UCLA POLICE DEPARTMENT

RECHARGES AND REVENUE RECONCILIATION

AUDIT REPORT #21-2215

Audit & Advisory Services

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# Background

In accordance with the UCLA Administration fiscal year 2020-21 audit plan, Audit & Advisory Services (A&AS) conducted a review of UCLA Police Department’s (UCPD) recharge and revenue reconciliation business practices. UCPD serves a multicultural, educational environment of over 82,500 faculty, staff and students in Los Angeles. UCPD is dedicated to providing a safe and secure environment for teaching, research, and public service through patrol, rapid response to calls for service, investigations, education, and implementation of preventative strategies. UCPD police officers are duly sworn peace officers under section 830.2(b) of the California Penal Code, and patrol the campus 24 hours a day, 365 days a year. The department employs about 65 sworn officers, 41 civilians and 130 students.

The Chief of Police, who reports to the Administrative Vice Chancellor, oversees the department. The department is divided into two bureaus: Operations and Administrative.

* The Operations Bureau utilizes uniformed patrol officers and includes the Patrol and Investigations Divisions, among other specialized areas.
* The Administrative Bureau includes Information Technology, the Business and Finance Unit, and the Administrative Division, which consists of Personnel and Training, the Communications Center, and the Records Unit. It also includes the Police Community Services Division, which consists of Crime Prevention, Emergency Medical Services (EMS), and the Community Service Officer (CSO) Programs.

UCPD recharges include monthly contracted clients, various special events, alarm monitoring, fingerprinting, and CSO and EMS related events. The Business and Finance Manager is responsible for overseeing the financial and accounting operations of UCPD. Designated staff are responsible for managing recharges in their respective areas, including the EMS and CSO Programs. The Administrative Specialist and Administrative Assistant are responsible for processing the recharges. The UCLA Recharge System is utilized by UCPD to process recharge billing. For fiscal year 2019-20, total recharge revenue was approximately $8.2 million.

Purpose and Scope

The primary purpose of the review was to ensure that UCPD’s organizational structure and controls, and the related systems and procedures surrounding recharge and revenue reconciliation activities are conducive to accomplishing its business objectives. The secondary purpose of the review was to evaluate the adequacy and efficiency of internal controls. Where applicable, compliance with University and departmental policies and procedures was also evaluated.

The scope of the audit focused on controls surrounding the following activities:

* Recharge Rates
* Recharge Transactions
* Monitoring and Reconciliations

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary to achieve the audit purpose. Interviews were conducted with UCPD management and staff, and various other financial and administrative documents were examined.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, UCPD’s overall organizational structure and controls are adequate to help achieve their business objectives. However, control processes could be further strengthened by implementing the following:

*Recharge Rates*

* The recharge rate for the Medical Center Ambulance Transport Service should be included in the annual Budget and Rate Proposal submission, or a contract detailing the recharge rate amount should be prepared and approved. This will help to ensure that proper and agreed upon rates are assessed.

*Recharge Transactions*

* Management should remind UCPD mandatory reviewers to read their Post Authorization Notifications (PANs) in a timely manner, in accordance with the UCLA Financial Policy. This will help to ensure that transactions are proper and appropriate.

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

# Audit Results and Recommendations

Recharge Rates

Audit work included discussion with Academic Planning and Budget (APB) and a review of departmental recharge rates. UCPD properly submitted their fiscal year 2019-20 Budget and Rate Proposal to APB and new rates were effective July 1, 2019. However, the $2,335.92 “Ambulance Transport Service for Medical Center” recharge rate that EMS charges the UCLA Medical Centers for ambulance transports has not been approved by APB, nor is there a contract between UCPD and the UCLA Medical Centers. The total recharge amount for ambulance transports in FY19-20 was $28,031. The rate applied is based on an agreement that is not documented. According to UCLA Policy 340, Sales and Service Activities, Section IV.A.1.c, “Departments must charge all customers based on approved rates.”

Recommendation: The recharge rate for the Medical Center Ambulance Transport Service should be included in the annual Budget and Rate Proposal submission, or a contract detailing the recharge rate amount should be prepared and approved. This will help to ensure that proper and agreed upon rates are assessed.

