing the preliminary survey.

Risk Assessment - As part of the preliminary survey, the auditor should review systems and processes to identify key controls. The auditor generally uses various tools and techniques, which may include flowcharts, questionnaires, and interviews or other

6100 Planning an Audit

**Audit Plan and
Program
Development
(cont'd)**

- .04** inquiries, in order to identify key controls and gain an understanding of the related audit risk.

The risk assessment further defines the objectives of the audit. The auditor-in-charge must understand management's assessment of risk in their area and management's monitoring and reporting of risks.

Following the risk assessment, the audit program is developed to test these priority risk areas. The possibility of significant errors, fraud, non-compliance and other exposures should be considered in the assessment of risk.

In planning, auditors must also consider opportunities for making significant improvements to the activity's risk assessment and control process.

Resource Allocation – Based on the nature of the audit, the auditor-in-charge should evaluate the budget allocated in the annual plan to achieve the objectives of the audit.

An important element of any audit budget generally includes time for the auditor assigned to learn about new systems and processes. Allocation of time to learn the new systems and processes should be considered. Additionally, audit management may consider the use of external resources where knowledge, expertise and staffing are lacking.

Audit Program - The audit program must be prepared in advance of field work and outlines:

- Objectives of the audit
- Scope, sampling methodology and degree of testing required to achieve the audit objectives in each phase of the audit
- Procedures for identifying, analyzing, evaluating and documenting information during the audit
- Technical aspects, risks, processes and transactions which should be examined

6100 Planning an Audit

**Audit Plan and
Program
Development
(cont'd)**

- .04** Audit management generally approves the audit program at the end of the preliminary survey. If there are adjustments to the program, these adjustments should be approved by audit management prior to beginning the related fieldwork. Changes to the audit budget should be formally agreed to by audit management as early in the audit timeline as possible.

Documentation

- .05** Documentation to evidence the planning procedures must include the following:

- Description of initial notification to audit client such as a copy of engagement or notification letter or e-mail
- Preliminary survey summary memo or risk matrix, which includes the auditor's assessment of risk, signed by audit management
- Approved audit program, signed by audit management.

**Supplementary
Guidelines for
Audit Planning**

- .06** While applying the planning policy, the auditor may also consider the following supplementary guidelines:

Communication - The preliminary objectives and audit timing should generally be communicated to the client in advance of the beginning of fieldwork to provide adequate preparation time for the client.

Shared Resources - Sharing mechanisms, such as TeamMate's TeamStores, the data warehouse, shared workpaper files, list-servs and internal networks that exist within and outside the system-wide program, may be utilized in order to enhance efficient planning and execution of audits.

6200 Conducting an Audit

Policy

- .01** Internal Audit must identify sufficient, reliable, relevant and useful information to achieve the audit's objectives. Internal Audit must document sufficient, reliable, relevant and useful information to support the audit conclusions reached. Internal Audit will assure workpaper documentation is properly filed when an audit is completed.

Engagements must be properly supervised to ensure objectives are achieved, quality is assured, and the staff is developed. The extent of supervision required will depend on the proficiency and experience of internal auditors and the complexity of the engagement. Every audit is properly supervised to ensure that audit staff are adequately guided and have the requisite knowledge and skills to meet the audit objectives as well as to minimize audit risk.

Application of UC Policy for Conducting an Audit

- .02** Conducting an audit involves identifying, analyzing, evaluating and documenting the information pertinent to the area under audit in order to support audit results.

Guidance on IIA standards can be found at:

<http://www.theiia.org/guidance/standards-and-guidance/>

- The standards that address criteria against which performance of internal audit is evaluated can be found at IIA Performance Standards (2000-2600)

The standards that address the characteristics of organizations and parties performing internal audit can be found at IIA Due Professional Care Standard 1220.

Supervision

- .03 Communication** - The supervisor will generally communicate the goals and objectives, risks and other relevant information to the auditor-in-charge in order to provide the guidance and understanding necessary to conduct a high quality audit

The supervisor and staff should maintain communication as needed throughout the audit to ensure that risks, findings and errors are adequately addressed and resolved.

Workpaper Documentation

- .04 Purpose** - The workpapers document the work the auditor has done. The workpapers serve as the connecting link between the audit assignment, the auditor's fieldwork and the final report. Workpapers contain the records of planning and preliminary surveys, the audit program, audit procedures, fieldwork and other

6200 Conducting an Audit

**Workpaper
Documentation
(cont'd)**

- .04** documents relating to the audit. Most importantly, the workpapers document the auditor's conclusions, the reasons those conclusions were reached, and whether the objectives were achieved.

Workpapers are also generally one element evaluated as part of a Quality Assurance Review of the internal audit program.

Quality Assurance Policies and Procedures can be found at Section 9000.

Contents - Workpapers should include the audit program along with documentation supporting findings, testing, interviews and other analyses. All changes to the scope or audit program should be documented and approved by audit management. Findings and recommendations should be cross-referenced to the audit report or to their final disposition. Workpapers that are created and later determined to be unnecessary should be deleted.

Format - Audit workpapers are to be documented as the audit is occurring in the EWP (Electronic Working Papers) module of the TeamMate audit management system.

Specific guidance on proper use of the EWP module can be found in TeamMate protocol documentation.

**Workpaper
Review**

- .05** All workpapers should be independently reviewed to ensure that there is sufficient evidence to support conclusions and all audit objectives have been met. The reviewer should evaluate whether workpapers appear to be accurate, objective, clear, concise, constructive and timely. Responsibilities for workpaper review are summarized as follows:

Manager's Responsibilities - The supervisor of the auditor-in-charge should perform a detailed review of the workpapers. Audit management must also review and approve all changes to the scope of the audit and to the audit program.

IAD's Responsibilities - For each audit engagement, the IAD should perform at least a summary review. A summary review consists of an awareness and/or discussion of audit planning documents, the audit program, and the summary of audit findings and their disposition. The IAD should perform a detailed review of any workpapers that have not been subjected to a detailed

6200 Conducting an Audit

**Workpaper
Review (cont'd)**

- .05** review by audit management or subject matter expert or which have been prepared by Audit management or subject matter expert. The IAD should review and approve significant changes to the scope of the audit and to the approved audit program.

If a detailed review of the workpapers has not been performed (as in the case where the auditor-in-charge reports directly to the Director), the Director performs the detailed review and no summary review is required.

If the IAD prepares the workpapers, the Assistant/Associate Director or, if there is no Assistant/Associate Director, another experienced member of the staff should review the workpapers.

Timing and extent of review - The level and frequency of review and communication during the audit depends upon the experience of the audit staff, the risk associated with the audited area and the significance of the findings.

Attestation - All audit professionals involved should attest that the workpapers have, to the best of their knowledge, been prepared in accordance with IIA and University standards.

Sample attestation statements can be found in Appendices 6200.1, 6200.2, and 6200.3.

Workpapers should be electronically signed off. TeamMate sign off is indicative of level of review performed.

6200 Appendix 6200.1 Auditor in Charge Attestation

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT
SAMPLE ATTESTATION STATEMENT – Auditor in Charge**

Auditor in Charge

I have been the Auditor in Charge for our (audit, advisory service, or investigation) of (project name and number). In this capacity, I prepared the (audit, advisory service, or investigation) program and working papers or reviewed all working papers prepared by the staff assigned to this project. I also prepared or assisted in the preparation of the report to be issued.

In my opinion, the working papers were prepared in accordance with professional standards established by the IIA and the University of California Internal Audit Program and comply with our department policies. Also, in my opinion, the working papers support the findings and conclusions in the report, and the report complies with IIA and University standards and department policies.

Signature

date

6200 Appendix 6200.2 Assistant or Associate Director Attestation

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT
SAMPLE ATTESTATION STATEMENT – Assistant or Associate Director**

Manager or Assistant or Associate Director

I have been the Manager or Assistant or Associate Director assigned to our (audit, advisory service, or investigation) of (project name and number). In this capacity, I approved the (audit, advisory service, or investigation) program and reviewed all working papers prepared by the assigned staff. I also reviewed the report to be issued.

In my opinion, the working papers were prepared in accordance with professional standards established by the IIA and the University of California Internal Audit Program and comply with our department policies. Also, in my opinion, the working papers support the findings and conclusions in the report, and the report complies with IIA and University standards and department policies.

Signature

date

6200 Appendix 6200.3 Internal Audit Director Attestation

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT
SAMPLE ATTESTATION STATEMENT - Director**

Director

Our (audit, advisory service, or investigation) of (project name and number) has been conducted under my supervision and direction. As the Director, I approved the (audit, advisory service, or investigation) program and reviewed the working papers to the extent required by professional standards established by the IIA, the University of California Internal Audit Program, and the department. I also reviewed the report to be issued.

In my opinion, the working papers were prepared and reviewed in accordance with professional standards established by the IIA and the University of California Internal Audit Program and comply with our department policies. Also, in my opinion, the working papers support the findings and conclusions in the report, and the report complies with IIA and University standards and department policies.

Signature

date

6300 Reporting Results

- | | |
|---|---|
| Policy | .01 Internal Audit maintains a formal process for communicating to UC management and The Regents the results and recommendations for all audits conducted. The IAD is responsible for communication of final audit results to parties who can ensure that the audit results are given due consideration. |
| Application of UC Policy for Reporting Results | <p>.02 An audit report is issued upon the completion of each project. Reporting of audit results and recommendations assists all levels of UC management and members of the Board of Regents in the effective discharge of their responsibilities. The process for reporting results includes draft report preparation and reviews, quality assurance reviews and final audit report issuance and distribution.</p> <p>All audit reports must contain the objectives, scope, conclusions, and any recommendations and/or action plans developed and agreed to by management, as well as positive elements, such as establishment of well controlled operations.</p> |
| Report Elements | <p>.03 Audit reports can be written in narrative or columnar form and should generally include the following elements:</p> <ul style="list-style-type: none">• Letter of transmittal signed by the IAD (signature attests that the IAD fully endorses and supports report contents) or e-mail from the IAD transmitting the report• Executive summary (generally no more than one page)• Purpose of the audit, including origin or source of the audit, as appropriate• Objectives• Scope of the audit, including<ul style="list-style-type: none">○ Time period covered○ Functions or processes reviewed, such as payroll, procurement, travel, cashiering, accounts receivable, information technology, etc.○ Audit techniques used, such as method of sample selection, interviewing, reviewing records, testing transactions, analytical auditing procedures, etc. |

6300 Reporting Results

- | | | |
|-------------------------------------|------------|--|
| Report Elements
(cont'd) | .03 | <ul style="list-style-type: none"> ○ Background information related to the audited organization or activity ○ Audit results, including findings, conclusions or opinions reached, a summary of the information that supports the conclusion or opinion and/or recommendations for improvement (or its equivalent), as well as positive elements, such as “establishment of a well-controlled operation”, or other achievements. ○ Management response or management action plan ○ Schedules and attachments as appropriate to support or provide additional detail to audit findings and conclusions |
|-------------------------------------|------------|--|

Draft audit reports should be clearly labeled as a draft.

