

AUDIT & MANAGEMENT ADVISORY SERVICES

WHAT TO EXPECT IN AN INTERNAL AUDIT OR INVESTIGATION

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WHAT TO EXPECT IN AN INTERNAL AUDIT OR INVESTIGATION

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AMAS MISSION AND SCOPE

- AMAS assists the UCSD campus and health sciences management in discharging their administrative, legal, and fiscal responsibilities by serving as *an independent resource for conducting internal audits, advisory services projects, and investigations*, as well as coordinating various external audit activities.
- The UC Internal Audit function has a charter approved by the Regents which states that we are free to review and evaluate all policies, procedures, and practices for any University activity, program, or function. This charter authorizes us to have *full, free and unrestricted access to information* including records, computer files, property, and personnel of the University.
- AMAS is comprised of 15 professional auditors with nearly 40 professional certifications in areas such as Healthcare auditing, Healthcare Compliance, IT auditing, fraud examination, internal controls assessment, and others.

AMAS SERVICES

- Internal Audits – Assurance services which entail examination of evidence for the purpose of providing an independent assessment of governance, risk management, and control processes for the organization. Examples include financial, performance, compliance, systems security and due diligence engagements.
 - Goal is to ascertain whether internal controls are adequate and functioning effectively, to provide reasonable assurance that operations are effective, in compliance with University policy, and result in accurate financial reporting.
- Consulting/Advisory Services – Consulting services are intended to add value and improve an organization’s governance, risk management, and control processes. Examples include reviews, recommendations (advice), training.
 - Often prospective, the nature and scope of which are agreed upon with the client.
- Investigations – Independent review of allegations generally focused on improper governmental activities, including misuse of University resources, fraud, financial irregularities, significant control weaknesses, etc.
- External Audit Coordination – Coordinate of external audits primarily by funding agencies for sponsored research.
 - Agencies include DHHS, NSF, California State Auditor, California Dept. of Public Health, County of San Diego, and other Federal and State agencies. Typically handle between 35-50 external audits per year.

INTERNAL AUDITS

Internal Audits at UCSD are conducted by Audit & Management Advisory Services (AMAS)



TYPES OF INTERNAL AUDITS & ADVISORY SERVICES

- Planned Audits – AMAS, in conjunction with UCSD management, develops an annual audit program based on a risk assessment and ranking methodology developed for use by all UC campuses.
- Special Request (Supplemental) Audits – Audits requested by UCSD management as needed.
- Audits Conducted Under the Attorney-Client Privilege – Specific audit projects that include liaison with the Office of the General Counsel on a privileged basis.
- Advisory Services – Reviews designed to improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility.
 - Committee participation - Audit representation on special groups or task force groups created by campus of health sciences management to address specific problems or ongoing issues.
 - Small Consultations - Projects that are requested by UCSD Management or other individuals such as UCOP or inquiries from other audit offices, that would require 40 hours or less of audit effort.

TYPICAL SCOPE OF AN INTERNAL AUDIT

- The scope of the work of AMAS is to ascertain whether campus and health sciences internal control processes, as designed and represented by management, are adequate and functioning effectively.
- An Internal Audit may address one or more of the following areas:

Financial Management	Transactional Processes	Programmatic Matters	Compliance Concerns	Information Systems
<ul style="list-style-type: none">• Budget & Deficit Management• Financial Oversight & Ledger Review• Recharges• Cash & Receivables• Gift Fund Oversight	<ul style="list-style-type: none">• Payroll/Personnel• Purchasing• Equipment• Travel & Entertainment• Contracts & Grants	<ul style="list-style-type: none">• Business Methodologies• Operational efficiency• Research and Healthcare practices• Affiliations• Service Agreements	<ul style="list-style-type: none">• Charge Capture/Billing• Research Compliance• Conflict of Commitment Reporting• Applicable Federal & State Regulations	<ul style="list-style-type: none">• Systems• Roles• Risk Assessment• Security• Access• Privacy

WHAT ARE INTERNAL CONTROLS?

UCSD has policy related to responsibility for Internal Controls: <https://adminrecords.ucsd.edu/ppm/docs/300-15.html>

Examples of Internal Controls include:

Authorization and approval

A delegated individual with approval authority ensures a transaction is consistent with applicable policy, and is allowable, accurate, and reasonable before approval.

Review and reconciliation

Departmental accounting records, transactions, and documentation are compared with University financial system reports to verify their reasonableness, accuracy, and completeness.