Response: During 1980’s, Dr. Schultz, Erin Cole and Dean Melenkoff decided they did not want LAFD to respond inside of CHS. Instead they wanted a two-tiered system similar to what was already in place for the UCLA community (with UCLA EMS & LAFD). The philosophy was that they wanted a higher level of service than the surrounding community has. Thus, they developed the Emergency Response plan where Red Gurney and UCLA EMS would respond medical aid emergencies. Red Gurney & UCLA EMS would respond to family/visitors, etc. inside the hospital and areas just outside the hospital, as well as Med Plaza 200 & 300. It was decided back then that family/visitor, etc. should not be billed for illness/injury occurring in the hospital. So, the monthly recharge was established for UCLA EMS. Since this is not a rate approved by APB, we will look for the possibility to have this agreement in place.

Recharge Transactions

UCPD’s records and business practices were evaluated to ensure that events and activities are properly and accurately recharged. A judgmental sample of 25 recharged events and activities from fiscal year 2019-20 was selected from source documentation, when available, for review. If source documentation was not readily available, the sample was selected from the UCLA general ledger. The sample included monthly contracted services, fingerprinting, mutual aid, EMS special events, police, and CSO transactions. Where applicable, documentation examined for each transaction selected included payroll information, invoices, PANs, approved recharge rates, and general ledger information. Review of the sample of the 25 recharge transactions showed that they were adequately documented, assessed to departments correctly, and recorded accurately.

Also, a judgmental sample of ten false alarms activated in fiscal year 2019-20 was selected for review to verify that false alarms were properly billed. A&AS recalculated the amount of recharges that should have been billed to clients based on the false alarm activity recorded in the computer aided dispatch (CAD) system, and the rates approved by APB. The amounts were also traced to the University’s general ledger. A review of the PANs, billing spreadsheets, and monthly false alarm reports verified that recharges were properly accounted for and recorded accurately. Additionally, review of the supporting documents showed that a reconciliation is performed between the monthly billing statements, which documents the false alarm activations that will be recharged, and the general ledger on a monthly basis.

Further, audit work included a review of five judgmentally selected ambulance transport recharge transactions, which each accounted for a different month in fiscal year 2019-20. Documentation examined for each transaction selected included billing statements, PANs, recharge rates, and general ledger information. A&AS verified that ambulance recharges were properly billed and recorded to the general ledger, although the $2,335.92 recharge rate applied had not been approved by APB, as noted in the recommendation above.

A&AS was not able to perform data analytics for recharges due to formatting limitations and/or because the necessary data sets were not available.

The following was noted:

1. Post Authorization Notifications (PANs)

Audit testing indicated that PANs were not always read in a timely manner. In 22 out of 25 transactions tested, at least one mandatory reviewer did not review the related PAN notice for nine to 62 calendar days. According to UCLA Financial Policy, Principle of Financial Accountability, Part III, Section 2.1, “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 remind UCPD mandatory reviewers to read their Post Authorization Notifications (PANs) in a timely manner, in accordance with the UCLA Financial Policy. This will help to ensure that transactions are proper and appropriate.

In addition, a designee within the department should review the PAN Audit Review Log at least monthly to verify that PANs are read timely. To ensure an effective review, the log should be queried by mandatory reviewer logon.

Response: Concur. Mandatory reviewers have been reminded to review their PAN notifications in a timely manner. Management will review PAN Audit Review Log monthly to verify that PANs are read timely manner.

Monitoring and Reconciliations

Audit work included a review of recharge reconciliations for January, February, and March 2020. Reconciliations of the general ledger are performed by the Business and Finance Manager on a monthly basis. The reconciliations for the three months sampled appeared to be adequate and were performed in a timely manner.

Further, A&AS discussed the impact of COVID-19 on departmental revenues and budget with UCPD management. Management indicated that EMS was impacted the most by COVID-19 because of the lack of events throughout fiscal year 2019-20; however, UCPD has accumulated savings from previous years that it intends to utilize to cover the deficits caused by the pandemic. The department will not generate new sources of revenue, as it is somewhat limited by the nature of its work.

There were no significant control weaknesses found in this area.

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