

August 1, 2024

CHRISTOPHER P. HALTER
CHAIR, DEPARTMENT OF EDUCATION STUDIES
0070

Subject: *Department of Education Studies*
Report 2024-54

The final report for Department of Education Studies Report 2024-54, 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.

Christa Perkins
Director
Audit & Management Advisory Services

Attachment

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AUDIT & MANAGEMENT ADVISORY SERVICES

Department of Education Studies
Report No. 2024-54
August 2024

FINAL REPORT

Performed By:

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ATTACHMENT A – Audit Results by Business Office Functional Process

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of the Department of Education Studies (Education Studies) as part of the approved audit plan for Fiscal Year 2023-24. The objective of our review was to perform an overall assessment of Education Studies' administrative internal control environment and determine whether internal controls provide a reasonable assurance that operations are effective, in compliance with University policy, and result in accurate financial reporting.

Based on our review, we concluded that internal controls for Education Studies were adequate to provide reasonable assurance that operations were effective, performed in compliance with University policy, and resulted in accurate financial reporting. Effective operations were noted in multiple areas including accounts receivable, default account monitoring, and others.

We noted an opportunity to improve Education Studies' overall operational and financial management processes, including the review and approval of management expenditures and special event authorizations, timeliness of expense report submissions, and service agreement invoicing. We also identified a limited number of expenditures on federal awards that were not adequately supported, and department effort certifications were not completed timely. In some cases, it appeared that vacancies in Business Office personnel contributed to the lapses we identified in this review. The vacancy has since been filled, and we observed improvement in several areas during the course of our review.

We also noted an opportunity to ensure full compliance with the Mandated Reporter requirements of the University of California's Child Abuse and Neglect Reporting Act (CANRA) policy, as some department personnel had not completed the applicable training requirement.

A. Operational and Financial Management

1. Management will direct all of the Chair's procurement and/or travel card transactions and expense reports to the Dean of Social Sciences' office for review and approval. Special entertainment events will also be approved by an individual with Special Entertainment Approval Authority.
2. Management will perform a review of their FinUnit Approvers to ensure they are not assigned to review transactions incurred by purchasers to whom they directly or indirectly report. This review will include all members of management as well as the Chair.
3. Management will regularly remind Education Studies staff and approvers at departmental meetings and through other employee communications about reimbursement request requirements, including submission deadlines and the potential tax impact for non-compliance.
4. Management will ensure that all service agreement invoicing is completed consistent with the terms of the underlying service agreements.
5. Management will implement processes to document the performance of key controls, including a monthly review of the transaction ledger, payroll, equipment inventory and sponsored project deficit review to ensure compliance with policy.

B. Federal Sponsored Research Award Management

1. Management will implement review processes to ensure that transactions charged to federal awards are fully reviewed for appropriate supporting documentation and that those costs are allocable to the award.
2. Management will review the noted untimely expense reimbursement from the federal award and either document the allocability of the expenditures charged to the federal award or process cost transfers to an appropriate fund source.
3. Management will review the noted moving expenses reimbursement from the federal award and process a cost transfer to an appropriate fund source as appropriate.
4. Management will ensure that Department PIs certify overdue ECERT reports to become current on this requirement.

C. CANRA Administration

1. Management will work to bring all Education Studies Mandated Reporters into compliance with CANRA requirements by ensuring they complete the required training.

Observations and related 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 Department of Education Studies (Education Studies) as a supplement to the approved audit plan for Fiscal Year 2023-24. This report summarizes the results of our review.

Education Studies¹ was founded in 1972 with the mission to provide state-of-the-art teacher training, recognizing the pivotal role of teachers as levers in educational settings. Over time, Education Studies has established close ties with area school districts and served as the training ground for meaningful and innovative research-practice endeavors to improve educational excellence, opportunity, and access. Education Studies has over 30 faculty and affiliated researchers examining a broad array of educational issues. Student enrollments are in excess of 130 undergraduate education majors, 150 graduate students, and 250 undergraduate students minoring in Education.

Education Studies reports to the Dean of Social Sciences, with a Chair selected with a term beginning on July 1, 2021 and ending on June 30, 2024. A new incoming Chair has been identified with the role effective July 1, 2024.

