UCLA INTERNATIONAL INSTITUTE

AUDIT REPORT #18-4006

Audit & Advisory Services

September 2018

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# Background

In accordance with the Campus fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) conducted an audit of the UCLA International Institute.

The International Institute is the hub for international studies and global engagement at UCLA. The International Institute educates students, supports research and teaching about the world and its global challenges, and builds academic partnerships at UCLA and abroad. Headed by the Vice Provost for International Studies and Global Engagement, the Institute comprises over 20 research centers and programs, and eight degree programs for both undergraduate and graduate students. In the academic year 2016-17, 515 undergraduate and 22 graduate students were enrolled in the International Institute.

The International Institute is charged with both supporting international studies on campus and representing UCLA to the world. Working alongside UCLA’s college and professional schools, the Institute promotes, supports, and sustains expertise and education on world regions and global challenges. At the campus level, the International Institute is uniquely positioned to bring together faculty and students engaged in international research throughout UCLA’s many divisions and professional schools.

The International Institute also plays a pivotal role in supporting the Vice Provost for International Studies and Global Engagement to develop and implement UCLA’s global strategy. The Vice Provost is responsible for strategizing and managing the University’s international partnerships, strengthening the University’s global engagement, and facilitating cross-campus collaboration in global affairs. Specifically, the Vice Provost manages UCLA’s 350 plus research, teaching, and student exchange agreements with institutions in 50 countries; supports overseas engagement with alumni and donors; helps develop strategic international programs and partnerships; and cultivates UCLA’s relationships with educational institutions, governments, non-profit organizations, and businesses worldwide.

The Vice Provost also oversees the reception of international dignitaries on campus; manages a central information clearinghouse for international education and research programs on campus; represents UCLA in major global associations, such as the Association of International Education Administrators and the Association of Pacific Rim Universities; and plans and organizes the international trips of the UCLA Chancellor to engage with UCLA’s many constituents, stakeholders, partners and friends around the world.

Two Assistant Vice Provosts, one Associate Vice Provost, and one Senior Associate Vice Provost/Director oversee the administrative operations and report to the Vice Provost. There are 47 faculty and 57 career staff. Total revenues for fiscal year 2016-17 were $14,981,451, and total expenditures were $14,835,964.

Purpose and Scope

The purpose of the audit was to determine whether there are adequate internal controls over key departmental administrative and financial processes. Where applicable, compliance with University policies and procedures were also evaluated. The scope of the audit covered the following areas:

* Purchasing
* Travel and Entertainment
* Gifts and Endowments
* Sales and Service Activities
* Mandatory Training
* Information Technology
* Conflict of Interest/Commitment

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests, and other procedures considered necessary to achieve the objective.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, the International Institute has established effective systems of internal controls and business practices to ensure that the financial and administrative objectives of the Institute are met. Also, International Institute personnel appear to be experienced and knowledgeable of the University’s policies and procedures. However, the review did find additional areas where internal controls could be further strengthened.

*Purchasing*

* Management should provide regular communication to faculty and staff to remind them to create orders in BruinBuy at the time of commitment, prior to the event taking place or the service being provided, and using an estimate or quote from the vendor. Orders should not be created after the event has occurred or service has been provided. This will help to protect the University by ensuring that the proper terms and conditions are in place, timely payments are made to vendors, and budgeting data is accurate. Also, management should perform periodic reviews of purchase transactions to verify that orders have been properly created in BruinBuy.
* For purchases more than $5,000, Low Value Orders (LVOs) should not be used and invoices/orders should not be split to meet this requirement. An appropriate requisition method such as a purchase order (P-class) or a special items order (X-class) should be used when procurement exceeds $5,000.
* To help ensure that the proper terms and conditions are applied to purchases, management should notify staff that procurement of services from vendors that require they be insured are processed through a requisition, and not through LVOs. Also, management should consider spot-checking LVOs on a periodic basis to determine that orders are being used in compliance with University policies and procedures.
* To comply with University policy, management should not reimburse employees for goods and/or services purchased using an employee's personal funds over $500.
* Management should increase the frequency of reviewing Post Authorization Notification (PAN) aging reports, and continue to remind mandatory reviewers to review PANs in a timely manner. Review of PANs are a control point for financial transactions, and a delay in reviewing PANs dilutes the control activity of monitoring transactions to ensure that they are proper and appropriate.

