

The logo for UCIrvine, featuring the letters 'UCI' in a large, bold, serif font, followed by 'RVINE' in a smaller, all-caps, serif font. A vertical line separates the 'UCI' and 'RVINE' parts.The text 'INTERNAL AUDIT SERVICES' in a bold, all-caps, serif font, positioned to the right of the UCIrvine logo.

Arroyo Vista Housing

Internal Audit Report No. I2017-102

January 3, 2017

Prepared By

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INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

January 3, 2017

**JOE HARVEY
DIRECTOR
ARROYO VISTA HOUSING**

**RE: Arroyo Vista Housing Audit
Report No. I2017-102**

Internal Audit Services has completed the review of Arroyo Vista Housing and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

Mike Bathke

Mike Bathke
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
Lisa Cornish, Executive Director of Student Housing
Dan Dooros, Associate Vice Chancellor, Student Affairs

I. MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2016-17 audit plan, Internal Audit Services (IAS) reviewed certain business operations of Arroyo Vista housing (AV) within the University of California, Irvine (UCI). Most internal controls in AV appear to be functioning satisfactorily. However, certain internal controls could be further strengthened.

Non-payroll Expenditures – Some concerns were noted with PALCard purchase transactions. These observations are discussed in section V.1.

Equipment Management – a few concerns were noted with inventorial equipment property tags. AV property records did not reflect the transfer of inventorial equipment to another housing unit. In addition, many inventorial equipment items are stored outside, which may increase security risks. This observation is discussed in section V.2.

II. BACKGROUND

Arroyo Vista is one of ten student housing communities on the UCI campus tailored to meet the needs of a diverse undergraduate student population. Arroyo Vista is a theme sponsored housing community serving continuing undergraduates and transfer students. Academic and special theme sponsored houses are co-ed, while Greek theme sponsored houses are single gender. In addition to providing students with room and board, AV promotes student academic success and individual and community development through a wide array of educational opportunities and support services.

III. PURPOSE, SCOPE AND OBJECTIVES

The scope of the audit focused on certain fiscal year (FY) 2015-16 business operations. The primary purpose of the audit was to assess whether internal controls currently in place are adequate and sufficient to prevent or detect improper transactions, while ensuring compliance, efficiency and effectiveness in business operations.

The following audit objectives were established.

1. Review housing income processes for proper revenue capture and a process to reconcile collected revenue.
2. Review non-payroll expenditures for proper accountability and separation of duties, adequate supporting documentation, as well as compliance with University policies and procedures.
3. Evaluate the equipment inventory tracking procedures and sample inventorial items to ensure appropriate tagging, storage, and reporting.
4. Verify that payroll ledgers and general ledgers are reconciled in a timely manner and properly documented.

IV. CONCLUSION

Many internal controls within AV's business operations appear to be functioning satisfactorily. However, concerns were noted with certain non-payroll expenditures and equipment management processes.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. Non-payroll Expenditures

PALCard Purchases

Background

PALCard is UC Irvine's credit card. Employees with low value purchase training (including PALCard cardholders) have delegated authority to make low value purchases with University funds.

Observation

IAS reviewed a sample of FY 2015-16 PALCard purchases. The following observations were made.

1. Stated Business Purpose: The business purpose for some PALCard purchases is not always clearly stated;
2. Receipt of Purchased Goods: Receipt and/or proof of delivery documentation is not always retained for PALCard purchases;
3. Strategic Sourcing Agreements: Strategic sourcing agreements are not always utilized for PALCard purchases. As a best practice, supporting documentation should indicate why strategic sourcing was not utilized.

Maintaining adequate internal controls may help to ensure that all PALCard purchases are appropriate.

Management Action Plan

Effective immediately, Arroyo Vista Housing will implement the following management actions.

The PALCard Purchase Request Form is currently being standardized across all of the individual housing units, including Arroyo Vista, along with complete instructions to ensure approvals continue to be obtained prior to purchase, and that necessary purchasing details and a list of required documentation from purchases are recorded and filed for proper and complete reconciliation.

This process is being implemented now and staff is being trained. When all housing units have hired a business manager, these processes will be reviewed so that business processes in all units are confirmed to be consistent.

