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**Subject: *Institute for Neural Computation/UCSD Center on Global Justice
Report 2019-06***

The final report for the Institute for Neural Computation/UCSD Center on Global Justice, project 2019-06, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

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Attachment

cc: Lissette Braswell-Reynolds
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AUDIT & MANAGEMENT ADVISORY SERVICES

Institute for Neural Computation / Center on Global Justice
Report No. 2019-06
May 2019

FINAL REPORT

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ATTACHMENT A – Campus Department Audit Report Card

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of the Institute for Neural Computation (INC) and the Center on Global Justice (CGJ) as part of the approved audit plan for Fiscal Year 2018-19. The objective of our review was to determine whether key internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policy, and resulted in accurate financial reporting.

We concluded that INC and CGJ's key controls provided reasonable assurance that operations were effective, in compliance with University policy, and resulted in accurate financial reporting. Opportunities for improvement were identified in several expenditure areas.

We noted that the personnel largely involved with preparing and approving the reviewed transactions have since departed, and hiring efforts have been ongoing during this review which are expected to lead to improved process effectiveness. Our findings are summarized below:

A. Transaction Support Documentation

The INC and CGJ MSOs will reinforce to all transaction preparers and approvers that additional detail is required to support the business purpose and detail of all transactions.

B. Fabrication Component Purchase Tracking

INC will update its fabrication documentation with Equipment Management in order to more closely reflect the current status, components, and value of the fabrication.

C. Administrative Compensation

INC will re-examine its administrative compensation fund sources to ensure that only appropriate fund sources are being used and that any administrative or clerical salaries paid from federal fund sources should be documented in the award budget. For the one employee identified, INC will consider transferring the un-budgeted portion of their salary to an unrestricted fund source.

D. Transaction Sampling

Management will ensure that all transactions sampled with Ledger Reviewer are appropriately reviewed and documented on a timely basis.

E. Timely Performance of Key Controls

Key roles in the department were filled during recent hiring efforts. BUMT and Control Tracker roles are in process of being updated to reflect recent staffing changes.

F. Personnel Management

INC and CGJ will require their employees to request and document their leave approvals. INC and CGJ will consult with Human Resources to obtain background checks for staff members with cash-handling responsibilities.

Observations and management action plans are described in greater detail in section V. of this report.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of the Institute for Neural Computation and the Center on Global Justice as part of the approved audit plan for Fiscal Year 2018-19. This report summarizes the results of our review.

The Institute for Neural Computation (INC) is an Organized Research Unit (ORU) established at University of California San Diego (UCSD) in 1990. The organization is a diverse research community represented by 44 affiliated faculty representing 14 different disciplines across campus. The mission is to bring together a diverse research community in the basic sciences, medical and engineering disciplines to advance and promote the science of computation and learning based on the multiscale, parallel, and highly adaptive architecture found in biological neural systems.

INC consists of the following centers and labs:

- Center for Advanced Neurological Engineering (CANE),
- Computational Face Group,
- Computational Neurobiology Laboratory,
- Data Intensive Cyber Environments (DICE) Center,
- Dynamics of Motor Behavior Laboratory (DMBL),
- Integrated Systems Neuroengineering,
- Machine Perception Laboratory (MPL),
- ONR MURI Center for the Neural Bases of Unsupervised Learning and Training,
- Poizner Laboratory,
- Structural Biology Laboratory,
- Swartz Center for Computational Neuroscience (SCCN), and
- Temporal Dynamics of Learning Center.

Historically, one Management Services Officer (MSO) has provided fiscal oversight for INC and another ORU at the University known as the Center on Global Justice (CGJ). Although the two entities have been overseen by the same MSO, each unit has its own financial accounting structure and supporting business office staff.

The Center on Global Justice promotes collaborative research among scholars across disciplines, communities, and organizations to achieve more equitable and sustainable cities across the globe, especially the US-Mexico border region. The Center includes five to six faculty in disciplines such as political and social sciences, arts and humanities, and public health who oversee 8-10 graduate researchers. The department's fiscal analyst and other administrative staff report to CGJ's MSO.

