EVENTS & TRANSPORTATION

EVENTS OFFICE

AUDIT REPORT #18-2209

Audit & Advisory Services

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Background

In accordance with the UCLA Administration fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) conducted a review of the Events Office.

The Events Office is responsible for coordination, production, management, scheduling of internal and external events, UCLA Commencements, and student events. In addition, they also offer general event planning services, room rentals, and film location management on the UCLA Campus. The size and scope of events vary from small departmental and student events to large-scale events, such as UCLA Commencement Weekend and Bruin Day. For fiscal year 2016-17, the Events Office scheduled 18,560 events, and managed 905 events and film shoots.

The Events Office uses the Event Business Management System (EBMS) to create estimates, track services, and bill events. EBMS consists of multiple modules, the following are the ones used by the Events Office: Event Customer Relationship Management (CRM), Event Management & Coordination, Organization Administration, and a limited portion of the Purchasing module. In addition to EBMS, the Events Office uses UCLA Events Online (EOL). EOL is a Web intranet system used to confirm venue reservations, assist the event organizer with following policies and procedures, communicate with campus units involved in coordinating events, and populate events on University calendars.

The Events Office is primarily a self-funded auxiliary enterprise with 10.44 Full-Time Equivalents (FTEs). In fiscal year 2016-17, the Events Office collected a total of $4.1 million in sales and recharge revenue. A Director, who reports to the Executive Director of Events & Transportation (E&T), oversees the Events Office.

Purpose and Scope

The primary purpose of the review was to ensure that the Events Office’s organizational structure and controls, and the related systems and procedures surrounding financial and administrative activities, are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit focused on controls surrounding the following activities:

* Accountability Structure
* Event Administration
* Cash Collections & Deposits
* Purchasing
* Training
* System Controls

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary to achieve the objective. Interviews were conducted with Events Office management and staff, and various other financial and administrative documents were examined.

Summary Opinion

Based on the results of the work performed within the scope of the audit, the Events Office’s overall organizational structure and controls are adequate to help achieve their business objectives. However, certain business practices could be further strengthened to improve upon the existing internal controls. The following were noted:

*Accountability Structure*

* The Chief Administrative Officer (CAO) should monitor accountability delegations by reviewing quarterly Distributed Administrative Computing Security System (DACSS) reports to ensure that any redundancies in access are appropriately addressed.

*Event Administration*

* Management should ensure that all Events Office (i.e., type EO, FF) rates input into EBMS should first be documented in a rate structure schedule that is approved by the Director of the Events Office.

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

Audit Results and Recommendations

Accountability Structure

The Events Office accountability structure in DACSS in effect for December 2017 was evaluated for effective delegation of authority in initiating, processing, and reviewing transactions, and for adherence to the UCLA Financial Policy on “Principles of Financial Accountability.” According to the UCLA Financial Policy, maintaining and securing an effective accountability structure should provide for the routine update of DACSS to ensure that proper access is granted to inquire, prepare, and/or review transactions. The annual CAO Certification was also reviewed.

1. Accountability Structure

Overall, the Events Office CAO has established an effective DACSS structure for the delegation of initiating, processing, and reviewing transactions. The Events Office has submitted the DACSS CAO Certification for 2017 to the Office of the Controller. However, three mandatory reviewers were set up with redundant access:

* Billing and Accounts Receivable, CashNet, Purchasing, Non-Pear, On-Line Interdepartmental Recharge, Payroll, and Transfer of Funds mandatory reviewer access for the E&T Budget & Finance Manager was redundant, access was set up at both the Sub Division (5940) and department (3190) level. In addition, Recharge Order Requests access was set up at the department level as well as restricted to fund 70150. Further discussions with E&T management indicated that the reviewer’s access should be maintained at the Sub Division level and all other redundant access should be removed.
* Recharge reviewer access for the Events Office Director was set up redundantly at the department level with access to all full accounting units and also set up with access restricted to only fund 70150. The Director’s reviewer access should be at the department level and not limited to the fund level.
* CashNet reviewer access for the Events Office Assistant Director was set up redundantly with access for department 3190 as well as restricted access to fund 70150. Further discussions with E&T management indicated that the Assistant Director’s access should be set at the department level and not limited to the fund level.

After discussions with A&AS, management contacted the Departmental Security Administrator (DSA) and requested all necessary updates to the DACSS structure.

Recommendation: The CAO should monitor accountability delegations by reviewing quarterly DACSS reports to ensure that any redundancies in access are appropriately addressed.

Response: We concur. The CAO (i.e., Events Office Director) will continue to monitor accountability delegations via quarterly DACSS reports and work with the E&T Senior Financial Analyst to address any redundancies in access as appropriate.

B. Post Authorization Notifications (PAN) Review

Financial transactions must have at least one mandatory reviewer in order to be processed. Once the transaction is processed, a PAN is generated. PANs are automatically sent to mandatory and non-mandatory reviewers based on the reviewer set up in DACSS. Mandatory reviewers must login to the PAN system to review their notices. Non-mandatory reviewers receive an email generated at the time of the transaction.

