



# AUDIT AND ADVISORY SERVICES

## Delegation of Authority Audit Project No. 13-599

October 4, 2013

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October 4, 2013

Barbara VanCleave Smith  
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Deputy Chief Ethics, Risk and Compliance Officer Smith:

We have completed our audit of Delegation of Authority as per our annual audit plan in accordance with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and the University of California Internal Audit Charter.

Observations with management action plans are expounded upon in the accompanying report. Please destroy all copies of draft reports and related documents. Thank you to the staff of the Office of Ethics, Risk, and Compliance Services, Cal Performances, the Campus Budget Office, the Library, Human Resources, and the Academic Personnel Office for their cooperative efforts throughout the audit process. Please do not hesitate to call on Audit and Advisory Services if we can be of further assistance in this or other matters.

Respectfully reported,

Wanda Lynn Riley  
Chief Audit Executive

cc: Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca  
Associate Chancellor Linda Morris Williams  
Assistant Vice Chancellor and Controller Delphine Regalia

**University of California, Berkeley**  
**Audit and Advisory Services**  
**Delegation of Authority**

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## OVERVIEW

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### Executive Summary

We evaluated the process for delegating authority for adequacy of internal controls, compliance, prudent business practices, and economy and efficiency of operations. We observed that processes and controls are not currently in place to inform administrative officials at the time they join the campus or change positions concerning the authorities delegated to them. Delegations of authority are not being consistently approved in accordance with the delegation of authority letters. Often times, authority is re-delegated without informing and consulting with the Office of Ethics, Risk, and Compliance Services (OERCS). Processes and controls could be made more efficient and effective to ensure administrative officials are better prepared to evaluate the risk versus the benefits of re-delegating the authority granted to them by providing them with information concerning potential pitfalls or factors to consider particular to the authority they have been delegated before decisions to re-delegate authority are made.

## **Source and Purpose of the Audit**

The audit objective was to evaluate the process for delegating authority for adequacy of internal controls, compliance, prudent business practices, and economy and efficiency of operations.

## **Scope of the Audit**

The audit scope covered delegations of authority originating from Presidential letters of delegation and included examining internal controls for:

- Identifying and assigning delegations of authority;
- Communicating with administrative officials concerning the authorities delegated to them;
- Monitoring and updating delegations of authority; and
- Obtaining approvals required by delegation of authority letters.

Audit techniques included, for a sample of delegation of authority letters, interviewing departmental personnel in the Office of Ethics, Risk, and Compliance Services (OERCS), Cal Performances, the Campus Budget Office, the Library, Human Resources, and the Academic Personnel Office concerning the design of internal controls and tracing a sample of transactions to verify proper approval in accordance with the delegation of authority letter.

## **Background Information**

The University's Board of Regents gives decision-making authority to the President, who, in turn, re-delegates much of that authority for each campus to the campus Chancellors. This delegation occurs either through delegation of authority letters or through various policy manuals, letters, and bulletins. The Chancellor may elect to re-delegate further this authority, when permitted, through a campus-generated delegation of authority letter. Like the presidential delegations of authority, these specify the extent of the authority re-delegated, the position to which the authority has been delegated, and whether or not this authority can be re-delegated further. Likewise, a campus-generated delegation of authority letter is issued when authority can be and is re-delegated further.

On January 1, 2012, responsibility for managing and coordinating this process transferred from the Chancellor's Communication & Resource Center to the OERCS. A record of the delegation of authority letters issued, including re-delegations, is maintained on a campus website (<http://compliance.berkeley.edu/delegation>).

## **Summary Conclusion**

We observed that processes and controls are not currently in place to inform administrative officials at the time they join the campus or change positions about the authorities delegated to them. In addition, delegations of authority are not being consistently approved in accordance with the delegation of authority letters. Often times, authority is re-delegated without informing and consulting with OERCS. Furthermore, processes and controls could be made more efficient

and effective to ensure administrative officials are better prepared to evaluate the risks versus the benefits of re-delegating their authority by providing them with information concerning potential pitfalls or factors to consider particular to the authority they have been delegated before decisions to re-delegate authority are made.