*Travel and Entertainment*

* Management should provide regular communication to travelers to submit travel expense claims within 45 days after the end of a trip to ensure compliance with University policy. Compliance with this policy requirement is crucial as travel expense claims submitted after 45 days can be reported to the Internal Revenue Service as taxable income, can result in delayed reimbursements to travelers, and can cause latency in recording of expenditures to departmental accounts, leading to inaccurate records.
* Travel and Entertainment (T&E) cardholders do not always pay off their charge cards in a timely manner. A&AS supports management’s practice of sending e-mail notifications to T&E cardholders to remind them to pay their charge cards expeditiously.

*Gifts and Endowments*

* For the one student award that was not posted to the Student Information System (SIS) identified during the audit review, management should review the award to ensure that the funds were properly received by the student, and determine why the award does not appear to be posted to the student’s account in the SIS.

*Sales and Service Activities*

* The African Arts Magazine (fund 61003) has been in deficit for the past 5 years. The current deficit is $131,000. The deficit has ranged between $80,000 to $150,000 during the past five years. A&AS recognizes the African Arts Magazine’s contribution to the study, conservation, and edification in this subject matter, and supports management's continuing efforts to balancing the fund and work towards reducing the deficit for this fund.

*Mandatory Training*

* All employees have not taken the required Cybersecurity Awareness and Sexual Violence/Sexual Harassment Prevention training. A&AS supports management’s efforts to remind faculty and staff to complete the mandatory Cybersecurity Awareness and Sexual Violence/Sexual Harassment Prevention training by established due dates.

The audit results and recommendations are detailed in the remainder of this audit report.