The PAN Aging Reports available on the web-based application Document Direct, were queried to verify that Events Office employees who are set up as mandatory reviewers are not listed in the aging reports. Review of the reports as of December 3, 2017, indicated the following:

* There were no Events Office mandatory reviewers with unread PANs listed in the “PAN Aging Report Active by Mandatory Reviewers.”
* The Events Office does not have any separated employees with unread PANs listed in the “PAN Aging Report Separate.”
* The Events Office does not have any unread PANs by any mandatory reviewer. The “Unread PAN by Any Mandatory Reviewer” was clear.

Additionally, the PAN Audit Review in the PAN system was queried for the 4 month period of October 7, 2017, to February 7, 2018, to verify that Events Office staff who are set up as mandatory reviewers had read their PANs “within two business days of receipt” in accordance with the UCLA Financial Policy. Mandatory reviewers are required to log onto PAN and review their notifications. PAN provides an “inbox” for each reviewer and records a date/time stamp when the record is reviewed.

As of February 7, 2018, Events Office staff that are set up as mandatory reviewers have read all the PANs that they have received in accordance with the UCLA Financial Policy.

There were no significant control weaknesses found in this area.

Event Administration

The adequacy of internal controls and procedures over event administration was evaluated through interviews with Events Office management, review of event files, and sample testing. A sample of 20 events from fiscal year 2016-17 was selected for review. The following attributes were tested:

* External events had contracts that were signed by the Event Manager, Director, and the client.
* An estimate was signed by the Events Office and the client.
* Any changes to the event were documented on a Modification Service Authorization (MSA) form.
* The Event Checklist was filled out completely, dated, and initialed.
* An insurance certificate and endorsement letter specifically naming the “The Regents of the University of California” as additionally insured was obtained from external groups.
* The event file was reviewed by the Events Office Director/Assistant Director and Accounts Receivable staff for completeness.

Discussions with Events Office management, review of supporting documents, and test work indicated that the Events Office has established standard business practices related to event administration. Review of the sample of 20 events showed that they were processed in accordance with Events Office policies and procedures.

There were no significant control weaknesses found in this area.

Rate Structure

EBMS contains the rate structure used by Events Office for rates charged to student groups, internal clients, and external clients. There are two categories of rates in EBMS, those determined by vendors and rates established by the Events Office. Events Office rates are categorized as type “EO” and “FF” rates within EBMS. Events Office rates are established by the Events Office Director based on knowledge of event rates and the going rate of other businesses. The Director and Assistant Director are responsible for updating rates in EBMS.

The rate schedule is incorporated into EBMS, and there is no separate document outside of EBMS, which provides a complete listing of the approved rates. Events Office staff was able to provide copies of two documents which had the Film Permit Rates and Room Scheduling Fees, these rates only account for 39 of the 343 rates that fall under type “EO” or “FF.” There are 304 rates that are not documented outside of EBMS.

A&AS performed testing to verify that rates listed on the Film Permit Rates and Room Scheduling Fee documents agree to the rates in EBMS.  There are a total of 25 rates in the Film Permit Rates document and 14 in the Room Scheduling Fee document. Test work showed that although all 14 rates listed in the Room Scheduling Fee document did reconcile with the rates listed in EMBS, issues were found with the rates listed in the Film Permit Rates document. The following were noted:

* In three instances, rates listed in the Film Permit Rates document do not match the rate in EBMS.  The document did not have the most current rate.
* In five instances, film rates are in EBMS but are not cited in the Film Permit Rates document. In addition, per the Events Office Director, one of the five rates is no longer in use and should have been deleted from EBMS.
* In three instances, film permit rates are labeled differently in EBMS than on the Film Permit Rates document, which could lead to confusion.

Recommendation: Management should ensure that all Events Office (i.e., type EO, FF) rates put into EBMS should first be in a rate structure document that is approved by the Director of the Events Office. The rate structure should be properly documented and include essential information, such as the effective period and the date the rates were implemented in EBMS. Reconciliation procedures and tests should be developed and performed to identify any discrepancies between the rates in EBMS, and the approved rate structure. Proper tracking of changes can facilitate the reconciliation process and help in preventing errors.

Response: We concur. A rate structure document that includes all Events Office (i.e., type EO, FF) rates will be created by June 2018 and reviewed and approved by the Events Office Director prior to implementation. Annual reviews will be conducted under the purview of the Events Office Director to ensure that the rates contained within EBMS accurately reflect the information contained in the approved rate structure.

Cash Collections & Deposits

The Events Office received approximately $1.9 million in payments during fiscal year 2016-17. The majority of payments received are credit card and check payments. Cash handling business practices were evaluated for compliance with UC Business and Finance Bulletin BUS-49, “Policy for Cash and Cash Equivalents Received.”

