



AUDIT AND ADVISORY SERVICES

**Report on Activities
Fiscal Year 2014
and
Annual Service Plan for
Fiscal Year 2015
September 30, 2014**

Respectfully reported,

Wanda Lynn Riley
Chief Audit Executive

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Fiscal Year 2014
and
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EXECUTIVE SUMMARY

STATE OF CONTROL ENVIRONMENT

***WE ARE
BERKELEY***

The climate at the University of California, Berkeley throughout Fiscal Year 2014 was one of recalibration and alignment with Chancellor Dirks' "plan to re-envision the great American university,"¹ with a focus on undergraduate education, the global university, and innovation in research, amid a high volume and velocity of change on a multiple of fronts. It is quite an exciting time in the life of Berkeley. Even under the best circumstances risk is inherent during periods of rapid change. Like many of our higher education peers, the outlook for the future is slowly improving as institutions adjust to the new norms. Risks in higher education highlighted by Standard and Poor's² last year remained relevant for Berkeley:

- Realignment of multiple significant operational processes and personnel;
- Revenue constraints from state appropriations, tuition, and federal research funding, requiring renewed focus on philanthropic and entrepreneurial pursuits;
- Growing deferred maintenance needs in capital and technological infrastructure;
- Pressure to preserve tuition affordability and education accessibility;
- Expansion in online education and international activities;
- Experimentation with alternative educational and revenue models;
- Increasing need for risk management and entrepreneurial thinking;
- Turnover in senior leadership;
- Potential for federal research funding cuts and Pell Grant changes; and
- Liabilities from pensions and other post-employment benefits.

Based on the assurance and advisory projects completed during the fiscal year ended June 30, 2014, as well as control implications arising from investigative activities and representations made by University management, the internal control structures over the governance, risk management, financial, operating, and compliance activities of the University of California, Berkeley provide reasonable assurance that:

- Resources are adequately protected;
- Financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, procedures, standards, and applicable laws and regulations;

¹ UC Berkeley Chancellor Dirks Inaugural Address, November 8, 2013, <http://chancellor.berkeley.edu/sites/default/files/DirksInauguralAddress.pdf>

² "U.S. Higher Education Sector Could Experience A Rise in Rating And Outlook Changes in 2013", February 25, 2013

- Resources are acquired economically and used efficiently; and
- Programs, plans, and objectives are achieved.

In performing assurance, advisory, and investigative work during the fiscal year, we did not identify any deficiencies we considered to represent material control weaknesses. Further, we did not identify any areas where management decided to accept a level of risk that we viewed as unacceptable. The University of California has adopted the *Internal Control Framework* published by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the basis for assessing internal controls. The scope of our work was not limited by management or others, nor were there any instances where we considered our independence or objectivity impaired.

These statements are made with the understanding that no system of control provides absolute assurance that controls function effectively. Also these statements are not meant to imply that fraud and other irregularities do not exist or are certain to be detected. The statements are also made with the understanding that decisions as to the level of tolerable risk accepted by the organization are ultimately determined by management. These statements are intended solely for the information and use of University management, the Senior Vice President and Chief Compliance and Audit Officer, and the Board of Regents of the University of California and are not intended to be and should not be used by anyone other than these specified parties.



KEEGAN HOUSER PHOTO



Key Outcomes of Assurance and Advisory Activities

Pursuant to the FY2014 Service Plan approved by the campus Committee on Audit, Internal Control and Financial Accountability and the Board of Regents of the University of California, Audit and Advisory Services (A&AS) completed the following audits:

Audit Reports Issued

- Campus Police Department
- Cost Transfers
- Endowed Chairs and Professorships
- Human Resources – Compensation and Classification
- Sponsored Projects – Effort Reporting (Summer Salaries)
- NCAA Compliance Program
- Cal Student Central
- Annual Report of Executive Compensation
- Campus Shared Services
- Governance – Policy Development, Promulgation, and Maintenance

Draft Reports Pending Management Action Plans

- CalPlanning and Budgeting
- Composite Benefits Rates
- Facilities and Administrative Cost Review
- Fixed Assets Inventory – Special Collections
- Information Security – Mobile and Portable Devices
- Information Technology – Second Tier Applications
- Self-Supporting Graduate Degree Programs
- Chancellor's Expenses

In addition to serving on campus committees and collaborating with campus leaders on risk assessments, system implementations, review and documentation of internal controls, policy reviews, and other professional consultations, A&AS completed the following advisory projects:

- Contracts and Grants System Implementation
- Online Education Reference Guide
- A Cost of Success Is Effectively Taking Risks (presentation for project and change managers)
- School of Optometry – Online Professional Development Program
- Self-Insurance
- Student Information Systems Implementation