Internal Audit obtains agreement with the engagement client about the conclusions and action plans of the audit. In the event of a disagreement, the communications state both positions and the reasons for the disagreement.

Any reference to potential non-compliance with laws, rules or regulations should be done in consultation with legal counsel. Certain information, such as that which is privileged, proprietary or related to improper illegal acts, may be inappropriate for inclusion in the audit report. Disclosure of this type of information should be documented in a separate report and distributed on a need-to-know basis as determined by legal counsel.

- | | | |
|--------------------------|------------|---|
| Report Timeliness | .04 | <p>Reports should be issued as soon as practical following the completion of the audit work. The IAD should establish processes for ensuring the timely issuance of audit reports.</p> <ul style="list-style-type: none"> • Reports should be reviewed in draft form with responsible operating management on a timely basis following completion of audit work • A management response should be requested within a prescribed time frame in order to ensure timely issuance of the final report |
|--------------------------|------------|---|

6300 Reporting Results

Report Timeliness (cont'd) **.04** • The audit report may be issued without the response in the event of undue management delays in responding with a statement by the auditor as to the status of the response (i.e. pending date, unknown, etc.)

Audit Report Quality Assurance **.05** A pre-issuance quality assurance review of draft and final audit reports should be performed by the auditor-in-charge of the engagement or an independent party and should be reviewed by audit management.

The IAD should review and approve the final report prior to issuance.

The Audit Report Pre-issuance Quality Assurance Checklist included as **Appendix 6300.1** to this section or a locally-developed equivalent should be used to facilitate and document this process.

Report Distribution **.06** **Draft audit reports** - Report copies should be distributed to:

- Management personnel directly responsible for the audited activity or activities to ensure factual accuracy of draft report content.
- Higher level management where necessary to obtain authorized commitment to recommended actions or to inform management timely of a sensitive issue.

Final audit reports - Report copies should be distributed to:

- The director, chairperson or department head directly responsible for the audited activity or activities.
- Management personnel in the chain of command above the report addressee (e.g., Dean, Provost, Vice Chancellor and equivalent positions at LBNL) as deemed appropriate.
- The local executive to whom the director reports.
- Members of local audit oversight group as determined by local protocol
- Chief Compliance and Audit Officer.
- Other University officials as applicable and determined by the IAD.
- Refer to **Section 5200** regarding distribution of audits conducted under attorney client privilege.

6300 Reporting Results

**Report
Distribution
(cont'd)**

- .06** When reports are distributed by electronic means, a hard copy version of the report should be retained with evidence it was sent by the IAD.

In the event of an error or omission in the final report, the IAD must communicate the corrected information to all parties who received the original communication.

Reports may include that audits are “conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*” only if the results of the quality assurance program support that statement.

Per IIA Standard 1322, *Disclosure of Nonconformance*, when nonconformance with the Code of Ethics or the International Standards impacts the audit, the audit report must disclose nonconformance and the impact to senior management, the SVP/Chief Compliance and Audit Officer (SVP/CCAO) and the local audit committee.

6300 Appendix 6300.1 Quality Assurance Checklist

**AUDIT REPORT
PRE-ISSUANCE
QUALITY ASSURANCE CHECKLIST**

REPORT ELEMENTS

	Draft	Final	N/A
1. The audit report includes:			
• Transmittal letter (transmittal letter for final audit report must be signed by the director)			
• Report summary (one page Executive Summary preferred)			
• Purpose of the audit, including the origin/source, as appropriate*			
• Objectives*			
• Scope of the audit, including time period covered, functions or processes reviewed, and audit techniques used, as appropriate*			
• Background information describing the audited organization or activity*			
• Audit results			
– Audit findings			
– Audit conclusions (opinions)			
– Audit recommendations (or its equivalent)			
• Management's response or management's action plan or statement as to status			
• Schedules and attachments, as appropriate, to support or provide additional detail for report content			
•			
2. Draft report is clearly labeled as a draft			

* Unless already included in executive summary

6400 Audit Follow-up

- | | |
|---|--|
| Policy | .01 Internal Audit maintains an audit follow-up process to monitor the disposition of results communicated to management and whether significant risks are resolved by management. |
| Application of UC Policy for Audit Follow-Up | .02 The audit follow-up process assists management and The Regents in monitoring and overseeing potential risk exposures identified in the audits. The process involves assessing the adequacy and effectiveness of actions taken by management to resolve and/or minimize the risk area identified and documenting and communicating outstanding follow-up issues to higher levels of management, when appropriate. |
| TeamCentral | <p>.03 The TeamCentral module of the TeamMate audit management system is used on a system-wide basis to track and manage audit findings and the corresponding management corrective actions (MCA). The MCA information captured in TeamCentral includes the responsible manager, the date the MCA will be completed, the auditor responsible for monitoring the completion of the MCA and other information.</p> <p>Information stored in TeamCentral may be used for summary reporting to the Regents and campus executive management using standardized formats. The TeamCentral module may be supplemented as necessary on a local basis as determined necessary to meet local management reporting expectations.</p> |
| Follow-Up Procedures | <p>.04 The auditor should follow-up on MCAs on a timely basis. Follow-up requires that the auditor use his or her professional judgment to:</p> <ul style="list-style-type: none"> • Ascertain the implementation status of each corrective action item and evaluate the adequacy, progress, and timeliness of actions taken, based on the MCA implementation date agreed to by management. • For each item, decide whether there is a need for additional testing and/or follow-up. • Document the results of follow-up in TeamCentral, and recommend review and/or closure of individual items for audit management review in Team Central. <p>Internal Audit determines if the risk identified was resolved or if management has assumed the risk of not taking action. Where</p> |

6400 Audit Follow-up

**Follow-Up
Procedures
(cont'd)**

- .04** recommendations are provided, management has the option to consider other action as long as the risk is resolved and/or managed to an acceptable level.

Audit management should notify the next higher level of line management and/or the audit oversight committee of any unsatisfactory or untimely responses or actions. In addition, the IAD should periodically advise the local audit oversight committee of follow-up activities and high risk open items, as well as those MCAs which are overdue.

If management is not taking appropriate or timely action to complete an MCA in the judgment of internal audit, the issue will be escalated to the following stakeholders to ensure timely resolution:

1. Campus chain of command
2. Campus senior leadership
3. SVP/CCAO
4. President/systemwide senior leadership
5. Regents

Workpaper Documentation Policies and Procedures can be found at Section 6200.

6500 Other Audit Matters

Policy .01 Internal Audit maintains policies for managing administrative and other matters related to the audit process in order to facilitate the continuing effective and efficient operation of its function.

Application of UC Policy for Other Audit Matters .02 Policies for the following other audit matters are described in this section: Project management and reporting, record retention, dispute resolution, scope limitations, client satisfaction surveys and access to audit information.

Project Management and Reporting .03 As stated previously, the **TeamCentral** module of TeamMate audit management system is used on a system-wide basis to track the status of management corrective actions. Other modules of the TeamMate audit management system described below are also used on a system-wide basis to prepare audit activity reports. These modules may be supplemented as necessary on a local basis to meet local reporting expectations.

The **TeamSchedule** module of the TeamMate audit management system is used on a system-wide basis to capture the following information for each project at a minimum:

- Project number
- Project name
- Location
- Project code
- VC Area
- Type of project (audit, advisory service, investigation)
- Audit Universe identifier
- Line of business (campus, lab, health science)
- Audit team
- Hours budgeted

The **TEC (Time and Expense Capture)** module is used on a system-wide basis to capture the following information:

- Actual hours expended for each project

6500 Other Audit Matters

**Project
Management and
Reporting
(cont'd)**

- .03**
- Hours expended for administrative work and nonworking events such as vacation

The **EWP (Electronic Working Papers)** module is used to capture the following information:

- Date fieldwork is completed
- Draft report issuance date
- Final report issuance date
- Exception information to be sent to the TeamCentral module

Specific guidance on proper use of the modules in TeamMate can be found in the TeamMate protocol documentation.

Campus/Lab Management - IADs should meet with their campus/lab supervisor on a periodic basis. The IAD should use these meetings to communicate current and material risk issues identified by audit projects and impending high profile projects and investigations.

Campus/Lab Audit Committee - Each campus and lab has a local audit oversight committee as specified in the UC Policy regarding Local Audit Committees. As part of the audit oversight committee meetings, IADs should comment on audit activity, audit staffing and budget issues, progress made in accomplishing the annual plan, the status of audit follow-up activity and other activity of interest. .

Guidelines for Local Audit Oversight Committees can be found at Section 2500.

6500 Other Audit Matters

**Project
Management and
Reporting (cont'd)**

- .03 SVP/Chief Compliance & Audit Officer** – Campus and Lab audit departments are responsible for keeping information in the TEC (Time and Expense Capture) module and TeamCentral module of the TeamMate audit management system current as requested by the SVP/CCAO. The SVP/CCAO uses information generated from TeamMate to provide quarterly and annual reports to the President and the Regents' Committee on Compliance and Audit.

The SVP/CCAO may require campus and lab departments to supplement information available in the TeamMate audit management system as needed. Generally, quarterly activity reports will be available as system output to the SVP/CCAO. However, significant audit matters will continue to be communicated to the SVP/CCAO on a monthly basis. This information is summarized and shared by the SVP/CCAO with the President and Regents.

