UCLA SCHOOL OF THE ARTS AND ARCHITECTURE

AUDIT REPORT #16-5001

Audit & Advisory Services

September 2016

UCLA SCHOOL OF THE ARTS AND ARCHITECTURE

AUDIT REPORT #16-5001

Background

In accordance with the Campus fiscal year 2015-16 audit plan, Audit & Advisory Services (A&AS) conducted an audit of the UCLA School of the Arts and Architecture (UCLA Arts).

The School’s mission includes the belief that the arts are not only an essential part of the cognitive, critical, inquisitive life of a public research university, but the practice and presence of the arts are a cornerstone of the creative, innovative thinking and collaborative approaches that the 21st century demands.

Programs are offered in four degree-granting departments: Architecture and Urban Design, Art, Design Media Arts, and World Arts and Cultures/Dance. The School’s commitment to innovative education, pioneering research, dynamic public service, and community engagement is fueled by their unwavering belief in the fundamental value of creativity and the artist’s unique ability to change the world and shape the future. Students learn from and interact with distinguished faculty who rank among the most accomplished artists, designers, architects, performers, ethnographers, and scholars of our time. The School’s programs combine studio-based practice with critical studies and liberal arts scholarship.

The School includes various research centers that foster connections between the arts and other disciplines, bringing together creativity and research to address issues such as global health, climate change, urbanism and other critical challenges. Also, the School oversees two internationally acclaimed museums – the Fowler and the Hammer Museums, as well as the Center for the Art of Performance at UCLA (CAP UCLA). These three public arts units offer students, faculty and the broader community rich access to leading anthropological, historical and contemporary visual arts exhibitions and collections, performances, lectures, and workshops by established and emerging artists from Los Angeles and around the world.

*Major Departments*

* Architecture & Urban Design (A.UD) – This department is a leading player on the international stage of contemporary architecture. Students are taught by world-renowned faculty, from established Pritzker Prize winners to the emerging leaders of tomorrow; using the most creative, advanced, and cutting-edge approaches to design, technology, and architecture. A.UD offers one undergraduate degree, and four graduate degrees.
* Art – This department is dedicated to artists' development within the context of a research university. Students have the opportunity to work with a faculty whose own practices represent a range of approaches to art-making and the interpretation of artworks. Students are provided the tools, facilities, and curriculum to express themselves in ways that are meaningful in the social context in which they live and work. Studio practice is augmented by liberal arts studies in other academic fields. Areas of study include ceramics, interdisciplinary studio, new genres, painting and drawing, photography, and sculpture. The department offers Master of Fine Arts (M.F.A.) and Bachelor of Arts (B.A.) programs.
* Design Media Arts (DMA) – This department offers a comprehensive, multidisciplinary approach to media creation that fosters individual exploration and innovative thinking. DMA is committed to educating conscientious creators by emphasizing production within the contexts of history and theory. The results emerge in and on books, galleries, game consoles, installations, films, magazines, performances, public spaces, televisions, and websites. DMA strives to create socially and culturally relevant objects, experiences, and spaces.

DMA operates several state-of-the-art instructional and service labs including a video lab, a digital audio lab, a fabrication lab, an electronics lab, a print lab, a shoot room, eight faculty research labs, and a large lab space shared by graduate students. The department offers a B.A. and an M.F.A.

* World Arts and Cultures/Dance (WACD) – WACD is led by a faculty of scholars, activists, curators, filmmakers, and choreographers dedicated to critical cross-cultural analysis and art-making. WACD is the place to make dances, explore digital media, curate exhibitions, become an arts activist, and develop scholarly expertise in culture and the arts. WACD draws upon multiple disciplines and artistic approaches while encouraging students to position their work within broad social contexts. The department offers B.A., M.F.A. in Dance, and Ph.D. programs.

The School has 56 ladder faculty, 7 adjunct professors, 104 lecturers, and 1294 total undergraduate and graduate students. The interim Dean, Professor of WACD, was appointed in 2015. The Assistant Dean, Administration oversees the Dean’s office within the School. The Chief Financial Officer oversees financial activity, and reports to the Assistant Dean. Each area within the School employs their own administrative and financial staff. The Dean’s office employs approximately 35 Full Time Employees (FTEs), including five Development positions whose salaries are funded by External Affairs. Also, the Dean’s office employs 26 other individuals who have part-time and/or intermittent appointments with the School.

