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Outline of the University of California Audit Management Plan

I. The University Audit Program
II. Objectives of the Internal Audit Program
III. Responsibilities of the Audit Group
IV. Reporting Channels
V. Certain Personnel Matters

I. The University Audit Program is comprised of three elements:

A. An external independent certified public accounting firm reporting to The Regents.
B. The University Auditor's Office reporting functionally to The Regents through its Committee on Audit and administratively to the Senior Vice President-Business and Finance.
C. Campus/Laboratory Internal Audit Departments reporting functionally to The Regents through the University Auditor and administratively to the Chancellors/Laboratory Directors or designee.

II. Objectives of the Internal Audit Program

To conduct a program of audits, consultations, and investigations which are of service to The Regents and management through the following activities:

A. Reviewing management, financial, and operating controls to appraise their soundness and adequacy to advise management, and on matters of material import, The Regents, as to whether:
   1. The systems of internal control effected by the University's Board of Regents, management and other personnel, provide reasonable assurance regarding the achievement of objectives in the following categories:
      - effectiveness and efficiency of operations
      - reliability of financial reporting
      - compliance with applicable laws and regulations;
   2. Established plans, policies, and procedures are being complied with;
   3. University assets are accounted for and safeguarded from loss.
B. Providing recommendations to improve operating efficiency and internal controls.
C. Providing consultation on current and proposed operating policies and procedures and changes in the system of internal controls.
D. Conducting investigations in support of the University's compliance with laws governing improper government activities.

III. Responsibilities of the Audit Group

A. External Auditors
   1. Perform, in accordance with generally accepted auditing standards, and government auditing standards an audit of the financial statements of the University to determine whether such financial statements present fairly the University's financial position changes in net assets and cash flows in accordance with generally accepted accounting principles.
   2. Review the adequacy of the systems of internal controls related to the financial statement audit and render recommendations as appropriate.
   3. Perform such additional financial or compliance audits as directed by The Regents.
   4. Provide such accounting and other consultation as requested by management or The Regents.

B. Office of the University Auditor
   1. Establish a relationship with the University's external auditors whereby annual plans are developed in concert, appropriate support is provided to the external auditors, and an active channel exists for sharing audit findings and other information of mutual interest and concern.
   2. Analyze and evaluate Universitywide policies, plans, procedures and practices including those designed to assure ethical conduct.
   3. Conduct investigations pursuant to the University Policy on Reporting and Investigating Allegations of Improper Governmental Activities within the Office of the President and at the campuses or laboratories at the request of the President, the Chancellor/Laboratory Director or their designee, or the campus/laboratory Internal Audit Director in the event of a conflict of interest.
   4. Provide oversight and administration of compliance with the University Policy on Reporting and Investigating Allegations of Improper Governmental Activities.
   5. With the Senior Vice President-Business and Finance, provide information with respect to material audit and investigation matters so as to keep the President and appropriate Regents adequately informed on a timely basis.
   6. Coordinate and direct special non-recurring studies as requested by The Regents' Committee on Audit, the President, or other appropriate University officials.
   7. Coordinate all communications with the California State Auditor in connection with their investigations and requests for preliminary investigations by the University.
   8. Working with the campus/laboratory Internal Audit Directors, develop appropriate methodologies and objectives, and coordinate the preparation of annual and long-range Universitywide internal audit plans.
   9. Working with the campus/laboratory internal audit directors, establish documented standards for:
      a. the conduct, documentation and reporting of audit, consultation and investigation activities;
      b. timely follow-up to assess whether appropriate action has been taken on reported audit findings;
      c. continuing education and a systematic training program for internal auditors;
      d. rotation of auditor assignments to enhance freshness and objectivity of audit perspective; and
      e. the determination of appropriate minimum levels of audit staffing.
   10. Develop and oversee the conduct of a peer review program designed to assess and assure compliance with Institute of Internal Auditors and University adopted professional standards.
   11. Coordinate the development of, and archive model audit programs to avoid duplication of efforts.
   12. Facilitate and serve as a conduit for the sharing of information among campus/laboratory audit departments regarding planned audit efforts, significant audit and investigation findings of mutual interest and concern, audit reports issued, and the development of improved audit techniques/technologies.
   13. Provide research and technical support to campuses/laboratories as needed and requested.
   14. Provide, or facilitate the sharing of human resources among the internal audit departments as needed and available.
   15. Develop Guidelines for local campus/laboratory audit committees and serve as an ex officio member of each local committee.
   16. Oversee the campus, laboratory and Office of the President internal audit programs of comprehensive review and examination of policies and procedures to assure that all facets of the University are undertaking such in a clear, consistent and effective manner.