Record Retention

- .04** Audit work products are the property of the University. Internal Audit maintains custody of all audit work products, which are subject to the retention requirements set forth below.

Audit work products – Audit work products include reports and workpapers for all audit, investigation, and advisory service projects. They may be in electronic or hardcopy form.

Administrative records - Administrative records consist of reports, documents, analyses, and other materials generated to support the department's functions. Administrative records include:

- Monthly, quarterly and annual reports
- Client Satisfaction Surveys and summarized results
- Support for system-wide and local audit plans
- Training records
- Interim project performance reviews, to the extent they are not covered by other UC record retention requirements.

6500 Other Audit Matters

**Record Retention
(cont'd)**

.04 Audit work products should be retained by the local audit departments as follows:

- One signed copy of the final report - permanently
- Workpapers - 7 years, unless otherwise directed by legal counsel due to applicable statutes, etc.
- Administrative records that support our professional program, such as those set forth above – 7 years
- Other administrative records – at local discretion, but no longer than 7 years

Administrative records should be retained by UCOP as follows:

- Selected special administrative records including: Location Annual Reports, Annual and Quarterly Reports to The Regents, and UCOP Annual Plans – 7 years
- Other administrative records – at UCOP discretion, but no longer than 7 years
- Administrative records that support our professional program, such as those set forth above – 7 years
- Other administrative records – at local discretion, but no longer than 7 years

**Record
Destruction**

.05 All other notes, documents and reports relating to a completed audit that are not included in the workpapers (i.e., retained in auditor's desk files) should be destroyed after the final report has been issued. All versions of the draft audit report should also be destroyed after the final report has been issued.

Privileged Records - Audit work products and administrative records that are covered by attorney-client privilege or related to a lawsuit or other legal action are not to be destroyed until the lawsuit or other legal action has been closed or the 7 year workpaper retention period has been reached, whichever is later.

6500 Other Audit Matters

**Record
Destruction
(cont'd)**

- .05 Disposition Process** - Audit work products and administrative records will be destroyed by December 31 of the year in which the records have reached the end of their retention period.

The IAD will be responsible for reviewing the inventory listing of records scheduled for destruction to ensure that there is no reason that their retention period should be extended, i.e. legal action.

Audit work products and administrative records should be destroyed in a manner that gives appropriate consideration to the privacy laws pertaining to the type of information being destroyed which prevent the unauthorized release of proprietary or confidential information.

E-Discovery

- .06 E-Discovery Compliance** - When a lawsuit is filed against the University in federal or state court, or a lawsuit is reasonably anticipated, Internal Audit must preserve information, including electronically stored information (“ESI”), relevant to the claims or defenses in the suit (or anticipated suit). The duty to preserve information extends on a going forward basis to any information in the possession or control of any University employee that relates to the lawsuit or anticipated lawsuit.

Compliance with e-discovery rules requires each University location to: (1) determine when litigation is anticipated; (2) issue litigation holds; and (3) preserve relevant ESI until the case is resolved or the statute of limitations expires.

The e-discovery process requires a partnership between the UC counsel assigned to each location, Risk Management, and IT/Records Management.

E-discovery compliance requires a series of judgments based on the facts and circumstances of each case. If and when litigation counsel is assigned to a matter (either pre-litigation or after a complaint is filed), the University’s litigation attorneys will manage the e-discovery process, including review and production of relevant ESI.

6500 Other Audit Matters

Dispute Resolution .07 Disputes Between Audit Staff & Audit Management - The exercise of professional judgment involved in determining reportable conditions and the expression of conclusions in audit reports may lead to differences in professional opinions.

A process is needed to resolve such differences while respecting both the chain of command within audit management and the obligation of the staff to exercise independent professional judgment.

This process applies only to disagreements having to do with the contents and conclusions in audit reports. It is not intended for personnel matters such as job assignments and performance appraisals where separate University policy exists. It is likewise not intended for administrative matters such as audit budgets and departmental management matters.

Dispute Resolution Process - In the event that there is a disagreement of professional opinion between audit staff and audit management, the IAD, in the normal course of providing supervision, shall reach an independent conclusion on the matter and attempt to forge a consensus or compromise among the members of the engagement team. No specific record of dispute resolution at this level needs to be created or maintained.

If this process is unsuccessful, or if the disagreement originally involves the IAD, the SVP/CCAO shall be consulted. The SVP/CCAO will review draft reports and other written materials, interview the disputing parties and/or convene a meeting for the purpose of forging a consensus or compromise among the disputing parties. A written record of this dispute resolution process, efforts, and outcomes shall be created and maintained outside of the working papers by the SVP/CCAO.

If consensus or compromise is not achieved from these processes, the final judgment of the SVP/CCAO will prevail insofar as the issuance of the audit report is concerned. However, no individual's rights as an employee of the University will be compromised by invoking this process or by its outcome.

6500 Other Audit Matters

**Dispute Resolution
(cont'd)**

- .07 Disputes Between the Audit Client & Auditors** - Disputes which may arise between internal auditors and audit clients can be generally categorized into those regarding the factual accuracy of reported findings, and those dealing with the appropriateness of conclusions or recommendations (the "fairness" of the audit report in total or specific matters). Such disputes are separate from scope limitations imposed by audit clients.

Policies and Procedures for Scope Limitations are included in this section.

Every effort shall be made to resolve all questions of factual accuracy before the final audit report is issued.

Conclusions and recommendations represent the professional judgment of internal auditors and cannot be overridden or unduly influenced by audit clients. The judgment of the local IAD is the prevailing position. Therefore, audit clients do not have the authority to "appeal" an audit report to the SVP/CCAO or to higher local management. The written response to the audit report is the recourse and appropriate vehicle for audit clients to communicate their views.

However, in exercising their professional judgment, IADs should aggressively seek compromise and consensus views that communicate issues clearly and completely and deal with identified audit issues effectively.

Scope Limitations

- .08 Definition** - Scope limitations include situations in which a client is uncooperative, attempts to limit the scope of planned work or denies access to records, personnel, assets or other information necessary to complete the audit.

The Management Charter provides Internal Audit unrestricted access to all assets, information, reports, records, and personnel required to perform their work.

Mission and Management Charter can be located at Section 1100.

Resolution Process - The auditor should bring all matters involving scope limitations to the attention of Internal Audit management. If Internal Audit management is unable to resolve the matter at the local level, the SVP/CCAO should be notified

6500 Other Audit Matters

**Scope Limitations
(cont'd)**

- .08** and involved in the process to assist in its resolution. The matter should be brought to the attention of the Local Audit Committee, as warranted or escalated to the Regents, if necessary.

Policy for Local Audit Oversight Committee Guidelines can be located at Section 2500.

All scope limitation discussions should be documented in the audit workpapers.

Policies and Procedures for Workpaper Documentation can be located at Section 6200.

Impact on Audit Report - In the event a scope limitation significantly impacts the planned scope of the audit and is not resolved to the satisfaction of Internal Audit, the audit report should state that the audit team was unable to perform the planned tests.

Audit reports with significant limitations on scope will be distributed to the Chancellor/Lab Director and other University officials, including The Regents, as determined by the SVP/CCAO.

**Client Satisfaction
Surveys**

- .09** Each Internal Audit department should measure and monitor the satisfaction level of its clients in order to continuously maintain and improve the quality of services provided.

Transactional Survey - This type of survey should be used to elicit the client's perception of the service rendered and identify opportunities for improvement in those instances where a report is issued.

The *Client Satisfaction Survey* included as **Appendix 6500.1** to this section or a locally-developed equivalent should be used. A standard rating scale should be implemented in order to facilitate the measuring of results.

Transactional surveys should be sent to the addressee of the audit report and other audit participants, as considered appropriate, generally within 30 days after issuance of the final audit report. No surveys are required with respect to investigations. The surveys should be returned to the campus/lab IAD.

6500 Other Audit Matters

**Client Satisfaction
Surveys (cont'd)**

- .09** Results of the surveys should be tabulated and shared with the auditor-in-charge, IAD, persons to whom the IAD reports and, at least annually, to the Local Audit Committee.

Management Survey - This type of survey is used on a periodic basis to elicit management's perception of the audit program's ability to fulfill its mission assisting members of the organization in the effective discharge of their responsibilities.

The *Management Survey* included as **Appendix 6500.2** to this section or a locally-developed equivalent should be used.

The SVP/CCAO will obtain campus feedback regarding the effectiveness of the Internal Audit function on a periodic basis.

Feedback will be communicated to the local audit oversight committee and the campus/lab IAD.

**Access to Audit
Information**

- .10** All final audit reports dating back to January 1, 2008 are accessible to the general public via the University's Reporting Transparency website, unless designated as sensitive or confidential (<http://www.universityofcalifornia.edu/reportingtransparency/>). All requests for access to, or copies of, audit workpapers and audit reports not available on the Reporting Transparency website are subject to the approval of the IAD.

The IAD should inform the SVP/CCAO of all requests for audit materials related to public record requests, investigations or other sensitive matters in advance of their release.

The IAD should inform client management of any requests by internal or external parties for access to or copies of audit materials not available through the University's Reporting Transparency website.

Internal Campus/Lab Requests – The IAD should normally grant approval of requests for audit reports by management responsible for the audited activity.

Requests for access to, or copies of, audit reports from University personnel other than management responsible for the audited activity are subject to the discretion and approval of the IAD.

6500 Other Audit Matters

**Access to Audit
Information
(cont'd)**

- .10 External Audit Requests** - The IAD should normally approve requests for audit materials by external audit agencies or firms duly engaged by the UC Regents and other authorized audit agencies where the report and/or workpaper content is pertinent to the external audit scope.

The IAD should follow the policy established in the Liaisons section of the Audit Manual in responding to requests for audit materials by the State Auditor's Office.

Policies and Procedures for Liaison with the State Auditor can be found at Section 5300.

The IAD should coordinate requests from external audit agencies with the campus/lab external audit coordinator at locations where the IAD does not serve in that capacity.