Purpose and Scope

The purpose of the audit was to ensure that there are adequate internal controls over the UCLA School of the Arts and Architecture administrative and financial activities. Where applicable, compliance with University policies and procedures was also evaluated. The audit’s scope focused on the following activities:

* Financial Management
* Conflict of Interest
* Information Systems
* Gift Funds and Endowments
* Faculty Hiring and Diversity
* Budget and Planning Processes

The audit was conducted in conformance with *the International Standards for the Professional Practice of Internal Auditing* and included tests of records, interviews, and other procedures considered necessary to achieve the audit purpose. Interviews were conducted with School of the Arts and Architecture and campus management and staff, and supporting documentation was also examined.

Summary Opinion

Based on the results of the work performed within the scope of the audit, the School of the Arts and Architecture’s staff has established effective systems of internal controls and business practices to ensure the financial and administrative objectives of the School are met. In addition, the School’s administrative staff appear to be experienced and knowledgeable of the University’s policies and procedures. Our review did find additional areas where internal controls could be further strengthened. The following were noted:

*Financial Management*

* To help ensure that the proper terms and conditions are applied to purchases and vendors, management should send out regular reminders that consulting and/or professional services should be processed on a Requisition for Purchase Order or Independent Consultant Agreement, when applicable. LVOs should not be used in these instances. Also, management should remind areas that LVOs should not exceed $5,000 per vendor, per day, per account. Campus Purchasing should be consulted for any questionable items. Further, management should consider spot checking LVOs on a periodic basis to determine whether areas are using LVOs in compliance with University policies and procedures, and whether additional training to those areas is warranted.
* Purchasing business practices could be strengthened by providing regular communication to faculty and staff to create orders in BruinBuy at the time of commitment and prior to the event taking place or the service being completed, using an estimate or quote from the vendor. Orders should not be created after the event has occurred or service has been provided. Also, management should remind areas that Low Value Orders (LVOs) should not exceed $5,000 per vendor, per day, per account. Further, management should consider performing periodic spot checks of purchase transactions, to ensure that orders are created at the time of commitment. Providing ongoing communication and additional training as needed will protect the University by ensuring that the proper terms and conditions are in place, help to ensure more timely payments to vendors, and provide more accurate budgeting data.
* Management should continue to remind mandatory reviewers as needed, to review their Post Authorization Notices (PANs) in a timely manner.
* Reviewers should ensure that proper documentation is maintained when approving and reviewing travel expenditures. Additional training should be provided to departments or individuals as needed.
* Proper supporting documentation should be maintained to ensure compliance with policies and procedures related to cash contributions to outside nonprofit organizations.

*Conflict of Interest*

* The Dean should remind faculty and staff of the need to properly disclose any potential conflicts of interest. This includes completing the “Request for Approval of Proposed Purchasing Involving Possible Conflict of Interest” form and coordinating with Campus Purchasing when any potential conflicts exist.

*Information Systems*

* Management should consider securing server racks to prevent from falling over in case of an earthquake, installing moisture alarms, and installing heat and smoke alarms where needed within the School.
* Management should continue logging superuser activity; however, these logs should be periodically reviewed by an independent and knowledgeable individual to ensure that privileged accounts are only used for authorized purposes.
* A.UD should document their backup and recovery procedures. Also, A.UD backup data should be periodically restored and validated.
* Management should ensure that anti-virus software is installed on all Mac computers.