Sixty-five percent (65%) of INC's expenditures were charged to federal fund sources. Seventy-eight percent (78%) of CGJ expenditures were charged to private contracts or gifts.

	Salaries & Benefits	Supplies and Expenses	Equipment	Travel	Transfers	Overhead	Total Financial Expenditures
INC	\$ 3,796,683	\$ 961,667	\$ 73,176	\$ 252,525	\$ (79,759)	\$ 1,553,397	\$ 6,557,690
CGJ	\$ 804,149	\$ 757,442	\$ -	\$ 77,158	\$ (12,734)	\$ 82,870	\$ 1,708,885

Shortly after our review was initiated, the individual who served as the MSO for INC and CGJ separated from the University and the SDSC MSO was appointed on an interim basis to oversee both ORUs. During the review, a new MSO was hired for INC in Spring 2019, and the SDSC MSO maintained oversight for CGJ on an interim basis.

INC and CGJ's operations are physically located in the San Diego Super Computer Center (SDSC), and due to the ORU's relative size, reliance is placed on SDSC staff for human resources support functions.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to determine whether key internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policy, and resulted in accurate financial reporting. The scope of this review was limited to activities and business practices for the current Fiscal Year to-date (2019) and the Fiscal Year ended (2018). In order to achieve our objectives, we completed the following:

- Reviewed the department's organizational and financial information;
- Met with management to discuss any potential areas of concern;
- Requested and reviewed departmental responses to internal control questionnaires and separation of duties matrices;
- Reviewed departmental policies and procedures for key business processes;
- Reviewed Integrated Financial Information System (IFIS) approval templates, and the Business Unit Management Tool (BUMT) Marketplace roles;
- Reviewed the Transaction Sampling Management Report for the period within scope (current and last fiscal year) for both INC and CGJ; and
- Performed transaction testing over select business processes, as summarized in Attachment A.

IV. CONCLUSION

Based on our review, we concluded that INC and CGJ's key controls provided reasonable assurance that operations were effective, in compliance with University policy, and resulted in accurate financial reporting. Opportunities for improvement were identified in several expenditure areas. However, we also noted that the personnel largely involved with preparing and approving the reviewed transactions have since separated from the University, and hiring efforts have been ongoing during this review which are expected to lead to improved process effectiveness.

Opportunities for improvement are discussed in the balance of this report.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Transaction Support Documentation
We noted instances where the business purpose for various transactions was not sufficiently detailed to assess compliance with policy, and transaction support documentation was inadequate.	
Risk Statement/Effect	
Lack of sufficient detail or inadequate support documentation precludes adequate review to confirm business purpose and compliance with policy, which increases risk of unauthorized, unnecessary, or fraudulent purchases, unauthorized work performed by suppliers, and/or improper charges to University accounts.	
Management Action Plan	
A.1	The INC and CGJ MSOs will reinforce to all transaction preparers and approvers that additional detail is required to support the business purpose and detail of all transactions.

A. Transaction Support Documentation – Detailed Discussion

University policy¹ and general good business practices specify that records and reports, as a minimum, must be prepared and retained to substantiate payroll, service, supply, equipment, and other costs charged to University expenditure accounts. The appropriateness of the substantiating documentation is measured in terms of its relevance and reliability, and must provide support for the reviewer’s approval, as well as provide sufficient explanation for subsequent reviewers from sponsoring agencies to also conclude that approval is appropriate, allowable, and allocable to the fund source. Further, in certain disbursements where the substantiating documentation may not be available or is in use by reasons of propriety, custom, or practice, accounting officers, heads of departments, and other appropriate campus administrative officers should exercise professional judgment in determining the type of documentation necessary to assure that the expenditure to be paid is proper and appropriate.