***WE ARE
ACCOUNTABLE
TO EACH
OTHER***

*WE MEASURE
SUPERVISOR,
INDIVIDUAL AND TEAM
PERFORMANCE, MAKE
TRANSPARENT
DECISIONS, AND
FOLLOW THROUGH ON
OUR COMMITMENTS.
WE RECOGNIZE
EXCELLENCE, AND
GIVE AND RECEIVE
CONSTRUCTIVE
FEEDBACK AT ALL
LEVELS TO HELP US
IMPROVE.*



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A&AS conducted the following investigations:

- Capital Projects – Project Management
- School of Public Health
- Black Faculty and Staff Organization

In concert with management and as a result of our engagement, UC Berkeley leadership teams have implemented strategies to enhance governance, risk management, and controls. Several examples include:

- Completion of a reference guide for faculty and academic departments seeking to employ online educational services, from augmenting current course delivery strategies to providing courses and full degree programs.
- Assessment of risks related to international activities. The Global Engagement Office will use the results to guide deployment of campus resources in supporting future international consulate offices, current research operations with a fixed presence outside of the United States, and other collaborative partnerships.
- Promulgation of new policies governing program income (improving compliance with federal regulations around income recognition); central third party invoicing (professionalization billing and collections and reducing bad debt exposure); enforcement of safety standards in academic environments (reinforcing the right of individuals to report and delegating the authority to halt unsafe activities); and programs involving minors in on-campus activities (reinforcing screening of employees and volunteers, establishing baseline standards of conduct, and defining escalation protocols for reporting inappropriate behavior).
- Development of an emergency management strategic plan to address gaps in emergency preparedness. The emergency response team was restructured and trained, providing for backup staffing. A new emergency operations center was established and equipped in a seismically sound facility with excellent communication capabilities. A business impact analysis for information technology support was completed.
- Launched a reinvigorated laboratory and shop inspection program with additional inspectors, timely follow-up, and new mechanisms to address incidents of non-compliance.
- Collaboration of strategic partners in end-to-end business processes (e.g., procure-to-pay and travel) to improve customer experience, increase efficiency and effectiveness, and align process roles with accountabilities, while assuring business and compliance objectives are met.



- Upgrades to the emergency communication software to assure that campus community members with hearing impairment are able to reach campus police for assistance.
- Strengthened protocols for the timely deactivation of system access for separated employees, volunteers, and affiliates who no longer have a business purpose for access.
- Requirement to select a journal class when posting financial journals to facilitate the identification of cost transfers allowing improved monitoring for accuracy, allowability, allocability, reasonableness, and timeliness.
- Improvements to check handling procedures to increase accountability for checks awaiting distribution and mitigating the risk of theft at Cal Student Central.

Viewing the body of assurance and advisory work over the course of Fiscal Year 2014 as a whole, a few thematic deficiencies in the system of internal control emerged. Management has taken or plans to take action to strengthen the underlying governance, risk management, and control activities with respect to these areas:

Broad access to post journal entries to the general ledger with deficiencies in post transaction reviews - Employees with rights to prepare and prepare/approve financial journals are not limited by journal class, dollar amount, chartstring components, or funds availability in the general ledger. In the general ledger, the volume of employees with system rights for financial journals as of June 30, 2014 is as follows: preparer - 986 and preparer/approver - 585. Wide access to the general ledger coupled with deficiencies in subsequent reviews of transactions, including key monthly financial controls, places Berkeley at risk of undetected errors. Particularly in FY2014, the risk was noted for budgetary operating transfers, composite fringe benefit rate application, payroll cost transfers, and fixed assets. The finance and administration control unit is developing an information technology roadmap considering the implications of current access to the general ledger.

Change management – As new administrative systems and processes were implemented, opportunities for improvement were noted in the following areas: alignment between accountability, authority, and access; availability of management reporting tools; communication, handoffs and interface between units in major process flows; vulnerability of initiatives to turnover and vacancies in key positions; and the maturity of controls in the new environments at launch. Under Operational Excellence, the campus initiated the Business Process Management (BPM) Project and Transformation Support Services (TSS).

- The BPM project will develop and implement a process management system that will include a shared governance framework and a set of standard tools, techniques, policies, and practices to improve how we manage our most important



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business processes in ways that increase operational performance and agility.

- TSS provides a set of standard tools and methodologies for unit leaders to address the impact of Campus Shared Services on their respective workforce and processes. TSS also offers customized services: organizational diagnosis, strategic assessments, organizational realignment and transition planning, work flow design, coaching for managers and leaders, and change management.
- The Operational Excellence Program Office also developed a toolkit for project and change managers.