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

Table of Contents

[Audit Results and Recommendations 8](#_Toc455055129)

[Financial Management 8](#_Toc455055130)

[A. Low Value Orders (LVOs) 8](#_Toc455055131)

[B. BruinBuy Order Input Delay 10](#_Toc455055132)

[C. Post Authorization Notices (PANs) 11](#_Toc455055133)

[D. Travel Reimbursements 12](#_Toc455055134)

[E. Cash Contributions to Outside Nonprofit Organizations 14](#_Toc455055135)

[Conflict of Interest 15](#_Toc455055136)

[Information Systems 17](#_Toc455055137)

[A. Physical Security 17](#_Toc455055138)

[B. Superuser Review 19](#_Toc455055139)

[C. Backup and Recovery 20](#_Toc455055140)

[D. Anti-Virus Software 21](#_Toc455055141)

[E. Cybersecurity Training 22](#_Toc455055142)

[Gift Funds and Endowments 22](#_Toc455055143)

[Faculty Hiring and Diversity 23](#_Toc455055144)

[A. Hiring 23](#_Toc455055145)

[B. Retention 24](#_Toc455055146)

[C. Separation 24](#_Toc455055147)

[D. Training 25](#_Toc455055148)

[Budget and Planning Processes 26](#_Toc455055149)

# Audit Results and Recommendations

## Financial Management

A sample of 50 expense transactions were judgmentally selected for review from fiscal year 2014-15 financial data. For each item, supporting documentation was reviewed to verify that the disbursement was an appropriate University expenditure; the expenditure charged to the fund source was reasonable; and the selection was accurately recorded (in source documentation, general ledgers, and any related systems). Also, each disbursement was reviewed to verify that it was properly approved, and that mandatory reviewers read the transaction(s) in a timely manner.

While it appears that most transactions were proper and appropriate, the following improvements are warranted with regards to LVOs, BruinBuy order input delays, PAN reviews, and travel and contribution related expenditures.

### Low Value Orders (LVOs)

Based on audit review, the following were noted:

* For three selections, an N-class order (LVO) was used to purchase items that appeared to include consulting or professional related services. According to UCLA Policy 741, “Low Value Purchases” - Attachment A, these items should have been processed via a Requisition for Purchase Order, and not through an LVO. When LVOs are used for such services, the risk is increased of violating the UC Fair Wage/Fair Work Plan, which requires minimum wage be paid to UC employees working at least 20 hours per week, as well as employees of suppliers providing services to UC. Also, without an agreement and applicable terms and conditions in place, the University is at risk if there is a problem (i.e., whether the vendor will hold the University harmless, if the vendor carries insurance, if California law will govern any legal issues, if the contract can be terminated, etc.).
* For one selection, two payments to the same vendor were processed on the same day, with the total of the two payments exceeding the LVO dollar limit of $5,000.  The two invoices paid to the same vendor on the same day totaled $9,318.41. While the transaction sampled was $4,981.30, a second payment of $4,337.11 was made to the same vendor on the same day from the same account.  It appears that the department may have split the invoice to process the purchase as an LVO. According to UCLA Purchasing & Accounts Payable, “Purchases of goods and services using a low-value order (LVO) cannot exceed $5,000 per vendor, per day, per account code, excluding transportation costs and excluding sales and/or use tax.”

Recommendation: To help ensure that the proper terms and conditions are applied to purchases and vendors, management should send out regular reminders that consulting and/or professional services should be processed on a Requisition for Purchase Order or Independent Consultant Agreement, when applicable. LVOs should not be used in these instances. Also, management should remind areas that LVOs should not exceed $5,000 per vendor, per day, per account.

Campus Purchasing should be consulted for any questionable items. Further, management should consider spot checking LVOs on a periodic basis to determine whether areas are using LVOs in compliance with University policies and procedures, and whether additional training to those areas is warranted.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Provide policy guidance to managers and staff in each unit in the School on the report's recommendations on Low Value Orders (LVOs), BruinBuy input delay, Post Authorization Notices (PANs), travel reimbursement documentation, contributions to external nonprofit organizations, and conflict of interest;
* Beginning in September 2016, conduct periodic spot checks throughout fiscal year 2016-17 of LVOs and BruinBuy purchase transactions, as recommended in the report.

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. BruinBuy Order Input Delay

For 19 selections, the order was not created in BruinBuy until after the event had occurred or goods and services were provided, which includedtransactions that were processed as LVOs, purchase orders, blanket agreements, etc.

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 decision making 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 UC policies, may not provide the required protection, or may have onerous business terms.

