

September 14, 2011

SANDRA BROWN  
Vice Chancellor, Research  
0043

***Subject: Vice Chancellor Research - Executive Accounts  
Audit & Management Advisory Services Project 2011-70***

The final audit report for the Vice Chancellor Research—Executive Accounts, Audit Report 2011-70, is attached. We thank all members of the department for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken 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 corrective actions. At that time, we may need to perform additional audit procedures to validate that actions have been taken prior to closing the audit findings.

UC wide policy requires that all draft audit reports, both printed (copied on tan paper for ease of identification) and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel or destroy them at this time.

Stephanie Burke  
Assistant Vice Chancellor  
Audit & Management Advisory Services

Attachment

cc: M. Generales  
C. Kristofco  
D. Larson  
G. Matthews  
S. Subramani  
S. Vacca

**AUDIT & MANAGEMENT ADVISORY SERVICES**



University of California  
**San Diego**

**Vice Chancellor Research  
Executive Accounts  
September, 2011**

**Performed By:**

Unita Herrick, Auditor  
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**Approved By:**

Stephanie Burke, Assistant Vice Chancellor

Project Number: 2011-70

*Vice Chancellor Research - Executive Accounts  
Audit & Management Advisory Services Project 2011-70*

**Table of Contents**

I.	Background.....	1
II.	Audit Objective, Scope, and Procedures.....	1
III.	Conclusion .....	2
IV.	Observations and Management Corrective Actions .....	2
	A. IFIS Hierarchies .....	2
	B. Absence Documentation .....	3
	C. Travel Supporting Documents .....	4

*Vice Chancellor Research - Executive Accounts  
Audit & Management Advisory Services Project 2011-70*

**I. Background**

Audit & Management Advisory Services (AMAS) has completed a review of the Vice Chancellor Research (VCR) executive funds as requested by management. The VCR is responsible for overseeing UCSD's extensive research enterprise and for promoting, supporting and facilitating the research mission and the related infrastructure. The VCR collaborates with or oversees the campus Organized Research Units, Animal Care, Animal Welfare, Contracts and Grants, Research Ethics, Government Research Relations, University-Industry Relations, Conflict of Interest, Stem Cell Research, Technology Transfer Office, Postdoctoral Scholars, and Visiting Scholars programs, and plays a leadership role in federal and state research relations.

The former VCR separated from UCSD effective August 31, 2010, and the current VCR was appointed effective December 8, 2010. The UCSD Chancellor has requested that AMAS perform a review of selected business office operations and related internal controls for separating Vice Chancellors. This report summarizes the results of our review.

**II. Audit Objective, Scope, and Procedures**

The objective of our review was to evaluate oversight for executive accounts and, on a test basis, evaluate expenditures for compliance with University and campus policy. The scope of our review was focused on internal controls for current core business processes (e.g., payroll and timekeeping, travel and entertainment, procurement) and delegations of authority. The scope of our detailed testing of expenditures was limited to expenses charged to executive accounts.

In order to achieve our objectives we completed the following:

- Reviewed the following policies:
  - Section 28: G-28, Policy and Regulations Governing Travel;
  - G-39, Conflict of Interest Policy and Compendium of Specialized University Policies Guidelines, and Regulations related to Conflict of Interest;
  - G-45, Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors;
  - G-46, Guidelines for Purchase and Use of Cellular Phones and Other Portable Electronic Resources;
  - BUS-79, Expenditures for Entertainment, Business Meetings, and Other Occasions;
  - D-224-17 Delegation of Authority—Signature Authorization; and
  - Business and Finance Bulletin (BFB) IA-101 Internal Control Standards Departmental Payrolls;
- Reviewed Delegations of Authority (DA) documents;

***Vice Chancellor Research - Executive Accounts  
Audit & Management Advisory Services Project 2011-70***

- Reviewed Integrated Financial Information Systems (IFIS) Approval Templates;
- Reviewed the VCR Organization Chart;
- Interviewed VCR personnel;
- Determined the composition of executive accounts (see **Attachment A**);
- Performed an analytical review of funds and accounts to assess risks associated with expenditures;
- Obtained a list of all payments from the accounts for fiscal years 2009-10 and 2010-11 for Organization 660227;
- Selected a judgmental sample of expenditures from the accounts totaling approximately \$180,919, or approximately 39% of non-payroll activity by dollar volume for testing and:
  - Traced expenditures to supporting documentation (e.g., packing slips, vendor invoices, campus recharge statements, etc.);
  - Verified Express Card transactions;
  - Evaluated expenditures for reasonableness; and
  - Tested expenditures for compliance with University and campus policies and procedures; and
- Reviewed, on a sample basis, timesheets and leave documents.

### **III. Conclusion**

Based on our audit procedures, we concluded that VCR internal controls for business processes were generally adequate, and expenditures charged to the VCR executive funds were in compliance with University and campus policies and procedures. However, we noted a few opportunities for improvement, and these are discussed in the balance of this report.