For those instances where detailed business purpose justification for transactions is either required by policy or necessary to supplement the supporting documentation, the IFIS comment fields as well as file attachment functionality provides transaction preparers with ample methods of linking information and documentation with the transaction. The transaction approver’s role is also to obtain information from the parties involved and not approve until adequate supporting documentation or additional explanations have been obtained. Different types of details should be provided based on the nature of each transaction, but enough detail should be provided in order to supplement any information missing from the supporting documentation and assure the reviewer that the transaction is official University business, policy-compliant, and processed using the appropriate transactional tool or application (i.e., Marketplace PO, MyPayments, express card, etc.). In addition, to the extent that such information is not already included in the transaction preparer’s provided documentation, information

¹ University of California Accounting Manual A-000-7, “Official Documentation Required in Support of University Financial Transactions”, <https://policy.ucop.edu/doc/3410183/AM-A000-7>

about the reasons behind missing information or non-standard practices should also be included either with the detailed business justification or attached with the rest of the supporting documentation provided.

We reviewed INC and CGJ expenditure activity, including payroll and non-payroll cost transfers, entertainment, express card purchasing, travel, and purchases made towards award end-dates. While reviewing transactions, we noted in several different areas that the business purpose justifications documented in IFIS did not contain sufficient detail to ascertain the nature of the transaction and assess compliance with University policy. Some examples of incomplete or insufficient documentation in INC are summarized below.

- Some high risk cost transfers included instances where the documented business purpose behind a cost transfer or other expenditure was overly vague and omitted relevant contextual details. One example consisted of a cost transfer initiated for a non-UCSD traveler's expenses from a federal fund to general funds, and the documented business purpose was "PI instructed to transfer 95% of this traveler's expense to an appropriate funding source." However, no additional relevant details were provided, such as why specifically 95% of the expense was being transferred, why one fund source was more appropriate than another nor any details regarding why the transfer was necessary. We also noted that for some of these instances, INC was unable to provide additional information on the transaction for the purposes of audit review, because the transaction preparers and/or approvers were no longer with the department.
- Several Express Card purchases were noted where tablets or other miscellaneous IT peripherals were purchased using Express Cards and the items were shipped to a non-UCSD individual and a non-UCSD location with no explanation provided. Shipping items to non-UCSD locations is considered card misuse by the Express Card Program Team, and makes it difficult to ensure items purchased are being used for University business.
- There were significant instances of travel transactions lacking sufficient detail in the documented business purpose. Travel details and justification for non-UC travelers was generally lacking. There were other travel transactions we noted where a traveler visited 6 different destinations, and the only explanation provided was "attending a meeting". There were instances where group travel documentation listed the same traveler more than once, but no explanations or comments were provided. In another instance, a travel reimbursement was processed and no explanation or supporting documentation was attached to the travel report. This and other foreign travel transactions were noted to have incomplete supporting documentation, and it is not possible to verify compliance with the Fly America Act when adequate supporting documentation is not provided.
- Some MyPay reimbursement transactions were for employees' direct purchases indicated as "Lab Supplies" and "Field Research Supplies," but instead of using a Marketplace purchase order or express card, the purchaser was reimbursed using MyPay. Explanations were not provided as to why MyPay reimbursement was used and not Marketplace or an Express Card. In addition, little detail was provided as to the business purpose for the transaction.

CGJ's reviewed transactions also contained instances of sparse explanation or inadequate supporting documentation. Examples of these instances include:

- Transactions where the supporting documentation did not reconcile to the reimbursement amount with no explanations provided, or supporting documentation was missing pages or cut

off. In some cases, the documented business purpose for an expense reimbursement would simply read “to discuss plans” with little or no additional detail provided. A number of significant EPET and NPET transactions were reviewed, and the explanations provided were sparse on actual detail and vaguely worded, such as “PI informed about expenses and wanted to make adjustments.” However, we noted that these EPET and NPET transactions appeared to be low risk.

- Some travel reimbursements included flights to additional destinations beyond what had been explained in the business purpose field, and details regarding the added legs of the journey were provided only upon inquiry. A significant portion of CGJ’s travel was made to conduct meetings that could not be independently verified because they had been informally organized via phone, text, or WhatsApp, according to the department. When queried for additional details about some of these meetings, the department further explained that some of these meetings had been planned but had not occurred as planned, but these details were excluded from the travel reimbursement documentation.
- Other examples of inadequate documentation included instances where itemized supporting documentation was incomplete but reimbursements were still approved and processed. Additional details were provided by INC and CGJ staff upon inquiry, which also included explanations about why supporting documentation was not available for certain transactions. However, this kind of relevant contextual information should be documented in the comments or the business purpose section of the transaction in IFIS.