Recommendation: Management should provide regular communication to units, to create orders in BruinBuy at the time of commitment and prior to the event taking place or the service being completed, using an estimate or quote from the vendor. Orders should not be created after the event has occurred or service has been provided.

Also, management should consider performing periodic spot checks for purchase transactions to ensure that orders are created at the time of commitment. Providing ongoing communication and additional training as needed, will protect the University by ensuring that the proper terms and conditions are in place, help to ensure more timely payments to vendors, and provide more accurate budgeting data.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Provide policy guidance to managers and staff in each unit in the School on the report's recommendations on Low Value Orders (LVOs), BruinBuy input delay, Post Authorization Notices (PANs), travel reimbursement documentation, contributions to external nonprofit organizations, and conflict of interest;
* Beginning in September 2016, conduct periodic spot checks throughout fiscal year 2016-17 of LVOs and BruinBuy purchase transactions, as recommended in the report.

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. Post Authorization Notices (PANs)

Management reviews PAN aging reports on a regular basis and provides feedback to individuals who do not read their PANs in a timely manner. Audit testing indicated that PANs were not read in a timely manner by mandatory reviewers for 18 out of 50 transactions, ranging from 6 to 172 calendar days. Also, there were two unread PANs by a mandatory reviewer as of the audit review. There were between one and five mandatory reviewers for these transactions.

According to UCLA Financial Policy, section III.F, “A reviewer must review all transactions within two working days of receipt.” Timely review of PANs helps to ensure that all related financial activities are appropriate and adhere to University policies and procedures.

Recommendation: Management should consider revising the mandatory review structure for transactions that have more than two mandatory reviewers. This would include potentially reducing the number of mandatory reviewers, shifting these responsibilities to other individuals for certain types of transactions, or changing a mandatory reviewer’s status to become a non-mandatory reviewer instead.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Provide policy guidance to managers and staff in each unit in the School on the report's recommendations on Low Value Orders (LVOs), BruinBuy input delay, Post Authorization Notices (PANs), travel reimbursement documentation, contributions to external nonprofit organizations, and conflict of interest;
* Beginning in September 2016, conduct periodic spot checks throughout fiscal year 2016-17 of LVOs and BruinBuy purchase transactions, as recommended in the report.

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. Travel Reimbursements

Based on audit review of 50 sampled transactions, the following were noted:

* For one selection, the traveler, on a return trip for University business, took an extended layover for personal reasons. While the indirect route was discussed with Travel Accounting at the time of booking, there was an oversight during the travel reimbursement process, as the traveler did not pay the difference of $501.  At the time of audit testing, School management contacted the traveler to notify them of the amount due to the University.

UC Policy G-28 Travel Regulations V.D.1.f, “Obtaining advance approval is suggested when a traveler takes an indirect route or interrupts travel by a direct route, for other than University business. Any resulting additional expenses shall be borne by the traveler.  The reimbursement of expenses shall be limited to the actual costs incurred or the charges that would have been incurred via a usually traveled route, whichever is less.”

* For one selection, proper hotel folios showing proof of payment were not submitted for lodging reimbursements in the amount of $2,509.68. The reservation confirmation detail was used to support the reimbursement. According to UC Policy G-28 Travel Regulations V.E.2.a.i, “Lodging expenses must be supported by original itemized receipts, regardless of the amounts incurred, and must be reasonable for the locality of travel.”

Recommendation: For the individual noted above, repayment should be made to the University. Also, reviewers should ensure that proper documentation is maintained when approving travel reimbursements to ensure compliance with University policies and procedures.

Response: The audit items mentioned under Section D. Travel Reimbursements have been fully addressed by the departments involved. Also, the Dean has asked the School's administrative leadership to implement the following corrective actions:

* Provide policy guidance to managers and staff in each unit in the School on the report's recommendations on Low Value Orders (LVOs), BruinBuy input delay, Post Authorization Notices (PANs), travel reimbursement documentation, contributions to external nonprofit organizations, and conflict of interest;
* Beginning in September 2016, conduct periodic spot checks throughout fiscal year 2016-17 of LVOs and BruinBuy purchase transactions, as recommended in the report.

