

March 31, 2011

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Provost, Thurgood Marshall College
0509

***Subject: Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12***

The final audit report for Thurgood Marshall College, Audit Report #2011-12 is attached. We thank all members of the department for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the corrective actions. At that time, we may need to perform additional audit procedures to validate that actions have been taken prior to closing the audit findings.

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. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel or destroy them at this time.

Stephanie Burke
Assistant Vice Chancellor
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Attachment

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AUDIT & MANAGEMENT ADVISORY SERVICES



University of California
San Diego

Thurgood Marshall College
March, 2011

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Project Number: 2011-12

*Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12*

Table of Contents

I.	Background.....	1
II.	Audit Objective, Scope, and Procedures.....	2
III.	Conclusion	2
IV.	Observations, Management Corrective Actions, and Recommendations.....	3
	A. Cash Management and Handling	3
	B. Timesheet Approvals	7
	C. Travel Expenses	8
	D. IFIS Hierarchies	8
	E. TMC Organizational Structure	9

Attachment A - Audit Results by Business Office Functional Process

Attachment B - Thurgood Marshall College Organizational Chart

*Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12*

I. Background

Audit & Management Advisory Services (AMAS) has completed a review of Thurgood Marshall College as part of the approved audit plan for Fiscal Year 2010-11. This report summarizes the results of our review.

Thurgood Marshall College (TMC) is one of six undergraduate colleges at the University of California, San Diego. Thurgood Marshall College was founded in 1970 as Third College with a philosophical commitment to the development of both the scholar and citizen. TMC, in partnership with the Center for Research in Educational Equity, Assessment, and Teaching Excellence (CREATE) at UCSD, has collaborated in the establishment of three partnership schools: The Preuss School, Gompers Preparatory Academy, and Lincoln High School.

The TMC Provost reports to the Senior Vice Chancellor of Academic Affairs. Organizational units within the TMC structure include the Provost's Office, Student Affairs, Academic Advising, and Academic Programs.

The TMC Provost Office staff consists of one Management Services Officer (MSO), a Human Resource and Financial Assistant, and an Assistant to the Provost. The MSO reports directly to the TMC Provost. The TMC Provost Office is primarily funded with general funds allocated by Academic Affairs. The balance of expenditures is funded via a mixture of opportunity funds, student fees, private gifts and a small amount of federal funds.

The Student Affairs unit provides students with development programs and Residential Life services to support academic pursuits and personal growth outside of the classroom. The TMC Dean of Student Affairs has a dual line reporting structure to the TMC Provost and the Vice Chancellor of Student Affairs. The Dean is responsible for managing both operational and fiscal activities related to student life. Financial support is generated from Academic Affairs, Student Affairs and Business Affairs (for Residence Life) based on program and student service criteria.

The Academic Advising Program (AAP) provides students with information and counseling needed to fulfill their academic, personal, and life goals. The AAP serves as the repository for student academic records and performs a regular review of individual student files to monitor progress toward meeting college general education and University graduation requirements. Academic Advising is primarily funded with state funds allocated by Academic Affairs for salaries and benefits.

*Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12*

II. Audit Objective, Scope, and Procedures

The primary objective of our review was to evaluate whether TMC business practices were effective, were conducted in accordance with University and campus policies and procedures, and resulted in accurate financial reporting. A secondary objective of our audit was to review the TMC organizational structure from a business perspective, and to evaluate whether this organizational structure provided adequate oversight for TMC fiscal activities. The scope of our audit focused on business practices for the Fiscal Year 2009-10 as well as the current fiscal year through November 2010.