We noted that in the majority of the above examples, the transaction preparers and approvers were no longer with INC/CGJ or the University. This employee turnover and the lack of initial documented details in various transactions affected the department’s ability to respond to our inquiries.

B.	Fabrication Component Purchase Tracking
Component purchases for a high-value equipment fabrication were not tracked and reported as specified by University policy ² .	
Risk Statement/Effect	
Inadequate tracking of component purchases for an equipment fabrication increases the risk that unnecessary or unallowable purchases will be made for this fabrication, associated costs will be improperly recorded and reported to sponsoring agencies, associated indirect costs will not be recovered, and an incorrect base or valuation will be used for computing indirect costs.	
Management Action Plan	
B.1	INC will update its fabrication documentation with Equipment Management in order to more closely reflect the current status, components, and value of the fabrication.

² University of California Accounting Manual P-415-32, “Plant Accounting: Fabricated Property”, <https://policy.ucop.edu/doc/3410288/AM-P415-32>

B. Fabrication Component Purchase Tracking – Detailed Discussion

University of California equipment management policy (BFB-BUS-29: *Management and Control of University Equipment*) defines fabricated equipment as non-expendable, tangible, personal property physically constructed by a University activity, has a total acquisition cost of \$1,500 or more, is free-standing, complete in itself, does not lose its identity when affixed to or installed in other property, and is expected to be used by the University for one year or more. The total acquisition cost assigned to the equipment is the total of all materials, supplies, and services from outside vendors or authorized recharge activities. In order to appropriately track all of these acquisition costs for equipment management purposes, UCSD requires that departments submit a Fabrication Request form that includes the estimated value of the item, and the department is responsible for the proper valuation of the fabricated equipment. Appropriate valuation of fabricated equipment is required by University policy, both for reporting to sponsoring agencies as well as determining the correct base for computing indirect costs.

Review of INC's equipment management practices included observing some pieces of equipment onsite. The equipment selections were based on the valuation recorded in the Capital Asset Management System (CAMS), therefore fabrication 5138 for a "Neuromorphic Cognitive Computing Platform" valued at \$634,000 was included as part of the selections. This fabrication was funded by federal award 190036-002.

During our onsite visit, the equipment presented as fabrication 5138 appeared as a double-sized desktop tower-style computer enclosure, with the purchased computer components already assembled inside and actively running. It was not possible to confirm whether the computer enclosure being observed was the actual piece of equipment as documented in CAMS, because a UCID tag had not yet been affixed and there were no exposed information plates or any other hardware that could be used for positive identification.

The main supporting document for the fabrication was the Fabrication Request form, which included a list of components that made up the \$634,000 value of the fabrication with component purchases over a three-year period. A listing of the actual components purchased for the fabrication was requested from INC. A listing of the actual components purchased for fabrication 5138 was not available for our review and was only prepared in response to our inquiry.

The total valuation of the fabricated equipment according to the Fabrication Request form was significantly higher than what had been submitted on the listing of actual purchased components. According to the Fabrication Request form submitted July 2018, the year 1 projected parts cost for this fabrication was \$130,160, however only \$18,273 had been spent to-date. The description and quantities of the components listed in the Fabrication Request form were also not consistent with the descriptions and quantities of the actual purchased items. Additionally, the unit costs of the items listed in the Fabrication Request Form appeared to be significantly higher than the costs of the components actually purchased.

CGJ did not have significant inventorial equipment expenditure activity during the period within scope.

