

UCLA AUDIT & ADVISORY SERVICES



Edwin D. Pierce, CPA, CFE
Director

10920 Wilshire Boulevard, Suite 700
Los Angeles, California 90024-1366
310 • 794-6110
Fax: 310 • 794-8536

September 4, 2015

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Events & Transportation – Cashiering Audit Report #15-2212

Enclosed is the audit report covering our audit of Events & Transportation (E&T) cashiering activities. The Events Office and Transportation are two separate areas of operation that make up the E&T division within UCLA Administration. The focus of the audit was in the area of Transportation cashiering activities. The primary purpose of the audit was to ensure that E&T's structure and controls, and the related systems and procedures surrounding the Transportation cashiering activities are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. Our objective was to assist management in maintaining adequate control over the cashiering operations. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit included:

- Change Fund Administration
- Physical Security

Based on the results of the work performed within the scope of the audit, E&T's overall organizational structure and controls are generally conducive to accomplishing Transportation's cashiering business objectives. However, internal controls could be further strengthened by implementing the following:

- Management should identify a secure storage arrangement for the duplicate safe compartment keys that is located away from the safe to comply with University policies and procedures and protect University assets.
- Management should consider performing more than one unannounced cash count each month for each field operations change fund custodian. These unannounced cash counts should be performed at varying times within the month in order to reduce predictability.
- Management should ensure that temporary transfers of change fund custodial responsibility are done in compliance with University policies and procedures.

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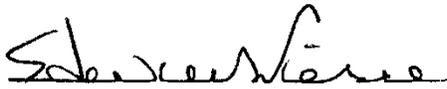
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- Management should ensure that all campus, medical center, and hospital parking kiosks are equipped with security height rulers on kiosk door jambs to aid employees, security personnel, and police in the event of an incident.

The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

Please feel free to contact us if we can be of further assistance.



Edwin D. Pierce, CPA, CFE
Director

Enclosure

cc: S. Olsen

EVENTS & TRANSPORTATION
CASHIERING
AUDIT REPORT #15-2212

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CASHIERING
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Background

In accordance with the UCLA Administration fiscal year 2014-15 audit plan, Audit & Advisory Services (A&AS) has conducted an audit of Events & Transportation (E&T) cashiering activities. The Events Office and Transportation are two separate areas of operation that make up the E&T division within UCLA Administration. The focus of the audit was in the area of Transportation cashiering activities.

Transportation supports the campus community by providing for safe and efficient commute options and mobility in an environmentally responsible manner. The Transportation cashiering operation is responsible for receiving, recording, reconciling, and depositing all revenues collected from parking related activities. The E&T Accounts Receivable & Cashiering (ARC) unit is responsible for overseeing the cashiering operation of Transportation. The Parking & Finance operation within Transportation is directly responsible for daily parking sales, monitoring collections performed by armored couriers and reconciliation of electronic pay station revenue and related data. Parking & Finance also manages approximately 32,300 parking permits, 23,000 parking spaces, 8 Parking & Information kiosks, and parking pay stations in 15 locations throughout the campus. In fiscal year 2013-14, Parking Services generated revenues of \$50.6 million, which includes recharge revenue of \$6.5 million.

A Director oversees the Parking Services and Finance entities. This individual reports to the Executive Director of Events & Transportation, who reports to the Administrative Vice Chancellor.

Purpose and Scope

The primary purpose of the review was to ensure that E&T's structure and controls, and the related systems and procedures surrounding the Transportation cashiering activities

are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. Our objective was to assist management in maintaining adequate control over the cashiering operations. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the review focused on the following activities:

- Change Fund Administration
- Physical Security

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests, interviews with key personnel, and other auditing procedures considered necessary to achieve the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, E&T's overall organizational structure and controls are generally conducive to accomplishing Transportation's cashiering business objectives. However, internal controls could be further strengthened by implementing the following:

- Management should identify a secure storage arrangement for the duplicate safe compartment keys that is located away from the safe to comply with University policies and procedures and protect University assets.
- Management should consider performing more than one unannounced cash count each month for each field operations change fund custodian. These unannounced cash counts should be performed at varying times within the month in order to reduce predictability.

- Management should ensure that temporary transfers of change fund custodial responsibility are done in compliance with University policies and procedures.
- Management should ensure that all campus, medical center, and hospital parking kiosks are equipped with security height rulers on kiosk door jambs to aid employees, security personnel, and police in the event of an incident.

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

Audit Results and Recommendations

Change Fund Administration

Interviews were conducted with E&T management and staff to obtain an overview of processes and controls over change fund activity. A surprise cash count was performed to verify the accuracy of change fund balances. Custodians of record were evaluated to verify each custodian has proper control of assigned change funds. Change fund storage and related access were reviewed for appropriateness. Safe compartments were inspected for proper utilization. Departmental change fund monitoring and reconciliation procedures were assessed to determine effectiveness. Change fund supporting documentation was reviewed for accuracy and completeness. Compliance with UC Business and Finance Bulletin BUS-49, "Policy for Cash and Cash Equivalents" (BUS-49) and UCLA Policy 360, "Internal Control Guidelines for campus Departments" (UCLA Policy 360) was also evaluated.

Additional interviews were conducted with E&T management and staff to obtain an overview of processes and controls over the issuance, return, and reconciliation of daily parking attendant change funds. Observation of the issuance, utilization, and return of parking attendant change funds was performed to verify appropriateness and compliance with University policy and departmental procedures. Supporting documentation was evaluated to verify accountability and adequate separation of duties are being maintained throughout the daily deployment. Deployment fund replenishment processes were evaluated for adequacy and operational effectiveness. Processes for identifying, reconciling, and monitoring of parking attendant change funds, and any shortages and overages, were evaluated for operational effectiveness and efficiency, as well as appropriate record keeping.