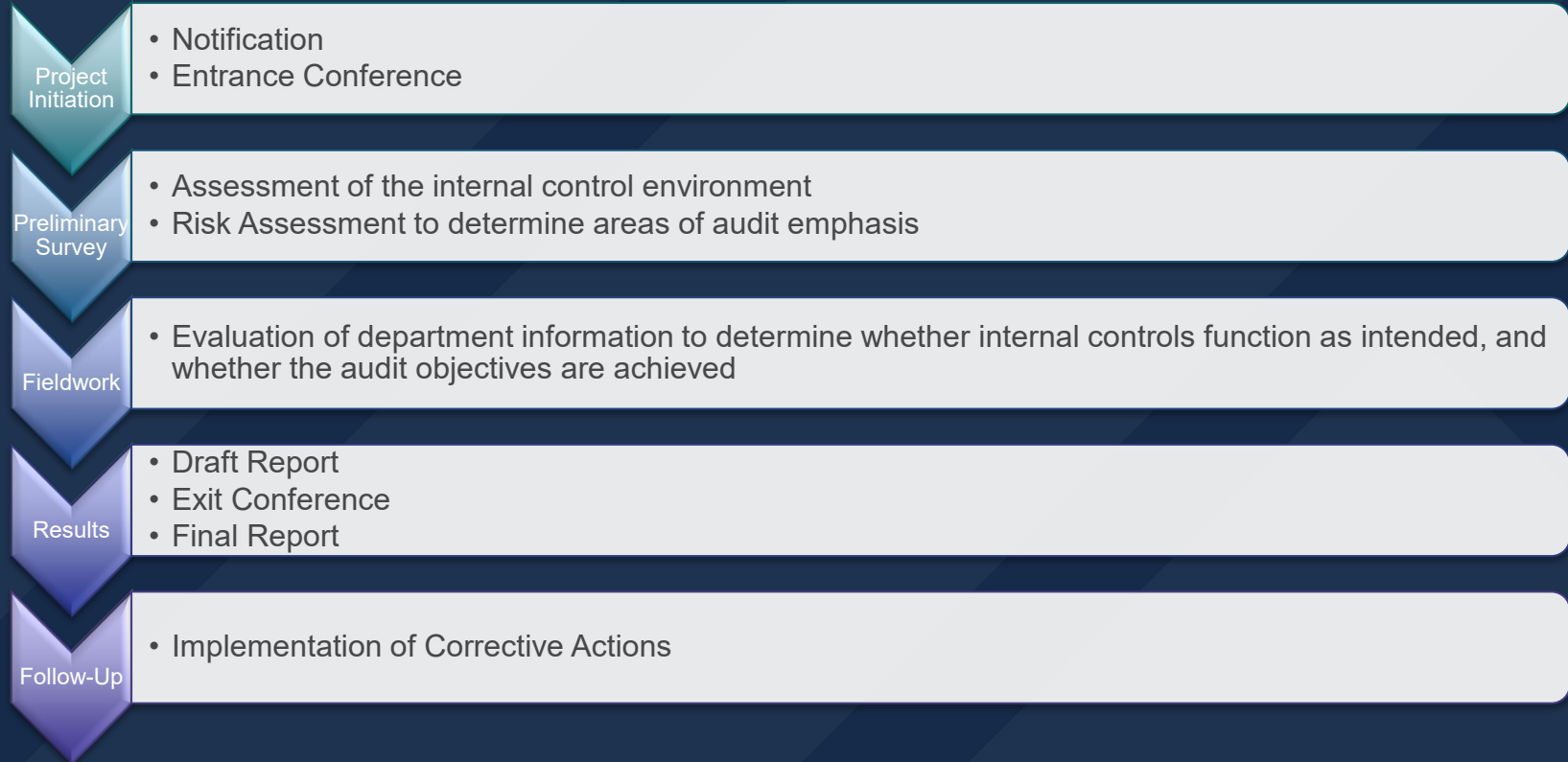
Separation of duties

Financial responsibilities are divided between different people so that a single person does not perform or have complete control over every aspect of a function or activity (common activities include authorizing, approving, certifying, disbursing, receiving, or reconciling).

Security and custody

University assets, including equipment, inventories, property, cash and cash equivalents, personally identifiable information (PII), and information systems, are safeguarded and protected from unauthorized access, risk of loss, or misappropriation.

THE AMAS INTERNAL AUDIT PROCESS



INTERNAL INVESTIGATIONS



125,23 €
256,25 €
568,99 €
544.254,21 €
89.256,01 €
998,54 €
97.554,23 €
89,78 €

INTERNAL INVESTIGATIONS

- The University Whistleblower Policy addresses the allegations of suspected improper governmental activity.
- Improper Governmental Activity: Any activity by a state agency or by an employee that is undertaken in the performance of the employee's official duties, whether or not that action is within the scope of his or her employment, and that:
 - is in violation of any state or federal law or regulation;
 - is in violation of an Executive order of the Governor, a California Rule of Court, or any policy or procedure mandated by the State Administrative Manual or State Contracting Manual; or
 - is economically wasteful or involves gross misconduct, incompetency, or inefficiency.
- Per the Whistleblower Policy, each campus has a designated Locally Designated Official (LDO) for Whistleblower Matters. The LDO is the executive designated by the Chancellor, with primary responsibility to receive reports of allegations of suspected improper governmental activities.
- At UCSD, the LDO is the Director of Ethics, Compliance, and Audit Services. AMAS assists the LDO in coordinating investigative activity.

