INFORMATION TECHOLOGY SERVICES

RECHARGES

AUDIT REPORT #18-2212

Audit & Advisory Services

February 2018

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Background

In accordance with the UCLA Administration fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) has conducted an audit of Information Technology Services (IT Services) recharge activities related to its Communications Technology Services (CTS) unit.

Recharging entities, like IT Services, provide specific, ongoing services to more than one campus department or project, and recover the cost of providing these services from the customer on a per-unit rate basis. These entities are expected to charge rates that reasonably and equitably recover the costs of operating the service (e.g., salaries, benefits, equipment depreciation, materials, and supplies), and function on a break-even basis. While the University should not provide goods or services that are readily available from outside sources, a recharge activity may be established if there is overriding economic, ethical, or other institutional issues to support the need for the University to provide the service. However, the activity should relate to the University’s fundamental missions of teaching, research, and public service.

UCLA’s recharge rates and other aspects of sales and service activities having a financial impact on the campus are governed by the Policy Committee on Sales and Service Activities and Service Enterprises (POSSSE). UCLA Policy 340, “Sales and Service Activities,” established by POSSSE, serves as a guideline for the establishment, operation, review, and closure of all sales and service activities at UCLA. POSSSE advices the Chancellor on policies pertinent to recharge rates and sales, and service activities. POSSSE is responsible for reviewing on an annual basis, the Budget and Rate proposals for all Campus Support Services and General Fund recharge activities, and make recommendations to the Vice Chancellor.

For fiscal year 2017-18, recharge revenue for IT Services (CTS) was budgeted at $41.4 million. The unit develops, provisions, and maintains UCLA’s communications infrastructure, which consists of a voice network, campus backbone network, internet access, cable television system, and an 800 MHz wireless radio system, and the related systems and services. The unit provides more than 92,000 “Bruin OnLine” user accounts, 40,000 telephone lines, and 6,800 cable television connections to more than 100,000 students, faculty, and staff on campus, in two medical centers, and at satellite locations. UCLA’s fiber optic 10 gigabit Ethernet backbone reaches 517 departments and schools, including two major hospitals, on campus and offsite. The IT Services (CTS) unit supports and monitors these services 24-hours a day, 7-days a week.

The IT Services Chief Business Officer oversees recharge activities and reports to the Acting Associate Vice Chancellor of IT Services.

Purpose and Scope

The primary purpose of the audit was to ensure that the related systems and procedures surrounding IT Services recharges structure and controls are conducive to accomplishing its business objectives. Where applicable, compliance with campus and University requirements was also evaluated. The scope of the audit included the following areas:

* Recharge Rates
* Recharge Process
* Reconciliation and Monitoring

The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests of records, interviews, and other procedures considered necessary to achieve the audit purpose. Interviews were conducted with IT Services management and staff, and supporting documentation was also examined.

Summary Opinion

Based on the results of the work performed within the scope of the audit, IT Services’ internal controls and procedures were generally adequate and effective to help ensure that recharge activities related to its IT Services (CTS) unit are recharged or billed completely and accurately in accordance with approved rates.

The results of the audit are detailed in the following sections of this report.

Audit Results and Recommendations

Recharge Rates

The IT Services (CTS) fiscal year 2017-18 budget and rate proposal was submitted to the POSSSE Chair and approved by the Chancellor and Executive Vice Chancellor as part of the budget-approval process. In accordance with UCLA Policy 340, the approved rates have been published. The rates are on the UCLA Sales & Service website under the section “list of approved rates.”

There were no significant control weaknesses found in this area.

Recharge Process

A combination of systems, processes, and reviews by IT Services personnel help ensure the completeness and accuracy of IT Services (CTS) recharges. The integrated software package, COMIT, allows IT Services to track customers’ requests, services and products installed, and generates charges that are systematically downloaded and imported into the campus general ledger. Customers can order products or services, track their orders, and view their bill through the IT Services Web Center.

Each product or service provided has a product code, which carries the item’s rate, description, vendor cost, etc. Whenever a customer is provided a product or service, the activity is recorded in COMIT, and COMIT applies the product code and rate to the customer’s bill. A product code is classified as either a Monthly Recurring Charge (MRC) or Non-Recurring Charge (NRC). A MRC is billed at a standard rate on a monthly basis, and consists of voice access, voicemail, and the Technology Infrastructure Fee (TIF). A NRC is a one-time charge billed for work requested by the customer, and is typically an equipment purchase, labor, or a vendor-provided product or service.

There are four service areas that IT Services recharges are not tracked and processed through COMIT because of system limitations. Instead, charges for the UCLA Investment Company, Visiting Graduate Researchers, Housing & Hospitality Services Cable TV, and Network Management, are manually tracked using Excel spreadsheets. The charges are then manually processed through the online recharge system. The following were noted:

1. Completeness of Recharges

A judgmental sample of 23 recharge items from June 2017 were selected and reviewed to ensure that all products and services provided have been billed completely. The 23 selections included 10 NRCs, nine MRCs, and four recharge transactions not tracked through COMIT.

Based on audit review, recharges were completely charged to the proper full accounting unit (FAU), amounts recharged agreed between the COMIT system and the general ledger, and rates recharged agreed with approved rates.

There were no significant control weaknesses found in this area.

1. Accuracy of Recharges

A judgmental sample of 10 recharge transactions posted to the June 2017 general ledger (type entry 59 transactions) were selected for test work. For each selected recharge transaction, A&AS obtained and reviewed supporting service orders and billing statements from COMIT and the approved rate structure to verify that charges were accurately tabulated and supported.

Review of the 10 recharge transactions from June 2017 showed that all recharge transactions in the sample were properly supported by COMIT records, charged the approved rate, to the correct account, and for the proper amount.

There were no significant control weaknesses found in this area.

Reconciliation and Monitoring

IT Services (CTS) reconciliation and monitoring practices were evaluated for adequacy of controls. Based on discussion with management, IT Services (CTS) performs the following reconciliation and monitoring activities on a monthly basis to ensure that all products and services provided are billed accurately:

* Recharge revenue reconciliations between COMIT records and the campus general ledger are performed and documented by staff. Management reviews reconciliation documentation to ensure timeliness and completion.
* Four billing exceptions reports (each identifying active telecommunication lines with no billing information, lines with no inventory, duplicate charges, or invalid FAUs) are reviewed monthly by IT Services (CTS) personnel. As needed, corrective actions are taken and the resolution is documented on the corresponding exception reports.
* Visual audits are performed by selecting a customer and reviewing all voice charges, mobile billing, pass thru charges, TIFs to verify accuracy and propriety of billed charges.
* Adjustment reports generated from COMIT are reviewed by management to validate that recharge adjustments are warranted and approved.

Additional audit testing was performed to evaluate the following areas:

1. Recharge Reconciliation

Reconciliation of recharges for the three month period of June to August 2017 was selected for review. Review of the reconciliations indicated that no discrepancies were noted between COMIT records and the campus general ledger, reconciliations were performed by staff in a timely manner, and all three months were reviewed by management.

There were no significant control weaknesses found in this area.

1. Exception Reports

The following June 2017 exception reports were reviewed:

* Duplicate Product Code
* Invalid FAU
* Missing Stations
* No Inventory

From the above four exception reports, A&AS judgmentally selected nine exception transactions for audit review.  For each transaction, A&AS obtained supporting documents relating to the exception, including service orders, COMIT billing statements, emails, etc.  Additionally, A&AS staff met with management to discuss each selected exception transaction.

Based on audit test work performed, exception reports were properly reviewed by staff and appropriate action was taken to rectify any exceptions.

There were no significant control weaknesses found in this area.

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