



AUDIT AND ADVISORY SERVICES
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April 16, 2020

To: Cori Montgomery, Director
HSSB Administrative Support Center

Re: **Religious Studies – Internal Control Review**
Audit Report No. 08-20-0005

We have completed a limited review of religious studies – internal control review as part of the 2019-20 annual audit services plan. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by Religious Studies personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ashley Andersen".

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

cc: Chancellor Henry Yang
David Marshall, Executive Vice Chancellor
John Majewski, Dean of Humanities and Fine Arts
Fabio Rambelli, Chair, Religious Studies
Chuck Haines, Assistant Chancellor for Finance and Resource Management
UCSB Audit Committee
Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

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UC SANTA BARBARA

UCSB Audit and Advisory Services

Internal Audit Report

Religious Studies - Internal Control Review

April 16, 2020

Performed by:

Antonio Mañas-Melendez, Associate Director
Irene Camargo, Senior Auditor

Approved by:

Ashley Andersen, Audit Director

Report No. 08-20-0005

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of the audit was to evaluate internal controls and procedures established by Religious Studies to ensure best business practices are in place to support operational effectiveness and efficiency, including compliance with University policies. The objective of our audit was to determine whether:

- Travel reimbursements comply with University of California (UC) Policy G-28 *Travel Regulations*.
- Gift use administration complies with donor intent and is adequately supported and approved by management.
- Financial reporting is accurate, complete, and approved by management.

CONCLUSION

Based on the results of the work performed within the scope of the audit, we found Religious Studies has established effective internal controls over gift use funds and administration. However, our work identified opportunities to improve departmental controls in the travel reimbursement process. Our work further identified a need to improve oversight and monitoring of financial reporting. Specifically, monthly reconciliations between the department's shadow system and the campus financial system.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. TRAVEL REIMBURSEMENT

OBSERVATION

Our review of Religious Studies travel reimbursement activity found that travel expenses are not consistently substantiated with required documentation according to the University of California Policy G-28, *Travel Regulations* (UC Policy G-28). In addition, transportation expenses incurred were not always deemed economically reasonable.

We performed a limited review of 25 travel reimbursements (vouchers) to determine whether travel voucher documentation was adequate and reasonable to comply with the following University policy requirements:

- The travel support documentation to justify the business-related purpose was provided.
- Transportation expenses were reasonable and based on the most economical mode and most commonly traveled route.
- Itemized lodging statements were provided and advances were documented.

We found incomplete support documentation to justify some travel expenses as required by UC Policy G-28. For example:

- Four travel vouchers did not include adequate documentation to support the business-related purpose of the travel and justification of expenses.
 - Three travel vouchers did not include an agenda to substantiate the registration fees.
 - One travel voucher did not include justification for a hotel direct bill.
- Two travel vouchers did not use the most economical means of transportation and/or the most commonly traveled route for the purpose of the trip. Specifically,
 - One travel voucher included mileage for the commute from the traveler's home to campus. Travel shall be computed for reimbursement from the traveler's headquarters to the destination.
 - One traveler did not use the most economical means of ground transportation to travel from Santa Barbara to University of California Riverside. In addition, a 40% gratuity was paid for the trip. UC Policy G-28 defines that taxi fares shall be allowed when the use of alternative transportation is not available and the cost is reasonable.
- One lodging statement was not included containing itemized charges for the room, taxes, and/or other incidentals.
- All travel using an advance were included on the voucher. However, we identified one instance where the traveler did not reimburse the Regents \$290 for the difference between the advance amount of \$1,500 and the total travel expenditures of \$1,209. UC Policy G-28 states that all cash advances must be accounted for within forty-five days after a trip is completed. Unrecovered advances that are determined not to be business related travel expenses should be reported as income to the traveler.

RECOMMENDATION

We recommend Religious Studies improve departmental oversight of travel expenses in order to ensure the travel reimbursement process is aligned with University policies and best business practices. Some of these enhancements should include:

- Strengthening the support documentation to substantiate business-related expenses, including justification of the purpose of the travel and itemized expense statements.
- Ensuring all travel advances are reconciled to expenses and travelers reimburse the balance owed to the University.
- Providing training and guidance to ensure travelers are mindful of using the most economical and reasonable means of transportation or route when traveling. Planning travel in advance could minimize costly expenses.

