**UC** **RIVERSIDE: AUDIT & ADVISORY SERVICES**

Date: September 20, 2022

To: Dr. Daryle Williams, Dean

College of Humanities, Arts and Social Sciences (CHASS)

Subject: CHASS Operation Audit

Ref: R2022-03

We have completed our audit of College of Humanities, Arts and Social Sciences (CHASS) Operations in accordance with the University of California, Riverside (UCR) Audit Plan. Our report is attached for your review.

We will perform audit follow-up procedures in the future to review the status of management actions. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2022-03 will remain open until we have evaluated the actions taken.

We appreciate the cooperation and assistance provided by you and your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Gregory Moore

Director

cc: Ethics & Compliance Risk and Audit Controls Committee

Cindy Williams, Assistant Dean and Chief Financial & Administrative Officer (CFAO)

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

AUDIT REPORT R2022-03

CHASS OPERATIONS

September 20, 2022

Approved by:

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Gregory Moore

Director

**UC RIVERSIDE**

**CHASS OPERATIONS**

**AUDIT REPORT R2022-03**

**September 20, 2022**

1. **MANAGEMENT SUMMARY**

Based upon the results of work performed within the limited scope of the audit, it is our opinion that the system of internal controls over the CHASS Operations, with the exception of the issues noted in the Observations (Section III), is satisfactory and generally in compliance with applicable University policies and procedures. However, we observed some areas noted below that need enhancement to strengthen internal controls and/or effect compliance with University policies and procedures:

We observed some areas noted below that need enhancements to strengthen internal controls and/or effect compliance with University Policy:

1. Travel Expenditures (Observation III.A)
2. Procurement Cards (Observations III.B)
3. ePay Reimbursement Transactions (Observations III.C)
4. Variance Analysis (Observations III.D)
5. Volume of Transactions per Transactor Analysis (Observations III.E)
6. Non-Capitalized Asset Inventory (Observation III.F)
7. Restricted Gift Funds (Observation III.G)

These items are discussed below. Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

1. **INTRODUCTION**
   1. **PURPOSE**

UC Riverside Audit & Advisory Services (A&AS), as part of its Audit Plan, performed a limited review of selected CHASS Operations to evaluate compliance with applicable University policies and procedures.

Included in the review were the consideration and evaluation of significant processes and practices, specifically addressing the following components:

1. Management philosophy, operating style, and risk assessment practices;
2. Organizational structure, and delegations of authority and responsibility;
3. Positions of accountability for financial and programmatic results;
4. Process strengths (best practices), weaknesses, and mitigating or compensating controls; and
5. Information and communications systems, applications, databases, and electronic interface
   1. **BACKGROUND**

The College of Humanities, Arts, and Social Sciences is the largest college at the University of California, Riverside including 20 departments, 10,000 students, 60 plus majors and 300 faculties.

At CHASS, students are seen, supported, and challenged as individuals. They study in interdisciplinary programs as multifaceted as they are. CHASS is home to UCR ARTS (a museum and art center in downtown Riverside), several innovative research centers, dynamic performance spaces, and a low-residency Masters of the Fine Art program at the Palm Desert campus. CHASS inspires all students to feel at home in the world.

* 1. **SCOPE**

We reviewed supporting documentation for transactions in Fiscal Years (FYs) 2020, 2021 and 2022.

We reviewed all 20 departments to identify any internal control weaknesses, Policy non-compliance issues and areas for improvement.

The review included evaluating the adequacy and effectiveness of internal controls over ProCard expenditures, travel expenditures, reimbursements, monthly reconciliations, restricted gift funds and non-capitalized inventory assets. The review was principally limited to the following areas:

1. **Preliminary Assessment –** Our preliminary assessment included an overview of the following areas:

* General Overview and Risk Assessment
* General Control Environment
* Business Processes
* Information and Communication Systems

1. **Analytic Review –** Performed an analytic review of expenditures and revenues by department, budget category, and fund type for FYs 2020, 2021 and 2022.
2. **Internal Controls -** We reviewedand evaluated CHASS control environment, processes and procedures through interviews of appropriate personnel as well as other audit procedures and our independent observations.
   1. **INTERNAL CONTROLS AND COMPLIANCE**

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, 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

