OVERVIEW OF ANNUAL PLANNING PROCESS

The audit planning process is based on a model including a narrative description of high-level business risks as well as the identification and quantification of risk for all individual components of the audit universe. High-level business risks may be common to more than one campus, health sciences, or laboratory site. The audit universe is described below.

The "Lines of Business Risk" document is the first step in a collaborative audit planning process to identify strategic business risk, and is intended to spark open discussion and consideration among Office of the President and campus executive leadership involved in the process. The results of these discussions together with specific risk ranking information are used to select topics for audit during the coming year.

The current audit universe model consists of four tiers:

Tier One  "Major Reporting Category" such as
Auxiliary, Business, & Employee Support Services (A)
Development & External Relations (B)
Environmental Safety and Security (C)
Facilities, Construction, & Maintenance (D)
Financial Management (E)
Human Resources & Benefits (F)
Information & Communication (G)
Campus Research Departments & Instruction (H)
Health Sciences Research, Instruction, & Clinical Services (I)
Laboratory Research Programs & Processes (J)
Office of the President (K)

Tier Two  "Process or Entity Groupings"
(subsets of tier one) such as "Procurement and Disbursements" within
Financial Management

Tier Three  "Major Processes and Common Administrative Services"
(subsets of selected tier two processes or common services) such as
"Accounts Payable" within Travel

Tier Four-A  "Local Specific Entities"
(subsets of selected tier two entity groupings such as "Departments/ Principal Administrative Units/ ORU's/ Institutes/ Programs")

Tier four includes site-specific topics and is built by each campus/lab using predetermined local criteria. At UCSD, tier four consists of all departments with expenditures over $3 million and all research units with expenditures over $1 million. A total of 51 units are listed in tier four for UCSD representing 76% of current fund expenditures for departments.
Tier three and four topics are risk-ranked using numeric risk models consisting of six predictive factors (management control, business exposure, public and political sensitivity, compliance with regulations, information and financial systems, and organizational change and growth). Audit & Management Advisory Services (AMAS) seeks input via interviews from relevant management in scoring each of the tier three and four topics. In addition, the risk ranking process incorporates the results of the risk exercise conducted by other campus committees.

High-risk audits are defined as the top 10 audits in each universe (both campus and health sciences categories). Areas ranked as high risk are given priority in the plan. Based on relative risk scores, other areas are audited as part of the supplemental audit effort.