MANAGEMENT RESPONSE

During the audit, Religious Studies reminded faculty that detailed support documentation is required for all reimbursement requests to substantiate business-related expenses. Religious Studies will document a procedure to improve departmental oversight of travel expenses. Some of these enhancements will include:

- Strengthening the support documentation to substantiate business-related expenses, including justification of the purpose of the travel and itemized expense statements.
- Ensuring all travel advances are reconciled to expenses and travelers reimburse the balance owed to the University. Religious Studies will work with Business and Financial Services to ensure amounts owed from travel advances are properly processed.

This procedure will be distributed to all department travelers to provide guidance and to reiterate the importance of complying with University of California (UC) Policy G-28 Travel Regulations, even in exceptional circumstances. The procedure would include resources to Travel and Entertainment guidance.

Audit and Advisory Services will follow up on the status of these issues by June 30, 2020.

2. GIFT USE AND ADMINISTRATION

OBSERVATION

Our review of Religious Studies gift funds found gift use and administration complied with donor intent, was adequately supported with documentation, and was approved by management.

We performed a review of gift funds administration and expenses to ensure current use gift funds were properly administered to comply with the donor's intent. Specifically, we reviewed whether:

- Purchasing transactions were properly authorized and posted.
- Travel purpose and expenses were relevant to donor intent and approved.

- Payroll expenditures were recorded in the GL to support donor intent.

In addition, we reviewed whether documents were adequately supported with a University of California (UC) Regents UDEV¹ form and gift use was approved by management.

We selected three donor gift funds and found that all donations tested were unrestricted funds. Flexible funding allows the department to use the gift funds as best fits their department's needs without restrictions. Based on our sample, expenditures were overall appropriate and reasonable per donor intent and adequately supported, reviewed, and approved.

3. FINANCIAL REPORTING

OBSERVATION

Monthly reconciliations between Religious Studies' shadow system and the Campus Financial System was not consistently accurate and complete. During our review, we were informed that GUS² was not completely reconciled during fiscal year 2018-19.

We performed a limited reconciliation of two types of expenses based on volume of activity³ between the Campus Financial System (General Ledger) and the financial shadow system used by the department (GUS) for May and September 2019 and found the following:

- Payroll transactions recorded in General Ledger (GL) were consistent with payroll transactions recorded in GUS.
- Travel transactions recorded in GL were not consistent with transactions posted in GUS in the two months evaluated. Specifically:
 - In May, travel expenses reported in GUS were \$4,294.58 lower than what was posted in the GL. This represents 44% of what was posted in the GL. These differences could be caused due to the department's recent migration to GUS and staffing constraints.
 - In September, GUS recorded an amount of \$248.53 (4%) higher than what was posted in the GL. We were informed that the expense had been incorrectly posted to travel using the wrong object code and was immediately posted to the correct object code during our audit.

In addition, we found management's review of monthly reconciliations between GUS and the GL is not documented to provide assurance that transactions and activities are for the correct purpose and reconciled to the GL. All income and expenses must be accurately entered into GUS monthly and reconciled against the GL. Account reconciliation also confirms that faculty has a current account balance and account funds in the GL are consistent, accurate, and complete.

¹ UC Regents UDEV: a form used to process gifts.

² GUS is a custom database shadow system for managing and maintaining funding source, purchasing, lien, and other essential financial information for many departments and research or organizations across the UCSB campus.

³ Our reconciliation was limited to travel and payroll transactions. The two types of expenses with the highest value and represent 70% of total expenses during fiscal year 2018-19.

Unreconciled expenses in GUS provides faculty with misrepresented totals and the difference may result in being misinformed of their account fund balances. Faculty uses GUS to account for their balance for financial reporting. A summary report between GUS and the GL should be reviewed, and approved by management.

RECOMMENDATION

We recommend Religious Studies develop and implement monthly reconciliations between GUS and the campus General Ledger to ensure expenses are posted to the correct object code and account funds are accurately reconciled and reviewed by management. Reconciliations and reviews should be properly documented.