The Chancellor's Cabinet was transformed into the Chancellor's Executive Leadership Council. It is advisory to the Chancellor and provides an opportunity for the campus senior leadership team to:

- Discuss strategic and current critical issues facing the campus;
- Provide input to the Chancellor in the development of his vision to guide the campus and his goals and initiatives;
- Receive assignments from the Chancellor that cross control units and have campus-wide impact;
- Hear briefings by the Chancellor on his activities;
- Give updates or presentations on the principal projects, goals, and key issues in the control units, including requests for input and advice on strategy; and
- Provide input and advice that will inform the development of the annual campus-wide budget process.

Campus-level monitoring of key business objectives, activities, and outcomes – Given various competing priorities, campus-level monitoring or monitoring capability over key business objectives was limited in the following areas:

- confirmation of the completion on monthly financial reconciliations by units,
- quarterly validation of employee access to sensitive enterprise systems,
- maturity of the compliance program over contracts and grants,
- extended vacancy of the chief privacy officer,
- inability to systemically distinguish cost transfers from other financial journal entries,
- missing contracts hampering performance monitoring,
- vacant and expiring endowed chairs and professorships,
- compensation decisions,
- after the fact purchases,
- transactions prepared and approved by the same individual,
- financial viability of self-supporting degree programs, and
- departmental journal entries tied to campus level chartstrings.



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Using CalAnswers (an electronic data warehouse), management reports were produced for the procure-to-pay process to support the monitoring of auto-approved transactions; transactions prepared and approved by the same individual; and the use of strategic source agreements. With the movement of administrative tasks into Campus Shared Services (CSS), the capacity to monitor procurement, reimbursement, human resources, and research administration activities from a campus-wide perspective to identify trends and emerging issues is improved and will continue to improve as technological solutions are refined. The campus can now identify cost transfers by designated journal class making monitoring efforts more effective. The implementation of the new PeopleSoft contracts and grants accounting module increased the capacity to centrally monitor related transactions. The search for a chief privacy officer is near completion.

Disaster recovery plans for key information systems – Disaster recovery plans are not adequately documented and tested for all significant information systems. Recovery is reliant on the availability of key personnel in the aftermath of a service disruption. As of August 25, 2014, the Office of the Chief Information Officer completed a business impact analysis of a magnitude 7.0+ earthquake on the Hayward fault. The assessment covered the availability, recoverability, and continuity of critical business systems. The analysis will serve as the cornerstone for the campus strategy to address disaster recovery for critical for business systems.

Inconsistent quality in disaggregated manual key controls – As a highly decentralized organization, individual units and sometimes individuals are tasked with interpreting policies and implementing procedures to achieve business and control objectives. Competing priorities; vacancies, reductions, or staff changes; lack of awareness of risks or objectives; limited oversight, guidance, changing policies or regulations; and limited monitoring were noted as the underlying causes for the variances. Inconsistencies were noted in the areas outlined under campus-level monitoring. To strengthen controls and increase efficiency, cohorts continue to migrate to CSS for information technology, business, finance, human resources, academic personnel, and research administration support. Cohorts will continue to transition to CSS through 2014. The Campus Budget Office enhanced the budget process by adding new tools for budget preparer, piloting new templates which link the budget with strategy, and providing increased oversight and consultation throughout the budget process.



The following table summarizes trends in common control deficiencies over the past three fiscal years.

FY2011	FY2012	FY2013
Business activity monitoring	Contract management	Change management
Validation of variable revenues generated by third parties	Access management	Inconsistent quality in disaggregated manual key controls
Risk assessment related key activities and decisions	Documentation of operational procedures and transaction support	Management reporting
Electronic tools to support decision making	Delegation of authority	Fiscal management of enterprise activities
Documentation of operational procedures and periodic review of underlying policies	Training towards core competencies	Contract management



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Significant Changes Impacting Governance, Risk Management, and Controls

Reaching further to strengthen the system of internal controls over the course of Fiscal Year 2014, University management, among other things, took the following measures:

- Through the continued efforts around Operational Excellence:
 - Continued the transition of cohorts into CSS in a phased approach providing business and financial, human resource and academic personnel, information technology, as well as research administration support.
 - Operationalized performance metrics.
 - Commissioned the Business Process Management System Implementation project to develop and implement a shared governance framework and standard tools, techniques, policies, and practices to improve how we manage campus business processes in ways that will improve operational performance and agility.
- Re-engineered the campus budget process to better align resources to strategies, create greater transparency, and enhance decision support.
- Implemented the PeopleSoft contracts and grants accounting module.
- Approved the campus IT governance infrastructure.