In order to achieve our objectives we performed the following procedures:

- Interviewed key personnel across all operating units;
- Reviewed available department financial documents;
- With assistance from the MSO and other key staff, completed separation of duties matrices for key business activities, and internal control questionnaires;
- Evaluated electronic financial approval hierarchies within the Integrated Financial Information System (IFIS) as well as signature authorizations on file with Disbursements;
- Analyzed TMC financial activities reflected in the IFIS Operating Ledgers;
- Reviewed in detail, procedures for cash management and security of assets for Student Affairs and Residential Life;
- Examined Express Card usage and oversight;
- Reviewed equipment inventories for the Provost Office and Student Affairs;
- Reviewed Human Resource functions within the TMC Business Office;
- Performed a detailed analysis of cash receipts;
- Reviewed the administration and reconciliation of the Residential Life checking account; and
- Based on results of the audit, and our comparison of the TMC organizational structure with that of other UCSD Colleges, evaluated whether there were opportunities to improve management oversight for TMC fiscal activities.

III. Conclusion

Based on our review, we concluded that with a few exceptions, the TMC business practices were effective, conducted in accordance with University and campus policies and procedures, and resulted in accurate financial reporting. We noted areas of concern in select business practices including: cash management and cash handling; time keeping and payroll; and reconciliation procedures. Further, we noted that the organizational structure could be improved to provide greater assurance of accountability and compliance with University policy. Issues of concern and opportunities for improvement are noted in detail in the balance of this report.

Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12

IV. Observations, Management Corrective Actions, and Recommendations

A. Cash Management and Handling

During our review, we noted a number of cash management and cash handling activities that were not conducted in strict accordance with the *Business and Financial Bulletin 49 (BUS-49), Policy for Cash and Cash Equivalents Received.*

Separation of Duties for Cash - Duties in the Provost's Office and the Residential Life Office were not appropriately segregated. We noted that the Administrative Assistant in the Provost's Office and the Office Manager of Resident Life had similar duties in their respective offices in the cash handling process. Each one had the responsibility to:

1. Prepare statement of cash collections and/or Miscellaneous Cash Deposit Advice (MCDA),
2. Safeguard cash until deposit,
3. Submit deposits to Central Cashier's Office,
4. Reconcile statement of cash collections and/or MCDA to receipt from Central Cashier's Office, and
5. Reconcile statement of cash collections and/or MCDA to deposits per departmental operating ledgers.

Controls over cash could be improved if one or two of these duties were transferred to other employees.

The Resident Life Administrative Assistant had been reconciling the checkbook for the off-campus bank account once a month, initialing it, and forwarding it to Resident Life Office Manager and the MSO for review and signature. When the Administrative Assistant was promoted to the Resident Life Office Manager position he continued to reconcile the checkbook in his dual role as Administrative Assistant and Manager because the Administrative Assistant position was vacant. A new signature card was created at the credit union, giving the new Resident Life Office Manager signature authority over the checking account. When the new Resident Life Office Manager became the signer on the account, the reconciliation duties should have been assigned to someone else.

Management Corrective Actions:

1. The duties of reconciling cash deposits to the operating ledgers will be assigned to someone not involved in the cash deposit process. Specifically, reconciliation duties assigned to the Administrative Assistants in the Provost's and Student Affairs Office and the Office

Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12

Manager of Resident Life will be transferred to employees not involved in the deposit process

2. The duties for reconciling the checking account have been assigned to a new employee who is not a signer on the account.

Cash Documentation and Reconciliation - We were unable to verify, based on TMC records, that all cash receipts were deposited. TMC had offered TMC logo stoles at a price of \$10 each for graduating seniors to wear on Commencement Day. According to the Student Affairs Officer, 500 stoles had been ordered and 72 were remaining in inventory at fiscal year-end, for expected revenue of \$4,280. A majority of the stoles were pre-sold April 8, 2010 through June 11, 2010, by interns in the Student Affairs Office. Some were sold on June 12, 2010, Commencement Day. A log was created during the sales events and sales receipts were issued. When seniors presented their receipts and picked up their stoles, a separate pick up log was updated. The log showed that 415 stoles were picked up.