MANAGEMENT RESPONSE

While Religious Studies was inadequately staffed during the previous fiscal year, every account/fund was reviewed on a monthly basis by management to verify balances and ensure expenses posted correctly to the GL. During this time, faculty received balance reports created outside of GUS.

Religious Studies has developed and implemented monthly reconciliations between GUS and the campus General Ledger to ensure expenses are posted to the correct object code and account funds are accurately reconciled and reviewed by management. Reconciliations and reviews will be properly documented.

Moving forward, the Financial Analyst will alert the Financial Manager via email when posting and reconciling has been completed for the month in GUS. The Financial Manager will run a report in GUS to verify account/fund balances and compare them to the General Ledger to verify accuracy. The Financial Manager will confirm the review via email. This practice will be documented in a procedure.

Audit and Advisory Services will follow up on the status of these issues by June 30, 2020.

GENERAL INFORMATION

BACKGROUND

Religious Studies⁴

University of California Santa Barbara (UCSB) Religious Studies is the largest Department of Religious Studies in the entire University of California system, and one of the largest departments in the US solely dedicated to the secular study of religion. There is 24 full-time ladder faculty and seven full-time lecturers, together with numerous affiliated faculty from other departments across the humanities and the social sciences, studying the multifarious ways in which humans have conceptualized, interacted with, and contested the sacred.

UCSB offers a major in Religious Studies, a major in Middle Eastern Studies, and minors in Religious Studies, American Indian and Indigenous Studies, Iranian Studies, and Jewish Studies. The department also teaches several critical languages (including Arabic, Persian, Hebrew, Hindi, Turkish, Coptic, Kazakh, Sanskrit, and Tibetan), which are essential for an in-

⁴ UCSB Religious Studies website.

depth understanding of religions in their cultural contexts. Students learn to think, write, and speak about religions—about rituals, traditions, texts, and experiences—in deeply informed and critical ways.

Extramural Funds⁵

Extramural Fund Accounting is charged with processing gift funds. When receiving and processing a gift, a UC Regents UDEV form is reviewed and signed off by gifts administration. The gift funds are then released from a holding account to the department for spending. Smaller unrestricted discretionary funds for the department tend to go into "various donors" funds and the Chair has discretion over how these funds are utilized. Gifts for specific area programs are directed to specific funds and the Chair works with faculty in those areas on the utilization of those funds. Gift sizes to these funds vary. When questions arise about individual gift funds, the Financial Analyst, Financial Services Manager, or Director will review fund sheets to ensure the intended use of the fund in question.

GUS⁶

GUS is a custom database system for managing and maintaining funding source, purchasing, lien, and other essential financial information for many departments and research organizations across the UCSB campus. GUS is intended to improve data access, ease data entry, reduce duplicated data entry and data entry errors and provide automated assistance for common functions such as: annual & monthly reports, monthly reconciliations with the campus ledger, communication with clients, carry forward, and statistics collection.

SCOPE

The limited scope of our work included compliance with travel requirements, gift use and administration, and financial reporting.

Specifically, we reviewed:

- UC and UCSB policies, best practices, and other guidance concerning Religious Studies.
- Travel reimbursement practices follow UC Policy G-28, Travel Regulations.
- Current use gift funds are transactions are in compliance according to donor intent and University policies and procedures.
- Financial reporting practices and procedures are accurate, complete, and approved by management.

CRITERIA

Our audit was based upon standards as set forth in the UC and UCSB policies, best practices, and other guidance relevant to the scope of the audit. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

⁵ Business and Financial Services: Extramural Funds website.

⁶ GUS: University of California Santa Barbara GUS website.

This review emphasized, but was not limited to, compliance with:

- University of California Business and Finance Bulletin G-28, *Travel Regulations. (UC Policy G-28)*
- University of California Business and Financial Bulletin BUS 79, *Expenditures for Business Meetings, Entertainment, and other Occasions. (UC Policy BUS-79)*

AUDIT TEAM

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Antonio Mañas-Melendez, Associate Director
Irene Camargo, Senior Auditor