C.	Administrative Compensation
Some administrative compensation was paid from federal awards that did not explicitly include this compensation in the proposal budget.	
Risk Statement/Effect	
Expenditures not explicitly included in the proposal budget have a higher risk of disallowance by the sponsoring agency in the event of an audit.	
Management Action Plan	
C.1	INC will re-examine its administrative compensation fund sources to ensure that only appropriate fund sources are being used and that any administrative or clerical salaries paid from federal fund sources should be documented in the award budget. For the one employee identified, INC will consider transferring the un-budgeted portion of their salary to an unrestricted fund source.

C. Administrative Compensation – Detailed Discussion

The Office of Management and Budget (OMB) Uniform Guidance normally requires that the salaries of administrative and clerical staff be treated as indirect costs. Direct charging of these costs is appropriate only if all of the following conditions are met: administrative or clerical services are integral to a project or activity, individuals involved can be specifically identified with a project or activity, such costs are explicitly included in the budget or have the prior written approval of the Federal awarding agency, and the costs are not also recovered as indirect costs³.

We reviewed INC administrative employee compensation to evaluate compliance with Uniform Guidance. For the various compensation amounts of the reviewed employees, the associated award documentation and budget were reviewed to determine if the employee’s compensation and job duties appeared reasonably consistent with the projected personnel and expenditures listed in the budget and award.

For the administrative staff reviewed, there were a number of compensation amounts that appeared reasonably consistent with the proposed expenditures in the award budget, although the staff members were not explicitly listed. However, an example was noted where approximately \$6,000 (4%) of a System Administrator’s compensation from 2017-2019 was paid from federal fund 21B4DA, and the award did not contain a provision for computer services in the proposal budget. INC should re-evaluate the System Administrator’s compensation on this award, and consider transferring the unbudgeted expenditures to an unrestricted fund source.

³ Code of Federal Regulation, 2 CFR § 200.413, “Direct costs”, <https://www.govinfo.gov/content/pkg/CFR-2014-title2-vol1/pdf/CFR-2014-title2-vol1-sec200-413.pdf>

D.	Transaction Sampling
Neither INC nor CGJ have reviewed all operating ledger transactions selected by the campus Transaction Sampling system in a timely manner.	
Risk Statement/Effect	
Incomplete reconciliation of selected samples increases the risk that unauthorized or unallowable expenditures might occur.	
Management Action Plan	
D.1	Management will ensure that all transactions sampled with Ledger Reviewer are appropriately reviewed and documented on a timely basis.

D. Transaction Sampling – Detailed Discussion

INC and CGJ have enrolled in Transaction Sampling program for operating ledger reconciliation. Transaction Sampling is a process managed by UCSD Controller’s Office that selects transactions to be reviewed during the ledger reconciliation period. This process can substantially reduce the workload associated with a 100% operating ledger reconciliation. All transactions above \$2,500 are reviewed, while expenditures below the threshold in travel, equipment, supplies and expenses are randomly sampled. Transaction Sampling is effective if the entire sample is promptly reviewed, and errors addressed. Sampling review should be completed within a reasonable amount of time; generally 60 days. During our review, we obtained the following statistics in regards to transaction review:

	INC	CGJ
Period (Calendar)	7/1/17 to 10/31/2018	
# of Transactions in Population	2394	1123
Transactions Sampled	325	179
Transactions Reviewed	290	154
Transactions OK	290	154
Problem Transactions	0	0
Transactions Not Reviewed	35	25
Transactions Not Reviewed > 60 days old	29	11

Ledger review is a key internal control to ensure that expenditures are appropriate and supported by adequate documentation. Incomplete sample review may put the organization at financial risk for inappropriate expenses and charges to federal fund sources.

E.	Timely Performance of Key Controls
Recent staff departures at both INC and CGJ affected timeliness of the performance of certain key internal controls.	
Risk Statement/Effect	
If certain key controls are not performed on a timely basis, there will be an increased risk that errors or misappropriation of funds will not be detected.	
Management Action Plans	
E.1	Key roles in the department were filled during recent hiring efforts.
E.2	BUMT and Control Tracker roles are in process of being updated to reflect recent staffing changes.

