HOUSING & HOSPITALITY

UCLA CATERING OPERATION

AUDIT REPORT #20-2204

Audit & Advisory Services

September 2020

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Background

In accordance with the UCLA Administration fiscal year 2019-20 audit plan, Audit & Advisory Services (A&AS) conducted an audit of internal controls and associated business practices of the UCLA Catering operation.

The Catering operation within UCLA’s Housing & Hospitality (H&HS) Sub Division is a full service, on campus catering operation with an event planning, service and production team. UCLA Catering’s clients consist primarily of campus groups and off-campus organizations that hold events at the University. UCLA Catering is also the sole-source caterer for events that take place in the H&HS meeting facilities, which include the UCLA Meyer and Renee Luskin Conference Center, Carnesale Commons, Covel Commons and De Neve Plaza. Professional catering services also include meeting rooms with in-house audiovisual support.

Catering services is a full service Catering team that handles all event needs from menu creation, logistics planning and meeting management for all events and conferences including those that are not within their meeting facilities.

In anticipation of the Luskin Conference Center opening in mid-2016, the Catering Sales and Events (Catering Sales) department and Catering Production department were separated into two distinct catering operations. Catering Sales still operates under department code 3170, while Catering Production operates under the new department code 3194. The department of UCLA Conferences & Catering that includes Catering Sales is overseen by the Director of Conferences, Catering & Marketing, who reports to the Director of Hospitality Sales & Marketing while Catering Production reports to the Senior Director of Food & Beverage of UCLA H&HS.

Catering Sales consists of 16 staff members and is responsible for negotiating Catering event details with the client or University department(s) using the Delphi Sales & Event Management system. The Delphi system is used to create event orders that are utilized to communicate event details to the various departments involved in the process, mainly Catering Production. Catering Production consists of approximately 90 staff and is responsible for preparing the event details, including but not limited to food, tables, chairs, and assigning staff for each event.

Catering Production also utilizes the EATEC System to record food purchases and maintain food inventory for Catering events. In addition, the Salto system is used by Catering Production to maintain authorized access into sensitive food production and storage areas. Lastly, the Key Watchman system is utilized by Catering production to manage sensitive keys utilized to access equipment and storage areas during Catering events. The H&HS Accounting Services Office (ASO) owns all processes and controls over Catering payments, accounts receivables, refunds, collections, write-off balances, utilizing the Opera system.

For fiscal year ended June 30, 2019, total Off Premise Catering revenue was approximately $10.8 million. Additionally, Catering Production serviced $852,000 in Meeting Room Services revenue, $6.1 million in LCC Banquets revenue, and $2.1 million in LCC Conference Services revenue totaling approximately $20 million for the year.

Purpose and Scope

The primary purpose of the review was to ensure that Catering’s organizational structure and controls surrounding the Catering operation are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. Where applicable, compliance with campus and University requirements was also evaluated. The scope of the audit focused on the following areas:

* Accountability Structure
* Account Receivable
* Refunds
* Systems Access
* Food Inventory
* Equipment
* Separation of Duties

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests of records, interviews, and other auditing procedures considered necessary in achieving the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, Catering’s organizational structure and controls are generally conducive to accomplishing its business objectives related to Catering activities. However, controls and business practices could be further strengthened by implementing the following:

Systems Access – EATEC, Key Watcher, and Salto

* Management should perform periodic reviews of EATEC, Key Watcher, and Salto system user access to ensure that all users are current employees and require access based on their job responsibilities. At the time management becomes aware of an impending employee separation or of an instance where non-employees have system access, it should provide timely written notification to H&HS - IT management of such conditions to effectively control Key Watcher system access.

Equipment – Custody Codes

* Management should ensure that the Asset Management System (AMS) equipment database for custody code 0457, Catering Production, is updated on a timely basis to include the 20 items identified in custody codes 0604, Catering Sales, and 0455 Luskin Conference Center.

The audit results and corresponding recommendations are detailed in the following sections of the report.

Audit Results and Recommendations

Financial Management

Discussions were conducted with Catering Sales and Catering Production management to obtain a general understanding of their respective operations and accountability structures. The accountability structure for Catering Sales and Catering Production was evaluated in the Distributed Administrative Computing Security System (DACSS), as of March 10, 2020, for effective delegation of authority in initiating, processing, and reviewing purchasing transactions, and for adherence to the UCLA Financial Policy on “Principles of Financial Accountability.” According to the policy, maintaining and securing an effective accountability structure should provide for the routine update of DACSS to ensure that proper access is granted to inquire, prepare, and/or review transactions.