Substantive audit procedures were performed from October 1, 2021 to January 31, 2022. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

1. **OBSERVATIONS, COMMENTS, RECOMMENDATIONS AND MANAGEMENT CORRECTIVE ACTION**
   1. **Travel Expenditures**

OBSERVATIONS

Based on the results of this audit, we determined that transactions reviewed were generally in compliance with the University policies and procedures G-28. However, we identified internal controls improvements in some areas. Specifically, we reviewed a judgmental sample of 12 travel vouchers totaling $19,641 for FY 2019, 2020, 2021 and observed the following:

* Five (Trip ID #s: T254444, T261261, T254426, T260124 and T242913) of 12 travel vouchers were not processed timely (within 45 days in accordance with the policy G-28).
* Three (Trip ID#s: T260124, T242913 and T238970) of 12 travel vouchers had inadequate supporting documentation (Example: Absence of Meeting Agenda and Trip Justification).

**Corrective Action Plans**

**CHASS Response:** Please see separate explanations for some of the Trip ID numbers:

**Trip T254444** - This trip was delayed in submission as traveler was travelling

internationally on back to back trips.

**Trip T261261** - This Voucher was late as they needed to track down missing

documentation.

**Trip T260124 -** Voucher processing was delayed due to turnover in staff. There wasn’t

a hotel receipt as they charged per diem and per policy does not require

receipts.

**Trip T238970** **-** The travel was rejected due to the parking receipt being for more days.

The airport parking reimbursement request was adjusted properly.

In conjunction with the rollout of Concur, we are creating a travel center in the CHASS Dean’s office to process travel for the college. Having well trained staff specializing in travel processing and knowledgeable in the polices should alleviate most of these issues.

**Expected Implementation Date**

December 15, 2022

* 1. **Procurement Cards**

OBSERVATIONS

According to Campus Policy 750-70, “Issuance of a Procurement Card indicates an employee has been given the privilege to use the ProCard to conduct official University financial business. This privilege is requested through the Departmental Financial Manager. Each Cardholder must sign an [Employee Agreement Form](http://matmgmt.ucr.edu/purchasing/proc_card/forms/EmployeeAgreementForm.pdf) which indicates their agreement to use the Procurement Card in accordance with Purchasing and Procurement Card Policies and Procedures. This privilege is conditioned upon the employee's agreement to first obtain Purchasing and Procurement Card specific training.

A Cardholder's ability to utilize the Procurement Card in accordance with campus policies and procedures will be routinely monitored. In order to minimize the risk or threat to the University's financial resources, it may be necessary to immediately suspend a Cardholder's Procurement Card privileges if irregularities are detected. Campus Purchasing, in consultation with other appropriate parties, may temporarily suspend a Cardholder's privileges based on irregularities and reinstate them following reasonable explanation. Cardholder privileges can be denied, suspended, or permanently revoked if it is determined that an employee is incapable of complying with, disregards, or intentionally circumvents campus policies and procedures. Any violation of local, State, or Federal laws may carry the additional consequence of prosecution under the law where judicial action may result in one or more of the following: specific fines, imprisonment, litigation costs, and payment of damages.”

In addition, the Policy states that the Department’s Card Administrator (DCA) is responsible to ensure that all ProCard Transactions are independently reviewed by someone other than the Cardholder. If the department unit is too small to provide an independent assessment, an authorized individual from an outside unit should be assigned to review these transactions. The DCA is also responsible to ensure that the ProCard Program is operating in accordance with Low Value Purchase Authorization policies and procedures. In addition, the DCA ensures ProCard transactions are recorded with appropriate FAUs within 60 days of posting or by the end of the fiscal year, whichever comes first and accurate reconciliation of bank charges with the Financial Transaction Detail Report is completed within 30 days following the final Financial Transaction Detail Report.

ProCard holders cannot use their ProCard for expenses such as travel, entertainment personal use, inventory equipment, cash advances and goods in excess of department low value purchase authorization limits.

We selected a sample of 20 ProCard Transactions and observed the following:

* One (Reference #: 7282020) of 20 transactions were unallowable. However, an Unauthorized exception form was utilized for this transaction.
* Two (Reference #s: 4142021 and 4282021) of 20 transactions were not allocated properly.
* Two of 20 transactions were not supported properly.