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. Contributions to Outside Nonprofit Organizations

For one selection, sufficient documentation was not maintained for a contribution to an art exhibit from the School in the amount of $4,000. While there was an invoice from the receiving organization, no other supporting documentation was available for review. Based on BUS-79 V.B.2, “University policy requires documentation of the business purpose for making a cash contribution to an outside nonprofit organization. The business relationship with the nonprofit organization must be explained on the Entertainment Check Request form (or electronic equivalent) . . . To document that a contribution to an outside organization was made on behalf of the University, submit a copy of the transmittal letter to the recipient organization with the Entertainment Check Request form.”

Recommendation: Proper supporting documentation should be maintained to ensure compliance with policies and procedures related to cash contributions to outside nonprofit organizations.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Provide policy guidance to managers and staff in each unit in the School on the report's recommendations on Low Value Orders (LVOs), BruinBuy input delay, Post Authorization Notices (PANs), travel reimbursement documentation, contributions to external nonprofit organizations, and conflict of interest;
* Beginning in September 2016, conduct periodic spot checks throughout fiscal year 2016-17 of LVOs and BruinBuy purchase transactions, as recommended in the report.

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

## Conflict of Interest

Audit review encompassed reviewing the school’s business practices to manage conflict of interests, and included analyzing ten sampled items that appeared to be a potential conflict of interest.

Management indicated that there is an expectation that if there is a potential conflict of interest and departments are aware of it, they should disclose it, and the Dean's Office would require them to submit a “Request for Approval of Proposed Purchasing Involving Possible Conflict of Interest” form to campus Purchasing.  If the request is approved, the department may proceed with the transaction. If the request is not approved, another vendor would need to provide the goods or services.

Based on test work performed, in eight instances there did not appear to be any conflict of interests. For two sampled items, the following potential conflict of interests were noted:

* For one selection, the employee is a full-time Publications Coordinator for the Fowler Museum.  The vendor completed some design work on a few occasions for the International Institute and the Fowler Museum.  While the employee and vendor are partners, the vendor had no direct reporting relationship to his partner.
* For one selection, the employee has had various Program Representative payroll appointments with SOAA Visual and Performing Arts Education Program & Education.  The vendor was paid five times by SOAA Visual and Performing Arts Education program for design/art services.  The employee is a near relative of the person doing the design/art service work for the vendor.

Due to the older nature of when these items occurred, it is unclear if the proper documentation and approval was completed. Management indicated that the programs were advised of this potential conflict of interest issue by the Dean's Office during the audit. Also, these programs were cautioned to be aware of these types of potential conflicts in the future, and not to work with this vendor until pre-approved by campus Purchasing. Further, management reminded these areas to complete the “Request for Approval of Proposed Purchasing Involving Possible Conflict of Interest” form for any potential conflicts going forward.

According to BUS-43, Materiel Management, Section III, Part 5, Employee-Vendor Relationships, B.3c, “Near Relative - The University may purchase or lease goods from or contract for services with the near relative of any employee, provided that the Materiel Manager or designee has made a specific determination that the goods and services are not available either from commercial sources or from within the University of California.”

Recommendation: The Dean should remind faculty and staff of the need to properly disclose any potential conflicts of interest. This includes completing the required forms and coordinating with campus Purchasing when any potential conflicts exist.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Provide policy guidance to managers and staff in each unit in the School on the report's recommendations on Low Value Orders (LVOs), BruinBuy input delay, Post Authorization Notices (PANs), travel reimbursement documentation, contributions to external nonprofit organizations, and conflict of interest;
* Beginning in September, conduct periodic spot checks throughout fiscal year 2016-17 of LVOs and BruinBuy purchase transactions, as recommended in the report.

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

## Information Systems

Audit review included interviews with management and a tour of three server rooms. Areas of focus included reviewing controls over superusers, physical security, and technical controls. The School does not retain any Personally Identifiable Information (PII) data.

Based on interviews conducted during the audit regarding the Dean’s office systems, controls over password security, user access, network security, and patch management appear to be adequately controlled.Improvements over server room physical security, superuser review, backup and recovery, and anti-virus software, are noted below.