Audit Results and Recommendations

| **#** | **FINDING and**  **CRITERIA, where applicable** | **RECOMMENDATION** | **MANAGEMENT’S RESPONSE** |
| --- | --- | --- | --- |
| **PURCHASING** | | | |
| Audit work included the following:   * Review of 20 judgmentally selected disbursements in fiscal year 2016-17, including purchasing activity through procurement cards, LVOs, purchase orders, etc. Documents reviewed included BruinBuy documentation, general ledgers, invoices, PANs, and other supporting documentation. * Data analytics was performed on the International Institute's fiscal year 2016-17 purchasing data, and was used to verify that LVOs do not exceed threshold of $5,000 per vendor, per day, per account. * Discussion with management and Campus Purchasing personnel.   Issues noted are summarized below. | | | |
| 1. | BruinBuy Order Input Delay:  For nine of 20 transactions reviewed, the order was created in BruinBuy after the event had occurred, or the goods and services were provided.  The delay for these items ranged between two and 70 calendar days. The nine orders included LVOs, purchase orders, and special items (X-class).    Orders should be established prior to the receipt of goods or delivery of services, in order to confirm the scope of work or exchange of value, and also to record the obligation (as an encumbrance) on the University’s financial books.  When an encumbrance is not created, this could result in inaccurate decisions when budgeting and allocating monies.  Also, University terms and conditions should be presented to the vendor when the order is placed, otherwise the vendor’s terms and conditions may govern the transaction.  Vendor terms and conditions may violate University policies, may not provide the required protection, or may have onerous business terms.    Furthermore, inputting orders into BruinBuy after the invoice date could cause payment delays to the vendor. | Management should provide regular communication to faculty and staff to remind them to create orders in BruinBuy at the time of commitment, prior to the event taking place or the service being provided, and using an estimate or quote from the vendor.  Orders should not be created after the event has occurred or service has been provided.  This will help to protect the University by ensuring that the proper terms and conditions are in place, timely payments are made to vendors, and budgeting data is accurate.    In addition, management should perform periodic reviews of purchase transactions to verify that orders have been properly created in BruinBuy. | We will remind our organization to create orders in BruinBuy at the time of commitment, prior to the event taking place or the service being provided, and using an estimate or quote from the vendor.  Also, we will continue to review transactions to verify orders have been properly created in BruinBuy. |
| 2. | Multiple Low Value Orders (LVOs)  Data analytics was used to review LVOs placed by the International Institute in fiscal year 2016-17.  It appears that on one day, multiple LVOs were issued for the same vendor.  Specifically, six LVOs were issued to pay for six invoices, for registration fees to attend a language program, totaling $24,000 to one vendor on June 28, 2017.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  Criteria:  UCLA Policy 741, IV.B.2, "The issuance of multiple LVOs on the same day or repeat orders on consecutive days to a vendor of the same or related material, or the issuance of multiple invoices by a vendor in order to circumvent policy, are prohibited and shall be cause for the withdrawal of LVO authorization." | Low Value Orders should not be used for purchases more than $5,000, and invoices and orders should not be split to meet this requirement.  For purchases exceeding $5,000, an appropriate requisition method such as a purchase order (P-class) or a special items order (X-class) should be used. | We will send a reminder that low-value orders should not be used for purchases greater than $5,000. |
| 3. | Low Value Orders (LVOs) - Restricted Purchase  For one of 20 disbursements reviewed, an LVO was used to pay for art de-installation/dismantling services.  The department should have used a requisition (purchase order) through Campus Purchasing.  A requisition is needed to ensure that Campus Purchasing can validate that the vendor has appropriate insurance to perform the work, an agreement is in place, and proper terms and conditions are applied to govern the purchase. | To help ensure that the proper terms and conditions are applied to purchases, management should notify staff that procurement of services from vendors that require they be insured are processed through a requisition, and not through LVOs. Also, management should consider spot checking LVOs on a periodic basis to determine that LVOs are being used in compliance with University policies and procedures. | We will send a reminder that LVOs should not be utilized for transactions requiring a requisition. |
| 4. | Employee Reimbursement  One of 20 sampled transactions was an LVO used to pay for an employee reimbursement for membership fees, in the amount of $3,052.  Employee reimbursements for the purchase of goods and/or services should be limited because purchases made outside of approved methods could inadvertently violate University policy, retail prices could be more than negotiated prices established through approved methods, and purchases made by employees do not incorporate University terms and conditions of purchase.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  Criteria:  Per UCLA Policy 741, Low Value Orders, IV.C:  "The purchase of goods and/or services with an employee’s personal funds and subsequent reimbursement is strongly discouraged, and as of August 1, 2010, is limited to $500 per transaction. Purchases above $500 should be made using approved methods of purchasing, including Strategic Sourcing Agreements, department blanket orders, requisitions, LVOs, and Pcard purchases." | To comply with University policy, management should not reimburse employees for goods and/or services purchased using an employee's personal funds over $500. | We will send a reminder that employee reimbursements for goods/services should not exceed $500. |