Specifically:

* Reference # 9102020: the amount charged does not match the receipt.
* Reference # 9092020: the amount charged does not match the receipt.

**Corrective Action Plans**

Not Allocated Properly

**Reference# 4282021**– Per the department, the funds in 19917 were provided by the Dean’s office for the computer replacement program.  We had in previous years used another FAU to purchase the computers, so this funding was just sitting unused, and FAO wanted to charge something to it to deplete the funds, so we charged the summer program awarded last spring to a grad student.

Amount Charged does not match receipt

**Reference# 9102020** – Original amount charged to ProCard was $2,830.41 and the invoice provided by vendor totaled $3,122.95.  Final total was $3,099.41, ($2830.41 plus $269 for the cost of the AppleCare.)  The final invoice was not obtained from the vendor.  In the future, departments have been advised to obtain a final invoice from the vendor that matches the total amount charged to the general ledger prior to ledger reconciliation.

**Reference# 9092020** – Original amount charged to ProCard was $2,831.41 and the invoice provided by the vendor totaled $3,253.31 which included the computer, Apple Care, and a portable hard drive.  The FAO requested updated invoices from the vendor that matches the total posted to the general ledger, after the fact.  In the future, departments have been advised to obtain a final invoice from the vendor that matches the total amount charged to the general ledger prior to ledger reconciliation.

We have discussed with the departments in question that corrected invoices need to be obtained in a timely manner and prior to ledger reconciliation so that appropriate back up can be uploaded. We will also review these audit findings during one of our upcoming FAO/Manager meetings so that all departments are aware of this requirement.

**Expected Implementation Date**

Implemented.

* 1. **ePay Reimbursement Transactions**

OBSERVATIONS

We selected a sample of 12 reimbursement transactions. We observed that four (Reference #s: P1183260, P1185699, P1192214 and P1181046) of 12 were unallowable. However, Unauthorized Purchase Declaration Forms were completed for all four transactions in accordance with the UCR Policy 750-63.

**Corrective Action Plan**

The four purchases noted above were for equipment and supplies mostly for working remotely due to the campus shutdown from COVID. Action plan for thee purchases moving forward is to emphasize the proper method of purchasing. We communicate proper purchasing methods at our monthly FAO meetings and emphasize the best practices. We are also in the process of completing an FAO handbook to assist with understanding the best practices and who to contact if questions arise.

**Expected Implementation Date**

September 30, 2022.

* 1. **Variance Analysis**

OBSERVATIONS

We performed a budget/actual analysis for FY 2020 and FY 2021 and noted variances as shown below:

|  |  |  |
| --- | --- | --- |
| Department Description | Fiscal Year 2020 | Fiscal Year  2021 |
| MFA Writing Desert Campus | (495,561) | (313,160) |
| CHASS Facilities | (42,119) | 4,200 |
| Comparative Literature and Language Hispanic Studies Administration | (3,908) | 17,053 |
| Liberal Studies & Interdisciplinary Programs | 164,963 | 61,660 |
| CHASS Unallocated Restricted Funds | 13,803,109 | 11,634,307 |

TABLE A

**Corrective Action Plans**

* MFA Writing Desert Campus - CHASS has been working closely with the program to bring them into a new positive position.
* CHASS Facilities - The deficit in 2020 was due to some internal recharges that had not been processed by the time the ledgers were closed. These were processed at the beginning of FY 2021.
* Comparative Literature and Language Hispanic Studies Administration - The Administration Unit’s deficit resulted from Principal Investigator (PI) and the student assistant salaries. In 2020, the PI was on leave and the larger than normal carry forward is from the salary savings of his leave and a fund swap ($10,000) with Health Sciences and the Dean’s office that went into the Administration Unit. In April 2021 (FY21), $17,000 was moved into Health Sciences for their operating budget.
* Liberal Studies & Interdisciplinary Programs:
* Latin American Studies - A01037

CHASS Dean's Office provided programming funding in the amount of $15,487.94 (BEA#0001220076) resulting in a positive carryforward of ($6,062.33).