Outside Party Requests - All other requests for access to and/or copies of audit materials by external parties should be coordinated with campus counsel, or General Counsel at locations not having local counsel, and with the local information practices officer and media relations director as appropriate. The IAD should authorize release of materials only after legal counsel affirms the legal requirement to do so.

The IAD should inform the SVP/CCAO of all inquiries regarding sensitive issues.

6500 Appendix 6500.1 Client Satisfaction Survey

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT DEPARTMENT
CLIENT SATISFACTION SURVEY (page 1 of 2)**

Audit Title:

Audit Client:

Audit Conducted by:

Client Department:

Survey Questions	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Basis
1. The audit objectives, purpose and scope were clearly communicated to me.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. My business concerns and perspective on key operating areas were adequately considered during the audit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The auditor(s) demonstrated technical proficiency in the audit areas.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The auditor(s) demonstrated effective communication skills.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The auditor(s) demonstrated courtesy, professionalism, and a constructive and positive approach.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. The disruption of daily activities was minimized as much as possible during the audit.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. The audit took an acceptable amount of time (from entrance to exit).	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. Communication of audit status to me during the audit was timely and adequate.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. The audit report was clearly written, logically organized and issued timely.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6500 Appendix 6500.1 Client Satisfaction Survey

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT DEPARTMENT
CLIENT SATISFACTION SURVEY (page 2 of 2)**

Survey Questions	Strongly Agree	Agree	Neither Agree Nor Disagree	Disagree	Strongly Disagree	No Basis
10. Audit results were accurately reported and appropriate perspective was provided.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
11. The conclusions and opinions of the auditor(s) were logical and well documented.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
12. Audit recommendations were constructive and actionable.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
13. The objectives of the audit were met.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
14. Overall, the audit was "value added" to my organization.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Please feel free to provide additional comments regarding the performance of Internal Audit in the space provided below. We are especially interested in any thoughts you might have on how we can improve our efforts to provide value at the University of California.

Survey Completed by: _____ Date: _____

Please return the completed survey to: Audit Director or designee
Address

6500 Appendix 6500.2 Management Satisfaction Survey

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT DEPARTMENT
MANAGEMENT SATISFACTION SURVEY (page 1 of 2)**

TO: _____
CAMPUS/LAB: _____

In an effort to improve the quality of the UC Internal Audit Program, <xxxxxx> requests your feedback and comments about your respective Internal Audit Department, **for FY XX**. This survey is a valuable tool in assessing our audit program and we appreciate your honest feedback. Please mark the appropriate box below and provide any additional comments at the end of the questionnaire. Return the survey to <address>. The results and comments will be shared with the respective Internal Audit Department.

Criteria	Strongly Agree	Agree	Disagree	Strongly Disagree	No Basis
1. My involvement with the annual audit planning process was adequate.					
2. The audit services work performed (audits, advisory services, investigations) met my needs and expectations.					
3. The audit staff identified and addressed relevant and significant issues and risks.					
4. There was an appropriate balance between audits and advisory service/consultative work in my area.					
5. My communication with the Audit Director is sufficient.					
6. The audit work performed contributed to improved control, and/or improved operational effectiveness and efficiency within my unit.					
7. The audit staff promotes an image of professionalism and competency.					
8. Audit reports and other written materials are of high quality.					
9. The audit program is meeting the needs of the University.					
10. Overall, the Internal Audit Program provides value to my organizational unit and the University.					

6500 Appendix 6500.2 Management Satisfaction Survey

UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT DEPARTMENT
MANAGEMENT SATISFACTION SURVEY (page 2 of 2)

11. Are there any specific changes we can make to improve our audit process?

12. Any additional comments?

Signature: _____ Date: _____

Title: _____

Please send completed survey to: <address>

6600 Conducting Information Technology Audits

Policy

- .01** Each Campus is responsible for developing a program that provides for audit coverage of information technology (IT) risks. This is accomplished through the use of integrated audits of functional areas (generally performed by IT audit generalists) and more specific technical information system reviews (generally conducted by an IT audit specialist). The campuses/lab may also perform integrated or highly technical reviews using other resources as required.

**Application of UC
Policy for IT Audit
Topics**

- .02** Specific standards for providing audit coverage of information technology topics at each location are described in this section.

Distributed Computing Environments – For distributed computing environments, risk will be assessed and scored with the corresponding organizational unit where that unit appears in the universe, either at tier three (system-wide) or at tier four (local additions). This process will provide for consistent treatment for all distributed computing environments.

Integrated Audits of Functional Areas - Audits of functional areas incorporating information technology components and not specifically identified in the G section of the universe will be risk ranked in the functional area assessment and separately identified via the applicable G index code to provide discernible evidence of IT risk coverage.

Continuous Auditing - Internal Audit should also determine whether the use of a continuous audit program is appropriate. A program of continuous audit and continuous monitoring supports both assurance activities and compliance functions. The methodology enables independent auditors to provide written assurance on a subject matter, for which an entity's management is responsible and uses a series of auditors' reports issued virtually simultaneously with, or a short period of time after, the occurrence of events underlying the subject matter. The use of continuous audit is consistent with the business-reporting model of the future whereby tools are developed for continuous audit, and can be transitioned to management for continuous monitoring of activity.

6600 Conducting Information Technology Audits

**Information
Technology Risk
Assessment¹**

- .03** Planned coverage for specific technical IT topics (Section G of the audit universe lists the specific information technology topics) will be evaluated and determined each year as part of the annual comprehensive risk assessment process and will include IT audit coverage for areas determined to be high risk using the risk assessment model described in **Section 3200**. The same criteria and weighting for evaluating other line of business universe topics (i.e. campus and Health Sciences) will be utilized. ***This determination will be made independently of whether the project can be staffed exclusively with existing Internal Audit personnel based on current skill sets or whether outside IT expertise is needed.***

The risk assessment should incorporate a robust evaluation of the business line IT Infrastructure including consideration of the institution's strategic, financial investment in technology resources as well as the state of the physical and logical components of the campus/medical center inter/intranet, and the operational, regulatory and reputational risks.

The risk assessment process for IT related topics/functions should also take into consideration the annual IT audit coverage by the University's external auditors to ensure adequate audit coverage and prevent the duplication of efforts. Following are brief descriptions of the (Section G tier 2) areas to be assessed on a relative risk basis.

IT Governance/Strategy & Planning (G.a.)- Includes the mission of the centralized IT functions; IT risk management, the IT policy setting function, alignment of the IT infrastructure with core administrative business processes, and executive oversight for the portfolio of infrastructure and application system components; strategy and long-term planning including the organizational structure, human resources, strategic sourcing, asset management, budgets, metrics, and controls as they relate to the IT Strategic Plan and its execution.

¹ Risk Universe adapted from Deloitte & Touche, LLP, IT Internal Audit Risk Assessment, Bishop & Carpenter July 2008.

6600 Conducting Information Technology Audits

**Information
Technology Risk
Assessment
(cont'd)**

.03 Infrastructure (G.b) - Includes operating systems, database and data warehouse structures, telecommunications (voice/data), networks (intra/inter and perimeter), hardware, physical sites, centrally maintained and managed email/calendaring, messaging, and electronic data interchange.

Architecture (G.c) - Includes technology planning, analysis/assessment of emerging technologies, local standards, architecture design, deployment options, management (software, infrastructure, and security), integration and consolidation, and technical support.

Project Management (G.d) - Includes the project management development/deployment methodology (initiating, planning, executing, controlling, and closing); vendor/product selection; the systems development life cycle (design, acquire/build standards, test and quality assurance functions, data conversion practices, documentation and training development, implementation/deployment, support and maintenance); project pre-implementation; and post-implementation processes.

Operations (G.e) - Includes data centers and related physical security and processing (batch scheduling and on-line processing); application/database capacity, availability, and performance management and monitoring; facilities and equipment maintenance and management; and data retention and backup (scheduling, processing, off-site storage, retrieval and restoration).

Support (G.f) – Includes problem management (help desk, incident response, root cause analysis); service level management; vendor/third party management; end-user computing support/management; software licensing.

Enterprise Security (G.g) - Includes security configuration and management for applications, operating systems, databases, networks, hardware and related utilities; identity and access management (user provisioning, administrative access, user roles, remote access, third party access) and threat and vulnerability management (intrusion detection and response, intrusion prevention, security penetration and vulnerability testing, virus protection and detection, security strategy and

compliance, security awareness and training, privacy, and data protection).

6600 Conducting Information Technology Audits

**Information
Technology Risk
Assessment
(cont'd)**

- .03 Disaster Recovery** (G.h) - Includes business impact assessment, disaster recovery/business continuity planning, crisis management plans including communications, disaster recovery testing, business continuity processes and procedures development, maintenance and updates.

Under all options, emphasis will be made on completing the audit project with the required IT audit skills set, and concurrently enhancing the IT audit skills of existing audit personnel.

Audit Planning

- .04 Documentation of the planning for each audit assignment must evidence consideration of:**

- **An Integrated Audit Approach** – The integrated audit approach provides for coverage of IT topics within an audit of a business unit or process, where the information systems environment is one element of the preliminary survey risk assessment.

The preliminary survey for each audit will include a risk assessment of the information technology environment. Where appropriate, detailed testing of IT controls should be completed on a relative risk basis, or an explanation should be provided of why such a risk assessment is not appropriate.

- **Use of Computer Aided Audit Techniques (CAAT's)** – Auditors should be familiar with tools for extracting and analyzing data. General tools for analyzing data include MS Excel, and MS Access. More specialized tools include the following: Structured Query Language (SQL), Audit Command Language (ACL); and Interactive Data Extraction and Analysis (IDEA).

When extracted data is provided by others, auditors should first validate the accuracy and completeness of the data before conducting any detailed analysis.

6600 Conducting Information Technology Audits

**Required
Information
Technology Audit
Skills²**

- .05** Each campus should strive to have both IT audit generalists and specialists on staff to provide coverage of IT risks, recognizing that most functional area reviews require IT audit generalist knowledge and skills.

Determination of Skill Sets Needed – In all cases, IT audit projects will be staffed with auditors and supervisors that have IT audit skills commensurate to meet IIA professional standards. Subsequent to the development of the annual audit plan, Internal Audit at each location will evaluate the IT skills available in-house, and determine if additional skills are needed to complete the planned IT audits.