Various control components surrounding change fund activities such as custody, storage, deployment, and reconciliation were found to be adequate. Accountability, monitoring and separation of duties over change funds were also determined to be functioning as intended. However, the following observations were noted:

A. Duplicate Keys - Safe

Duplicate safe compartment keys are being maintained in compartment #17 within the “Field Operations – Supervisor Safe.” Per BUS-49, Policy IX.12, duplicate keys must be safely stored away from the safe and be retrieved only under dual custody. By not storing the duplicate safe compartment keys away from the safe, University assets are at increased risk of loss or misappropriation.

Recommendation: Management should identify a secure storage arrangement for the duplicate safe compartment keys that is located away from the safe to comply with BUS-49 and protect University assets. However, if management determines that the current storage arrangements are operationally effective and the risk is minimal, BUS-49, Policy IV.1.B.3, provides that the Campus Cash Coordinator is responsible for approving variances from BUS-49. Management should work with the Campus Cash Coordinator to obtain any variances from BUS-49.

Response: We concur. A secure storage area has been identified in the Main Vault. An FSR has been submitted for installation of a dual custody compartment within the vault to house the duplicate safe compartment keys for the “Field Operations – Supervisor Safe.”

B. Change Fund Verification Frequency

Each field operations change fund is only counted and reconciled under dual custody on a predictable month-end basis. There are nine field operations change funds totaling \$36,000. Although E&T performs daily and end-of-week change fund physical counts and reconciliations, these are performed as “self-counts” by each fund’s custodian without the dual-custody control. Overall, there are 16 E&T change funds totaling \$68,200. BUS-49, Policy XIV.4, provides that an unannounced cash count and verification of change funds for which cash handling employees are accountable will be performed on a periodic basis, at least quarterly, by someone other than the fund custodian. The verification must be

performed in the presence of the custodian and must be documented. By not performing cash counts as noted in the policy, University assets are at risk of loss and/or misappropriation.

Recommendation: Management should consider performing more than one unannounced cash count each month for each field operation change fund custodian. These unannounced cash counts should be performed at varying times within the month to reduce predictability. By doing so, management will strengthen controls over assets against unauthorized use or disposition. Additionally, management will promote adherence and conformity to established University policies and procedures.

Response: Effective immediately, Parking Field Operations Management will vary the times within the month that unannounced cash counts are performed for each field operations change fund. In any given month, an additional unannounced cash count of a randomly selected field operations change fund may be conducted by Parking Field Operations Management.

C. Temporary Transfer of Change Funds

Custodial responsibility for Change Fund #380 (\$16,000) and Change Fund #514 (\$15,000) was temporarily transferred from the official custodian of record to the E&T Manager of Cashiering for cross-training purposes. However, the transfer forms were not signed and dated by E&T's Chief Financial Officer (CFO). Also, the transfer form for Change Fund #380 does not have an end-date for the new temporary custodian. The effective date of the transfer form is April 6, 2015. This calculates to 30 days based on our measurement date of May 7, 2015. The transfer form for Change Fund #514 has an end-date of May 1, 2015, for the new temporary custodian. The effective date of the transfer form is April 6, 2015. This calculates to 24 days. UCLA Policy 360, Attachment "A" provides that the Assistant Vice Chancellor Corporate Financial Services must be notified in writing of re-delegation when the period of re-delegation exceeds three weeks. Per E&T

management, Corporate Financial Services was not notified. By not obtaining written approval by the Departmental CFO for the temporary transfer of the change funds, and not providing written notification of the temporary transfer to the Associate Vice Chancellor Corporate Financial Services, pertinent information regarding the change funds' custodial arrangements is not effectively communicated on a timely basis and increases the risk of loss and/or unauthorized use or disposition.

Recommendation: To strengthen internal controls and comply with University policies and procedures, management should ensure the following:

- Temporary transfers of change fund custodial responsibility receive appropriate written approval by the departmental CFO prior to the effective date of transfer.
- Transfer forms are properly completed.
- Temporary transfer ending dates are determined prior to executing the transfer.
- The Associate Vice Chancellor Corporate Financial Services is notified prior to the temporary transfer, if the transfer will exceed three weeks.

Response: We concur. Effective immediately, the ARC Manager will ensure that all Temporary Transfer of Custody for Change Fund forms are properly completed. This includes determining the end date of the transfer prior to securing the approval signature of the department CFO. If change fund custodial responsibility is to be transferred for a period of more than three weeks, the Associate Vice Chancellor – Corporate Financial Services will be notified.

Physical Security

Safety controls surrounding parking attendant travel to and from, and at their daily assigned work location were reviewed for adequacy. Parking kiosks were inspected to ascertain their overall physical security, including any safety equipment. The change

fund deployment area was also observed to confirm the adequacy of security equipment and area configuration.

A. Parking Kiosks - Security Door Jamb Height Rulers

The Westwood Plaza parking kiosk does not have security height rulers on the kiosk's two door jambs. E&T's "Parking Booth Training Guide" provides information to employees in case they are robbed, including observation of the security height rulers. Height rulers are also a standard security tool in cash handling areas for public and retail environments. By not having security height rulers on parking kiosk door jambs, the ability to determine an intruder's height is problematic.

Recommendation: Management should ensure that all campus, medical center, and hospital parking kiosks are equipped with security height rulers on kiosk door jambs in order to aid employees, security personnel, and police in the event of an incident.

Response: We concur. All parking kiosks are now equipped with security height rulers on the door jambs.