

July 23, 2015

JAMES MCKERROW  
Dean  
Skaggs School of Pharmacy and Pharmaceutical Sciences  
0657

***Subject: Skaggs School of Pharmacy and Pharmaceutical Sciences  
Project 2015-23***

The final audit report for *Skaggs School of Pharmacy and Pharmaceutical Sciences*, Audit Report 2015-23, is attached. We would like to thank all members of the department for their cooperation and assistance during the audit.

The findings included in this report will be added to our follow-up system. We will contact you to schedule a review of the corrective actions at the appropriate time.

UC wide policy requires that all draft audit reports, both printed (copied on tan paper for ease of identification) and electronic, be destroyed after the final report is issued. Please destroy any draft reports you have at this time.

David Meier  
Director  
Audit & Management Advisory Services

Attachment

cc: D. Brenner  
J. Bruner  
M. Harrison  
G. Hasegawa  
A. Marshall  
S. Vacca

# UC San Diego

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## AUDIT & MANAGEMENT ADVISORY SERVICES

Skaggs School of Pharmacy and Pharmaceutical Sciences  
July 2015

**Performed By:**

Tessa Melendez, Auditor  
Christa Perkins, Manager

**Approved By:**

David Meier, Director

Project Number: 2015-23

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**I. Background**

Audit & Management Advisory Services (AMAS) has completed a review of the Skaggs School of Pharmacy and Pharmaceutical Sciences executive account management processes as part of the approved audit plan for Fiscal Year 2014-15. This report summarizes the results of our review.

The Skaggs School of Pharmacy and Pharmaceutical Sciences (SSPPS) was established by the University of California Board of Regents in 2000 and matriculated its first class of students in the fall of 2002. SSPPS was named in recognition of a \$30 million gift from The Skaggs Institute for Research, which was used in part to fund a pharmaceutical sciences facility for teaching, research, and administrative activities. In 2006, SSPPS completed construction on a new 76,000 square foot facility containing wet and dry research laboratory space, shared support laboratory space, faculty offices and meeting spaces, administrative offices, classrooms, and a 260-seat state of the art auditorium.

SSPPS is accredited by the Accreditation Council for Pharmacy Education and maintains enrollment of 240 Doctor of Pharmacy students, 60 Ph.D. students, and 30 pharmacy residents. The curriculum prepares students to become leaders in the Pharmacy profession and emphasizes the expanded role of pharmacists in clinical and therapeutic settings. SSPPS clinical teaching facilities include UCSD affiliated teaching hospitals, outpatient clinics, and other institutions in the San Diego area.

The former Dean of SSPPS stepped down effective June 30, 2014, and the current Dean was appointed effective July 1, 2014. This review of executive account management and internal controls is provided as a service to incoming Deans to ensure executive accounts are effectively managed, in accordance with University policy. This report summarizes the results of our review.

**II. Audit Objective, Scope, and Procedures**

The objective of our review was to determine whether internal controls for SSPPS executive accounts provided reasonable assurance that financial transactions have been initiated and approved in accordance with University and campus policy. The scope of our review was focused on internal controls for current core business processes (e.g. payroll and timekeeping, travel and entertainment, procurement). Detailed testing of expenditures was limited to expenses charged to executive accounts in Fiscal Years 2013-14 and 2014-15 (through December 2014.)

In order to achieve our objectives we completed the following:

- Reviewed relevant University and campus policies;

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- Reviewed Delegations of Authority and Disbursements Signature Authorization documents;
- Requested and reviewed departmental responses to internal control questionnaires and a separation of duties matrix;
- Reviewed approval hierarchies in the Integrated Financial Information System (IFIS); and
- Performed detailed testing of selected key business processes to verify that internal controls were adequate and functioning in compliance with University and campus policies.

### **III. Conclusion**

Based on our review procedures, we concluded that SSPPS internal controls for executive accounts were generally adequate, and provided reasonable assurance that expenditures charged to executive accounts were in compliance with University and campus policies and procedures. However, we noted a few opportunities for improvement related to approvals and signature authorizations, check receipts, and internal control certification which are discussed in the balance of this report.