| 5. | Post Audit Notification (PANs)  International Institute mandatory PAN reviewers are not always reviewing PANs in a timely manner. PANs were reviewed for 20 general purchases and for 20 travel and entertainment related transactions (see Travel and Entertainment section below). Based on test work performed, the PANs for four general purchase and eight travel and entertainment related disbursements were not reviewed by mandatory reviewers within two business days as required by University policy.  The 12 PANs were unread by mandatory reviewers between seven and 85 calendar days.    Based on discussion with management, the Research and Finance Manager reviews PAN aging reports in Document Direct at the end of the fiscal year to ensure that PANs are being reviewed.  \_\_\_\_\_\_\_\_\_\_  Criteria:  UCLA Financial Policy, Principles of Financial Accountability, Section III.2, "A reviewer must review all transactions within two working days of receipt." | Management should increase the frequency of reviewing PAN aging reports, and continue to remind mandatory reviewers to review PANs in a timely manner.  Review of PANs are a control point for financial transactions, and a delay in reviewing PANs dilutes the control activity of monitoring transactions to ensure that they are proper and appropriate. | We will remind mandatory reviewers that all PANs should be reviewed within two business days. |
| **TRAVEL AND ENTERTAINMENT** | | | |
| Audit work included the following:   * Examination of 20 travel and entertainment related expenditures incurred in fiscal year 2016-17. Sample of 20 transactions consisted of nine employee travel reimbursements processed through Travel Express, four were food and beverage expenditures for meetings/events, four were for other travel related expenditures such as transportation and hotels, and three were Pre-Travel Authorization (PTA) airfare purchases through UC Travel. Supporting documentation reviewed included Travel Express expense reports, receipts, invoices, etc. * Review of five T&E cardholders and their related purchases in March 2017. Receipts, Travel Express expense reports, and related supporting documentation were reviewed. * Assessment of the *T&E Cardholder With Outstanding Balance Report* generated by Travel Accounting as of May 7, 2018. * Review of 10 cash advances obtained by the traveler through their T&E Cards. Receipts, Travel Express expense reports, and related supporting documentation were reviewed. * Discussion with International Institute management and Campus Travel Accounting personnel.   Issues noted are summarized below. | | | |
| 6. | Travel Reimbursement Timeliness  Twenty travel and entertainment related expenditures incurred by the International Institute were reviewed to ensure that transactions were appropriate, properly processed and supported, accurately recorded, and approved by designated personnel.  Nine of the 20 sampled transactions were for employee travel reimbursements processed through the Travel Express system.  In three instances, travel reimbursement was not submitted within 45 days after the travel, as required by University policy.  Travel expense reimbursement claims were submitted approximately two to five months after the end of the trip.  Based on discussion with Campus Travel Accounting, the University is in the process of establishing procedures to tax travelers who submit travel expense claims after 45 days, as required by Internal Revenue Service regulations.  While travelers are not currently taxed or penalized for submitting late travel expense claims, travelers should still report any travel expense reimbursement claims in compliance with University policy to ensure that reimbursements are paid to employees expeditiously, and expenditures are recorded properly and timely.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  Criteria:  University of California (UC) Policy G-28, Travel Regulations, policy V.I.1., Reporting Period, "The travel expense claim must be submitted to the disbursements/travel accounting office...within a reasonable amount of time not to exceed 45 days after the end of a trip...Travel reimbursement requests submitted after 45 days are left to the discretion of the campus, considering the facts and circumstances, whether the reimbursement will be made and if any reporting as taxable income will be required." | Management should provide regular communication to travelers to submit travel expense claims within 45 days after the end of a trip to ensure compliance with University policy. Compliance with this policy requirement is crucial as travel expense claims submitted after 45 days can be reported to the Internal Revenue Service as taxable income, can result in delayed reimbursements to travelers, and can cause latency in recording of expenditures to departmental accounts, leading to inaccurate records. | We will remind staff and travelers that all claims must be submtited within 45 days after the end of a trip in order to avoid potential tax consequences. |
| 7. | Travel and Entertainment (T&E) Card  Two of five sampled T&E cardholders did not pay their T&E card balance in a timely manner, resulting in a late payment fee in March 2017.  The cardholder is responsible for the late fee.  Also, based on UCLA Travel Accounting report of *T&E Cardholders with Outstanding Balances* as of May 7, 2018, the International Institute has five T&E cardholders with outstanding balances of between 54 to 84 calendar days.    International Institute management indicated that e-mail notifications are regularly sent to T&E cardholders with outstanding balances.  E-mail communication includes reminders of cardholder responsibility and notice of outstanding balances.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_  Criteria:  University of California (UC) Policy G-28, Travel Regulations, policy V.B.2, Corporate Travel Cards, “The cardholder will be billed directly for all expense charged to the corporate card. The cardholder is personally responsible for paying all charges on the corporate card and for keeping the card current. The University will not reimburse or pay late fee charges incurred in connection with the corporate card. Corporate travel card payment delinquencies may result in the cancellation of the traveler’s card or other corrective actions.” | A&AS supports management’s practice of sending e-mail notifications to T&E cardholders with outstanding balances to help ensure that T&E cardholders pay off their charge cards in a timely manner. | We will continue to work with and remind T&E holders that their cards must be paid in a timely manner. |