According to UCSD Financial Reports² for Fiscal Year (FY) 2022-2023, Education Studies had approximately \$11.8 million in total resources, with total expenses and transfers of \$10.6 million and a net gain of \$1.2 million, ending with total resources available of \$1.8 million. Total resources, expenses and transfers and a comparison to the FY 2021-2022 financial results are summarized in the following table.

Description	FY 2021-2022	FY 2022-2023
Total Resources	\$12,043,050	\$11,787,667
<u>Less: Total Expenses & Transfers</u>	<u>(\$8,542,504)</u>	<u>(\$10,600,955)</u>
Change in Net Position	<u>\$3,500,545</u>	<u>\$1,186,712</u>
Beginning Net Position	(\$2,800,741)	\$699,805
Ending Net Position	<u>\$699,805</u>	<u>\$1,886,516</u>
<u>Less: Capitalization in Progress</u>	<u>(\$90,104)</u>	<u>(\$1,096)</u>
Resources Available	<u>\$609,700</u>	<u>\$1,835,420</u>

Source: OFC Net Operating Results and Fund Balance Report

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our review was to perform an overall assessment of Education Studies' administrative internal control environment and determine whether internal controls provide reasonable assurance that operations are effective, in compliance with University policy, and result in accurate financial reporting. The scope of our review consisted of financial activities between July 1, 2021 and June 30, 2023. To achieve our objective, we performed the following:

¹ The unit was founded as the Teacher Education Program and later renamed Department of Education Studies.

² Oracle Financial Cloud (OFC) Net Operating Results and Fund Balance Report.

- Reviewed department business documentation and information including the Education Studies website, organizational structure, and financial reports;
- Reviewed applicable federal regulations, requirements and University policies relating to core business operations, including selected Business & Financial Bulletins and others;
- Interviewed the Education Studies Chief Administrative Officer;
- Reviewed and evaluated the following:
 - Financial reports from the Oracle Financials Cloud (OFC) system or Business Activity Hub;
 - Division-prepared internal financial reports;
 - Deficit balances;
 - Financial management procedures;
 - Cash and accounts receivable processing;
 - Reimbursement documentation for travel, entertainment, purchases and training expenditures;
 - Gift fund expenditures;
 - Service agreement administration and invoicing;
 - Academic Outside Professional Activity disclosures;
 - Campus Asset Management System (CAMS) reports; and
 - California's Child Abuse and Neglect Reporting Act (CANRA) reporting and documentation;
- Evaluated department internal controls for key business processes and procedures, and traced transactions to supporting documentation for selected processes.

IV. CONCLUSION

Based on our review, we concluded that internal controls for Education Studies were adequate to provide reasonable assurance that operations were effective, performed in compliance with University policy, and resulted in accurate financial reporting. Effective operations were noted in multiple areas including accounts receivable, default account monitoring, and others.

We noted an opportunity to improve Education Studies' overall operational and financial management processes, including the review and approval of management expenditures and special event authorizations, timeliness of expense report submissions, and service agreement invoicing. We also identified a limited number of expenditures on federal awards that were not adequately supported, and department effort certifications were not completed timely. In some cases, it appeared that vacancies in Business Office personnel contributed to the lapses we identified in this review. The vacancy has since been filled, and we observed improvement in several areas during the course of our review.

We also noted an opportunity to ensure full compliance with the Mandated Reporter requirements of the University of California's Child Abuse and Neglect Reporting Act (CANRA) policy, as some department personnel had not completed the applicable training requirement.

The detailed results of the business processes review are summarized in **Attachment A**.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	Operational and Financial Management
	Expenditure review and approval processes for management's procurement and travel card transactions and special entertainment were not always appropriately approved. Financial and operational management could be improved with the more timely processing of expense reports and service agreement invoices, as well as the documentation of existing processes.
	Risk Statement/Effect
	Accountability is maintained when transactions are reviewed, authorized, and approved. Lack of timely submission, appropriate review and reconciliation increases risk of errors or misstatements, unauthorized charges, and non-compliance with applicable policies.
	Management Action Plans
A.1	Management will direct all of the Chair's procurement and/or travel card transactions and expense reports to the Dean of Social Sciences' office for review and approval. Special entertainment events will also be approved by an individual with Special Entertainment Approval Authority.
A.2	Management will perform a review of their FinUnit Approvers to ensure they are not assigned to review transactions incurred by purchasers to whom they directly or indirectly report. This review will include all members of management as well as the Chair.
A.3	Management will regularly remind Education Studies staff and approvers at departmental meetings and through other employee communications about reimbursement request requirements, including submission deadlines and the potential tax impact for non-compliance.
A.4	Management will ensure that all service agreement invoicing is completed consistent with the terms of the underlying service agreements.
A.5	Management will implement processes to document the performance of key controls, including a monthly review of the transaction ledger, payroll, equipment inventory and sponsored project deficit review to ensure compliance with policy.