### **IV. Observations and Management Corrective Actions**

#### **A. IFIS Hierarchies**

##### **IFIS Approval Templates were not completely updated.**

Review of the IFIS Approval Templates indicated that one former employee was still in the IFIS hierarchies. The Administrator stated this template had been inadvertently overlooked during the most recent review of hierarchies. Because the employee had separated and no longer had a valid UCSD account, the risk of misuse was low.

##### **Management Corrective Action:**

The Departmental Security Administrator (DSAs) has removed the IFIS Approval Templates for the former employee.

*Vice Chancellor Research - Executive Accounts  
Audit & Management Advisory Services Project 2011-70*

**B. Absence Documentation**

**We noted that the office did not have a consistent method for requesting absences and retaining the requests.**

During our review of payroll documents, we noted that some Office of Research Affairs central staff used email while others used a Departmental Approval of Absence or Overtime (DAAO) form. Additionally, employees returning to work from sick leave did not consistently record the leave. Supervisors generally sent the timekeeper an email advising her of the unscheduled absence, which the timekeeper then recorded as an absence.

While reviewing timesheets and supporting documents for December 2010, we noted that the payroll records for three of three employees reviewed did not include any DAAO for leave taken. We were advised that the time taken was mandated by the University and therefore no absence requests were submitted to support the time off. The office policy was that during this period, "time worked" was the exception and required documentation and local approval.

We noted that the timekeeper's data was appropriately entered on the timekeeping system by the timekeeper's supervisor. The Payroll Supervisor advised that medical appointments were normally communicated to department supervisors via email. With one exception, leave was appropriately supported; we noted that for two of four absences in January 2011, a DAAO was provided as support. For January 31, the support was provided as an email only. Neither the supervisor nor the employee could provide an email or DAAO to support an absence for January 19. Additionally, we noted that email requests for leave were not always kept in the payroll records.

The VCR timekeeper also has responsibility for entering online time data for three other VCR units. Absence of a consistent reporting method makes it difficult for the timekeeper to reconcile payroll records to supporting documents.

**Management Corrective Actions:**

1. For all VCR units, a uniform method for recording staff absences will be adopted.
2. Requests for leave will be kept in the payroll records consistent with the University's records retention policy.

*Vice Chancellor Research - Executive Accounts  
Audit & Management Advisory Services Project 2011-70*

**C. Travel Supporting Documents**

**Two of fifteen travel claims reviewed did not have the proper supporting documents required for reimbursement.**

We reviewed fifteen travel expense claims for travelers using the VCR IFIS index number. We noted that, for one traveler, two receipts used to support meal expenses included only the credit card receipt, but not the detail required to confirm the appropriateness of the expenditure. For another traveler, we noted that two receipts used to support meal expenses included alcohol purchases that were not deducted from the meal expenses prior to requesting reimbursement.

**Management Corrective Actions:**

Travel expense preparers and approvers will ensure that expenses for all travel are allowable and properly documented. Department staff will be reminded that reimbursements for alcohol expenditures during routine travel are generally not allowable.

Description	ORGANIZATION 660227 - VC Research									
	Prog.	661000 - Executive Management								
	Fund	07427A	19900A	19933A	19941A	25887A	39800A	60731A	68310A	69750A
	Desc.	Opportunity Fund	General Fund	STATE APPROP/UC GEN FUND/FED OVRHD	CIRM GRANTS OVERHEAD RECOVERIES	USDE/P033 A100644/KLEIN/FWS	UCFDN Chancellor's Assoc.	INTEL PROP INCENT DIST-VCR LAB	Sale of Surplus Property	CONTRACT AND GRANT ADMIN

Fiscal Year 2009-10 Activity:

Net Budgetary Allocations	494,417.16	1,776,956.90	438,919.05	49,228.13		6,337.52	2,125.00	539.53	712,331.86
Net Expenditures	-472,705.16	-1,394,993.97	-281,647.48	0.00		-1,622.48	0.00	265.79	-279,783.38
Liens at Year-end	-5,020.26	-5,325.29	-45,000.00	0.00		0.00	0.00	-9.03	0.00
Ending Balance at June 30, 2010	<u>16,691.74</u>	<u>376,637.64</u>	<u>112,271.57</u>	<u>49,228.13</u>		<u>4,715.04</u>	<u>2,125.00</u>	<u>796.29</u>	<u>432,548.48</u>

Fiscal Year 2010-11 Activity:

Net Budgetary Allocations	440,462.94	1,647,007.02	215,666.55	64,000.00	2,637.50	0.00	0.00	144.03	-104,799.79
Net Expenditures	-370,310.60	-1,448,111.62	-61,093.55	0.00	-2,637.50	0.00	0.00	0.00	-97,735.83
Liens at Year-end	-10,412.94	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00
Ending Balance at April 30, 2010	<u>76,431.14</u>	<u>575,533.04</u>	<u>266,844.57</u>	<u>113,228.13</u>	<u>0.00</u>	<u>4,715.04</u>	<u>2,125.00</u>	<u>940.32</u>	<u>230,012.86</u>