| **GIFTS AND ENDOWMENTS** | | | |
| Audit work included the following:   * A review of 21 judgmentally selected gift expenditures (from 10 gift and endowment funds) in fiscal year 2016-17 was performed. Supporting documentation (invoices, PANs, general ledger detail, Consolidated Gift Fund data, etc.) was reviewed to ensure that the expenditure was used in accordance with donor terms and conditions. * Discussions with International Institute personnel.   Issues noted are summarized below. | | | |
| 8. | Student Award (Scholarship)  While 21 disbursements from 10 gift and endowment funds reviewed were properly processed in accordance with donor restrictions and University policies and procedures, for one of the 21 transactions reviewed, it appears that a student award was not properly posted in the student accounting system.  For the one identified transaction, the student award of $1,500 was recorded in the campus detailed general ledger and in the Monetary Transfer of Fund (MTF) system (MTF #48803), but no award was posted to the student’s account per review of the SIS.  It is unclear why the award does not appear in the SIS. | For the one identified student award, management should review the award to ensure that the funds were properly received by the student, and determine why the award does not appear to be posted to the student’s account in the SIS. | UCLA Summer Sessions (SS) responded to our request after final documentation was submitted to A&AS and provided the following information. The student also went abroad on a second program: Summer 2016 Travel Study Cuba program. The UK Scholarship was mistakenly posted to that term/program by Financial Aid Office (FAO) in one of their systems. SS has notifed FAO to bring that to their attention for correction. However, it is important to note that on the student’s Electronic Finanial Aid Notification (eFAN), the UK Scholarship is listed correctly for the 16F term which confirms the funds were applied to their MyEAP account correctly. SS also checked with EAP and they also confirmed this took place. |
| **SALES AND SERVICE ACTIVITIES** | | | |
| Audit work included the following:   * Selection of a sample of six sales and services funds. For each fund, reviewed the detail general ledger for fiscal year 2016-17 and *Statement of Receipts and Expenditures Five Years Trend* report (fiscal years 2012-13 to 2016-17). * Review of a judgmental sample of 15 expenditures and revenues from the six funds to verify the propriety of the transaction. Supporting documentation reviewed included fund applications, deposit documents, invoices, etc. * Discussion with International Institute personnel and central Sales & Services Activities unit management.   Issues noted are summarized below. | | | |
| 9. | Sales and Service Fund Deficit  Based on discussions with pertinent International Institute personnel and review of detailed general ledgers, while Sales and Services Funds appear to be adequately administered and monitored, one fund reviewed was in deficit.  The African Arts Magazine (fund 61003) has been in deficit for the past 5 years. The current deficit is $131,000. The deficit has ranged between $80,000 to $150,000 during the past five years.    Management explained that the department is acutely aware of the deficit and is actively working on reducing the deficit.  Management also indicated that the African Arts Magazine contributes to and aligns with the University's mission to create and disseminate knowledge for the betterment of our global society, and there is no comparable publication on this subject matter.  As such, the magazine has support from departmental and campus leadership. | Management should continue to work towards reducing the deficit for the African Art Magazine fund.  A&AS recognizes the publication's contribution to the study, conservation, and edification of this subject matter, and supports management's efforts to balancing the fund. | We will continue to work with African Arts on reducing the deficit in their fund. |
| **MANDATORY TRAINING** | | | |
| Audit work included the following:   * Review of compliance with mandatory Cybersecurity Awareness and Sexual Violence/Sexual Harassment Prevention training as of April 11, 2018, for all International Institute employees.   Issues noted are summarized below. | | | |
| 10. | Mandatory Training:  Required compliance training completion rates pertaining to Cybersecurity Awareness and Sexual Violence/Sexual Harassment Prevention for faculty and staff as of April 11, 2018, is approximately 78% and 69%, respectively.   |  |  | | --- | --- | | **Training** | **%Compliant** | | **Sexual Violence/Sexual Harassment Prevention** | **69%** | | **Cybersecurity Awareness** | **78%** |   Management indicated that reminders are sent to staff and faculty on a regular basis. | A&AS supports management’s efforts to remind faculty and staff to complete the mandatory Cybersecurity Awareness and Sexual Violence/Sexual Harassment Prevention training by established due dates. | We will continue to follow up with our faculty and staff to ensure that mandatory trainings are completed in a timely manner. |
| **INFORMATION TECHNOLOGY** | | | |
| Audit work included verification that controls over desktops, laptops, and mobile devices were adequate and a listing of the devices are maintained by the International Institute.  No significant control weaknesses were identified in this area. | | | |
| **CONFLICT OF INTEREST/COMMITMENT** | | | |
| Audit work included the following:   * Review of potential conflicts of interest for fiscal year 2016-17. * Examination of Faculty Annual Report of Category I and II Outside Activities and Additional Teaching Activities forms for fiscal year 2016-17. Management indicated that the Vice Provost is the only individual that reports from the International Institute. The form for the Vice Provost was completed, submitted to the Academic Personnel Office in a timely manner, and the time reported was within the annual limit.   No significant control weaknesses were identified in this area. | | | |

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