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## **SUMMARY OF OBSERVATIONS & MANAGEMENT RESPONSE AND ACTION PLAN**

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### **Onboarding Campus Delegates**

#### **Observation**

Authority is currently delegated through delegation of authority letters to positions as opposed to individuals. When individuals change positions, we observed there is no consistent process to assure that new position holders are made aware of their delegated authorities. In the absence of such notification, administrative officials may unintentionally approve transactions or enter into agreements that they do not have the authority to approve. By providing administrative officials with information on their delegated authority at the time they join the campus or accept a new position, potential risk and exposures are mitigated including:

- Decision-making outside the limits of delegated authority;
- Potential compliance issues with policy, laws, and regulations;
- Errors resulting from administrative officials not identifying or misunderstanding the authority delegated to their position;
- Increased operating costs and lost productivity to correct errors; and
- Inefficient use of time and lost productivity that could have been better used to support achievement of the campus and unit priorities and goals.

#### **Management Response and Action Plan**

Management concurs with the observation. The Delegations of Authority web site has been redesigned. The new site will enable OERCS to provide an accurate listing of the delegations assigned to a particular position. The listing includes summaries of the redelegations and the links to the originating documentation. This listing will be printable, enabling OERCS to notify new administrative officials of their delegations, who currently holds redelegations of their authority, and to provide guidance regarding possible redelegation adjustments. The new web site was up and running in August 2013.

## **Changes in Delegated Authority**

### **Observation**

Processes and controls are not currently effective at ensuring that OERCS is informed of and tracks all re-delegations of authority that may occur across the campus. Administrative officials often re-delegate authority without informing and consulting with OERCS. We examined five delegations of authority letters as part of our audit testing and in four of the five cases the authority had been informally re-delegated to another position other than the one indicated in the delegation of authority letter.

Potential risks and exposures encountered as a result include:

- Authority delegated to individuals who do not possess the relevant skills, experience, and awareness concerning policy, laws and regulations;
- Inappropriate limits on authority (i.e., overly broad authority and responsibility, the potential for separation of duties issues, authority outside of the scope of the individual's span of control) which introduce opportunities for errors in judgment, fraud or abuse;
- Inappropriate assumption of authority;
- Increased operating costs and lost productivity to correct errors in judgment and quality of service issues; and
- Potential compliance issues with policy, laws, and regulations.

Given the degree of decentralization on campus, one potential response that would help mitigate some of the identified risks above would be to issue periodic positive confirmation letters to the delegates of record to confirm and acknowledge delegated authorities.

### **Management Response and Action Plan**

Management concurs with the observation. As part of the new Delegations web site project, OERCS is communicating with the delegates of record to confirm that they know they have the delegation and update OERCS about further redelegations. The initial update on redelegations will be completed by January 1, 2014. OERCS will reconfirm delegated authorities periodically thereafter.



## **Campus Re-delegations of Authority**

### **Observation**

Processes and controls could be made more efficient to aid administrative officials (e.g., the Chancellor and others) in evaluating whether to re-delegate authority granted to them. Currently, OERCS reviews re-delegation letters after-the-fact to detect potential issues with the re-delegation. By providing administrative officials with guidance at the time that authority is delegated to them, OERCS can be more proactive in aiding administrative officials in managing risk associated with the decision to re-delegate, be more customer service oriented, and improve productivity in both their office and the administrative official's office.

Potential risks and exposures OERCS could help administrative officials avoid in advance of making a decision to re-delegate might include:

- Inappropriate limits on authority (i.e., overly broad authority and responsibility, the potential for separation of duties issues, authority outside of the scope of the individual's span of control) which introduce opportunities for errors in judgment, fraud, or abuse;
- Authority delegated to individuals who are not prepared to prudently execute such authority because they do not possess the education, qualification, technical skills, experience, and knowledge; and
- Potential compliance issues with policy, laws, and regulations.

### **Management Response and Action Plan**

Management concurs with the observation. OERCS has developed delegation guidelines to assist the administrative officials in their re-delegation process. These guidelines will be sent out with the initial delegation with instructions that when redelegating, the delegate include the guidelines, if further redelegation is allowed. The guidelines will also be posted on the new Delegations web site. The delegation guidelines will be available online by October 1, 2013.