E. Timely Performance of Key Controls – Detailed Discussion

In order for the University to maintain effective control over financial processes, certain review activities were identified as key control activities in various areas (such as overdraft funds or staffing reconciliation) that require regular performance on a periodic basis. These key control activities are identified by area and frequency. The desired frequencies for effective monitoring are monthly, quarterly, and annually, and should occur as soon as operating ledgers close and no later than 60 days afterward. Performance of these control activities is documented by that activity’s owner (fiscal analyst, fund manager, or MSO) within the Control Tracker web application for UCSD. Additionally, to maintain effective control over purchasing processes in particular, the University requires use of the Business Unit Management Tool (BUMT) for departments to designate spending limits and shopping privileges for its users. After employee separations or other roster changes, University policy and good business practices require taking steps to collect or ensure the return and/or secure deletion of institutional information, revoke system access, and ensure continued availability of the institutional information required for University operational continuity⁴.

During the time period within the audit scope and shortly before, INC experienced employee departures at key fiscal positions at multiple levels, such as fiscal analyst, fund manager, and MSO. As a result, we noted that performance of some of INC’s identified quarterly and monthly controls was outstanding from June to December of 2018 (i.e., Q1-Q2 for Fiscal Year 2019).

We also noted that BUMT roles for INC (and CGJ, to a lesser degree) still required maintenance after recent staff departures. These employee departures understandably affected performance of certain key controls. In addition, due to the conjoined nature of fiscal operations between INC and CGJ, the departure of the previous MSO affected performance of CGJ’s control activities as well.

⁴ University of California policy BFB-IS-3, “Electronic Information Security”, <https://policy.ucop.edu/doc/7000543/BFB-IS-3>

F.	Personnel Management
Leave approval is not being consistently performed. In addition, there was no documentation available to confirm background checks were performed for cash-handling employees.	
Risk Statement/Effect	
Lack of leave approval increases the risk that compensation and effort is not being appropriately accounted for. Neglecting to perform a background check for employees hired into critical positions increases the risk of loss to the University.	
Management Action Plans	
F.1	INC and CGJ will require their employees to request and document their leave approvals.
F.2	INC and CGJ will consult with Human Resources to obtain background checks for staff members with cash-handling responsibilities.

F. Personnel Management – Detailed Discussion

Leave Approval

University policy requires that, for leave other than Family and Medical Leave, an employee must inform his/her supervisor as far in advance as possible of the need to take time off from work for any reason, including the expected length of the leave⁵. Use of a particular form is not explicitly required, but leave approval documentation should adhere to the same standards as other supporting documentation, and provide enough detail (date/timestamp of request, leave dates requested, some kind of certification from requestor/approver) to be properly associated with the leave usage record in MyTime. Employees are required to provide reasons for absences and may have to provide documentation if requested by their supervisor. Supervisors are responsible for maintaining files of records used that support time and attendance entries. Departments should maintain written timekeeping procedures that include a requirement for supervisory approval of overtime and leave requests.

During testing of leave approvals, we noted that INC could not provide leave approval documentation for the leave dates selected, and the email correspondence received from the employees taking leave indicated that a formal leave approval policy was not in place. Some employees were unaware of the need to obtain supervisor approval prior to taking leave.

Background Checks

University policy BFB-BUS-49 requires that campuses perform background checks prior to employing cashiers, cash handlers, and individuals in other critical positions. Each MSO is also responsible for arranging appropriate background and employment checks in accordance with University policy PPSM-21.

⁵ University of California policy PPSM-2.210, "Absence from Work", <https://policy.ucop.edu/doc/4010406/PPSM%202.210>

During inquiries with management in both INC and CGJ, we were advised that some fiscal staff had been employed with the department for a significant length of time, and it was not known whether personnel records were available from the time of their hiring. Additionally, it was asserted that San Diego Super Computer Center HR support staff were also responsible for providing HR support to INC and CGJ. When asked about the department's cash-handling activities, INC and CGJ's MSO identified which of these employees were known to have currently or previously been assigned cash-handling responsibilities. Two employees in both INC and CGJ (four out of six cash-handling employees total) were found to not have background checks on file.