The IT audit skills required to perform and supervise IT audits may be classified in two broad categories, as follows.

Information Systems Auditor – Generalist – for all IT audit projects, the following base level IT audit skills are required:

- Working knowledge about common technology infrastructure components (e.g., hardware/software, operating systems, networks, applications, databases, etc.);
- Working knowledge about general controls that apply to all systems, components, and data for a given IT unit (information security policy, administration, separation of key IT administrative duties, management of systems acquisition and implementation, change management, business continuity – disaster recovery planning, physical and logical security controls, data center operations, etc.);
- Working knowledge about application risks and control concepts, and how programmed procedures and logic provide for workflow, operation, and control (i.e. input/processing/output controls, separation of key application processing duties, transaction logging and audit trails; error and exception reporting, etc.).
- Competence in evaluating the general and application controls, as designed and implemented, against defined standards and recognized best practices.

² These requirements are in addition to a working knowledge of internal control concepts in general e.g., preventive controls, detective controls, corrective controls, and governance and management controls.

6600 Conducting Information Technology Audits

**Required
Information
Technology Audit
Skills (cont'd)**

- .05 Information Systems Auditor – Specialist** – for certain IT audit projects and topics, more specialized technical skills may be required. For example, the following skills may be appropriate:
- Working knowledge of IT control frameworks, including Control Objectives for Information and related Technology (COBIT); ISO 27002, National Institute of Security Standards (NIST), etc.
 - Working knowledge of Payment Card Industry (PCI) Standards for IT environments storing credit card information
 - Working knowledge of the Health Insurance Portability and Accountability Act (HIPAA) technical security requirements
 - Working knowledge of technical security measures deployed to address threats and vulnerabilities at various layers (e.g., operating system hardening; virus protection; intrusion detection; routers, switches and firewalls; etc)
 - Hands-on experience using vulnerability assessment tools, evaluating results, and debriefing with IT operations staff
 - Detailed understanding of authentication and authorization technologies (e.g., RACF, Shibboleth, etc.)
 - Familiarity with encryption technologies
 - Computer forensic skills and/or computer law (for investigations)
 - Others, as needed

6600 Conducting Information Technology Audits

**Deployment of
Resources**

- .06** In all cases, IT audit projects will be staffed with auditors and supervisors that have IT audit skills commensurate to meet IIA professional standards. Of special concern are audits that appear to require the skills of an Information Systems Auditor – Specialist.

For audit projects where additional skills are required, the following options are available:

- Co-sourcing - Contracting with an external party for agreed upon procedures via a professional services agreement;
- Shared Resources - Providing audit coverage with a team of auditors from multiple UC locations, importing needed technical skills if available;
- Rotation/guest auditor program – Coordinating with local management to rotate operational IT staff through audit to perform audits. Under this approach, the audit scope assigned to guest auditors should be areas that were outside their area of responsibility for at least the last year.

Under all options, emphasis will be made on completing the audit project with the required IT audit skills set, and concurrently enhancing the IT audit skills of existing audit personnel while meeting IIA professional standards.

**Professional
Development and
Audit Designations**

- .07** IT auditors should be encouraged to pursue educational opportunities to ensure adequate knowledge regarding changes in technology, and impact on IT controls. To this end, IT auditors should be encouraged to pursue the following designations:

- Certified Information Systems Auditor (CISA)
- Certified Information Systems Security Professional (CISSP)
- Certified Internal Auditor (CIA)
- Certified Fraud Examiner (CFE)
- Certified Public Accountant (CPA)

7000 INVESTIGATION SERVICES

- Section Overview**
- .01** This Section of the manual establishes the standards for conducting investigations. It includes criteria for determining whether an engagement qualifies as an investigation and, therefore, becomes subject to these investigation standards.

7100 Introduction

Purpose

- .01** The Investigation Services section of the UC Audit Manual is intended to implement and amplify current UC Investigations Policy (such as Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities - the “Whistleblower Policy”) as such Policy pertains to investigations conducted by UC Internal Audit. It is also intended to supplement the audit standards as set forth in this Audit Manual for certain types of engagements as defined below. An investigation is a special purpose type of project within Internal Audit’s purview. Although the standards for conducting an audit, contained in **Section 6000** of the manual, may apply in certain cases, it is recognized that unique facts and circumstances of each investigation will determine whether the audit practice standards from **Section 6000** apply to the specific case. This Section provides guidelines for conducting an investigation, in order to encourage consistency of application in internal audit across the UC system.

In the event of a direct conflict between a section of this chapter and law, regulation or official policy, such law, regulation or policy shall rule.

UC investigations conducted by Internal Audit are expected to comply with relevant standards set forth by appropriate sets of law, such as federal and state civil and criminal procedure and rules of evidence. They should also be conducted in compliance with applicable standards set forth by professional bodies representing internal auditors (Institute of Internal Auditors) and fraud examiners (Association of Certified Fraud Examiners).

Application of Investigations Standards

- .02** The investigation standards shall apply for an internal audit engagement when:
- The primary purpose is to gather, develop, examine and/or evaluate evidence to determine if there has been suspected improper governmental activity as defined in the University Whistleblower Policy committed by a person or entity; and
 - Allegations of an improper act have been received, or investigation issues have surfaced as part of a routine audit, whenever the circumstances would result in the potential for legal action, whether in the form of hearings, litigation, or criminal proceedings.

7100 Introduction

**Application of
Investigations
Standards (cont'd)**

- .02** It is expected that such an engagement would also determine the techniques used in committing the improper act, the extent of damage caused by the improper act, and the causal factors permitting or contributing to the improper act (including internal control or policy violations or deficiencies).

There are matters related to fraud that are not covered by the investigation standards set forth in this manual. They include:

- An examination for the purpose of improvement of controls involved in an allegation of an improper act.
- Auditing for fraud in the absence of an allegation or reasonable suspicion.
- Developing fraud prevention or detection programs.

Such engagements are governed by either the audit or advisory service standards, whichever are more appropriate in the circumstances, or as deemed appropriate by a legal advisor.

**Definition of
Improper Act**

- .03** For purposes of this manual, an improper act includes both an improper governmental activity as defined in statute and serious or substantial violations of University Policy as defined in the *University of California Policy on Reporting and Investigating Allegations of Suspected Improper Governmental Activities (Whistleblower Policy)*.

The Client

- .04** The ultimate clients of the investigations conducted by Internal Audit are The Regents of the University of California. Accordingly, the Internal Audit function of the University of California acts with independence and derivative authority to initiate investigations on its own for the benefit of the client. Such activities are normally coordinated with designated channels at each location. However, the local procedures do not override Internal Audit's authority to conduct investigations. In rare circumstances when agreed to by General Counsel and the Chief Audit Officer, an audit may be undertaken under the direction of Counsel and the work product protected by the attorney client privilege – usually when litigation is pending.

7100 Introduction

Roles and Relationships

- .05** Following are the primary roles and related responsibilities for conducting investigation services:

The **SVP/Chief Compliance & Audit Officer (SVP/CCAO)** is responsible for general oversight of all audit investigations as well as for communication with The Regents, the President and Senior Management. The SVP/CCAO has the ability to request investigative services to be provided by an independent body, if necessary. In addition, the SVP/CCAO is responsible for reporting summary information on all audit investigations to The Regents periodically, minimally on an annual basis.

The **Director of Investigations** is responsible for assisting the SVP/CCAO in this oversight role as well as for tracking investigations reported to the Office of Ethics, Compliance and Audit Services. The Director of Investigations also provides investigative resources and consultation where requested or needed. In the event of an actual or perceived conflict of interest on the part of campus Internal Audit, the Director of Investigations assumes responsibility as provided for in the Audit Management Plan. In situations involving multiple campus/labs, the Director of Investigations has the responsibility for coordinating the separate efforts and ensuring the overall cohesiveness of investigative efforts. The Director of Investigations has the ability to request additional focus be provided by an independent body, if necessary.

The **Internal Audit Director (IAD)** is responsible for conducting investigations led by the Internal Audit Department at the local level. When an investigation substantiates improper acts, the IAD shall also be responsible for recommending strengthening of related controls, policies or procedures to reduce future vulnerability to similar improper acts. The investigation responsibilities may be assigned to someone other than the IAD.

The IAD shall also be responsible for required communications with the Chief Audit Officer's Office.

Investigators/Auditors should have competency in the area investigated, be independent in fact and appearance, and have

a duty of fairness, objectivity, thoroughness, ethical behavior, and observance of legal and professional standards.

7100 Introduction

**Roles and
Relationships
(cont'd)**

- .05 Law Enforcement** - If it appears that a crime may have been committed, campus police, Office of the General Counsel and Department of Energy (DOE) Office of Inspector General – Investigations for Lawrence Berkeley National Laboratory should be consulted to determine appropriate action with regard to the investigation and legal proceedings. Unless otherwise requested by the cognizant agencies, it is expected that UC Police will normally handle all communication with other law enforcement bodies.

In the event that campus police or other law enforcement agencies conduct a criminal investigation, Audit investigators may be called upon to share information and also lend assistance, to the extent the auditors' specialized skills or expertise are needed or desired. An example of such assistance might be the analysis of accounting and other business records.

The role and responsibilities of **Locally Designated Official (LDO)** is addressed in the Whistleblower Policy.

7200 Conducting an Investigation

Initiating an Investigation

- .01** While the specific reasons for initiating an investigation will vary, there must be an adequate basis for suspecting a possible improper act. The primary factors to consider are:
- The allegation or suspicion, if true, constitutes an improper governmental activity under law or a serious or substantial violation of University policy. If not, then no matter how egregious a situation or behavior may appear, it would not provide a basis for an investigation under this standard.
 - An allegation should be accompanied by information specific enough to be investigated. For example, "There is fraud in the hospital", by itself, is not sufficient to begin an investigation.
 - An allegation should have, or directly point to, corroborating evidence that can give the allegation credibility. Preliminary investigation procedures to corroborate such evidence (testimonial or documentary) may be considered.