* Interdisciplinary Studies - A01722

Individual programs removed from one “umbrella” Activity and provided “individual” Activity Codes to better track funds were then transferred to these programs:

* $26 (BEA#0001213240) to Liberal Studies
* $213 (BEA#0001225741) to Latin American Studies
* $3,877 (BEA#0001270250) to Liberal Studies
* $1,025 to Liberal Studies (BEA0001270250)
* $17 (BEA#0001271686) to Liberal Studies.
* Asian Studies

A decrease in travel expenses resulted in more positive carryforward ($73).

* Southeast Asian Studies - A01826

Decrease in CHASS Dean's retention commitment in academic salaries BC11 ($14,799) and BC21 ($10,796), and an increase in travel expenses ($775) resulted in less carry forward of ($26,370).

* Global Studies - A01901

In AY2020, budget cut contributions ($604), non-19900 (19933) honoraria spend down ($1,074) P1193769, P1192521, P1192776, P11993118, P11993120, No Concurrent Enrollment (versus 1,124 in the prior year), increase in travel expense ($378) resulted in less carryforward balance of ($3,181).

* Labor Studies - A01968

CHASS Dean's Office provided programming funds in the amount of $1,900 (BEA J0001260850 $1,521 and BEA J0001260850 $350) P1 Annual Year 2020 and less than Supply and Expense Budget (S&E) spending resulting in positive carryforward of ($2,000).

* Middle Eastern Studies - A02126

CHASS Dean's Office provided programming funds in the amount of $3,000 in May 2020 (BEA 0001260856) resulting in a positive carryforward of ($2,513).

* CHASS Public Policy - A02714

Undergraduate Public Policy was previously part of Multidisciplinary Financial and Administrative Unit (MDU). They had some funds still being held in MDU and we were waiting to make sure no further expenses came through. Once it was determined that all expenses had been paid, CHASS Dean's Office pulled back in final 2020 P12 ledger (BEA#0001274183) and therefore no carryforward in AY21.

* Liberal Studies - A02175

There was a carry forward balance from FY2018-19 to FY2019-20 of $54,703 because funding (salary & benefits) in Budget Category (BC)11 and BC21 was provided to Liberal Studies. In addition, Psychology Department charged A02175 for academic salary for $1,773 totaling $56,476. Psychology Salary Cost Transfers removed $1,773 and CHASS Dean pullback of $54,703 were done on the June 30, 2020 final ledger BEA#0001274331 (BC11 $30,989 and BC22 $23,714). This resulted in less carryforward of ($55,921) in Annual Year 2021.

* LGBIT Studies - A02291

LGBIT Studies became Queer Studies. CHASS moved funds to General and Sexualities Studies (GSST) A01045 AY20 (BEA#0001213644) because Queer Studies is handled under GSST via the PIs whose FTE are in GSST. This resulted in funds being carry forwarded to AY21 ($5,801).

* CHASS Unallocated Restricted Fund

The CHASS Unallocated Restricted Funds included initial complement funds. In 2020, CHASS paid out about $2 million more than they drew from the campus resulting in a decrease of the carry forward balance.

**Expected Implementation Date**

Implemented.

* 1. **Volume of Transactions per Transactor Analysis**

OBSERVATIONS

Campus Policy 750-70 states that the Department’s Card Administrator (DCA) is responsible to ensure that all ProCard Transactions are independently reviewed by someone other than the Cardholder. If the department unit is too small to provide an independent assessment, an authorized individual from an outside unit should be assigned to review these transactions.

We performed a high level analysis of the ProCard (PCTs) transactions and transactors to determine if an adequate segregation of duties exists between the transactor and approver. We observed that some CHASS departments have one transactor who processes a large volume of ProCard transactions while other transactors in the same department process one or two PCTs transactions (see TABLE B). The department personnel stated that the overall reason why the PCT transactions were largely processed by only one or two employees, is due to the limited number of transactional staff in each unit.

TABLE B

|  |  |  |
| --- | --- | --- |
| Department | Transactors | PCT Transaction Count |
| Center for Ideas and Society | Transactor 2 | 6 |
| Center for Ideas and Society | Transactor 5 | 792 |
| Center for Ideas and Society | Transactor 7 | 1 |
| History | Transactor 3 | 3 |
| History | Transactor 6 | 830 |
| Theatre | Transactor 2 | 423 |
| Theatre | Transactor 8 | 217 |
| UCR ARTS | Transactor 1 | 77 |
| UCR ARTS | Transactor 4 | 595 |
| UCR ARTS | Transactor 9 | 1 |

**Corrective Action Plans**

Center for Ideas and Society (CIS) – In FY21, the staff in CIS consisted of three employees and only two were the ProCard holders for the unit.  They have hired a new analyst, who is now processing the PCTs for the card holders.

