

Audit Engagements — Planning Objectives

Sponsored Projects — Award Close-out: Determine whether existing policies, procedures, and practices provide reasonable assurances that Uniform Grant Guidance Subpart D after-the-award requirements are met. Requirements include but are not limited to

- timely completion of required financial, performance and other reports required by award terms and conditions;
- timely liquidation of all obligations incurred under the award;
- collection of payment for all allowable reimbursable costs;
- refund of unobligated cash (unless authorized to retain); and
- accounting for real and personal property acquired or received under the award.

Sponsored Projects — Indirect Cost Recovery: Assess the adequacy of controls governing the administration of indirect cost recovery to include controls related to classification of sponsored activities as gift, grants, contracts, or vendor agreements; application of negotiated rates in conformance agreement terms and conditions; recovery on fixed dollar agreements; exclusion of some costs; and, administration of waivers.

Sponsored Projects — Sub-award Administration: Evaluate the effectiveness of sub-recipient monitoring controls which ensure: federal awards are used for authorized purposes in compliance with laws, regulations and provisions of the prime agreement; performance goals are achieved; sub-recipients expending \$500,000 or more annually have met the audit requirements for that fiscal year, including corrective action for audit findings; alternate procedures have been established to ensure fiscal accountability of entities not subject to audit requirements; each sub-recipient is required to permit the university and auditors to have access to records and financial statements as necessary; evidence of adequate sub-recipient monitoring (e.g., Uniform Grant Guidance Subpart F, invoice, and cost-sharing); proper classification between sub-recipient and vendor agreement; and viability of contractor as a sub-recipient (e.g., financial adequacy, not debarred or suspended, technical competency, sponsor approval).

International Agreements: Assess governance, risk management, and controls related to international collaborations in teaching, research, and public service, particularly the campus readiness to identify and assess opportunities, vet and approve agreements, administer and monitor related activities, and leverage lessons learned in future endeavors.

Restricted Gifts: Assess governance and controls in place to assure that restricted gifts including endowments are managed in a fiscally responsible manner and expended on the designated purpose in accordance with the gift terms. Also, assess practices to identify unspent funds and manage their use.

Facilities Services: Assess the departmental system of control to assure sound business practices are in place to support operational effectiveness and efficiency including compliance with university policies as well as federal and state regulations. This review will focus on the administrative and operational processes and related key business risks for such areas as work order processing, recharge activities, custodial services, trade shops, utilities operations, contract management, management reporting, customer service, risk management, etc.

Capitalized Assets — Equipment and Software: Evaluate the system of controls in place to ensure that capitalized assets, equipment and software, are accurately accounted for in the campus asset management system and appropriately safeguarded complying with university policies and employing best business practices.

Disability Governance: Evaluate organizational structure, campus policies, procedures and practices implemented to ensure that people with disabilities are protected from discrimination by managing services, programs and activities in a way that allow equal participation to include communication access, facility access, student accommodation, and employment accommodation. Evaluate the effectiveness of the compliance program to assure that at a minimum the campus is compliant with federal and state laws governing protections for people with disabilities including the Americans with Disabilities Act.

Common Good Expenses versus Recharged Expenses: Assess opportunities to improve efficiency related to currently recharged good and services that are essential and routinely consumed in the regular course of unit operations and which have little risk of over consumption. will reduce frustrations and barriers associated with the of recharging between campus departments and remove recharge-related transaction costs.

Supply Chain Management: Assess the end-to-end supply chain management process considering strategy, organization, process, information, and performance to determine if the strategy is aligned with campus expectations and requirements; the organizational structure enables internal and external partners to achieve supply chain goals; effective processes exist for implementing the strategy, embracing all plan-source-make-deliver operations; reliable information and enabling technology support supply chain planning, execution and decision-making; and, the supply chain performs in ways that will increase the bottom-line and cash flows.

Intercollegiate Athletics — Expenses: Examine internal controls designed to assure that expenses are aligned with the campus/departmental business purpose, compliant with internal policies, reasonable, appropriately classified, and accurately recorded in a timely manner. Understand variances over time, against budget, against related revenue streams, and between insourced and outsourced activities. Evaluate working assumptions for budgeting expenses.

Information and Technology — Disaster Recovery: Evaluate campus information systems, practices, procedures, operations and governance to determine if during and after service interruption information systems are capable of safeguarding assets, maintaining data integrity, and operating effectively and efficiently to achieve the campus goals or objectives as evidenced by a current, documented, and tested technology disaster recovery plan that address people, process, and technology.

Human Resources — Information Management: Evaluate the system of internal controls in place to provide effective stewardship of human resource information: understanding and supporting the needs of users, complying with regulations including privacy and security, ensuring the integrity and reliability of data, employing appropriate archival and destruction protocols, and ensuring the quality of data used to support management decisions.

Cybersecurity (ECAS): Evaluate the security of an IT infrastructure by safely trying to exploit vulnerabilities. These vulnerabilities may exist in operating systems, service and application flaws, improper configurations, or risky end-user behavior.