1. Stated Business Purpose: By December 2016, the financial purchase and reconciliation process will be standardized across all housing units, (and put into use by staff). This process will include:
 - Very clear instructions printed on the back of each form.

- Statement that instructs the purchaser that the items listed must match the items on the receipt and must include a stated business purpose.
 - Statement that the purchaser's and approver's signature verifies that the purchase was a legitimate business purchase.
 - Statement that approver must sign before purchase is made.
 - A list of all paperwork needed to be submitted with the form.
2. Receipt of Purchased Goods: By December 2016, when the Business Manager reconciles a purchase with the Kuali Financial System (KFS) and internal ledger, a check list form will be completed that verifies:
- Dates of signatures and purchase match.
 - Amounts on form and receipt are correct.
 - All signatures are present, including the verification that the item was received.
 - There is a separation of duties in the requestor and approver.
 - All paperwork is complete.
 - The Business Manager will be required to sign, date and attach the check list to the paperwork.

All Business Managers are in the process of being hired and trained. A consistent process across units is currently being developed.

3. Strategic Sourcing Agreement: In support of Office of the President's encouragement that campuses fully utilize University agreements when purchasing goods and services Arroyo Vista will implement more direct strategies to better utilize the UC Strategic Sourcing agreements. These agreements are designed to achieve standardization and improvements in cost, quality, and higher levels of customer service. The Strategic Sourcing initiative also strives to comply with UC Sustainability Policies and Best Practices by incorporating environmentally friendly products and services.

By December 2016, Arroyo Vista will verify that the unit is signed up to use the UCIBuy system, with all unit purchase requests being accompanied with a UCIBuy quote if the purchase that is being requested is not being made through the UCIBuy system. Operational purchases will include those that fall within the following supplier agreements by commodity group:

- Cleaning Supplies and Equipment
- Computers, Software, Data Storage

- Furniture
- Laboratory Supplies and Equipment
- Maintenance, Repair and Operating (MRO) Supplies and Equipment
- Office Supplies and Equipment
- Shipping
- UCI Stationery - Business cards, letterhead, envelopes and notepads.
- Uniforms

The full listing of UCOP Purchasing Agreements will be made clear and available to all Arroyo Vista staff that have authorization to make purchases.

2. Equipment Management

Observation

IAS sampled inventorial equipment recorded in Arroyo Vista's property records to verify that property tags were attached and that equipment serial numbers matched financial records. The following observations were made.

- One inventorial equipment item did not have a property tag attached and two other equipment items that were inventorial when purchased did not have property tags, and are no longer inventorial. Campus Equipment Management advised to place "non-inventorial" tags on these equipment items;
- One equipment item was physically transferred to another UCI housing unit. However, in KFS, the recorded equipment location is Arroyo Vista;
- Many Arroyo Vista inventorial equipment items are stored outside, which may increase security risk.

Proper tagging of inventorial equipment enables the University to maintain adequate documentation for its assets.

Management Action Plan

Effective immediately, Arroyo Vista Housing will implement the following management actions.

1. Equipment Management

a. Property Tags

By the end of November 2016, property tags will be obtained and properly affixed to all AV equipment that were identified by the audit with a value which requires a property tag.

b. Reporting/Update in the Equipment Management System

By the end of October 2016, a physical inventory of all electric carts will be conducted and the findings shared with the campus Equipment Manager (EM). In addition, the Associate Director of Operations in Arroyo Vista will meet with the EM manager to discuss the equipment incorrectly reported in KFS and correct any location discrepancies.

c. Limited Security

Arroyo Vista has been in contact with the Senior Loss Control Analyst, Purchasing and Risk Services regarding the implementation of added security measures for our inventorial equipment, most specifically the golf carts used by the professional staff during regular business hours. By the end of December 2016, in coordination with Risk Management and Facilities Management's Security Infrastructure Program Manager, Arroyo Vista will work to obtain and install safety cut-off switches or access code key systems for each of our golf carts. In addition Arroyo Vista will be looking into the feasibility of adding security cameras to the south end of the community center, dependent upon cost and University approval. Until these new security measures are put into place, Arroyo Vista will continue to secure the property through boundary barriers and security chains.