Institute of Neural Computation & Center on Global Justice
Attachment A – Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project 2019-06

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Transaction Processing - Non-Payroll Expenditures	√	√	√	Transactions were selected and reviewed based on risk in amount or complexity; traced to available supporting documents. Review included express card transactions.	No	Improvement Needed	The business purpose for various transactions was not sufficiently detailed to assess compliance with policy. Refer to Report Finding A
Non-Payroll Expenditure Transfers	√	√	√	Reviewed transfer explanations for reasonableness.	No	Improvement Needed	The business purpose for various transactions was not sufficiently detailed to assess compliance with policy. Refer to Report Finding A
Travel	√	√	√	Reviewed 8 travel reimbursement transactions totaling approximately \$68,000; reimbursement amounts were re-calculated and traced to supporting documents.	No	Improvement Needed	The business purpose for various transactions was not sufficiently detailed to assess compliance with policy. Refer to Report Finding A

¹ Scale: Satisfactory - Improvement Suggested - Improvement Needed - Unsatisfactory

Institute of Neural Computation & Center on Global Justice
Attachment A – Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project 2019-06

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Payroll Expenditure Transfers	√	√	√	Verified adjusted payroll charges per operating ledgers & distribution of payroll expense reports (DOPE's).	Yes	Improvement Suggested	The business purpose for various transactions was not sufficiently detailed to assess compliance with policy. Refer to Report Finding A
Equipment Management		√	√	Reviewed inventory listing and equipment file for purchases, transfers, and deletes.	Yes	Improvement Suggested	Fabrication documentation and valuation should be revised to more closely reflect what has been purchased. Refer to Report Finding B
Contract & Grant Activity (Post Award Admin.)	√	√	√	Reviewed expenditure activity in multiple areas across 23 awards with combined project costs totaling \$68.9 million; evaluated financial review and reporting, cost transfers, express card, entertainment, general purchasing, travel, payroll distributions, effort reporting, and equipment management.	Yes	Improvement Suggested	Some administrative compensation was paid from federal awards fund sources that did not explicitly include this compensation in its proposal budget. Refer to Report Finding C

Institute of Neural Computation & Center on Global Justice
Attachment A – Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project 2019-06

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Operating Ledger Review & Financial Reporting	√	√	√	Examined transaction sampling management reports for the period within scope, payroll and non-payroll expense transfers. Also reviewed the department's Control Tracker and BUMT roles.	Yes	Improvement Suggested	There were sampled operating ledger transactions that remained un-reviewed. Recent staff departures at both INC and CGJ affected timeliness of the performance of certain key controls Refer to Report Findings D & E
Timekeeping & Payroll	√	√	√	Reviewed payroll expense distributions, leave approvals, payroll adjustments, and administrative compensation.	Yes	Improvement Suggested	Leave approval is not being consistently performed. In addition, there was no documentation available to confirm background checks were performed on cash-handling employees. Refer to Report Finding F
Effort Reporting	√	√	√	Reviewed effort reporting status for a selection of awards; traced effort certification for selected employees to the associated payroll distribution.	Yes	Satisfactory	Controls for effort reporting appeared satisfactory.

Institute of Neural Computation & Center on Global Justice
Attachment A – Audit Results by Business Office Functional Process
Audit & Management Advisory Services Project 2019-06

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Cash-handling	√	√		Reviewed questionnaire responses, inquired with staff involved in department's primary cash receiving and disbursement research activities, performed analytics to determine the extent of cash activities, reviewed selected cash transactions.	Yes	Improvement Suggested	INC and CGJ should consult with Human Resources to obtain background checks for cash-handling employees Refer to Report Finding F
Information Systems Environment		√	√	Reviewed responses to internal control questionnaire for system processes, account set up and deletion, and computer security. Toured department computer facilities.	Yes	Satisfactory	INC and CGJ information technology resources are overseen by the same staff and additionally supported by the San Diego Super Computer Center. The department's self-assessed protection level for institutional information is P2-low, and the availability level is A2-low ² .

² See the University of California Protection Level Classification Guide, part of UCOP ITS Systemwide IT Policy.