Internal Communication: Assess the system of internal controls related to internal communications to assure that a strategy is in place to meet the needs of the messenger and the audience and support overall strategic and operational objectives and initiatives; messages are clear, credible, and consistent; the modality is appropriate for the message and the audience; messages are timely; and, the feedback loop is effective.

Executive Compensation: Evaluate compliance with Business and Finance Bulletin G-45 Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors.

Fair Wage/Fair Work Compliance (system): Assess compliance with the UC Fair Wage/Fair Work policy.

Executive Travel (system): Evaluate compliance with UC travel policies for executive leaders.

Strategic Sourcing (system): Evaluate the performance of strategic sourcing activities to assure that key objectives are achieved to include cost savings, risk reduction due to unexpected disruption in the supply chain, improved supplier performance, innovation from the supply base, and support for the University's social responsibility goals.

Advisory Engagements

Objectives are determined in conjunctions with the engagement client.

Operational Excellence—Leveraging Lessons Learned

Financial Fraud and Misconduct Risk Management — Procure to Pay Process



BRIDGING THE GAP

Service Plan FY2017

Berkeley *Audit and
Advisory Services*
UNIVERSITY OF CALIFORNIA

As a trusted partner, we provide independent, objective, and risk based information, assurance, and insight at the right time to the right people to foster effective decisions.

UC Berkeley FY2017 Service Plan for Audit and Advisory Services

Proposed Project Areas	Quarter Completion	Campus Risk Themes						Risk Categories					Impacted Campus Strategic Initiatives
		Financial Forecast	Change Management	Infrastructure	Campus Climate	Information and Technology	Other	Strategic	Operational	Financial	Compliance	Information and Technology	
Sponsored Projects—Award Close-out	Q3		✓	✓		✓			✓		✓	✓	Administrative realignment
Sponsored Projects—Indirect Cost Recovery	Q2			✓					✓	✓			Administrative realignment
Sponsored Projects—Sub-awards	Q4			✓					✓		✓		Administrative realignment
International Agreements	Q4			✓			✓	✓			✓		Global engagement
Restricted Gifts	Q3	✓		✓					✓		✓		Transforming philanthropic culture and enterprise
Facilities Services	Q4			✓					✓				Administrative realignment
Capitalized Assets — Equipment and Software	Q4			✓									Administrative realignment
Disability Governance	Q2				✓				✓		✓		Buildng an inclusive community
Common Good Expenses versus Recharged Expenses	Q3	✓		✓					✓				Financial reform
Supply Chain Management	Q4	✓		✓		✓			✓			✓	Administrative realignment
Intercollegiate Athletics—Expenses	Q3	✓		✓				✓					Sustainability in the Athletics budget
Information and Technology Disaster Recovery	Q3			✓		✓	✓		✓			✓	Administrative realignment
Human Resources—Information Management	Q3		✓	✓		✓			✓		✓	✓	Administrative realignment
Cybersecurity (ECAS)	Q2			✓		✓	✓					✓	Administrative realignment
Internal Communication	Q4		✓	✓		✓			✓			✓	Administrative realignment
Executive Compensation	Q3				✓				✓		✓		Administrative realignment
Fair Wage/Fair Work Compliance (system)	Q3		✓	✓					✓		✓		Administrative realignment
Executive Travel (system)	Q4			✓					✓				Administrative realignment
Strategic Sourcing (system)	Q4	✓		✓					✓				Administrative realignment
Financial Fraud and Misconduct Risk Management — Procure to Pay Process (advisory)	Q4		✓	✓	✓	✓			✓		✓	✓	Administrative realignment
Operational Excellence—Leveraging Lessons Learned (advisory)	Q4							✓					Administrative realignment

Campus Risk Themes

Financial Forecast — alternative revenue generation, financing, cost saving strategies, tuition dependency

Change Management — new leadership, new directions, application implementation projects, new initiatives, new affiliations, new regulations, global engagement, objective assessments, continuity

Infrastructure — utilities, capital renewal, enterprise information systems, research administration and compliance support, documented end-to-end process flows and internal controls for key business activities

Campus Climate — staff morale, internal communication, performance management, institutional knowledge, strategic planning, compensation, performance measurement, human resource practices

Information and Technology — data and records management, obsolescence, security, disaster recovery, project management, privacy

Other — business continuity, emergency planning and management, international activities, active shooter/terrorism, political landscape, relationships with UC Office of the President, UC Regents, and the state legislature

Risk Categories

Compliance risk is exposure to legal penalties, financial forfeiture and material loss for failing to act in accordance with industry laws and regulations, internal policies or prescribed best practices.

Financial risk refers to the chance an organization’s cash flows are insufficient to pay creditors and fulfill other financial responsibilities. Financial risk relates less to the organization’s operations themselves and more to the amount of debt an organization incurs to finance operations.

Information and Technology risk is the probability that information/data or information technology solutions/assets can be exploited and the likely damage from the exploitation.

Operational risk is the volatility resulting from breakdowns in internal procedures, people and systems and that is not inherent in financial, systematic or market-wide risk.

Strategic risk arises from the pursuit of an unsuccessful or unsound business plan; for example, poor business decisions, substandard execution of decisions, inadequate resource allocation, or failure to respond well to changes in the business environment.