1. Physical Security

Tours of three SOAA sever rooms (Main, AUD, and DMA) indicated generally adequate physical controls. The following controls were noted:

|  |  |  |  |
| --- | --- | --- | --- |
|  |  Main | AUD | DMA |
| The fire suppression system is adequate. | Yes | Yes | Yes |
| The servers are on a raised floor or racks. | Yes | Yes | Yes |
| Server racks are secured to the wall in case of an earthquake. | No | No | Yes |
| The room is located away from potential hazards. | Yes | Yes | Yes |
| There is adequate heating, ventilation, and cooling systems. | Yes | Yes | Yes |
| There is adequate back-up air conditioning. | Yes | Yes | Yes |
| There is adequate heat and smoke alarms. | Yes | Unclear | Yes |
| There is a moisture alarm. | Yes | No | No |

Improvements to the following areas are warranted:

* + Server racks are not secured to the wall to prevent from falling over in case of an earthquake in Main and AUD server rooms.
	+ A smoke or heat alarm was not observed in the AUD server room.  It was unclear if an alarm is located in the drop down ceiling.  As a result, A&AS was not able to determine whether the heat and smoke alarms are adequate.
	+ There is no moisture alarm in the AUD and DMA server rooms.

According to University of California Policy BFB-IS-12: Continuity Planning and Disaster Recovery, Section V.A, “Essential computing and networking systems must be located in secure, professionally managed data centers that include: fire suppression system; controlled and redundant temperature and humidity environment [and] provide standard protection against common hazards, such as fire, flood, earthquake, theft, and decay.”

Recommendation: Management should consider securing the server racks in case of an earthquake in the Main and AUD server rooms, installing moisture alarms in the AUD and DMA server rooms. Also, management should consider installing heat and smoke alarms in AUD servers, if not already in place.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Implement the recommendations for improving physical and information security of the School's network equipment and systems (including securing server racks; installing moisture, heat, and smoke alarms; document backup and recovery procedures in A.UD, and periodically restore and validate backup data; ensure that anti-virus software is installed on all Mac computers) by March 1, 2017. Within the same time frame, staff will also work with the campus IT security office to develop superuser review practices "commensurate with the level of risk involved" (IS-3, section 111.C.2.b.iii).

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. Superuser Review

Superuser access to critical systems in the School is limited. A superuser account allows for administrative rights to the system(s). While superuser activity to critical systems is logged, related superuser activity is not actively reviewed by an independent person.

According to guidance on privileged users stated in UC Business and Finance Bulletin IS-3, section III.C.2.b.iii, “activities performed using a privileged account should be logged, where feasible, and the logs should be reviewed on a regular basis by an independent and knowledgeable person.” Additionally, “use of privileged accounts should be monitored periodically to ensure they are being used for authorized purposes.”

Recommendation: Management should continue logging superuser activity; however, these logs should be periodically reviewed by an independent and knowledgeable individual to ensure that privileged accounts are only used for authorized purposes.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Implement the recommendations for improving physical and information security of the School's network equipment and systems (including securing server racks; installing moisture, heat, and smoke alarms; document backup and recovery procedures in A.UD, and periodically restore and validate backup data; ensure that anti-virus software is installed on all Mac computers) by March 1, 2017. Within the same time frame, staff will also work with the campus IT security office to develop superuser review practices "commensurate with the level of risk involved" (IS-3, section 111.C.2.b.iii).

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. Backup and Recovery

Based on audit review, the School appears to have controls in place to ensure proper backup and recovery of its data. However, the backup data has not been periodically restored/validated at the department of A.UD, and A.UD does not maintain written documentation of the backup and recovery procedures. Written procedures help ensure that training for those responsible for performing the backups and for users who may need to access the backups are adequately delineated. Also, validation helps to ensure the integrity of the backup data, that the original data may be restored with 100% accuracy, and that the data is properly preserved.