Discussions were also held with personnel regarding departmental business practices for cash handling payments and deposits. Further, written procedures were reviewed and a walk through of the physical security over cash receipts was performed.

Test work indicated the Events Office has established proper internal controls over payments and deposits to ensure compliance with University policies and procedures and that individual accountability is maintained. The following were noted:

* The safe is restricted to storage of funds related to Events Office operations. The safe combination is restricted to authorized personnel and the combination is changed whenever a person who knows the combination leaves their position or at least once a year in accordance with UCLA Policy.
* Clients who drop off cash and/or checks are provided with a pre-numbered receipt.
* Cash and checks received by the Events Office are entered in the Check/Cash Drop Box Log and “dropped” into a secured Drop Box. The Check/Cash Drop Box Log contains the date, columns for check and cash, the check number, the amount, event number, receipt number or if the payment was mailed in, received by signature, verified by initials, and verified date.
* The contents of the Drop Box are verified under dual custody by two authorized employees (the Scheduling Manager/EOL Systems Administrator, Director, or Assistant Director) and the content is compared to the Check/Cash Drop Box Log and Receipt Book. The Director or Assistant Director reviews, initials, and dates the Check/Cash Drop Box Log.
* Verification is performed to ensure that check(s) are endorsed with a “Bank of America” stamp that states “for deposit only – The Regents of UC-Los Angeles” and made payable to the UC Regents or Regents of the University of California.
* Preparation of the deposit is performed under dual custody. Payments are entered in CASHNet, UCLA’s web-based payment and depositing processing system.
* The Director or Assistant Director performs verification of all deposits; the verification includes initialing each step listed in the Deposit Checklist and dating the checklist.
* Checks, cash, and the deposit transaction form (along with Dunbar Red Book) is placed in the safe. Dunbar pick-ups are scheduled every Tuesday and Friday, and when deposits exceed $500.
* Payments are entered into EBMS after the Dunbar pick-up.

Review of 23 Events Office cash and check deposits from fiscal year 2016-17 showed that cash and checks were properly received, recorded, reviewed, transported, and deposited in accordance with University policies and Events Office procedures. Individual accountability and separation of duties were maintained. When first received, payments were logged onto the Check/Cash Drop Box Log in a complete manner. Cash receipts were then properly recorded in CashNet and deposits were prepared in a proper and timely manner. Deposits were reviewed by the Director or Assistant Director via the Events Office Deposit Checklist. Additionally, deposits were picked up by Dunbar and processed by Bank of America in a timely manner.

There were no significant control weaknesses found in this area.

Purchasing

The adequacy of internal controls over Events Office’s purchasing processes was evaluated to ensure that there was proper authorization, separation of duties, and compliance with applicable UC and UCLA policies and procedures.

A&AS judgmentally selected 20 Events Office purchasing transactions from fiscal year 2016-17 for testing. Documents reviewed included Bruin Buy documentation, general ledgers, invoices, PANs, receipts, and other supporting documentation.

Review of the sample of purchasing transactions indicated that:

* Transactions were appropriate University expenditures.
* Amounts posted to the campus general ledger reconciled to the vendor invoices.
* Transactions were posted to the appropriate full accounting unit (FAU).
* Supporting documentation was adequate.
* Transactions were properly authorized by designated individuals.
* Mandatory reviewers reviewed the transactions.

There were no significant control weaknesses found in this area.

Training

1. Sexual Violence and Sexual Harassment Prevention Training

The University mandates annual sexual violence and sexual harassment prevention training and education. The training program helps employees learn about and understand their role in ensuring that the University community remains free of all forms of discrimination and harassment, including sexual harassment and violence, which is prohibited by law and University of California (UC) Policy.

A&AS reviewed compliance with UC sexual violence and sexual harassment prevention training as of October 2017. The review showed that all Events Office employees received the sexual violence and sexual harassment prevention training within the past two years in accordance with California State laws.

There were no significant control weaknesses found in this area.

### Cybersecurity Training

Cybersecurity training is mandated by the Office of the President. The training covers basic information regarding security, email, passwords, and social engineering, in addition to introducing contemporary threats and teaching good behaviors that protect information.

A&AS reviewed Events Office compliance with Cybersecurity Awareness Training as of October 2017. The review showed that all the required Events Office staff members have completed the mandatory cybersecurity training.

There were no significant control weaknesses found in this area.

System Controls

EBMS is a vendor purchased system that resides on UCLA servers. The system is supported by the E&T Information Systems unit. Each user has their own unique login and password.

The adequacy of EBMS software controls were evaluated through interviews with management and examination of user listing reports. Controls over system access to EBMS were reviewed to verify that access has been granted based upon job classification, responsibilities, and that users are current employees.

Audit test work indicated that access to EBMS is limited to appropriate staff. Review of the EBMS user listing showed that there are 19 users who have access to the EBMS application; all 19 users are active E&T employees.  System administrator level access to EBMS is appropriately restricted to two E&T Information System employees.

There were no significant control weaknesses found in this area.

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