The DACSS system is UCLA’s enterprise application access management system that allows campus departments to manage access to the resources and functions of all major University transaction systems such as purchasing, accounts payable, and payroll. A user’s ability to perform a transaction can be limited based on organizational hierarchy and/or full accounting units (FAU). Additionally, dollar limits can be placed on financial transactions.

The Chief Administrative Officer (CAO) of a unit is responsible for identifying which individuals will have access to the applications systems, and those responsible for reviewing the transactions for each specific application. The Departmental Security Administrator (DSA) is responsible for the input into the DACSS system of the access as delineated by the CAO.

### The following DACSS Campus Data Warehouse (CDW) reports were generated and analyzed as of March 10, 2020:

### “QDB (Query Data Base) Users by Appt (Appointment) Unit,” and “QDB Users by System Access Request (SAR) Unit.”

### “Users and their Access by Appt Unit,” and “Users with Access to a Specific Unit.”

### “Reviewers for a Specific Unit” and “Reviewers by Home Department Code.”

Data from these reports was used to create worksheets that provided a listing of all users and reviewers that have access to inquiry, process, and review transactions for Catering Sales and Catering Production. The worksheets were provided to the Directors of Catering Sales and Catering Production to confirm that access is current and appropriate.

Catering Sales and Catering Production have established an accountability structure that ensures proper oversight over procurement functions. The Catering Sales and Catering Production CAOs verified that user access and reviewer setup is appropriate and based on employees’ job descriptions.

There were no significant control weaknesses found in this area.

ACCOUNTS RECEIVABLE

1. Revenue

Meetings were held with Catering management to obtain an understanding of Catering’s processes and procedures used to control the recording of event revenue. H&HS Accounting Services Office (ASO) management provided the Opera systems aging report as of March 8, 2020. Of the nine items contained in the aging report, three were selected for testing. For the selected sample, A&AS performed testing to verify that the agreed upon event charges to Campus departments was performed using Catering’s billing system, Opera. H&HS management, Catering management, and H&HS ASO staff provided an overview of the receivable process for Catering events within the Opera system. Supporting documentation was reviewed in accordance with the General Ledger detail to verify that payment was remitted or recharged on a timely basis. Once the event is complete, the client’s invoice is remitted the next day to be paid within 30 days. The Opera system automatically ages the balance due from the date of the event completion.

There were no significant control weaknesses noted in this area.

1. Collection and Write - Offs

H&HS management, Catering management, and H&HS ASO provided a general overview of the accounts receivable process including monitoring, aging, collection methodology, and bad debt write-off. Catering’s outstanding accounts receivable as of March 8, 2020 was $16,303. There were no write-offs of bad debt balances during fiscal year 2019-20 and dating back through fiscal year 2016-17. A&AS reviewed accounts receivable business practices and assessed the related procedures as of March 2020 as well as the supporting documentation for adequacy, completeness, and proper approvals. As noted in the accounts receivable section of this report, a sample was selected to test that collection efforts were adequately performed within departmental guidelines. Opera systems’ Aging Report as of March 8, 2020 showed that there were nine Catering event balances; three were chosen, two of which were aged over 121+ days, and one aged 61-90 days.

Based on our review and test work, accounts receivables for Catering events are regularly monitored by Catering management and H&HS ASO utilizing the Opera system’s aging reports. Formal collection efforts are performed by H&HS ASO for balances due between 0-30 days, 31-60 days, 61-90 days, 91-120 days, and balances over 121 days. Once collection efforts are exhausted, bad debt balances require authorized H&HS management approval to be written-off. A complete audit trail, including collection efforts by date is maintained by H&HS ASO.

There were no significant control weaknesses noted in this area.

Refunds

Catering management, H&HS management, and H&HS ASO provided an overview of refund business practices and controls. To select a sample and determine the population of refunds performed by Catering management, A&AS requested a listing of all refund transactions from January 2, 2020 - March 18, 2020. Per H&HS management, refunds do not frequently occur, and none had occurred during that time period. Therefore, the sample of refunds selected consisted of the last three refund transactions which had transpired from November 8, 2019 - January 1, 2020. Supporting documentation was obtained for the sample of three items for review and assessed for adequacy, completeness, and verification that the refunds were processed in accordance with departmental policies.

Test work showed that all three refunds were adequately documented, supported by an audit trail, authorized by Catering management, remitted with the same payment type as the source payment, and reflected within the Opera System.