While attempting to reconcile the sales of graduation stoles to deposits on ledgers, we were able to find deposits with the description "stoles" in the Document Reference Number in index THRFSSH for \$1,690 on 5/7/10, \$590 on 6/30/10, and \$4 on 6/30/10. The Administrative Assistant in the Dean's Office stated that the \$4 deposit was misclassified. The total of the remaining two deposits was \$2,280. The Student Affairs Office did not have sufficient records to identify the audit trail for the other \$2,000. As a result, we reviewed all deposits posted to TMC Provost's and Dean's accounts to identify possible misclassifications of deposit. However, all other cash deposits were traceable to other activities.

The Administrative Assistant, who prepared the deposits, stated that she had reconciled all deposits to stoles sold in two steps. The first reconciliation was when she and the Student Affairs Officer had counted the money at the end of the day; and the second reconciliation was when she had prepared the deposits. After preparing the deposits, she took the deposits to the MSO or the Fiscal Assistant for verification. The deposits were then taken to the Campus Cashier's Office by the MSO, the Administrative Assistant, or the Fiscal Assistant. The Administrative Assistant stated that she verified that deposits were posted. However, there was no documentation to confirm that deposits were verified. This situation was attributable to the inadequate separation of duties noted above.

Management Corrective Actions:

1. The MSO initiated a file review to determine whether cash deposits may have been posted to the wrong accounting index; however she

Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12

was unable to trace the outstanding funds to any deposits to TMC accounts.

2. A complete reconciliation of stole sales to receipt books, cash receipt logs, and cash deposits will be performed.
3. A deposit log will be established to document all deposits sent to the Cashier's Office.
4. All operating ledger reconciliations will be documented and approved.

Custody Logs - We noted that the college did not use custody logs to document transfers of cash between personnel. The Student Affairs Officer stated that he provided students with the change fund for student sales activities. At the conclusion of the sales event, the students counted the money out to the Student Affairs Officer who then gave the money to Dean's Assistant for deposit. There was no documentation of the transfer of cash from students to the Student Affairs Officer to the Dean's Assistant. In the event of cash discrepancies, it would be difficult to determine how discrepancies occurred. *BUS-49 Section IXA.3* states, "All cash transfers must be documented and the documentation of accountability maintained by category."

Management Corrective Action:

Custody logs will be established to ensure that cash transfers are documented appropriately.

Checking Account Reconciliation - The Resident Life Office has an approved off-campus checking account. The checkbook was kept by the Resident Life Office Manager in a locked desk drawer. We requested the checking account reconciliations for the current and past fiscal years. However, reconciliation documents, including the bank statement, requests for reimbursement forms, and support for the reimbursements, for the period ending March 31, 2010 were not found. We also noted that there were checks outstanding that dated back to January 2006. The member service advisor at the credit union holding the checking account stated that all checks over six months are considered to be stale-dated and therefore not negotiable. The total of checks outstanding more than six months was \$977.70.

Management Corrective Actions:

1. TMC will ensure that records are retained as required by University's Records Retention policy. Because reconciliation documents contain banking information, they will be stored in a secure location.

Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12

2. Payees for checks that have been outstanding more than 60 days are being contacted to clear the checks. Checks outstanding more than 180 days will not be honored by the bank, and will be credited back on the check register, with appropriate notations.

Cash Receipts Practices - During the review, we noted control weaknesses in practices for issuing cash receipts. The Resident Life Office Manager advised that receipts were kept in a drawer near the front counter of the office and extra receipts were kept in a drawer in the supply room. The supply room was locked but was accessible to several people. The Office Manager stated that he did not know exactly how many receipts were in the drawer, and that he had not been performing the reconciliation between the receipts and the cash logs. While reviewing Student Affairs' receipts, we noted that there were unused receipts in the middle of the receipt book. Receipts were not used sequentially. *BUS-49 Section VIII.B.5* states, "A collection not recorded on cash register of point of sale equipment must be recorded on an official pre-numbered, multiple-part Cash Receipt. The receipts must be used sequentially. All voided receipts must be retained (i.e., not given to the customer) and have signed approval by a supervisor."

Management Corrective Action:

Cash receipts will be issued sequentially and logged to ensure that all issued cash receipts are accounted for.

