Office of the President

TO MEMBERS OF THE COMMITTEE ON COMPLIANCE AND AUDIT:

DISCUSSION ITEM

For Meeting of November 18, 2014

ANNUAL REPORT ON INTERNAL AUDIT ACTIVITIES 2013-14

This annual report highlights the outcomes of key activities performed by Internal Audit in fiscal year 2013-14 to help management identify and address significant risks facing the University and drive efficiencies. In addition, it demonstrates the accountability of the Internal Audit program through statistical information on its utilization of resources and other performance data.

Local internal audit activity at UC locations, including the Office of the President and Lawrence Berkeley National Laboratory, consisted of a total of 379 reports. Primary areas of focus of this local activity included financial management, research, academic units and programs, health sciences operations, and information management and technology.

Internal Audit reviews produced 1,106 agreed-upon management corrective actions (MCAs) as a result of recommendations for improvements to internal controls. Internal Audit also validated the closure of 1,257 MCAs. As of June 30, 2014 (fiscal year end), the current inventory of open MCAs was 666 (compared to 817 as of the end of the previous fiscal year), including 20 high-risk MCAs past due (compared to 27 at the end of the previous fiscal year).

Systemwide audits, which are performed at the request of the systemwide office, Regents and/or the President, are audits with a common focus and scope of work but are conducted by the local internal audit office at each University location. Results are summarized from a system perspective and addressed by system leadership on appropriate observations and themes.

Systemwide audits conducted in fiscal year 2013-14 addressed laboratory safety, student health and counseling centers, dean travel, executive travel, and executive compensation reporting. There were no critical observations in these audits that management was unable to resolve.

Significant and recurrent internal control issues identified by Internal Audit include budget and resource constraints, information technology security and information privacy, large-scale system implementations, research compliance, and decentralized activities. In conjunction with the 379 audit, advisory services and investigation reports issued, Internal Audit identified no conditions that it believed to represent material deficiencies in internal controls to the University system as a whole from a financial standpoint. In addition, while Internal Audit acknowledges that management has ultimate responsibility for establishing internal controls to manage risks,
Internal Audit identified no circumstances in which it believes that management’s decisions resulted in the acceptance of unreasonable levels of risk.

The attached report outlines in more detail the work of Internal Audit during the past fiscal year.

(Attachment)