Recommendation: A.UD should document their backup and recovery procedures.  A.UD backup data should be periodically restored/validated.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Implement the recommendations for improving physical and information security of the School's network equipment and systems (including securing server racks; installing moisture, heat, and smoke alarms; document backup and recovery procedures in A.UD, and periodically restore and validate backup data; ensure that anti-virus software is installed on all Mac computers) by March 1, 2017. Within the same time frame, staff will also work with the campus IT security office to develop superuser review practices "commensurate with the level of risk involved" (IS-3, section 111.C.2.b.iii).

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. Anti-Virus Software

It appears that while anti-virus software is installed on computers within the School, it is not installed on Macintosh (Mac) computers at Design Media Arts (DMA). UCLA Policy 401 requires that devices connecting to the campus network run up-to-date anti-virus software. To facilitate this, UCLA provides Sophos, a free anti-virus software program to UCLA students, faculty, and staff. The UCLA Information Security Office recommends that every member of the campus community download and use Sophos frequently.

Recommendation: Management should ensure that anti-virus software is installed on all Mac computers.

Response: The Dean has asked the School's administrative leadership to implement the following corrective actions:

* Implement the recommendations for improving physical and information security of the School's network equipment and systems (including securing server racks; installing moisture, heat, and smoke alarms; document backup and recovery procedures in A.UD, and periodically restore and validate backup data; ensure that anti-virus software is installed on all Mac computers) by March 1, 2017. Within the same time frame, staff will also work with the campus IT security office to develop superuser review practices "commensurate with the level of risk involved" (IS-3, section 111.C.2.b.iii).

The Dean has also sent a memo to the School's academic and administrative leadership, academic department chairs, unit directors, and administrative managers reporting on the Draft Audit Report's findings and addressing areas for improvement outlined by the recommendations of the report.

1. Cybersecurity Training

Based on review of UCLA's Report on Cybersecurity Awareness Training Completion Rates, SOAA employees had a 50.5% completion rate as of April 2016.  Of the 544 employees listed in the report, approximately 60% of employees who have not completed the cybersecurity awareness training are neither regular faculty nor career staff employees. The following had not completed the training at the time of our review:

* 178, or 33%, are students in either work-study positions, or student employee titles.
* 144, or 27%, are in positions that are largely staffed by part-time/limited employees.  Due to their employment status and in many instances, the nature of their work, these employees may have faced challenges in meeting this and other University training requirements.
* 135, or 25%, are in academic titles, including 47, or 8.6%, graduate students in academic apprentice titles (Teaching Assistant, Graduate Student Researcher, etc.).

Management indicated that the Dean wrote to the chairs of the four academic departments, reminding them that the training is mandatory and asking them to strongly encourage their faculty to complete the training if they had not already done so.  Also, management indicated that they will communicate with leadership in each unit and ask them to remind individuals that cybersecurity training is mandatory for all UC employees and to complete the training as soon as possible.  A&AS supports these efforts to regularly communicate with the various departments and units regarding this issue.

## Gift Funds and Endowments

Audit review included selecting a sample of 15 gift funds as of December 31, 2015, from the campus Consolidated Gift Fund Report.  For each fund, the fund purpose was reviewed and the reasoning for any limited activity was discussed with management.  It appears that funds are adequately reviewed and managed. For the following three funds with limited activity, the following were noted.

* For the Doris Duke Charitable Foundation Endowment fund, the Center for the Art of Performance at UCLA has budgeted the entire available interest pay-out by the end of the fiscal year to cover artist fee and production expenses.
* For the Frederick R. Weisman fund, development of a plan for the use of this fund was delayed during the department's leadership transition between Chairs. The identified goal is to fund up to $10,000 per year in support of student travel and research, applications will be accepted in fiscal year 2016-17 for the first round of awards.
* For the Vision Science for Dynamic Arch fund, expenditures were made in fiscal year 2014-15, with the intention that they would be paid, utilizing the total balance of this fund. Due to a significant transition in the department related to multiple administrative positions, the expenses were charged to another fund. Management is working with campus Accounting to determine if a journal adjustment can be processed to reflect the use of these funds, as they were intended.

A&AS supports management’s continued efforts to ensure that gift monies are properly utilized.

## Faculty Hiring and Diversity

Based on discussion with SOAA management, it appears that proper steps are taken surrounding recruitment, hiring, retention, and separation relating to establishing and maintaining a diverse staff and faculty population in the School.