INTERNAL INVESTIGATIONS

- Suspected improper governmental acts can be reported via the UC Whistleblower Hotline, or by direct referral to the supervisor, AMAS, the LDO or cognizant office.
- Once received, these reports are evaluated by the UCSD Local Designated Official and referred to an investigating office for further review.

Academic Affairs	<ul style="list-style-type: none">• Academic personnel matters and complaints of possible violations of the Faculty Code of Conduct.
Audit & Management Advisory Services	<ul style="list-style-type: none">• Misuse of University resources, including fraud, financial irregularities, significant weaknesses in internal controls, and the financial consequences of other matters under investigation.
Campus Human Resources / Labor Relations	<ul style="list-style-type: none">• Campus staff personnel matters.
Campus Police	<ul style="list-style-type: none">• Investigations of known or suspected criminal acts within its jurisdiction.• Communications with law enforcement agencies and the District Attorney.
Health Sciences Corporate Compliance Officer	<ul style="list-style-type: none">• Clinical billing issues, HIPAA, privacy concerns.
Health Sciences Human Resources / Labor Relations	<ul style="list-style-type: none">• Health Sciences and Health System staff personnel matters.
Office for the Prevention of Harassment & Discrimination	<ul style="list-style-type: none">• Allegations of discrimination and/or harassment.
Research Affairs	<ul style="list-style-type: none">• Research misconduct.

INVESTIGATIONS CONDUCTED BY AMAS

- An investigation is a special purpose type of project within AMAS' purview. Although the process for conducting an audit may apply in certain cases, the unique facts and circumstances of each investigation will determine whether the audit processes apply.
 - For example, an Entrance Conference may or may not be conducted.
 - Distribution of investigation reports is more limited for investigation projects.
- The purpose of an AMAS investigation is to evaluate the allegation and determine whether evidence gathered supports the allegation or not.
- The ultimate clients of the investigations conducted by AMAS are The Regents of the University of California.

INVESTIGATIONS CONDUCTED BY AMAS

- Typically, an investigation may consist of
 - Documentation review;
 - Review of electronic records and information systems;
 - Interviews;
 - Coordination with UCSD Campus Police as needed.
- When internal control weaknesses are noted which contributed to failure to prevent or detect an improper government act, AMAS will recommend strengthening of related controls, policies or procedures to reduce future vulnerability to similar improper acts.
- Reports are distributed to the LDO, and may be distributed to management as needed.

INTERNAL VS. EXTERNAL INVESTIGATIONS

- Occasionally, AMAS will receive notification that an investigation is being conducted by an external agency, such as a federal Office of Inspector General or the National Institutes of Health Division of Program Integrity.
- In these instances, AMAS' role is to act in the best interest of the institution as a whole. AMAS coordinates the University response to external investigations, and provides the information requested by the external agency.
- Unlike with internal investigations, external investigations are not managed by AMAS. AMAS cannot direct the activities of the external agency, the timeline, or the scope of the review.

RELEVANT POLICIES & REFERENCES

- University of California Internal Audit Charter – <https://www.ucop.edu/ethics-compliance-audit-services/audit/internal-audit-charter.html>
- UC San Diego Policy & Procedure Manual (PPM) 10-11 – <https://adminrecords.ucsd.edu/ppm/docs/10-11.html>
- UC Whistleblower Policy – <https://policy.ucop.edu/doc/1100171/Whistleblower>
 - Improper governmental activities include violation of any state or federal law or regulation or an activity that is economically wasteful, involves gross misconduct, incompetency, or inefficiency. Examples may be fraud, fraudulent claims, misuse of government property, misuse of University resources, etc.
 - The policy designates a “Local Designated Official” who has authority per the Chancellor for the policy (Judy Bruner, Chief Ethics & Compliance Officer)
 - Reports can be made to:
 - Systemwide Whistleblower Hotline (800) 403-4744 www.universityofcalifornia.edu/hotline
 - The UC San Diego LDO LDO@ucsd.edu
 - Supervisor
 - The Office of Ethics & Compliance
 - Chief Compliance & Privacy Officer
 - Audit & Management Advisory Services
 - Human Resources
- UC Whistleblower Protection Policy – <https://policy.ucop.edu/doc/1100563/WPP>

For more information, contact:

Audit & Management Advisory Services
(858) 534-3617