C. Campus/Laboratory Internal Audit Departments
   1. Audit campus/laboratory and medical center operations and activities in accordance with the annual plan submitted to the Office of the President.
   2. Conduct investigations in accordance with University Policy on Reporting and Investigating Allegations of Improper Governmental Activities, keeping the University Auditor, Senior Vice President-Business and Finance and the General Counsel's office advised as called for by the Policy.
   3. Provide services in a consultation role as requested by management, business units, and academic administration when such requests are consistent with the professional expertise of the auditors and maintenance of an appropriate level of independence, and do not materially impact the accomplishment of the risk based campus annual internal audit plan.
   4. Review campus/laboratory compliance with University fiscal and administrative polices and procedures, conformance with governmental laws and regulations, and compliance with resource allocation and gift endowment restrictions.
   5. Participate and provide appropriate support to campus/laboratory committees, work groups, task forces and the like involved in the development, review and/or re-engineering of policies, procedures and systems. In these endeavors auditors will be mindful of their appropriate role versus the role of management and will actively promote and advocate a sound system of internal controls in support of operational effectiveness and efficiency objectives.
   6. As requested by the Chancellor/Laboratory Director, serve as external audit coordinator working with all external agencies having an audit interest in the University/Laboratory.
   7. Support the whistleblower coordinator (Locally Designated Official) facilitating the adoption, implementation, and administration of local whistleblower procedures in support of the University policy.
   8. Conduct audit, consultation and investigation activities in accordance with standards established for the entire University of California internal audit program.
   9. Participate in the development of standards, audit planning methodologies, common audit programs, peer review programs, and other initiatives undertaken for the benefit of the entire University of California internal audit program.
   10. Consult with the University Auditor on any matter representing a conflict of interest, or the appearance of a conflict of interest on the part of the local internal audit department.

IV. Reporting Channels

A. The University Auditor:
   1. Reports administratively to the Senior Vice President-Business and Finance and functionally to The Regents through its Committee on Audit and has direct access to the President as circumstances warrant.
   2. Provides formal reports to The Regents' Committee on Audit semi-annually, and at other times as requested. The University Auditor will take it as his/her responsibility to seek to establish an active channel of communications with the Chair of The Regents' Committee on Audit.
   3. Meets with the Vice Chancellors/Deputy Laboratory Directors or other officials to whom internal audit functions report quarterly to discuss audit matters of Universitywide concern, to provide information on systemwide internal audit initiatives and to promote consistency of internal audit oversight.
   4. Conducts at least quarterly meetings of Internal Audit Directors forming a committee for the promulgation of auditing standards, practices and policies.
   5. Serves as ex-officio member of all campus/laboratory audit committees/work groups.
   6. Meets with Chancellors/Laboratory Directors and Vice Chancellors/Deputy Laboratory Directors as requested.

B. Campus/Laboratory Internal Audit Directors:
   1. Report administratively to the Chancellor/Laboratory Director and to The Regents' Committee on Audit through the University Auditor but have direct access to the President or The Regents' Committee on Audit as the circumstances warrant.
   2. When, pursuant to their redelegation authority, Chancellors/Laboratory Directors designate a position to whom the Internal Audit Director shall report, that position shall be at least at the Vice Chancellor/Deputy Laboratory Director level and the Chancellor/Laboratory Director shall retain responsibility for:
      a. approval of the annual audit plan;
      b. approval of audit committee/work group charter;
      c. and shall meet with the Internal Audit Director at least annually to review the state of the internal audit function and the state of internal controls locally. When reporting responsibility is redelegated, Internal Audit Directors also have direct access to Chancellors/Laboratory Directors as the circumstances warrant.
   3. Facilitate the scheduling of local audit committee/work group meetings and provide staff support to the audit committee/work group.

C. Direct Reporting to The Regents' Committee on Audit
   1. Internal Auditors may take directly to the respective Chancellor or Laboratory Director, the University Auditor, the President, or The Regents matters that they believe to be of sufficient magnitude and importance. Internal Auditors shall take directly to the University Auditor who shall report to the Senior Vice President-Business and Finance and The Regents' Committee on Audit Chair any credible allegations of significant wrongdoing (including 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. Internal Auditors shall take directly to the University Auditor who shall report to The Regents' Committee on Audit Chair any allegations by or about the Senior Vice President-Business and Finance or the President. Any such matters will be reported to The Regents' Board Chair at the discretion of the University Auditor or Committee on Audit Chair.
   2. Internal Auditors shall report directly to the University Auditor who shall report to The Regents' Committee on Audit Chair any allegations by or about the Senior Vice President-Business and Finance or the President. Any such matters will be reported to The Regents' Board Chair at the discretion of the University Auditor or Committee on Audit Chair.
   3. Internal Auditors shall report directly to the Senior Vice President-Business and Finance who shall report to the Chair of The Regents' Committee on Audit any allegations related to the University Auditor.

V. Certain Personnel Matters

A. Action to appoint, demote or dismiss the University Auditor requires the approval of The Regents.
B. Action to appoint campus/laboratory Internal Audit Directors requires the concurrence of the University Auditor. Action to demote or dismiss campus/laboratory Internal Audit Directors requires the concurrence of the President upon the recommendation of with the University Auditor.

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