1. Hiring

For faculty hiring, the interview committee is generally drawn from the senate faculty members of the hiring department.  The committee is diverse to the extent that the current faculties are within the department.  SOAA makes every effort to ensure gender balance on the committees.

There is training covering issues such as diversity, hiring, and unconscious bias.  The SOAA’s Associate Dean for Equity, Diversity & Inclusion (who was appointed to this newly-created position last year) and the office of the Vice Chancellor for Equity, Diversity & Inclusion have approval, as well as veto authority, over the candidate pool for ladder faculty searches. Temporary appointments are not subject to this level of approval.

The candidate pool is analyzed according to available data for the discipline.  If the data suggests that the pool is not sufficiently representative, the search will be extended and additional venues for publicizing the position are investigated.

1. Retention

For staff that have obtained a supervisory certificate, a diversity training class is required as part of the curriculum.  Also, the School’s Associate Dean for Equity, Diversity & Inclusion has been conducting training sessions for staff focused on diversity and bias issues.  SOAA has also begun a series of “lunches/dinners with dialogue” for staff and students to discuss these issues in an open, participative format. Management indicated that broad, global cultural diversity is at the core of the School’s mission, curriculum and programming.

1. Separation

A code indicating the reason for separation is entered into the campus payroll/personnel system upon separation.  Ladder rank separations are coded and tracked, and information is compiled in the office of the Vice Chancellor for Academic Personnel.

For Faculty, exit meetings are not conducted on a regular basis. If information is available, it is passed on to the Vice Chancellor, Academic Personnel.

For staff, exit meetings are at the individual managers' discretion.  Information may be shared with managers, chairs, directors, and the dean’s office.

1. Training

Based on discussion with SOAA management and with CHR, it appears that diversity training is administered to staff and faculty.  The campus Office of Equity, Diversity & Inclusion (ED&I) conducts required briefings for faculty who serve on faculty search committees in relation to the search process so they will be sensitized to these issues.  Also, the School’s Associate Dean for ED&I has been conducting training sessions for faculty and staff in the School covering diversity and bias.

While SOAA does not have exact headcounts for the training sessions conducted in the School during the past year, the following was noted:

* Approximately 30 ladder faculty have attended the faculty search committee briefing.
* The Associate Dean for ED&I has completed a training session for faculty in the Design Media Arts department, which was attended by all ladder faculty in residence during the quarter.  He plans to offer sessions for the remaining three departments in the next year.
* The first “dinner with dialogue” for students hosted by the Associate Dean was attended by more than 30 students.  SOAA plans to offer more of these in the next year.

## Budget and Planning Processes

Audit review included discussions with management, and review of related policies and procedures. Also, organization level CBIG reports for fiscal year 2014-15 and fiscal year 2015-16, including variance reports were reviewed.

Budgets are developed annually and monitored throughout the year. Significant variances are investigated and explained. Ongoing communication occurs between management, including the Dean’s office and departments. Significant variances are discussed with the appropriate parties within Academic Planning and Budget.

School of Arts projects that the majority of the departments will end with positive balances at the end of June 30, 2016, with the exception of the Center for the Art of Performance (CAP) at UCLA. The presentation of performing arts events in Royce Hall and other campus venues has been the mandate of UCLA Performing Arts/Center for the Art of Performance at UCLA (CAP UCLA) since its inception in the 1930s, with unique historical significance for the UCLA campus and the campus’s public service mission through its contribution to the cultural life of Los Angeles.

The CAP UCLA’s deficit, which has been accumulated over the past three years (since the 2012-2013 season), is a result of the failure to meet budgeted fundraising goals, combined with the inability of other revenue sources, including box office sales, to close the budget gap.  This issue has been reviewed each year by the Dean and the Assistant Dean for Administration in consultation with the Vice Chancellor of Finance, Budgeting, and Capital Programs, and Academic Planning and Budget staff.  CAP UCLA continues to make progress towards its fundraising goals, and the Dean’s office continues to review the financial outlook with the university administration. A&AS supports these efforts.

160706-2
REP