### **IV. Observations and Management Corrective Actions**

#### **A. Approvals and Signature Authorizations**

**Department approving authority was absent or not at the appropriate level for one individual, and signature authorizations were not been updated to remove former employees.**

University policy provides that approving authority should be the supervisor of (or at a higher classification than) the person claiming the expenditure. While reviewing approval templates for the Department Business Officer (DBO), we noted there was not a designated secondary departmental approval set up for a number of high risk transactions including low value purchase orders (up to \$2,500), high value purchase orders (up to \$1,000,000), travel card advances, travel expenses, and entertainment. This created a condition where the document preparer could complete a transaction without a second department member reviewing the transaction.

In addition, we noted that templates to process reimbursements for the DBO allowed subordinates to approve her expenses. During our testing of entertainment and supplies expense transactions, we identified one entertainment expense and five supplies expenses during FY13-14 and FY14-15 that were approved by staff who reported directly to the DBO.

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Our review of department signature authorizations noted one employee who transferred out of SSPPS effective February 2014 and one employee who retired from the University effective October 2011 were still included on a list of department employees with signature authority.

**Management Corrective Actions:**

SSPPS will:

1. Update approval templates to include secondary department approval for high risk items.
2. Update approval templates to ensure approving authority is at the supervisor of (or at a higher classification than) the person claiming the expenditure.
3. Cancel signature authorizations for the former department employees and regularly update the signature authorizations to ensure former employees are removed timely.

**B. Check Storage and Receipts**

**Check deposits were not always held in compliance with University policy, and check receipts were not always obtained from the Cashier.**

In addition to its online application for admission, SSPPS requires a non-refundable supplemental application fee of \$80. Checks were mailed directly to SSPPS and then deposited with the Central Cashier after processing. Checks were typically deposited with the Central Cashier on the same day. However, in some instances, checks may not be deposited until the following day. During our review, we noted one instance in which checks totaling \$2,480 were held overnight in a locked cabinet before being deposited with the Central Cashier. University policy BUS-49 *Policy for Cash and Cash Equivalents Received* (BUS-49) requires cash and cash equivalents to be stored in locked receptacles based on the following cash limits:

1. Up to \$1,000 in a locked receptacle;
2. From \$1,001 to \$2,500 in a safe;
3. From \$2,501 to \$25,000 in a steel-door safe, with a door thickness of not less than 1 inch and wall thickness of not less than ½ inch;
4. From \$25,001 to \$250,000 in a class TL-15 composite safe or better; and
5. Over \$250,000 in a class TL-30 steel or better safe.

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Deviation from these procedures created additional risk of cash loss or theft and may jeopardize the University's liability coverage.

Policy (BUS-49) also requires a receipt to be recorded for each collection. SSPPS indicated that the Central Cashier did provide deposit receipts; however, receipts were not always retained as the receipts are small and may go unnoticed when SSPPS receives them from the Central Cashier. Deposit receipts were not available for the ten of the deposits in our sample.

**Management Corrective Actions:**

SSPPS will:

1. Ensure checks are stored in compliance with Policy (BUS-49).
2. Ensure deposit receipts are obtained from the Central Cashier and retained for each deposit.

**C. Internal Control Documentation**

**SSPPS had not converted from paper-based internal control documentation system to Control Tracker.**

Statement of Auditing Standards No. 112 (SAS 112), "Communicating Internal Control Related Matters Identified in an Audit," and its successor, Statement of Auditing Standards No. 115 (SAS 115), are accounting standards that were incorporated into UCSD's financial audit effective July 1, 2007. SAS 112/115 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements. Control Tracker is a web-based application used to document certification of control activities within a unit in compliance with SAS 112/115. UCSD implemented the application to take the place of the paper UCSD Department Key Controls Documentation document effective July 1, 2014. At the time of our review, SSPPS still utilized the paper-based documentation system.

**Management Corrective Action:**

During the review, the SSPPS Unit Administrator completed the required Control Tracker training, and indicated that Control Tracker would be implemented for review and certification beginning with April 2015 activities.