Frequency of Deposit - Cash receipts were not deposited with the frequency required by policy. The Resident Life Office Manager's account of cash consisted of a log that he created showing a listing and a cumulative total of cash received from all sources that was transferred to the safe. Review of the cash log showed that some of the cash had been received up to six weeks earlier. Additionally, the General ledger transactions showed that deposits for proceeds from stoles sales on Commencement Day, June 12, 2010, were not posted to the Dean of Student Affairs' ledger until June 30, 2010. *BUS-49* requires that deposit be made at least weekly, when amounts in the safe exceed \$500, or at the end of the month.

Management Corrective Action:

Deposits will be made at least weekly, when amounts in the safe exceed \$500, or at the end of the month.

Safe Combination - We noted that safe combination changes were not done or documented. The Resident Life Dean assumed her current role approximately three years ago. She advised that the Resident Life Office Manager had resigned in

*Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12*

October 2010. The former Resident Life Dean and Office Manager had access to the safe and knew the safe combination. The combination was not changed when they left. Additionally, the Dean of Student Affairs and her assistant have been in their positions three and two years, respectively. When they assumed these duties, the safe combination in the Student Affairs was not changed. We also noted that there were no logs of any safe combination changes in either office.

BUS-49 Section IX.11 states, "A safe's combination must be changed whenever a person who knows the combination leaves the employ of a cash handling unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes."

Management Corrective Action:

TMC Management is in the process of purchasing new safes. Safe combinations will be changed for all safes annually and whenever a person who knows the combination leaves the employ of TMC. Documentation will be maintained showing the date and the reason for the combination changes

Physical Security - Physical security for cash received by the Residence Life Office and Student Affairs Office did not conform to University policy and was not adequate to prevent theft. The safes in the Student Affairs Office and the Resident Life Office were not bolted down. The Dean of Student Affairs stated that the safe had been in her office and she was able to move it to her Assistant's office. Similarly, the Residence Life Office Manager had moved the Residence Life Office safe when he was promoted to his new position.

Management Corrective Action:

Safes will be secured to ensure that they cannot be removed easily.

B. Timesheet Approvals

Timesheets were not consistently approved.

We reviewed payroll data for biweekly and monthly employees for four months. We noted that on one occasion, the timesheet for the Assistant Resident Dean was not signed by the Supervisor. We also noted that the timesheets for the Provost were not approved. The MSO advised that she created the Provost's timesheets by reviewing his calendar and verifying time with him verbally. There was no other approval process in place for the Provost's time records.

Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12

Management Corrective Action:

TMC will ensure that all timesheets are approved by supervisors. The Provost's timesheets will be forwarded to the Senior Vice Chancellor Academic Affairs' Office for approval.

C. Travel Expenses

Receipts provided did not adequately support meal expenses claimed on travel expense vouchers

We noted a meal travel claim for the MSO dated December 1, 2009 that included alcohol. We discussed this claim with the MSO, who stated that she thought she had excluded the alcohol purchase from the total claim submitted. On a second travel claim, we noted that the traveler claimed meal expenses for April 11, 2010 and April 12, 2010 totaling \$60. One credit card receipt, dated April 11, 2010, for \$60 was provided, but this receipt did not adequately support the meal expenses claimed.

Management Corrective Action:

TMC management will remind travelers and approvers that travel expenses should be adequately supported and verified.

D. IFIS Hierarchies

IFIS Approval Templates were not consistently updated

Review of the IFIS Approval Templates indicated that two former employees were still in the IFIS hierarchies. The MSO advised that the former employees were in the hierarchies prior to her assuming office and that removal of the two former employees was difficult because the employees had separated and no longer had valid UCSD identification accounts. Because the employees had separated and no longer had valid UCSD accounts, the risk of misuse was low.

Management Corrective Actions:

1. The MSO worked with her Information Technology staff to remove the IFIS Approval Templates for the two former employees.
2. IFIS Approval Templates will be revised timely whenever there is turnover in TMC Office personnel.