A. Operational and Financial Management – Detailed Discussion

Management Expenditures Review and Approval

University policy (*BFB-BUS-43 Purchases of Goods and Services; Supply Chain Management*) states that purchasing expense claims should not be reviewed and/or approved by a person who reports directly or indirectly to the cardholder. The establishment of appropriate approval responsibilities helps ensure the segregation of responsibilities within the procurement processes and increases assurance that expenditure reimbursements are bona fide University expenses that comply with applicable policy. For academic department heads who hold travel or procurement cards, the transactions should be reviewed by the responsible Dean or Vice Chancellor's office.

We reviewed the department's expense approval responsibilities and tested a sample of expense report transactions for individuals in Education Studies leadership roles. Based on this review, we noted that Chief Administrator Officer's (CAO's) expense reports were typically approved by subordinates within the business office, although one instance was observed where the CAO's expenses were appropriately approved by the Chair, the person to whom the CAO reports, as required by policy. The Chair's purchase and travel card expenditures were also approved by the department's business office.

Special Event Authorization Review and Approval

We noted that Special Event Authorization was not obtained for a September 2023 event where a specific meal expenditure rose above the permitted per person meal rates in University policy (BUS-79 *Expenditures for Business Meetings, Entertainment, and Other Occasions*). Occasions where meal costs on a per person level exceed those permitted by UC policy require approval by staff with special entertainment approval authority. While the business office can review such transactions for accuracy, additional approval of the special event is required per policy. In this case, the transaction should have been routed to an individual with Special Entertainment approval authority.

Delayed Expense Report Submission

University policy (G-28 – *Travel Regulations*) outlines a reasonable amount of time not to exceed 45 days after the expenses were paid or incurred for the submission of expense reports. The expenditure may be considered income upon reimbursement for the travel and applicable income taxes may be withheld if filed beyond that specified period.

We noted that two of the 13 procurement card expense reports and six of the 12 travel & entertainment card expense reports we reviewed were not filed timely. Overall, we also observed that eight of the 25 expense reports reviewed were not submitted timely. Cardholders and all other staff should be reminded of policy deadlines and the potential economic impacts of a late filing. The topic should also be addressed in departmental meetings to create broad awareness.

Service Agreement Invoicing

Education Studies contracts with external parties to provide education services to children in schools. The agreements typically include invoicing and payment terms. Our fieldwork included a review of the five service agreements active over the two fiscal year scope period. We noted that two of the five agreements have issues with invoicing timeliness. One contract had a single invoice issued nearly six months after the end of the agreement, the time at which the single invoice was to be issued. The other noted exception was an agreement with three separate invoices that were to be issued on specific dates. The first and the third invoice were each issued two months after the agreed upon dates.

Control Process Performance and Documentation

University policy (UCSD PPM 300-15 *Internal Control Policy*) states that department administrators are responsible for ensuring that internal controls are established, properly documented, and maintained for activities within their jurisdiction and areas of responsibility. Management is responsible for periodic review of departmental key controls and procedures to ensure that the general principles of internal

control are in place and are being followed. Management is also responsible for strengthening internal controls when weaknesses are detected, including addressing errors, omissions, inconsistencies, and exceptions.

Due to resource constraints that were only recently addressed, the department has not documented nor completed key controls in the areas of transaction ledger, payroll, equipment inventory and sponsored project deficit review during the scope of this review. Now that resource constraints in staffing have been addressed, these controls should be documented and completed on a periodic basis consistent with policy.