Matters referred to Internal Audit for investigation that do not meet the above criteria may be appropriately reviewed as an advisory service to management, provided the requisite expertise exists within or is available to Internal Audit. Matters that result from the normal exercise of management judgment are rarely susceptible to investigation, and frequently not appropriate for review as an advisory service (e.g. "fairness" of compensation, adequacy of supervision, etc.).

When an investigation is undertaken based on reported allegations by a person making an informal whistleblower report, care should be taken to clarify the matters to be reviewed. If the initial communication is oral, it is advisable to document your understanding of the whistleblower's allegations and obtain their concurrence with your articulation of their assertions, ideally by the whistleblower signing the documentation of your understanding and indicating it is accurate. In addition to assuring that all of the whistleblower's allegations are captured, this documentation will assist in referral of matters outside of Internal Audit's jurisdiction.

7200 Conducting an Investigation

Initiating an Investigation (cont'd)

- .01** Once an investigation is initiated, regardless of its source, it must be recorded on the systemwide case management system for whistleblower matters <https://ucsystems.ethicspointvp.com/login.aspx>. If the investigation results from a whistleblower allegation where the complaint was made through the hotline or web portal [universityofcalifornia.edu/hotline], a record will already exist on the systemwide case management system and should be updated to indicate the initiation of the investigation. In any other instance, the case must be opened manually on the system. Throughout the course of the investigation, the case should be updated to reflect its current status.

A decision to not act upon a complaint, end an inquiry without an investigation, or to discontinue an investigation, must be documented and discussed with the LDO and/or the Director of Investigations.

Planning for Investigations

- .02** The planning of an investigation includes determining the following:
- What is the nature of the allegations?
 - Consideration of the sensitivity and magnitude of the allegations.
 - Is legal advice needed?
 - Which other investigative bodies should be involved?
Can the local internal audit function maintain adequate independence for the work contemplated?
 - What type of evidence would sustain or disprove the allegations?
 - What records, or other evidence, should be secured?
 - The need to place Subject(s) on Administrative or Investigatory Leave?
 - What assistance may have been required to commit the alleged improper act? Is there a possibility of collusion?
 - What resources, including specialized skill sets, are likely to be needed?

7200 Conducting an Investigation

Planning for Investigations (cont'd)**.02**

- What notifications are required?
- What methodologies should be used to gather, secure and analyze evidence? Methodology should include coordination of the case as a whole with non-audit personnel, whether internal to the UC or outside parties. Additionally, the methods used to collect electronically stored information (ESI) should be planned and executed at the outset to ensure that the conclusions are legally defensible.

Documentation**.03**

Within audit investigations there are two types of documentation: administrative and evidentiary. The two types of documentation should be kept discrete.

Administrative documentation pertains to the management of the case within the University that does not have a direct bearing on evidence.

Administrative documentation includes, but is not limited to, materials evidencing:

- Chronologies of important events.
- Planning not pertaining to allegations or evidence (e.g. personnel scheduling).
- Background information as to the timing and how the allegation came to Internal Audit's attention.
- Internal Audit notifications (e.g. in accordance with Whistleblower Policy and other management policies).
- Personnel considerations, such as if and when a subject employee was placed on investigatory leave and/or terminated, if applicable.
- Operational considerations, such as emergency or interim procedures, that may be necessary.
- Engagement administration.

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**Evidentiary
Documentation**

.04 Evidentiary Workpapers – These documents include, but are not limited to, interview notes or summaries, originals and copies of University records, charts, graphs, spreadsheets, abstracts of University records, schedules or commentaries prepared by the audit investigator and results of tests. As determined appropriate in consultation with General Counsel, internal audit evidentiary workpapers may be referenced or provided to University management, counsel, or prosecutors.

Gathering Evidence - Care should be taken to gather evidence so as not to compromise its admissibility. In cases that result in a deposition or a trial, the person who gathered the evidence may have to testify as to the means and authority to gather the evidence. University policies exist in certain areas (e.g. Electronic Communications Policy) which impact, but do not override, Internal Auditors' access authority as provided by The Regents.

Care of Evidence - In all cases that have the possibility of litigation or criminal proceedings, the auditor should have consulted, as soon as this becomes evident, with the police department, and campus counsel and/or UCOP General Counsel. Due care should be taken to preserve the integrity of all original evidence. The investigator should ensure that steps are taken to secure and protect all original evidence. This includes:

- Taking steps to ensure that evidence is not destroyed, either by the subject or inadvertently by someone else.
- The use of "working copies" of originals for analysis to preserve the original documents.
- The use of "image copies" for securing information on computer storage media.

If the case has a significant chance of a civil or criminal action being taken, there should be documentation as to:

- When evidence was gathered
- How evidence was gathered

7200 Conducting an Investigation

**Evidentiary
Documentation
(cont'd)****.04**

- How a chain of custody was maintained
- How the integrity of the evidence was preserved

The University's Director of Investigations should be consulted as needed.

Interviews - Interviews are made for the purpose of gathering information. A formal record of the interview should be generated for the interviews of all material witnesses. In addition, at least two persons should conduct interviews of material witnesses, including subjects. Such a record should have, at a minimum, in addition to the substance of the interview, the name[s] of the interviewer[s], the interviewee[s], the interview location and the time and date of the interview. *[see also witness statements]*

In cases where an interview is recorded electronically (e.g. tape, video, DVD), clear permission should be given by the witness. The interviewer should have the witness acknowledge on the electronic media that permission was granted. Such electronic media is considered original evidence. If a transcript or copy is made from the electronic media, the original electronic media should still be preserved.

Admission seeking interviews handled by internal audit should only be performed by seasoned investigators. The safety of individuals in the interview is of foremost importance. Consideration should be given to arranging for a police officer to be invisible but near the room the interview is being conducted. In cases which have been reported to the Systemwide Locally Designated Official, pursuant to policy, Internal Audit may coordinate with the Director of Investigations and Campus Police as needed for admission seeking interviews. In cases in which an admission is made, a signed statement should be obtained if reasonable. If the subject refuses to make a formal statement, note that refusal in the record of the interview.

There may be situations when it is prudent for the investigator to make credibility determinations of the subject, whistleblower, and/or investigation participants, supported by corroborating information such as when the Subject denies the allegations and evidence does not directly or convincingly substantiate nor refute the allegation. In making credibility determinations, some factors

7200 Conducting an Investigation

**Evidentiary
Documentation
(cont'd)****.04** to consider include:

- Is the interviewee's statement(s) reasonable or unreasonable, probable or improbable
- Is there corroborating evidence that would tend to support or contradict the interviewee's statement(s)
- What is the interviewee's bias and motive to lie
- Interviewee's appearance and demeanor; that is, whether the person appears to be telling the truth during the interview
- Consistency of memory and evasive responses
- Interviewee's character and opportunity to observe relevant actions or events

Witness Statements – If practical, statements prepared by a witness should be signed, acknowledging authorship. Legible handwritten statements are acceptable. Statements prepared by a witness should be maintained without the auditor's editing or corrections.

If a statement [including interview notes] is prepared by the interviewer for witness signature, careful proofreading should be done in advance of the request for signature. The statement should contain a paragraph, just above the witness signature line, indicating that the statement represents the views, thoughts, etc. of the witness. As a best practice when feasible, the paragraph may include the following elements: acknowledgement that the subject or witness statement was furnished freely and voluntarily, without any threats or promises made to induce the statement; a sentence indicating the number of pages making up the statement; a sentence indicating that the information contained in the statement is true and correct to the best of the knowledge of signing party. If multiple pages are involved in the statement, each page should be initialed by the signing party.

Record Retention

.05 Administrative documentation and evidentiary documentation are considered workpapers for record retention purposes. ***Retention requirements can be found in Section 6500.***

7300 Communications and Reporting

**Initial Notification
to OP**

- .01** The IAD shall notify the Office of Ethics, Compliance, & Audit Services of any audit investigation as soon as it appears that the investigation:
- The matter is the result of a significant internal control or policy deficiency that is likely to exist at other units within the institution or across the University system;
 - The matter is likely to receive media or other public attention;
 - The matter involves the misuse of University resources or creates exposure to a liability of at least \$25,000;
 - The matter involves a significant threat to the health and safety of employees and/or the public;
 - The matter is judged to be significant or sensitive for other reasons;
 - The matter alleges an improper activity by the Chancellor or Laboratory Director, the LDO, or the local Internal Audit Director.

The notification should be made through the systemwide whistleblower case management system, by assigning a task in that case to the Director of Investigations, using the Task Classification 'EVP Letter'. Prior to assigning the task, the case should be updated, to the extent known at the time of reporting, to include:

- Sufficient description of the allegation(s) to enable a judgment of potential significance as well as type of known or suspected improper activity;
- Identification of the department or operational unit involved;
- The alleged or potential dollar value of the activity, including any items and their specific details;
- The source of funding involved;

7300 Communications and Reporting

- | | | |
|--|------------|---|
| Initial Notification
to OP
(cont'd) | .01 | <ul style="list-style-type: none"> • Any external agencies involved; • The source of the allegation, if not a whistleblower complaint (i.e. management, 3rd party etc.); • A summary of the planned investigation activity, contained in the systemwide investigation case management system. |
| Interim
Communications | .02 | <p>Updates and changes in the status of information provided above are made through the systemwide whistleblower case management system, to appraise the Office of Ethics, Compliance & Audit Services of the progress of investigations. Updates should be made, at a minimum, whenever there is a development in the investigation that materially affects the information previously provided; including, but not limited to, new allegations, certain allegations shown to be untrue, the entry of law enforcement or other authorized investigative body into the case, changes in the principal subject, media or other public interest and new estimates of dollars involved. In those cases that are inactive, or for which there has been no change, a monthly update reflecting that status should be made to the systemwide investigation case management system consistent with information contained in the Monthly Report of Significant Matters.</p> |
| Communication of
Results | .03 | <p>There are different types of reports that can be issued. Generally, the differences depend on the end-users of the reports, which may in turn depend on whether any administratively or legally actionable matters were sustained in the course of the investigation.</p> <p>For those investigations not reportable to the Systemwide Locally Designated Official that result in null findings, a memo or a letter format for the report may be used. Otherwise, a formal report should be issued. However, there may be cases where evidence is found that affirmatively clears a subject who is clouded with a suspicion of an improper act. In such cases, a more detailed report may be advisable.</p> <p>In reports of investigations intended to be used by attorneys and law enforcement, as in litigation or criminal legal proceedings, serious consideration should be given to creating a detailed</p> |

7300 Communications and Reporting

Communication of Results (cont'd)

- .03** report that includes references to exhibits of evidentiary matter (in addition to exhibits which, for example, tabulate a loss). Such evidence includes, but is not limited to, copies of original documents, signed witness statements, transcripts of interviews, etc. Such a report should include all information that is relevant to the case.