*Thurgood Marshall College
Audit & Management Advisory Services Project 2011-12*

E. TMC Organizational Structure

Based on our review of various TMC business activities, and the audit results noted above, we concluded that the organizational structure of TMC (Attachment B) could be improved to provide greater assurance of accountability and conformance with University policy.

At the time of our review, we noted that most fiscal activities operated effectively and in cooperation with other TMC administrative departments. However, we noted that the organizational structure could be improved to provide greater assurance of accountability and compliance with University policy. Processes addressed above including cash management and cash handling, and extraneous business activities should be addressed consistently across TMC, and in conformance with University and Campus policies and procedures. Consistent implementation of compliant business practices across the units would be facilitated if fiscal personnel within the units (e.g., Residential Life and Student Affairs) had a formal reporting relationship to the MSO.

Management Corrective Action:

The TMC Provost will ensure that the MSO has a formally structured reporting relationship with all fiscal personnel within the college, to oversee all fiscal activities, and facilitate compliance and accountability.

**Thurgood Marshall College Review
Audit & Management Advisory Services Project #2011-12**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Cash Handling	√	√	√	Reviewed sources of cash and compared to cash posting on the ledgers. Evaluated compliance with policy.	No	Needs Improvement	We could not verify that all cash received was posted to the ledgers. Separation of duties for cash was poor. See Report Section A.
Timekeeping & Payroll	√	√	√	Reviewed timesheets, Timekeeper Audit Report, and Distribution of Payroll Expenses (DOPE) reports.	Yes	Needs improvement	Separation of duties appeared adequate. Supporting documentation was properly maintained. DOPE reports were reviewed. The timesheet for one employee was not signed by the supervisor. The Provost's time sheets were not approved by the VCAA. See Report Section B.
Travel	√	√	√	Reviewed 5 trips totaling \$3,371; traced to vouchers (TEV's) & supporting documents.	Yes	Needs improvement	Travel activity was reviewed for compliance with policies and procedures. Two meal expenses were not appropriately supported. See Report Section C.

**Thurgood Marshall College Review
Audit & Management Advisory Services Project #2011-12**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Express Card Activity	√	√	√	Express Card transactions were reviewed for purpose and compliance with University policy. Tested transactions and supporting documentation.	Yes	Satisfactory	The MSO had an Express Card, and the Reviewer did not report to her. However, organizational changes recommended (Report Section E) may result in the Reviewer reporting indirectly to the MSO. Under this scenario, the Express Card should be terminated, or the Provost should be designated as Express Card Administrator.
Information Systems Environment		√	√	Information systems were evaluated in a separate audit. IFIS Hierarchy templates were reviewed.	Yes	Satisfactory	Online IFIS Hierarchy templates were not up to date, but were corrected during the course of the audit. See Report Section D.
Transaction Processing - Non-Payroll Expenditures	√	√	√	Reviewed randomly selected transactions; traced to supporting documents. Tested seven Entertainment expenditures totaling \$1,254.51	Yes	Satisfactory	Separation of duties appeared adequate. Expenditures appeared reasonable, and supported by documentation. Entertainment expenses were approved in advance, and attendees were documented.

**Thurgood Marshall College Review
Audit & Management Advisory Services Project #2011-12**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Payroll Expenditure Transfers		√		Verified adjusted payroll charges per operating ledgers & distribution of payroll expense reports (DOPE's).	Yes	Satisfactory	Expense transfers were supported with adequate documentation
Non-Payroll Expenditure Transfers		√		Reviewed transfer explanations for reasonableness.	Yes	Satisfactory	Transfer explanations appeared reasonable. No exceptions were noted.
Contract & Grant Activity	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Effort Reporting (ECERT)	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Equipment Management				Reviewed inventory listing and equipment file for purchases, transfers, and deletes. No major equipment has been purchased.	Yes	Satisfactory	The accounting and administrative controls over equipment appeared adequate.

THURGOOD MARSHALL COLLEGE