B.	Federal Sponsored Research Award Management
A limited number of expenditures on federal awards were not adequately supported, and department effort certifications were not completed timely.	
Risk Statement/Effect	
Some of the expenses charged to a federal award did not meet the cost principles of allocability to the activity, which could result in disallowance of these expenditures.	
Management Action Plans	
B.1	Management will implement review processes to ensure that transactions charged to federal awards are fully reviewed for appropriate supporting documentation and that those costs are allocable to the award.
B.2	Management will review the noted untimely expense reimbursement from the federal award and either document the allocability of the expenditures charged to the federal award or process cost transfers to an appropriate fund source.
B.3	Management will review the noted moving expenses reimbursement from the federal award and process a cost transfer to an appropriate fund source as appropriate.
B.4	Management will ensure that Department PIs certify overdue ECERT reports to become current on this requirement.

B. Federal Sponsored Research Award Management – Detailed Discussion

Award Expenditure Support

The Office of Management and Budget's (OMB) Code of Federal Regulations (CFR) Title 2, Part 200, *Uniform Administrative Requirements, Cost principles and Audit Requirements for Federal Awards* (Uniform Guidance) provides a government-wide framework for grants management. Within this framework, Sec. 200.405 Allocable costs (a) which states that "A cost is allocable to a particular Federal award or other cost objective if the goods or services involved are chargeable or assignable to that Federal award or cost objective in accordance with relative benefits received."

During our review we observed two separate transactions where the attached documentation did not substantiate the expenditures to which they were linked. The first instance involved an expense reimbursement submitted for an academic who over 16 months had amassed a collection of receipts from multiple vendors. The result was a 36-page expense report submission that featured various vendor invoices the costs of which were posted in various amounts to three awards. We were unable to determine directly from the documentation submitted to which project or award the specific expenditures were allocable. Neither the combined file nor the separate invoices featured details as to how the various costs charged to the specific awards were determined.

The second instance was a reimbursement of a researcher's moving costs from a federal award. Although the researcher's salary is in part paid from the same award, the research contract was silent on moving or travel costs. Aside from the mover's invoice, the other attachment was a letter from an academic not associated with the award requesting the moving expense reimbursement be charged to their own gift fund. Therefore, it appeared this expenditure was charged to the research award in error, and should have been charged to the gift fund.

Effort Certification

Uniform Guidance requires that charges to Federal awards for salaries and wages must be based on records that accurately reflect the work performed. These records must be supported by a system of internal control which provides reasonable assurance that the charges are accurate, allowable, and properly allocated. At UCSD, the Electronic Certification of Effort and Reporting Tool (ECERT) is the system by which Principal Investigators (PIs) certify that personnel salary and benefit costs are allocated to awards per the percentage of effort spent working project. The allocation process is run every six months when a 120-day window opens during which academics can certify their own effort as well as that for staff who work on the academics' awards or make adjustments as appropriate.

Due to recent ECERT system issues, extended deadlines were given to PIs to certify effort (FY 2021 effort reports were due by October 31, 2023 and FY 2022 were due on December 22, 2023). FY 2023 effort was due on April 30, 2024. We noted none of Education Studies' effort reports in the campus' ECERT system since FY2021 have been certified as of May 2024, meaning that the accuracy of payroll distribution has not been reviewed.

C.	CANRA Administration
Education Studies was not fully compliant with the Mandated Reporter requirements of the University CANRA policy.	
Risk Statement/Effect	
Non-compliance with the Mandated Reporter requirements could result in possible fines, penalties, lawsuits and an increase in risk to organizational reputation.	
Management Action Plans	
C.1	Management will work to bring all Education Studies Mandated Reporters into compliance with CANRA requirements by ensuring they complete the required training.

C. CANRA Administration – Detailed Discussion

University policy (*PPM 200 -26 Reporting Child Abuse and Neglect Procedures*) requires that departments assist Human Resources with the creation and maintenance of a list of jobs and/or staff that qualify as Mandated Reporters. Departments are responsible for informing the selected personnel of their Mandated Reporter status and securing their signature on the CANRA Acknowledgement Form within 30 days, and ensuring that CANRA training is completed. Staff who regularly encounter minors (i.e., any person under 18 years of age) in the course and scope of their work are considered to fill “Critical Positions” and must therefore be subject to background checks pursuant to the Systemwide Guidelines on Designating Critical Positions in the University Selection and Appointment policy (Personnel Policies for Staff Members (PPSM) 21). Responsible offices, which are the employee’s home department and Human Resources, are required to monitor that assigned training is completed.