For purposes of normal distribution to University officials a report does not need to contain the evidentiary exhibits.

For audit investigations requiring notice to the Systemwide Locally Designated Official, consultation should occur with the Director of Investigations prior to issuing a final report.

All final investigation reports should be distributed to the Chief Audit Officer's Office at the completion of an investigation, regardless of previous reporting requirements.

Report Format

- .04** For purposes of formal reporting, an executive summary and a detailed section of the report are normally expected, unless the case is so simple that such a breakdown would not be warranted.

Matters dealing with the allegations or theories of improper acts should be either in a separate report from the one dealing with control issues, or they should be located in a separate section of the investigation report.

Principal allegations should be dealt with and concluded upon individually. Secondary allegations, which are those dependent on the principal ones for veracity or relevance, may be addressed within the principal allegation to which they are related.

Refer to Investigation report template examples prepared by the Director of Investigations for specific guidance on report format.

7300 Communications and Reporting

Report Elements

- .05** Each report must contain certain elements, no matter what type of report is issued. These elements are:

Predication - The reason for initiating an investigation

Hypothesis/Allegation (“Purpose”) - What must be sustained or not sustained by the investigation or preliminary evaluation.

Methodology (“Scope”) - The method used to gather and analyze evidence.

Analysis - The analysis/analyses sections(s) should illuminate the connection(s) between the methodology and the evidence. As such, the analysis section(s) may precede or follow the statement of conclusion(s), depending on which is clearer. In memo and summary reports this section can be abbreviated, but must be sufficient enough to enable an uninformed, independent party to reach the same conclusion as that of the investigator. In reports that are intended for direct use by University management, counsel or a prosecutor it may refer to, or include virtually all of what would be considered the evidentiary workpapers.

Conclusion - There are two overall types of conclusions for each allegation: either the allegation is substantiated or the allegation is not substantiated.

If the allegation is substantiated, the conclusion should state so, in a factual manner.

- In matters of policy one should state that a violation of policy occurred.
- In matters of litigation or criminality however, one should avoid making a legal conclusion. For example, one should avoid saying that "the employee is guilty of embezzlement." Rather the report should state something like "the subject is responsible for a loss of \$X million and the case has been turned over to the DA for possible criminal charges."

7300 Communications and Reporting

**Report Elements
(cont'd)**

- .05** If the allegation is not substantiated there are two main types of situations.
- A. In situations where the investigator simply does not have the evidence to sustain an allegation, but suspicions cannot be put to rest, the report should say that the evidence necessary to conclude on the allegation could not be obtained. If the lack of evidence is due to the lack of cooperation of the complainant, subject or witnesses, that fact should be noted.
 - B. In situations where suspicions are put to rest or the allegation is affirmatively proven to lack merit, the conclusion should state that fact.

Report Distribution

- .06** Investigation reports are a special purpose type of audit report. Accordingly, all normal draft and final report distribution policies and practices, including copies to OP, are applicable. Care should be taken to ensure that the addressee is at an appropriately high level of management.

The following special considerations exist.

Public Records Act (PRA) Requests – Requests for copies of investigation records, including final reports, may be made through the PRA. The Office of General Counsel provides the following guidance for response to such requests. In order to maintain the integrity of the investigation, no records will be produced on open cases. If an investigation report concludes that there is no wrongdoing, the identity of the accused should be protected by redaction where reasonably possible. If redaction would be extremely difficult and would result in little or no useful information, the entire report will be withheld from production.

The PRA contains an exemption which protects personnel and similar files, the release of which would result in an “unreasonable invasion of personal privacy.” California cases have held that, where findings of significant wrongdoing are identified in a report, the public’s right to know that information outweighs the privacy interest of the accused. Therefore, there is a balancing test, based upon specific facts involved in a particular case, regarding whether the public’s right to know information outweighs the accused right to privacy. In addition,

7300 Communications and Reporting

**Report Distribution
(cont'd)**

- .06** there may be privacy rights of witnesses that should be protected, regardless of a finding of wrongdoing. Consultation is recommended with campus counsel and the Public Records Act coordinator where privacy concerns are implicated.

Subject – The Whistleblower Policy states that subjects have a right to be informed of the outcome of the investigation. If the allegations are not substantiated, the subject should be consulted as to whether public disclosure of the investigation results would be in the best interest of the University and the subject. The investigator may review material facts of the case with the subject prior to issuing the final report.

Whistleblower – The Whistleblower Policy states that whistleblowers have a right to be informed of the disposition of their disclosure absent overriding legal or public interest reasons.

Record Retention

- .07** *Record Retention requirements can be found at Section 6500.*

8000 ADVISORY SERVICES

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8100 Advisory Services Overview

Section Overview	.01 The following Section sets forth the process by which Internal Audit should perform advisory services in a manner consistent with its charter. Policies for the types of advisory services engagements which are performed, and issues concerning objectivity and independence are discussed in this section.
Definition	.02 Advisory and related client service activities, the nature and scope of which are agreed with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include advice, facilitation, training and participation in on-going committees.
Inclusion in Audit Plan	.03 Internal Audit's annual plan of engagements should include anticipated advisory services along with unallocated hours for these projects. The audit planning process may include consideration of advisory services engagements to address areas considered high risk.
Use in Risk Assessment	.04 Internal auditors should incorporate knowledge of risks gained in advisory service engagements into the process of identifying and evaluating significant risk exposures of the organization.
Exceptions to Policy	.05 In most cases, advisory services engagements will be treated in accordance with this policy. However, the requirements for an advisory services plan, notification to the engagement client, workpapers, and a formal report may be waived by the local Internal Audit Director (IAD) for informal consultations involving limited scope contact with an audit client.
Service Limitations	.06 Advisory services engagements should be accepted when the engagement's objectives are consistent with the current or prospective values and goals of the University. The IAD should refrain from providing advisory services for engagements where it is felt that the audit staff cannot be independent. Further, if the internal audit staff lacks the knowledge, skills, or other competencies needed to perform all or part of the engagement, the IAD/Associate Audit Director should decline to perform the engagement or should obtain the necessary competence either through internal or external sources.

8100 Advisory Services Overview

**Service
Limitations
(cont'd)**

- .06** Additionally, the SVP/CCAO should share information and coordinate activities with other internal and external providers of assurance and consulting services to ensure proper coverage and minimize duplication of efforts.

**Disclosure of
Impairments**

- .07** Disclosure of potential impairments to independence and objectivity should be made to the engagement client prior to accepting the engagement.

8200 Planning an Advisory Services Engagement

Policy	.01	In most cases, Internal Audit should develop and record a plan for advisory services engagements.
Application of UC Policy for Planning	.02	In general, auditors should refer to <i>Section 6100 Planning an Audit</i> with regard to planning an advisory services engagement. Exceptions are noted below.
Advisory Services Work Plan Development	.03	<p>Advisory Services Work Plan (in lieu of Audit Program section in Section 6100)</p> <p>Work plans for advisory service engagements should vary in form and content depending upon the nature of the engagement. In general, an advisory services work plan should be prepared in advance of field work and should outline:</p> <ul style="list-style-type: none">• Objectives of the engagement• Scope and degree of testing required to achieve the objectives in each phase of the review• Procedures for collecting, analyzing, interpreting and documenting information during the review• Technical aspects, risks, processes and transactions which should be examined
Documentation	.04	<p>Documentation to evidence the planning procedures should include:</p> <ul style="list-style-type: none">• A record of mutual agreement with the engagement client of the procedures to be performed. This may take the form of an engagement letter or other communication.• For larger engagements requiring over 40 hours, assignment sheet/work plan with scope, objectives, and purpose, timing, budget, and client contacts, signed by audit management.

8300 Conducting an Advisory Services Engagement

Policy

- .01** Internal Audit maintains adequate workpaper documentation to support the advisory services conclusions reached and engagement results.

Every engagement is properly supervised to ensure that audit staff are adequately guided and developed to have the requisite knowledge and skills to meet the engagement objectives and maintain a high quality product.

**Application of UC
Policy for
Conducting an
Advisory Services
Engagement**

- .02** *Guidance on planning an advisory service engagement can be found at Section 8200. Exceptions are noted below.*

**Workpaper
Review**

- .03** All workpapers should be independently reviewed to ensure there is sufficient evidence to support conclusions and that advisory services objectives have been met. The reviewer should **evaluate** whether workpapers appear to be accurate, objective, clear, concise, constructive and timely. Responsibilities for workpaper review are summarized as follows:

Supervisor's Responsibilities - The supervisor of the auditor-in-charge should perform a detailed review of the workpapers.

IAD Responsibilities - For each *larger advisory services engagement*, the IAD should perform at least a summary review. A summary review consists of an awareness and/or discussion of planning documents, the work plan, and the summary of observations and conclusions. The IAD should review and approve significant changes to the scope of the engagement and to the approved advisory services work plan.

If a detailed review of the workpapers has not been performed by a project supervisor (as in the case where the auditor-in-charge reports directly to the IAD), the IAD performs the detailed review and no summary review is required.

If the IAD prepares the workpapers, the Assistant/Associate Director or, if there is no Assistant/Associate Director, another experienced member of the staff should review the workpapers.

