

California Public Utilities Commission
Internal Audit Unit
Audit Plan FY 2016/2017

Introduction

The Internal Audit Unit (IA) prepared the attached audit plan for FY 2016/2017 for the California Public Utilities Commission. IA recognizes that an overall audit strategy and plan is important to meet the goals and objectives of the Commission. We submit this plan to the Finance and Administration Committee for review and approval, in accordance with the requirements specified in our IA Charter.

Audit Prioritization

The audit plan was developed based on a prioritization of the audit universe using a risk-based methodology and recognition of the resources available to IA for the upcoming fiscal year. For the 2016/2017 fiscal year, IA will be concentrating its efforts in areas of high risk based on a number of programs that manage/administer large amount of funds to ensure the effectiveness and efficiency in the processes and controls implemented.

The Chief Internal Auditor will review and adjust the plan as necessary, in response to changes to the organization's risks, operations, and programs. Any significant deviation from the approved audit plan will be communicated to the members of the Finance and Administration Committee and the Commission.

Audit Selection

IA will be conducting the following public purpose program audits:

- **CARE** (continued from 2015/2016 IA Audit Plan)
- **ESA**
- **R&D**
- **EE EM&V**
- **CHCF-B**
- **DDTP**
- **Lifeline**

The purpose of these audits is to provide assurance to the Commission of the programs' compliance with legal and Commission mandates and effectiveness and efficiency in program administration, including oversight of funds. The public purpose program effort continues from last year's approved audit plan, which assumed a multi-year approach to these audits.

In addition, IA will be conducting the following audits:

Document Management and Retention – IA is reviewing the CPUC's processes for document management (both hard and electronic) in the areas of retention, confidentiality, and storage (continued from 2015/2016 IA Audit Plan).

Reimbursement Accounts – Review process for billing and payments for reimbursable funds. Fiscal/Budget has identified this program as an area of high risk due to the lack of completion of reconciliations for CPUC reimbursement and the high dollar (approximately \$50M to \$80M) handled through the account. There have also been no recent audits in this area.

Expense Coding – IA staff noted errors in records provided by Fiscal for the unit's expenditures. The scope of this audit will be to determine the cause of the errors and for IA to make a recommendation to assist in resolving the issue.

IT Security – Evaluation of the Commission's IT systems for vulnerabilities in security will be an on-going task for IA over time. To initiate this process, IA will conduct a limited IT security audit in the upcoming year.

Follow-up on Prior Audits (Emergency Preparedness; Workforce Planning, Succession Planning, and Employee Development; and Motor Pool) – IA will test the implementation of management's corrective action plan for the motor pool, and will solicit reports from management on progress regarding the other two prior audits, with potential follow-up testing as appropriate.

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Internal Audits	Estimated Hours
CARE	100
ESA	300
R&D	300
EE EM&V	600
CHCF-B	300
DDTP	400
Lifeline	600
Document Management and Retention	600
Reimbursement Accounts	300
Expense Coding	300
IT Security Audit	600

Internal Audit Responsibilities	Estimated Hours
Consulting Hours	200
Follow-Up on Corrective Action Plan Implementation	400
Special Projects	200