Other significant occurrences during Fiscal Year 2014 included:

- Berkeley experienced an increase in net position of \$184,933,000 and a decrease in net position of \$115,436,000 and \$131,056,000 for the years ended June 30, 2014, 2013, and 2012 respectively, based on in year activity.
- Berkeley welcomed a new executive vice chancellor and provost and a vice chancellor for real estate services.
- As a part of the plan to re-envision Berkeley, a new division and vice chancellor for undergraduate education were established.
- Key leadership positions were filled across the campus: school of law dean, division of biological sciences dean, associate vice chancellor and chief financial officer, associate vice chancellor and dean of students, director of contracts and grants accounting, and chief of police.
- Key future interim appointments announced: graduate division dean, university librarian, division of mathematical and physical sciences dean
- Under federal budget sequestration, available research funding is expected to slow.
- There is a host of new and replacement systems with development underway: student information system, Unifier, Maximo, CalTime, and more.

During FY2014, A&AS monitored the progress toward agreed upon management action plans addressing observations reported in our internal audit, advisory service, and investigation reports. Timely correction of control deficiencies demonstrates management's commitment to operating in accordance with sound business

WE INCLUDE AND EXCEL, TOGETHER

*WE CULTIVATE
TRUST, TREAT ONE
ANOTHER WITH
RESPECT AND
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OUR COMMON
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EQUITY, INCLUSION
AND EQUAL ACCESS
TO ALL.*



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practices. Management is actively pursuing risk mitigating and control enhancing action plans, with particular focus on higher risk issues.

Status of Management Action Plans from Prior Audits							
VC Area	Count of Open Management Items				By Risk Level		
	As of 07/01/13	Added	Closed	As of 6/30/14	High	Med	Low
Administration and Finance	24	18	14	28	7	17	4
University Relations	0	11	0	11	0	3	8
Office of the Chancellor	2	7	4	5	2	1	2
Chief Information Officer/Information Systems and Technology	2	6	5	3	0	2	1
Executive Vice Chancellor and Provost	4	0	4	0	0	0	0
Research	0	0	0	0	0	0	0
Student Affairs	0	0	0	0	0	0	0
Equity and Inclusion	0	0	0	0	0	0	0
Real Estate	0	0	0	0	0	0	0
Total	32	42	27	47	0	0	0

As of August 31, 2014, there are six open management action plans addressing high risk control deficiencies. They are as follows:

Observation: The completion of required health and safety training is inconsistently monitored at the laboratory, department, or campus level. Based on our review of training records for 18 laboratory members across three departments, only two members had completed the basic laboratory safety training that is required for all people working in the laboratory environment. As well, there were gaps noted in the completion of required training related to the Illness and Injury Prevention Program, the local building emergency plan, hazardous material spill response, and hazardous waste disposal procedures.

Management Action Plan: Funding was approved for the additional staffing required to develop and launch the mandatory safety training needs assessment tool, which will allow for the identification and monitoring of individual employee safety training requirements. In the interim, EH&S continues to provide information via their website and via communications with principal investigators and lab safety contacts regarding required trainings for laboratory personnel. In addition, completion of basic laboratory safety training by campus laboratory personnel is currently being



monitored by EH&S. The training needs assessment tool is expected to be operational by December 1, 2014 delayed from September 1, 2013.

Observation: The campus has not conducted an entity-level business impact analysis for key enterprise level functions, processes, and applications in over ten years. The campus Business Resumption Plan from 2001 contains limited elements of a business impact analysis for IT and human resources, but does not cover other critical functions, processes, and applications.

Management Action Plan: The campus is participating in a system-wide working group regarding campus-level business impact analyses for emergencies and disasters. Plans are to retire the current UC Ready system (based on the Quali platform) and replace it with a new Fusion-Risk based system that will run on a Salesforce platform. The new system will be rolled out by early 2015 and campuses will have one year to collect information that will form the basis of their campus business impact analysis. As of August 25, 2014, the Office of the Chief Information Officer completed a business impact analysis of a magnitude 7.0+ earthquake on the Hayward fault regarding the availability, recoverability, and continuity of critical business systems. Management has decided against allocating additional resources to an interim solution. Since the business impact analysis is a foundational step to developing other elements of a coordinated emergency management and response program, expected completion dates of subsequent action items that are contingent on the completion of the foundational business impact analysis will also be affected.

Observation: The campus does not have an entity-level continuity plan. It is unclear how the risk of ensuring the recovery and restoration of infrastructure has been accounted for in campus continuity planning.

