

**RIVERSIDE: AUDIT & ADVISORY SERVICES**

June 27, 2014

To: Jocelyn Nakashige, Associate Vice Chancellor, Health Affairs  
School of Medicine

Subject: Internal Audit of School of Medicine

Ref: R2014-01

We have completed our School of Medicine audit in accordance with the University of California, Riverside Internal Audit Plan. Our report is attached for your review.

We appreciate the cooperation and assistance provided by your staff. Should you have any questions concerning the report, please do not hesitate to contact us.

Gregory Moore  
Director

xc: Audit Committee  
Director, Business & Clinical Financial Operations Fezzey

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

INTERNAL AUDIT REPORT R2014-01

SCHOOL OF MEDICINE

JUNE 2014

Approved by:

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Robin A. Maras  
Principal Auditor

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Gregory Moore  
Director

**UC RIVERSIDE  
SCHOOL OF MEDICINE  
INTERNAL AUDIT REPORT R2014-01  
JUNE 2014**

**I. MANAGEMENT SUMMARY**

Based upon the results of work performed within the scope of the School of Medicine (SOM) audit, it is our opinion that, overall, internal controls over SOM operations are satisfactory and generally in compliance with applicable University policies and procedures. Specifically, existing procedures and practices related to monitoring, reviewing and approving purchases, travel vouchers, inventory management, and grant activities provide reasonable assurance of compliance with University policies and procedures.

We noted during our audit that the SOM's administrative and accounting functions appear to be effectively managed despite being a new school whose operations and programs continue to grow and expand. While there were no observations warranting inclusion in this report, several minor items were discussed verbally with management.

**II. INTRODUCTION**

**A. PURPOSE**

University of California, Riverside (UCR) Audit & Advisory Services (A&AS), as part of its Audit Plan, performed an audit of SOM operations to evaluate compliance with University policies and procedures, efficiency and effectiveness of selected operations, and adequacy of internal controls.

**B. BACKGROUND**

The UCR SOM is California's first new public medical school in four decades. The school will expand and diversify the region's physician workforce and develop research and health care delivery programs to improve the health of medically underserved populations. The goal of the SOM is to prepare graduates for distinguished careers in clinical practice, teaching, research, and public service. The school offers a four-year program that leads to a doctor of medicine (M.D.) degree. The SOM welcomed its first class in August 2013.

In addition, the SOM partners with hospitals in the region to establish residency training programs. The first such program was the new Internal Medicine Residency Program, which enrolled its first class of 12 residents in 2013. In partnership with Loma Linda University, a new primary care pediatrics residency track will be launched with four residents in July

2014. Within the next few years, it is anticipated the UCR SOM will be sponsoring training programs in family medicine, general surgery, obstetrics/gynecology, and psychiatry.

**C. SCOPE**

A&AS reviewed selected records supporting transactions that occurred during fiscal year 2013-2014 and examined procedural controls relating to the following major administrative areas:

**1. Internal Controls**

We evaluated administrative and accounting procedures and internal controls based on management responses to the internal control questionnaire and verification of selected areas.

**2. Non-Payroll and Pro-Card Expenditures**

We selected and reviewed a judgmental sample of 13 non-payroll expenditures totaling \$378,757 (16% of total non-payroll expenditures) in fiscal year 2013-2014. Also, we selected and reviewed 10 Pro-Card transactions totaling \$14,624 (19% of total Pro-Card expenditures) in fiscal year 2013-2014.

**3. Travel Vouchers**

We selected and reviewed a judgmental sample of seven travel vouchers totaling \$28,277 (28% of total travel expenditures) in fiscal year 2013-2014.

**4. Equipment Inventory Management**

We tested a judgmental sample of the SOM's inventory items totaling \$1,428,613 (22% of total equipment inventory) from their June 10, 2014 listing.

**5. Contracts & Grants**

We reviewed the SOM's "First 5 Riverside" grant for the fiscal year 2013-2014 for adequacy and effectiveness of internal controls, as well as overall compliance with sponsoring agency requirements and applicable University policies and procedures.

**D. INTERNAL CONTROLS AND COMPLIANCE**

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- Effectiveness and efficiency of operations
- Reliability of financial reporting
- Compliance with applicable laws and regulations

Our substantive audit procedures were performed in June 2014. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

### **III. OBSERVATIONS**

Based upon the results of work performed within the scope of audit, in our opinion, internal controls over the SOM operations reviewed are satisfactory and generally in compliance with applicable University policies and procedures.