

RIVERSIDE: AUDIT & ADVISORY SERVICES

March 31, 2011

To: Bobbi McCracken, Associate Vice Chancellor
Financial Services

Subject: Review of Senior Management Group (SMG) Members'
Travel and Entertainment Expenses

Ref: R2011-12

We have completed our review of the UCR Senior Management Group Members' Travel and Entertainment Expenses. Our report is attached for your review.

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

Michael R. Jenson
Director

Xc: Audit Committee
Executive Officer Zahedi
Director Nwandu

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

INTERNAL AUDIT REPORT R2011-12
REVIEW OF SMG MEMBERS'
TRAVEL AND ENTERTAINMENT EXPENSES

MARCH 2011

Approved by:

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**UC RIVERSIDE
REVIEW OF SMG MEMBERS'
TRAVEL AND ENTERTAINMENT EXPENSES
INTERNAL AUDIT REPORT R2011-12
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I. MANAGEMENT SUMMARY

Based upon the results of our limited work performed, it is our opinion that, overall, the travel and entertainment expenses incurred by SMG members do not generally represent additional elements of compensation and are in compliance with applicable University policies and procedures.

Positive observations include:

- The Travel Planning and Expense Reporting System (iTravel) is fully implemented on campus. This system is a comprehensive and flexible web-based system, which has been designed and developed by the campus Accounting Office and Computing and Communications Department, to meet the diverse needs of campus departments as well as increase compliance with University travel policy, especially regarding required authorizations.
 - Accounting Services initiated the development of the e-Pay Voucher System in FY 2006-07 whereby payment requests (i.e. entertainment reimbursements) and backup will be automatically routed for approval and interfaced into the UCR Financial System (UCRFS) to create an Accounts Payable voucher, payment, and post to the General Ledger. In FY 2009-10, the application was piloted in three units and one department, with full implementation expected before the end of FY 2010-11.
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II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services (A&AS) performed a limited review of the SMG members' travel and entertainment expenses to ensure the expenditures do not represent elements of compensation, and are in compliance with applicable University policies and procedures.

B. BACKGROUND

As part of a systemwide effort, and at the direction of the University Auditor's Office, A&AS reviewed travel and entertainment expenditures of SMG members.

The nine UCR SMG members are as follows:

- Chancellor
- Executive Vice Chancellor & Provost
- Vice Chancellor for Finance & Business Operations
- Vice Chancellor for Health Affairs
- Vice Chancellor for Research
- Vice Chancellor for Student Affairs
- Vice Chancellor for University Advancement
- Campus Counsel
- University Librarian.

For Calendar Year (CY) 2010, travel and entertainment expenditures for these individuals totaled approximately \$119,000.

C. SCOPE

Audit & Advisory Services reviewed selected records supporting the SMG Members' travel and entertainment expenses for CY 2010. Limited procedures included:

- Met with the Associate Vice Chancellor for Financial Services to discuss the scope of our audit and our initial audit requirements.
- Performed review procedures and detailed transaction testing on travel and entertainment expenses incurred by the SMG members to evaluate if the expenditures do not represent elements of compensation, and for general compliance with University Policies Business and Finance Bulletin (BFB) G-28 (*Policy and Regulations Governing Travel*), BFB G-45 (*Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*), BFB BUS-

79 (*Expenditures for Business Meetings, Entertainment and Other Occasions*), and adequacy of internal controls.

- Judgmentally selected and agreed to the respective invoices, iTravel, and other supporting documentation 23 travel and 14 entertainment expenditure items by the SMG members (and spouses), totaling \$31,044 (approximately 26 % of \$119,000 total SMG members' travel and entertainment expenditures) for CY 2010.
- Met with the Director for Payroll, Travel and Accounts Payable to obtain an understanding of the iTravel and entertainment processes, to request some audit-related reports, and to discuss the initial results of the review.
- Reviewed the US Bank Account Delinquency and Charge-Off Reports as of December 13, 2010 and December 31, 2010, respectively, to determine if SMG members' travel card accounts were paid on time.
- Reviewed SMG members' "Potentially Compensable Transactions Individual Certifications" and W-2 reconciliation worksheets for CY 2010 to ensure that any taxable income was included in their W-2s.

C. 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

Substantive audit procedures were performed from August 2010 to January 2011 (not inclusive). Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

II. OBSERVATIONS AND COMMENTS

A. Travel & Entertainment Expenses

All campus departments processed travel transactions via iTravel while entertainment expenses were generally processed via the check (non-web-based) voucher system.

We judgmentally selected and reviewed 23 iTravel and 14 entertainment transactions of nine (9) SMG members, totaling \$31,044 (approximately 26 % of \$119,000 total SMG members' travel and entertainment expenditures) for CY 2010.

Controls and procedures over travel and entertainment expenses of the SMG members were generally found to be adequate, and transactions reviewed were in compliance with University policies BFB G-28, G-45, and BUS 79.

B. University Corporate Travel Cards

We reviewed the US Bank Account Delinquency and Charge-Off Reports as of December 13, 2010 and December 31, 2010 to determine if SMG members corporate travel card accounts were paid on time.

No SMG member's name appeared in the reports; hence, no past due accounts were noted.

C. Potentially Compensable Transactions

We reviewed the "Potentially Compensable Transactions Individual Certifications" and W-2 reconciliation worksheets for CY 2010 for the SMG members.

Our review disclosed that all taxable compensation indicated in the "Potentially Compensable Transactions Individual Certifications" were included in the W-2s of the SMG members.
