

The Regents of the University of California

COMMITTEE ON AUDIT

May 17, 2000

The Committee on Audit met on the above date at Covell Commons, Los Angeles campus.

Members present: Regents Bagley, Davies, Moores, Sayles, and Vining

In attendance: Regents Atkinson, Connerly, Hopkinson, Khachigian, Kozberg, Lansing, Montoya, Pannor, and Preuss, Regents-designate Fong, Kohn, and Miura, Faculty Representative Cowan, Secretary Trivette, Provost King, Senior Vice President Kennedy, Vice Presidents Broome and Darling, Chancellors Cicerone, Dynes, Greenwood, Vanderhoef, and Yang, Auditor Reed, and Recording Secretary Bryan

The meeting convened at 11:05 a.m. with Committee Chair Vining presiding.

1. **APPROVAL OF MINUTES**

Upon motion duly made and seconded, the Committee approved the minutes of the meeting of March 15, 2000.

2. **ANNUAL REPORT ON INTERNAL AUDIT PLANS, 2000-01**

In accordance with the Schedule of Reports, Auditor Reed presented the Annual Report on Internal Audit Plans, 2000-01. The report represents a consolidation of the thirteen audit plans prepared by the campuses, laboratories, and Office of the President departments that comprise the audit program. He commented on two aspects of the audit plan, risk and balance, noting that after the auditors go through their risk assessment processes, assigning scores to all 3,000 business units and functions within the University and identifying at each location the top ten risks, they plan for audit coverage of 96 percent of those identified top risks.

Mr. Reed explained that he analyzes balance in the plan among the three types of activities in which auditors engage: audits, investigations, and advisory services. Advisory services are preventive, audits are detective, and investigations are remedial in nature. The plan is balanced reasonably, with 68 percent of its time spent on audits, 19 percent on advisory services, and 13 percent on investigations. There is also balance between the attention given to high risks and the ability to provide broad coverage to the University. About 53 percent of the time in the plan is spent on high-risk audits, leaving 47 percent to provide broad coverage around the University to identify other risks and to have a presence in smaller and less sensitive units. There is balance also between the coverage of core business functions and the more topical risks that arise from time to time.

Mr. Reed reported that this year he asked each location to identify its core business functions and the recency of audit coverage of things like cash, payroll, cash disbursements, purchasing, and travel. Most locations reported that they had had recent audit coverage of their core business functions. The risk assessment process will be revised periodically to make sure that regular attention continues to be given to core business functions.

Mr. Reed noted that the plan provides for a continuation of the effort to strengthen the internal audit program. He reported that he has begun discussions with members of the review team that reported 18 months ago on the internal

audit program. He expected that in the fall the team would address the status of its recommendations and other initiatives that have been launched.

Committee Chair Vining noted that the investigative hours were fewer in the 2000-01 budget than the number for this year. Mr. Reed explained that investigative hours is the most difficult category to budget. He believed that the current year was unusual and that the trend indicates those hours will decrease. In the past, the audit program has been augmented when investigation hours exceeded the plan. Additional resources can be made available if needed.

Regent Hopkinson noted that there was an increase of non-controllable hours in the audit plan and asked whether it was cost effective to hire University employees instead of contract auditors. Mr. Reed explained that it is cost effective because the average cost fully loaded for benefits of a University auditor is about \$40 an hour and consultants cost about \$75 an hour.

The meeting adjourned at 11:15 a.m.

Attest:

Secretary