

RIVERSIDE: AUDIT & ADVISORY SERVICES

March 31, 2011

To: Audit Committee

Subject: Financial Analytical Review

Ref: R2011-06

We have completed our Financial Analytical Review in accordance with the UC Riverside Internal Audit Plan. Our report is attached for your review.

Should you have any questions concerning the report, please do not hesitate to contact us.

Michael R. Jenson
Director

cc: Director: Payroll, Payables, Travel, Nwandu
Director, Financial Control & Accountability, Guerra

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2011-06
FINANCIAL ANALYTICAL REVIEW

MARCH 2011

Approved by:

Laura Bishin
Principal Auditor

Michael R. Jenson
Director

**UC RIVERSIDE
FINANCIAL ANALYTICAL REVIEW
INTERNAL AUDIT REPORT R2011-06
MARCH 2011**

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the scope of the review, we reviewed to our satisfaction selected transactions in payroll, accounts payable/cash disbursement, and cash receipts areas. Also, we did not detect unusual trends in revenue and expenditures that could not be explained.

Minor items not of the magnitude to warrant inclusion in this report were discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services, as part of its Audit Plan, performed an analysis and evaluation of the UCR campus financial data. This Financial Analytical Review used procedures to study and compare relationships among data on a campus-wide basis in order to identify unexpected fluctuations, the absence of expected fluctuations, and other unusual items.

Our objective was to broadly examine campus financial data to determine if activities in analyzed areas included significant unintentional errors or if they contained questionable transactions that warranted further review. General ledger, accounts payable, and payroll data were extracted to evaluate high-risk transactions involving liquid resources. This review also evaluated campus department expenditures and revenues.

B. BACKGROUND

The specific audit objectives were to:

- Identify and investigate unusual relationships in the UCR campus financial data
- Detect, within the scope of the review, irregularities or significant variances in financial reports and source documentation

- Provide Audit & Advisory Services management with information for the campus risk assessment to assist in developing future audit plans
- Identify opportunities for improving internal controls.

C. SCOPE

This review analyzed selected data from fiscal year (FY) 2009/10 and in some cases FY 2008/09 and FY 2007/08. We designed the methodology to provide sufficient, competent, and relevant evidence to achieve the objectives of the review. Due to the extensive range of financial activities and the vast volume of financial data, all identifiable activities were not reviewed. Further, because of the nature of this review's global perspective, and other limitations, the audit procedures could not ensure that irregularities were detected, especially minor or isolated incidents.

The review included, but was not limited to the following areas:

1. General Ledger

- a) Prepared spreadsheets to compare FY's 07/08 and 08/09 revenue and expenditures by Activity Code with FY 09/10 activity. Reviewed activities with over \$1,000,000 and 30% change from FY 08/09 to FY 09/10. Obtained departmental explanations for increases or decreases and determined the reasonableness of explanations with independent analysis and additional inquiries.
- b) Identified organizations in net deficit as of June 30, 2010 and evaluated the July 1, 2010 general core carryforward by unit for negative carry forward amounts.
- c) Verified accuracy of Resource Planning & Budgeting's Carry Forward Analysis for FYs 08/09 & 09/10.

2. Cash Disbursements

- a) Reviewed travel transactions (i.e. trends by travel vendors and employees).
- b) Reviewed campus cell phone usage for unusual fluctuations over prior year.
- c) Reviewed top 25 cumulative vendor payments from FY08/09 to FY09/10.
- d) Reviewed duplicate vendor addresses within accounts payable.
- e) Evaluated vendors using commercial mail-drop addresses.
- f) Evaluated different addresses for same vendor.

- g) Evaluated multiple vendor number for same vendor name and vice versa.
- h) Examined vendor check pick-up logs.
- i) Evaluated returned 1099s.
- j) Searched for duplicate vendor invoices.
- k) Analyzed vendor invoices entered/modified by transactor for unusual activity.
- l) Reviewed for payments to different vendors on the same Purchase Order.
- m) Reviewed voucher/invoices for invoice splitting (Benford Law)
- n) Reviewed voucher and payment trends (count & amount).
- o) Searched for missing or duplicate disbursement check numbers.
- p) Reviewed changes to vendor master file and procedures.
- q) Examined Wells Fargo check images (one month) and Electronic Funds Transfer payments for FY09/10 to identify deposits to same bank account for different payees.
- r) Examined Student Information System refunds/payments for unusual trends.
- s) Reviewed for different vendors using same EFT account in and across Accounts Payable, Payroll, SIS, and Wells Fargo Bank cleared check images (1 month Accounts Payable and Payroll).
- t) Reviewed payments in excess of PO amount.
- u) Reviewed large payments to vendors without PO.
- v) Examined Procard payments for unusual trends and transactions.
- w) Reviewed trends in voids and stops.
- x) Performed payment date analysis.

3. Payroll

- a) Evaluated employees with over \$210K annual gross pay and/or over \$100/hour rate of pay.
- b) Reviewed employees with high payout or number of hours by DOS code (i.e. overtime, comp time, by agreement, etc.).
- c) Examined Wells Fargo check images to review deposits to same bank account for different payees (one month).
- d) Reviewed duplicate SurePay deposit accounts.
- e) Reviewed duplicate addresses within payroll and against accounts payable.
- f) Evaluated employee addresses using commercial mail-drop address.
- g) Evaluated returned W2s.
- h) Reviewed leave reporting (i.e. holiday pay, compensatory time, holiday shutdown, sick and vacation).
- i) Reviewed check pickup controls.
- j) Reviewed Human Resources Data Warehouse Reports.
- k) Reviewed payroll transactions with back or future end dates.

4. Revenue

- a) Reviewed for unusual breaks in frequency of deposits from the various cashiering offices.
- b) Reviewed timing of ledger postings relative to deposits.
- c) Reviewed process for recording register over/shorts and reported amounts.
- d) Reviewed CASH system receipts by organization and department by year and period for unusual changes.