Management Action Plan: The Office of Emergency Management is moving forward on developing a campus-wide continuity plan that will focus on maintaining, resuming, and recovering the campus activities following a disruption. Given that a business impact analysis (BIA) is an essential foundational item to the development of a comprehensive continuity plan, the finalization of the continuity plan is contingent on the BIA completion. The expected completion date for the campus-wide continuity plan is July 1, 2016, driven by a system-wide initiative.

Observation: Contracts and Grants Accounting (CGA) created a standalone compliance function to monitor internal performance metrics and department charges to funds, and its activities appear to have contributed to improvements in compliance awareness across the campus. The program is still in its earlier stages of implementation, as such not all planned monitoring and reporting activities are in place. We also noted an opportunity for management to consider expanding or reprioritizing monitoring activities to include risk assessment of individual funds, and award specific analytics based on award terms, budgets, and spending patterns.



BRIDGING THE GAP

Management Action Plan: The CGA compliance program is being implemented using a phased approach, based on perceived risk. Currently, CGA is developing compliance reporting metrics and summarizing compliance activities. Although an issue follow-up and resolution process exists, efforts will be made to formalize this process as the program evolves and staffing levels stay consistent. The impact of Campus Shared Services on post award compliance activities will continually be assessed as it continues to develop and its process become more defined. Due to the demands of the new contracts and grants accounting module, full implementation of the compliance program is expected by January 2, 2015 delayed from July 1, 2014.

Observation: The quality and completeness of key departmental financial control activities performed varied significantly across our sampled departments. Oversight and monitoring controls by the Controller's Office are not currently in place to assure that departmental key financial controls are performed completely, timely, accurately, and effectively across the campus.

Management Action Plan: The Financial Accounting and Controls unit in the Controller's Office will begin a project to assess and configure a monitoring and reporting process and system (UC Tracker and IBM-developed application) for periodically monitoring and reporting on the performance of departmental reviews of key management reports. This will provide a means for both departmental and central staff to identify incomplete reviews and take appropriate remedial actions, including escalation if necessary. Implementation is expected by October 1, 2014.

Observation: The Chief Privacy Officer position, which had responsibility for the privacy program and information technology policies, has been vacant since July 2012. The former Chief Information Officer (CIO) took the opportunity of the vacant position to reassess the program. However, his departure later in 2012 has left the status of the campus privacy program unresolved. As a result, we observed that accountability and responsibility for information privacy risk at the campus level is currently undefined.

Management Action Plan: Responsibility for the privacy program moved from the Office of the Chief Information Officer to the Office of Ethics, Risk and Compliance Services (OERCS) within the Chancellor's Office. A nationwide search for a Campus Privacy Officer (CPO) is underway. The CPO will be at a level to effect organizational change within the university context of shared governance, mission and values, and complex information technology infrastructure and operations. The new CPO planned be in place by January 2015.



Highlights from Audit and Advisory Services' Year in Review

Audit and Advisory Services delivered a robust program of work to assist University management in effectively and efficiently achieving goals and objectives, while contributing to the evaluation and mitigation of various risks. We were successful in achieving our risk-driven plan of service by:

- completing 100% of our approved plan,
- delivering over 12,400 direct hours of service for a productivity rate of 88%,
- investing 802 hours in professional development, and
- shepherding 27 risk-mitigating, outcomes-oriented management action plans to successful completion, 6 assessed as high risk.

We exceeded our goal with an overall average score of 4.42 for client satisfaction surveys (on a scale of 1 to 5).

Maintained Authorized Auditor Staff Level – With Chancellor Emeritus Birgeneau's approved restoration of the pre-FY2008 auditor staffing level of nine authorized auditor positions, A&AS welcomed two new auditors: Senior Auditor Ian Roberts-Clarke and Principal Auditor Dorothy Lipari. There is one open principal position that we worked with UC San Francisco and the Office of Ethics, Compliance and Audit Services to leverage potential opportunities to increase the breadth and depth of information technology auditing capacity. With new audit leadership in place at UC San Francisco we will continue to work toward a shared resource.

McGladrey LLP Partnership – We leveraged our partnership with McGladrey LLP in delivering high quality and cost effective assurance services capitalizing on McGladrey's subject matter expertise in shared services implementation and operations as well as facilities and administrative cost pool proposal development and related compliance with federal regulations.

Bridging the Gap - The purpose of "Bridging the Gap" is to support UC Berkeley thought leadership, faculty, and staff in exceling together by providing a forum to discuss emerging and hot button issues, foster an open exchange, and inform decision makers. In FY2014, A&AS hosted the campus in a dialogue on the following topics:

- Ask the Auditor,
- Procure to Pay in the Emerging World of Campus Shared Services,
- How an Idea is Built: Campus Planning, Design and Construction,
- Revenue Generation: Thinking BIG!,
- Culture Change: Creating a Family-Friendly Workplace,
- Improving Financial Fluency in Contracts and Grants Management, and
- CalPlanning: The Road to Informed Financial Decision Making.