8400 Reporting Results of an Advisory Services Engagement

- | | |
|---|--|
| Policy | .01 Internal Audit maintains a process for communicating the results and recommendations for all advisory services engagements to the management requesting the services. |
| Application of UC Policy for Reporting Results | .02 Communication of the progress and results of advisory services engagements should be tailored to meet the needs of engagement clients. The form and content of such reports may vary depending on the nature of the engagement and the services requested. The process for reporting results generally includes draft report preparation and reviews, quality assurance reviews and final report issuance and distribution. |
| Written Report Elements | .03 Reports can be issued in a variety of formats. In drafting an advisory services report, the auditor should consider whether the inclusion of any and all traditional audit report elements such as purpose, scope, background, summary, and observation statements would be useful to management. All results should be reviewed with management prior to being placed in final format to assure that management's needs and expectations have been met. |
| Oral Report Elements | .04 In some circumstances, with the agreement of the IAD, advisory services results may be communicated orally. In these cases, presentations should be reviewed in advance with the IAD and the workpapers should contain a record of communications with the client. |
| Advisory Services Report Quality Assurance | <p>.05 For <i>larger advisory services projects</i>, a pre-issuance quality assurance review of draft and final written reports should normally be performed by the auditor-in-charge of the engagement or an independent party and be reviewed by the Assistant/Associate Director or IAD. The IAD should review and approve the final report prior to issuance.</p> <p><i>Policies and Procedures for Quality Assurance report reviews can be found at Section 6300.05 – Audit Report Quality Assurance .</i></p> |
| Report Timeliness | .06 Written and oral reports should be issued as soon as practical following the completion of advisory services work. |
| Management Responses | .07 A management response to an advisory services engagement is not required. |

8400 Reporting Results of an Advisory Services Engagement

**Report
Distribution**

.08 Written advisory services reports should be addressed to the management requesting the services. In addition:

- If the advisory services report contains management corrective actions or identifies significant risks, information copies should be provided to the SVP/CCAO as well as the person to whom the IAD reports locally.
- Other University personnel may receive a report copy, at the discretion of the IAD in consultation with client management and other University/Laboratory officials as deemed appropriate.

When reports are distributed by electronic means, a hard copy version signed by the IAD should be kept on file.

**Significant
Internal Control
Concerns**

.09 Significant internal control concerns coming to the attention of the auditor during the course of the advisory services engagement should be communicated in writing by Internal Audit to appropriate Laboratory/Campus personnel who can ensure that the results are given due consideration. These concerns should also be communicated to the SVP/CCAO.

8500 Performing Follow-up for Advisory Services

**Follow-Up Policy
and Procedures**

- .01** The auditor should conduct follow-up in instances where internal control concerns have come to the attention of the auditor and recommendations or management corrective actions have been identified during the course of the engagement.

In these cases, normal follow-up procedures described in **Section 6400** should be followed.

8600 Other Advisory Services Matters

- | | |
|---|---|
| Policy | .01 Internal Audit maintains policies for managing administrative and other matters related to the advisory service process in order to facilitate the continuing effective and efficient operation of its function. |
| Application of UC Policy for Other Advisory Services Matters | .02 Policies for the following other advisory services matters are described in this section: records retention and client satisfaction surveys. |
| Records Retention | .03 Advisory service projects are considered audit work products for records retention purposes.

<i>Information related to records retention can be found at Section 6500.04.</i> |
| Client Surveys | .04 For advisory services projects requiring over forty hours to complete, client surveys should be processed.

<i>Information related to client surveys can be found at Section 6500.09.</i> |

9000 QUALITY ASSURANCE

Section Overview

- .01** This Section of the manual describes the quality assurance processes practiced by Internal Audit at the University of California to ensure that audit work conforms to Institute of Internal Auditors (IIA) and University standards. It includes standards for local as well as system-wide quality assurance processes.

The Chief Compliance and Audit Officer and the campus Internal Audit Directors (IAD's) must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The quality assurance and improvement program must include both internal and external assessments.

9100 Quality Assurance Processes at the Local Level

Policy

- .01** Each local Internal Audit department maintains a quality assurance program in order to assist in effectively performing its appraisal function and in controlling audit risk. The local quality assurance program provides reasonable assurance that audit work conforms to IIA and University standards.

Policies and Procedures for the system-wide Quality Assurance Program can be found at Section 9200.

Application of UC Policy for Local Quality Assurance

- .02** The local quality assurance program consists of supervisory procedures and internal reviews. These elements of quality assurance are embedded into Internal Audit's processes rather than existing as separate processes. The internal assessments are an ongoing monitoring of the performance of the internal audit activity.

Supervision

- .03** Supervision ensures that staff members receive the appropriate guidance to perform the audit work in a quality manner. Supervision is performed throughout the audit process.

Supervision Policies and Procedures can be found at Section 6200.

Internal Reviews

- .04** **Pre-report issuance internal reviews** ensure that audit work has been performed completely, accurately, in accordance with the audit program and that findings are adequately supported by evidence included in the workpapers.

Pre-report issuance quality assurance requirements (embedded in audit process policies) can be found at Section 6000.

The **post-report issuance internal review** provides assurance that workpapers are complete and meet Internal Audit Department policies. The internal auditor should complete the Pre-filing Checklist included as **Appendix 9100.1** to this section or a locally-developed equivalent to evidence compliance with this policy.

Client Satisfaction Surveys are another element of the Internal Audit Department's post-report issuance quality assurance program. They seek the client's perspective on the quality of services delivered by members of the audit department.

Policies and Procedures for Client Satisfaction Surveys can be found at Section 6500.

9100 Appendix 9100.1 Pre-Filing Review Checklist

**UNIVERSITY OF CALIFORNIA
INTERNAL AUDIT DEPARTMENT
PRE-FILING REVIEW CHECKLIST**

Audit _____

Pre-filing review conducted by _____ Date _____

	Standard W/P Ref.	Yes	N/A
1. Workpapers contain the following:			
• Audit assignment sheet with time budget and milestone dates			
• Audit announcement letter			
• Entrance conference notes			
• Risk assessment/audit survey results			
• Audit programs approved by the manager and/or director			
• Exit conference notes			
• Budget to actual variance analysis for material time and milestone variances			
• Summary of findings			
• Final report, cross-reference to findings			
• Attestation statements signed by the:			
– auditor			
– manager			
– director			
2. Workpapers were:			
• Cross-referenced from the audit program.			
• Signed off by the preparer and reviewer.			
3. All versions of draft audit reports have been removed from the workpapers.			
4. Coaching notes have been removed from the workpapers.			
5. Extraneous materials have been removed from the workpapers.			

9200 System-Wide Quality Assurance and Improvement Program

Policy

- .01** Internal Audit maintains a system-wide Quality Assurance and Improvement Program in order to assist in effectively performing its appraisal function and in controlling audit risk. The Quality Assurance Program provides reasonable assurance that audit work conforms to both IIA and University standards.

Policies and Procedure for local quality assurance activities can be found at Section 9100.

**Application of UC
Policy for System-
wide Quality
Assurance**

- .02** The system-wide Quality Assurance and Improvement Program (QAIP) consists of internal reviews and external quality assurance reviews.

QAIP

- .03** The QAIP process provides reasonable assurance that the internal audit activity:
- Performs in accordance with the internal audit charter, which is consistent with the Core Principles for the Professional Practice of Internal Auditing, the definition of internal auditing, the Code of ethics, and the IIA and University Standards.
 - Operates in an effective and efficient manner.
 - Is perceived as adding value and improving the organization's operations.

The Lawrence Berkeley National Laboratory (LBNL) is operated under contract with the Department of Energy (DOE), which requires that it participates in the DOE Management and Operating Contractor Peer Review Program. Under this Program, the Lawrence Berkeley Internal Audit Department must undergo a peer review on a three-year cycle.

9200 System-Wide Quality Assurance Program

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| QAIP (cont'd) | .03 The peer review team for LBNL must be led by a Director from another independent DOE contractor. |
| External Quality Assurance Review | <p>.04 An External Quality Assurance Review must be conducted at least once every five years by a qualified, independent reviewer or review team from outside the University. The team reviews the overall system-wide University audit program. The scope of the review should include all University internal audit locations except LBNL.</p> <p>The SVP/Chief Compliance and Audit Officer must discuss with The Regents:</p> <ul style="list-style-type: none"> • The need for more frequent external assessments. • The qualifications and independence of the external reviewer or review team, including any potential conflict of interest. |
| Internal Assessment Process (IAP) | .05 In accordance with IIA Standards, the UC internal assessment process includes both ongoing monitoring of internal audit performance and periodic internal assessment process (IAP) reviews. |
| Periodic Reviews | <p>.06 The periodic internal assessment process (IAP) at UC is designed to assess conformance with the internal audit charter, the Standards, the Code of Ethics, the efficiency and effectiveness of internal auditing in meeting the needs of its various stakeholders and the identification of best practices and areas for improvement.</p> <p>Review at the <u>campus level</u> may include:</p> <ul style="list-style-type: none"> • Periodic independent work paper reviews for performance in accordance with UC Audit Manual and IIA Standards. SVP/CCAO will establish minimum requirements for selection criteria, frequency, and achieving adequate level of independence of review. • IAD self-assessments (including campus/audit interviews and customer feedback reviews) • Evaluations of select performance metrics |

- An overall evaluation on the results of the campus IAP, including any best practices and suggested improvement areas, to be communicated to local campus management (minimum Executive Summary document) and the SVP/CCAO at the UCOP Office of Ethics, Compliance and Audit Services.

System-wide reviews may include:

- Interviews of campus and system-wide management and audit staff
- Reviews of IAD self-assessments and customer survey/inquiry analysis
- Evaluation of internal audit department performance metrics and independent work paper reviews
- System-wide SVP/CCAO self-assessment
- An overall evaluation on the results of the system-wide and campus IAPs and report on best practices and suggested improvement areas to be communicated to the Regents' Committee on Compliance and Audit

9300 Quality Assurance Reporting

Reporting

- .01** The SVP/CCAO must communicate the results of the quality assurance and improvement program to senior management and The Regents.

The SVP/CCAO may state that the internal audit activity conforms with the *International Standards for the Professional Practice of Internal Auditing* only if the results of the quality assurance and improvement program support this statement.

When nonconformance with, the Code of Ethics, or the IIA and University Standards impacts the overall scope or operation of the internal audit activity, the SVP/CCAO must disclose the nonconformance and the impact to senior management and The Regents.

At the campus level, the Internal Audit Director should communicate the results of the quality assurance and improvement program to the Local Audit Committee or campus equivalent.