There were no significant control weaknesses noted in this area.

SYSTEM ACCESS

1. EATEC System Access

Access rights granted to employees for the EATEC System were tested for appropriateness. Access rights are granted by H&HS Information Technology (IT) based on job responsibilities. The H&HS IT Help Desk team manages EATEC system access for new and separated staff users. A help desk request is prepared and reviewed for each new user including a *New Hire Access Request Form*. H&HS IT provides network access and adds the new user to the EATEC System. The EATEC System is an on-premise system, meaning it is hosted locally on computers and servers, and is not accessed externally through a cloud host. This provides EATEC users with the ability to use the system with active network access privileges.

H&HS IT provided A&AS with EATEC System’s user access lists, as of March 18, 2020 and March 25, 2020. A sample of 25 users was selected for test work. A&AS reviewed the users’ employment status in the University personnel and payroll system (UCPath) to verify that users granted system access are current Catering employees. In addition, discussions were held with management to determine if access rights were granted based upon their job classification and responsibilities and to verify that the user still required access.

Seventeen of the 25 employees who have been assigned access to EATEC are current employees and based on review and discussions with management, access rights appear to be appropriately granted based upon their job classification and responsibilities. The following issues were noted:

* Six users are not currently employed by the University.
* Two current employees no longer require access based on their current job duties.

By not ensuring that access to the EATEC system is maintained on a current basis, unauthorized access and modifications to food inventory control data may occur.

Recommendation: Management should ensure that access to the EATEC system is deleted when an employee separates from the department or the University, or no longer requires such access when work responsibilities change. At the time management becomes aware of an impending employee separation or a change in job responsibilities, it should provide timely written notification to H&HS - IT management of such personnel action and /or changes to effectively control EATEC system access.

Response: Agree. Since being made aware of this situation while the Audit was being conducted, Catering Production management created a standard operating procedure in regards to preparing separating documents to Housing IT once an employee has provided resignation notice. In addition, quarterly audits are conducted to ensure that current staff have the right level of access given job responsibilities and will notify Housing IT of necessary changes or updates.

1. Key Watcher System Access

A&AS held discussions with H&HS management to gain an understanding of administration and control of Key Watcher system access. The process is initiated through a department manager by an email that must contain the employee’s name, department, and the area of access needed. When deleting or removing access, the Access Control Group relies on emails from Human Resources that notify them of any separated employees. The user(s) that are separated from the department or University are then deleted and removed from the system.

H&HS IT Access Control provided the Key Watcher system user report as of April 1, 2020. A judgmental sample of 40 users with various Catering Production profiles (i.e., maintenance, kitchen, housekeeping, etc.) was selected for testing. A&AS analyzed the selected users, and verified whether they are current employees and/or still required system access based on their job responsibilities.

Thirty of the 40 employees who have been assigned access to the KeyWatcher are current employees and based on review and discussions with management, access rights appear to be appropriately granted based upon their job classification and responsibilities. Ten users do not have an active employment status in UCPath; eight users are currently not employed by the University, and two users could not be found in UCPath.

By not ensuring that access to the Key Watcher system is maintained on a current basis, unauthorized access to University assets may occur. Once notified by A&AS, H&HS IT Access Control removed the users who did not have an active employment status in UCPath from the KeyWatcher system.

Recommendation: Management should perform periodic reviews of Key Watcher system user access to ensure that all users are current employees and require access based on their job responsibilities. At the time management becomes aware of an impending employee separation or of an instance where non-employees have system access, it should provide timely written notification to H&HS - IT management of such conditions to effectively control Key Watcher system access.

Response: Agree. Similar to access control issues to EATEC, Catering Production has put the same monitoring measures in place for the Key Watcher system. Audits are now conducted monthly to ensure that current staff have the right level of access given job responsibilities. In addition, a daily report is generated by the Key Watcher system indicating if any keys are not returned.

1. Salto System Access

The Salto system is a cloud based key management system that is utilized by Catering Production to secure areas where inventory, equipment, and/or other storage is maintained. H&HS management provided an overview of administration and controls over Salto system access. H&HS IT Access Control provided the Salto system user report as of April 1, 2020. A judgmental sample of 20 users with various Catering Production profiles (i.e., maintenance, kitchen, housekeeping, etc.) was selected for testing. A&AS reviewed the selected users, and verified whether they are current employees and/or still required system access based on their job responsibilities.