Department of History – In FY21 the staff in History consisted of two employees and only one was the ProCard Holder. Therefore, an Administrative Assistant from English/Philosophy is being assigned to process the PCTs for the one employee’s purchases.

Department of Theatre – In FY21, the Administrative Unit was short in staff during FY21 due to staff turnover. The Administrative Unit also supports the transactions for the departments of Creative Writing, Dance, Music, and the Administrative Unit.  Some of the vacant positions have since been filled as well and added a new Administrative Assistant to help with transactional support.

UCR ARTS – In FY 21, there were six employees in the department. four out of six were ProCard holders in UCR ARTS. CHASS assigned the other two employees not holding ProCards to process the PCTs to maintain separation of duties.

**Expected Implementation Date**

Implemented.

* 1. **Non-Capitalized Asset Inventory**

OBSERVATIONS

Policy 750-12 states, “Guidelines governing the control of theft-sensitive items (valued at less than $5,000) may be established at the department level for managing theft-sensitive items valued at less than $5,000. Examples of the theft sensitive items include computers, PDA, computer printers, computer terminals.”

We noted internal control weaknesses over items valued at less than $5,000. We selected a judgmental sample of five departments (Psychology, History, Art, Creative Writing, Bibliography) for review. Annual inventory procedures for (FY 2021) were not conducted for three (History, Creative Writing, Bibliography) of five departments to track/update theft-sensitive inventory items less than $5,000. In addition, supporting documentation did not exist to determine if one department (Psychology) monitors its theft sensitive inventory items less than $5000 appropriately.

Five departments did not track/inventory the type of information stored in the electronic devices to ensure the information on the electronic devices is adequately secured

An inadequate tracking system increases the risk of loss or theft of sensitive inventory items including sensitive information that are stored in these devices. Failure to protect confidential information could result in damaged reputation and potential loss of customers as well as fines, litigation and penalties.

**Corrective Action Plans**

The newly created procedure was already implemented two years ago but due to COVID the follow up with department was delayed. We have re-communicated this policy to the departments with a new due date of May 31, 2022 for departments to submit updated departmental inventory reports.

The updated Non Capital Asset Policy and inventory tracking sheets were sent out to CHASS department managers in April 2022.

CHASS will be transitioning over to the CHASS Equipment Inventory System in Fall of 2022 which will allow automatic tracking of Non Capital Asset items.

**Expected Implementation Date**

October 30, 2022.

* 1. **Restricted Gift Funds**

OBSERVATIONS

Restricted Gift funds are comprised of resources restricted by donors to be utilized for particular entities or programs for specified purposes. Endowment Funds represent funds that are subject to restrictions of gift instruments requiring that the principal balance be invested in perpetuity and that only income be utilized.

We performed a variance analysis between budgets and actuals of all the restricted gifts funds during FY 2022. We identified one fund (# 45014) that currently has a deficit totaling $1,874 due to a graduate student award that was processed in error.

**Corrective Action Plans**

The deficit occurred due to a graduate student award that was processed in error and is being corrected. The low number of deficits for our gift funds in some ways can be attributed to the proactive approach of running periodic ORG fund balance reports to monitor and identify any funds that will potentially be in deficit at year end, and then notifying the appropriate FAO to make sure they are aware.  Also, one of the items on annual fiscal closing checklist is to identify all funds, with the exception of contract and grants, that end the year with a material deficit, (>$1000), and requesting that the financial manager of the fund provide us with an explanation for the deficit and how it will be cured in the following year.

In addition, a Development Team is involved and meets regularly with Department Chairs and FAO’s to review gift and endowment fund balances on a regular basis.  This is to ensure the department is aware of their balances and that the funds are being spent as they were purposed by the donors. CHASS also monitors gift funds that are purposed for student awards and scholarships to ensure that they have been paid out to our students on a timely basis.

**Expected Implementation Date**

Implemented.