***WE IMAGINE
AND
INNOVATE***

*WE DEVELOP
SUSTAINABLE
SOLUTIONS THAT
HELP US MEET
CAMPUS GOALS. WE
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RISKS, MAKE
MISTAKES, AND
LEARN FROM OUR
EXPERIENCES.*



BRIDGING THE GAP

The Bridge Newsletter – Continued to co-produce “The Bridge” newsletter with the Office of Ethics, Risks and Compliance Services.

Bridging the Gap by Serving in Our Community – We continued our tradition of service by volunteering at the Alameda Community Food bank in Oakland sorting and packaging fruit for community members in need.



The team learned about how critical the food insecurity in Alameda County has become and that the demographic often includes two working parents, seniors with inadequate and fixed incomes and children whose only daily meals are provided at school. For the December holidays, we adopted a Berkeley student family, providing holiday gifts and gift cards. A&AS coordinated the Chancellor’s Office participation in Operation Backpack where 32 backpacks were donated, complete with school supplies for Bay area foster and homeless children. In addition Tanaiia Hall, senior

auditor, received one of the Chancellor’s Awards for Public Service in the category of staff civic engagement.



Overview of Audit and Advisory Services

Audit and Advisory Services assists all management levels by providing independent reviews and appraisals of the University's activities and components. Auditors present analyses, evaluations, and recommendations based on in-depth study of operations, risks, activities, and emerging issues. In making an evaluation, auditors focus on:

- reviewing and appraising the soundness, adequacy, and application of governance, risk management, accounting, financial, operating, and administrative controls, as well as promoting a risk-based balance of cost and benefit in establishing an effective system of control.
- determining the adequacy of policies to achieve the organizational objectives.
- ascertaining the extent of compliance with established policies, procedures, plans, standards, contracts, ethical values, laws, and regulations.
- determining the extent to which University assets are accounted for and safeguarded from losses of all kinds.
- ascertaining the accuracy, timeliness, and reliability of management information generated as the basis for internal and external decision-making.
- evaluating the economy and efficiency in utilizing available resources.
- consulting with management and reviewing operations to evaluate whether results are consistent with objectives; whether the operations are carried out as planned; and whether quality and continuous improvement are fostered.

Internal auditors have neither direct responsibility for, nor authority over, any of the activities they study. Therefore, the audit and advisory review and appraisal process does not relieve other individuals of the responsibilities assigned to them.

Audit and Advisory Services 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 the Board of Regents of the University of California's approval of the Internal Audit Management Charter and applicable federal and state statutes. Except where limited by law, the work of Audit and Advisory Services is unrestricted. Audit and Advisory Services is free to review and evaluate all policies, procedures, and practices of any university activity, program, or function.

Audit and Advisory Services, in conjunction with senior campus management, develops an annual plan of audits and consultative projects based on a risk assessment and ranking methodology adopted across the UC system and augmented to address local circumstances. The plan is reviewed and recommended by the campus audit committee to the Chancellor for approval prior to submission to the Senior Vice President and Chief Compliance and Audit Officer, and the Board of Regents of the University of California.

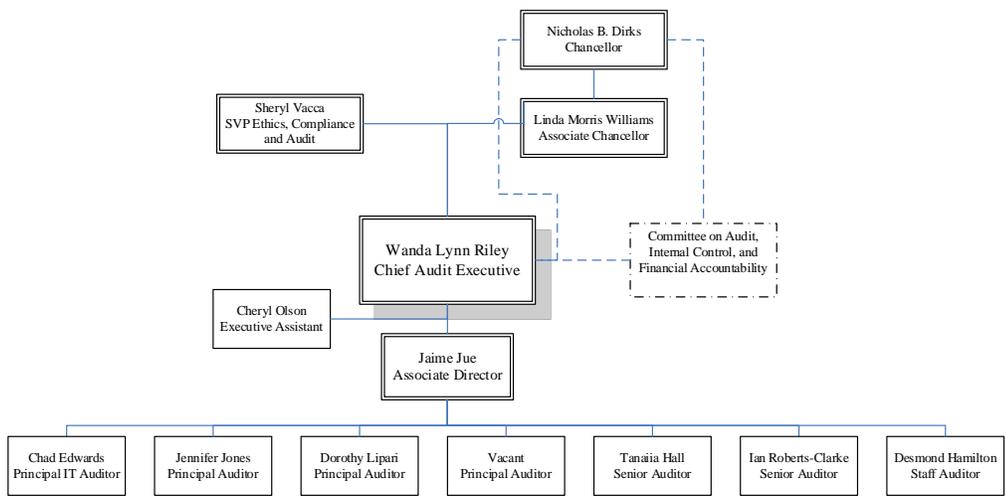
For the fiscal year, Audit and Advisory Services was comprised of 10 authorized fulltime equivalent personnel – chief audit executive, associate director, one IT principal auditor, three principal auditors, two senior auditors, one staff auditor, and one executive assistant. As of September 15, 2014, the A&AS team is as follows:

WE SIMPLIFY

*WE REDUCE
UNNECESSARY STEPS
AND MAKE IT EASIER
TO GET THINGS
DONE. OUR
SOLUTIONS ARE
COMMON WHERE
THEY CAN BE,
CUSTOM WHERE IT
COUNTS.*



BRIDGING THE GAP



The UC Berkeley Committee on Audit, Internal Control and Financial Accountability was established in 1988 to serve in an advisory capacity to the Chancellor. The committee is charged to: review and recommend to the Chancellor approval of the campus audit plan; review audit results, status of management corrective action, areas of concern, and progress against the annual audit plan; and evaluate the adequacy of resources for Audit and Advisory Services. Additionally, the committee is apprised of internal control, financial accountability, external audit, and investigative activities. Appointed members include the vice chancellors of administration and finance, research, student affairs, equity and inclusion, university relations and real estate services; the executive vice chancellor and provost; the campus chief counsel; the associate vice chancellor and chief financial officer; the associate chancellor and chief ethics, risk, and compliance officer; the associate vice chancellor and chief information officer; the associate vice chancellor for research administration and compliance; and the associate vice chancellor and controller. The senior vice president and chief compliance and audit officer, and the campus chief audit executive serve as ex officio members. The committee meets jointly with the Committee on Compliance, Accountability, Risk and Ethics.



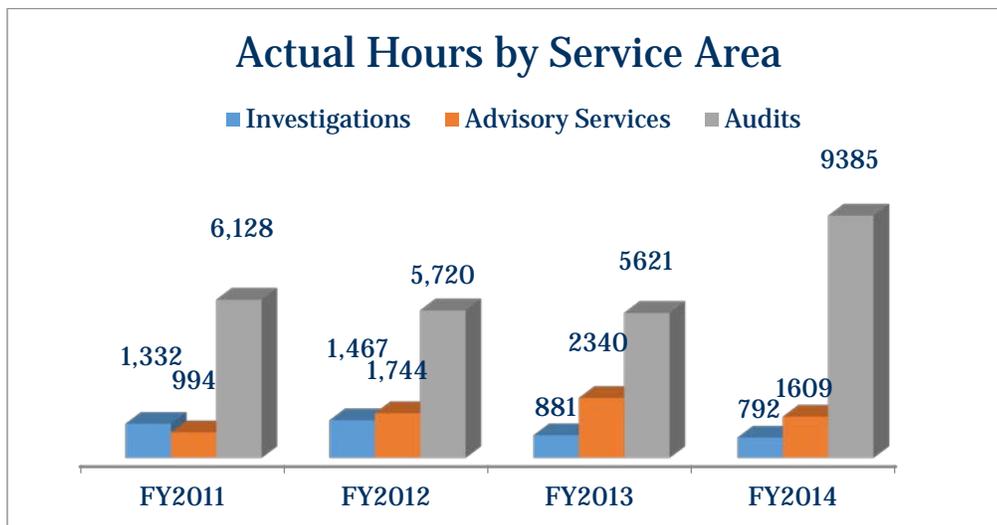
Stewardship of Audit and Advisory Services Investment

Audit and Advisory Services' strategic intent is to operate in a manner that adds value within the University, is risk-based, focuses on stakeholders' priorities, and adapts to the internal and external changing landscape. As such, the annual service plan is dynamic and considered quarterly by CAICFA.

As with all university organizations, resources are finite and must be applied judiciously to ensure the maximum benefit and return on investment toward achieving UC Berkeley's mission of teaching, research, and public services as well the underlying goals and objectives. The following are summaries of how A&AS employed resources during FY2014.

COMPLETION OF FY2014 AUDIT PLAN	
Audits Planned	22
Supplemental Audits Added	3
Planned Audits Dropped	4
Total Audits in Plan as Amended	21
Audits Completed (Draft Issued)	21
Percent Completed	100%

While our commitment to increasing the awareness of risks early, optimizing opportunities, and mitigating the risk of adverse outcomes through advisory projects remains strong, we consciously invested significant resources in providing assurance around the implementation and operations of Campus Shared Services. This transition represents one of the most significant administrative shifts and undertakings in the history of Berkeley. We invested 66% of our total effort in assurance activities.