Review of the listing of 20 users who have access rights in the Salto system indicated that 16 of the employees are current employees and Salto key access rights appear to be appropriately granted based upon their job classification and responsibilities. The following issues were noted:

* Two users are currently not employed by the University.
* One user has expired access.
* One user has access assigned without justification.

By not ensuring that access to the Salto system is maintained on a current basis, unauthorized access to restricted Catering areas may occur.

Recommendation: Management should ensure that access to the Salto system is deleted when an employee separates from the department or University, has expired access, or was granted access without valid justification. At the time management becomes aware of an impending employee separation or temporary granting of system access, it should provide timely written notification to H&HS - IT Management of such personnel action to effectively control Salto system access. Additionally, management should perform periodic reviews of system access to detect any privileges assigned in error.

Response: Agree. Similar to access control issues to EATEC and Key Watcher system, Catering Production has put the same monitoring measures in place for the Salto system. Quarterly audits will be conducted to ensure that current staff have the right level of access given job responsibilities and will notify Housing IT of necessary changes or updates.

Food Inventory

Since the prior review, Catering Production separated its operation from Catering Sales. A&AS reviewed Catering Production’s food inventory internal controls and procedures to ensure that physical inventory counts are periodically conducted, adequately documented, properly reviewed and appropriately approved by Catering Production management. Periodic inventory counts are performed by Catering Production’s head chef at the end of each month. The inventory counts are recorded on printed physical inventory count sheets. The Catering Production Director reviews the physical inventory count sheets and selects a sample of higher valued food items for recount to verify accuracy. If a variance occurs, the item with a variance is recounted by the Catering Production Director. If the variance remains unresolved, the EATEC System will be reviewed to determine the source of the variance. The final inventory count is entered into the EATEC System.

A&AS judgmentally selected high risk items (i.e., lobster tail, steak, etc.) that are recorded on the Inventory Activity reports generated from the EATEC System. This information is then matched to the physical inventory count sheets utilized to conduct the monthly food inventory counts. The Inventory Activity reports were reviewed for signatures belonging to the head chef and the Catering Production Director evidencing appropriate management approval. A&AS evaluated the reports to determine if variances were investigated and documented by Catering Production management. A&AS inquired with Catering Production staff but was unable to complete testing, as the COVID-19 stay and home orders prevented completion of the testing.

Equipment

A&AS reviewed the UCLA Asset Management System (AMS) equipment custody codes for Catering Sales, Catering Production, and related areas. A&AS reviewed each custody code to ensure equipment items assigned to each department are physically located within the appropriate physical location. Since Catering Sales and Catering Production are two distinct operations, A&AS verified that the equipment assigned to each of the custody codes per department number are 3194, Catering Production, and 3170, Catering Sales.

On a cursory basis, A&AS identified equipment items with a BruinBuy number for department 3194, Catering Production that were not actually assigned to department Catering Production’s custody code 0457 or were still assigned to Catering Sales custody code 0604. Typically, Catering Sales would not have any equipment related to food preparation. This type of equipment should be assigned to Catering Production.

The Asset Management System (AMS) equipment database for custody codes 0604, Catering Sales, and 0455, Luskin Conference Center, had 20 inventorial equipment items, 19 and 1, respectively, that belong to and are controlled by custody code 0457 Catering Production. Custody codes indicate the operational unit that is responsible for the stewardship of the equipment. By not maintaining the appropriate inventorial equipment custody code on a current and timely basis, proper AMS tracking data is inaccurate and providing adequate physical security for the equipment is problematic.

Recommendation: Management should ensure that the AMS equipment database for custody code 0457, Catering Production, is updated on a timely basis to include the 20 items identified in custody codes 0604, Catering Sales, and 0455, Luskin Conference Center. Doing so will strengthen control over the assets by ensuring that the operational unit that has stewardship responsibility for the equipment maintains proper administration over such items.

Response: Agree. Catering Production management will work with those responsible for custody codes of the Luskin Conference Center to ensure that equipment is properly coded to the accountable unit for proper administration of such equipment.

Separation of Duties

A&AS verified the adequacy of Catering Sales and Catering Production key internal controls within event creation, billing and food inventory to ensure proper separation of duties is established and maintained. Key processing activities within Catering’s overall workflow were reviewed in order to verify individual duties and “key” processing functions are adequately separated and that no single individual was in control over two or more processes and/or procedures within the tested function. Authorization and approval for financial transactions did not contain any significant control weaknesses. Records were reviewed for timeliness, completeness and accuracy.

There were no significant control weaknesses noted in this area.

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