Education Studies’ Human Resources submitted a list of 17 department personnel indicated as Mandated Reporters to Campus Human Resources in response to an August 2023 University-wide initiative to refine the staff members who are CANRA designated, upon consideration of work environment with respect to minors. While all of the 17 individuals have completed a CANRA acknowledgement form, only one has completed the required training.

Attachment A – Audit Results by Business Office Process

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through	Transaction Testing (Sample Basis)			
Operational and Financial Management - Expenditure Review and Approval, including Purchasing Cards	√	√		Reviewed a transaction report which listed the Chair's expenditures with associated approvers. Three transactions were reviewed in detail. The same report listed the CAO's four purchases.	No	Improvement Needed	All of the Chair's expenditures and three of the Chief Administrative Officer's (CAO) expenditures were approved by the department's business office. Subordinate approvals are not permitted per policy. Report Finding A
Operational and Financial Management – Events Documentation	√	√		Seven events selected from the General Ledger were reviewed for documentation and compliance with policy.	No	Improvement Needed	One of two weekend collaborative workshops did not receive the special entertainment review and authorization whereas the other did. Report Finding A
Operational and Financial Management - Expense Report Submission	√	√		Reviewed a sample of 25 expense reports for timeliness and compliance with policy.	No	Improvement Needed	Eight of the 25 expense reports reviewed were not filed timely. Report Finding A
Accounts Receivable Management / Service Agreement Invoicing	√	√	√	Reviewed five service agreements that were active during the two fiscal year scope period.	No	Improvement Needed	A service agreement with one scheduled invoice due upon completion was billed five months late. Another agreement with three scheduled invoice dates had the first and third invoice each issued two months late. There were no outstanding receivables. Report Finding A

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

Attachment A – Audit Results by Business Office Process

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through	Transaction Testing (Sample Basis)			
Financial Management and Oversight		√		Discussed internal control documentation with management.	No	Improvement Needed	Internal controls are to be documented and completed as required by policy (UCSD PPM 300-15 <i>Internal Controls Policy</i>). Report Finding A
Operational and Financial Management – Contracts & Grants / Awards	√	√		Reviewed Federal award agreements and associated general ledger activity.	No	Improvement Needed	The documents attached federal award expenditure transaction did not support that the costs were allocable to the particular project. Report Finding B
Effort Reporting	√	√		An ECERT outstanding effort query was run for each six-month reporting period within the scope of the review.	No	Improvement Needed	Due to recent ECERT systems issues, certification deadlines were extended. The department was not aware that the deadlines have lapsed, and reports are currently overdue. Report Finding B
CANRA Administration	√	√		Reviewed and compared the Mandated Reports list to the UC Learning Training Completed Report and UCPath Acknowledgement Forms.	No	Improvement Needed	All 17 Mandated Reported had signed the CANRA acknowledgement form, however only one completed the required training. Report Finding C
Default Account Monitoring	√	√		Ran the current default project balance report.	Yes	Satisfactory	The departments default project balance has held steady at \$9,352 since May 2023 and should be addressed as resources permit.
Deficit Management – Sponsored Projects	√	√		Ran the Financial Deficit Report – Sponsored Projects for ongoing and closed projects.	Yes	Satisfactory	Within scope a non-federal award ended with a \$71,138 deficit. At present, one federal sponsored project has a \$79,760 deficit.

Attachment A – Audit Results by Business Office Process

AMAS Audit Review Procedure							
Business Office Process	Analytical Review of Financial Data	ICQ / SOD Matrix / Interviews	Process Walk-through	Transaction Testing (Sample Basis)	Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion ¹	Comments
Equipment Management	√	√		Reviewed equipment purchases and Campus Asset Management System (CAMS).	Yes	Satisfactory	Equipment inventory as listed in CAMS has not been reviewed as per policy; however, the Department had only one item.
Equity, Diversity and Inclusion		√		Made inquiries regarding departmental EDI efforts.	Yes	Satisfactory	The Chair leads an EDI faculty workgroup. Faculty take part in supporting other areas with regard to EDI efforts.
Non-Payroll Cost Transfers	√	√		Ran cost transfer reports for the scope period	Yes	Satisfactory	No cost transfers were observed for federal awards within scope.
Operational and Financial Management - Gift Expenditures	√	√	√	Expenditures from six gift award were reviewed.	Yes	Satisfactory	The department did flag an erroneous gift expenditure, which has been corrected during our review.