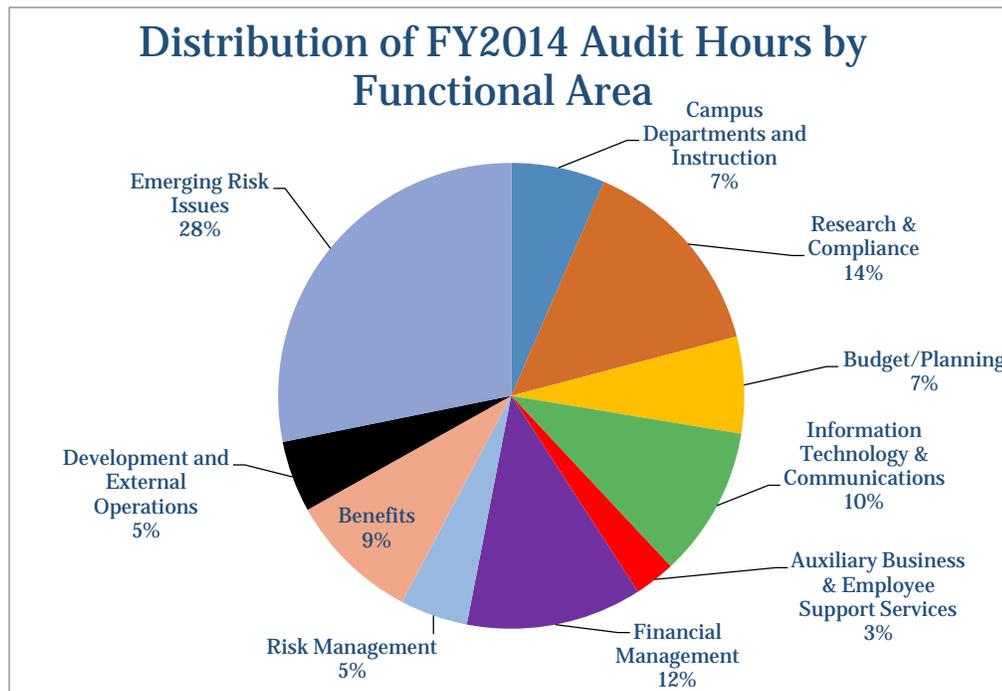
WE FOCUS ON SERVICE

*WE PROVIDE
TIMELY, EXCELLENT
SERVICE TO
STUDENTS, STAFF,
FACULTY, ALUMNI
AND OTHER
STAKEHOLDERS. WE
EMPHASIZE SERVICE
OVER BUREAUCRACY
WHENEVER
POSSIBLE.*



BRIDGING THE GAP

In developing the annual service plan, risk is evaluated at the individual topic level and at the enterprise level. The plan is reviewed for coverage of functional areas as well, as defined by the systemwide risk universe. The distribution of coverage fluctuates from year to year and is monitored to assure the sufficiency of coverage over time.



Service Plan for FY2015

Audit Engagements

Alignment of Access, Administrative Roles and Responsibilities, Authority, and Accountability for Research Administration Post CSS Implementation
Berkeley Education Alliance for Research in Singapore (BEARS)
Blum Center for Developing Economies
Cloud Computing
Deferred Maintenance – Governance and Resource Allocation
Disclosure Statement (DS-2) Compliance
Donor-Built Facilities
Annual Report of Executive Compensation (system-wide)
Chancellor's Expenses (G-45 Compliance) (system-wide)
Compensation (system-wide)
Human Resources - Hiring Practices (Independent Contractors vs. Contract Employees vs. Career Staff)
Human Resources - Employee and Labor Relations
Intercollegiate Athletics (system-wide)
Intercollegiate Athletics – Revenue Recognition
Records Management
Revenue Generation (including UBIT considerations)
Service (Recharge) Centers
Social Media
Sponsored Projects - Participant Support
Sponsored Projects - Subaward monitoring
Supporting International Research
Sustainability Reporting (Climate Neutral by 2025)

Advisory Engagements

Data Analysis:
Procure to Pay - BearBuy – Ship to Address
Procure to Pay - Vendor Master
Procure to Pay - Duplicate Payments
Human Capital Management System - Employee Master/Ghost Employees
Human Capital Management System - Compensation Adjustments
Institutional Compliance Program
Facilities Services – Work Order Process





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we provide
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insight at the right
time to the right
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