



AUDIT AND ADVISORY SERVICES
SANTA BARBARA, CALIFORNIA 93106-5140
Tel: (805) 893-2829
Fax: (805) 893-5423

May 7, 2021

To: Lynn Clark, Assistant Dean
Center for Black Studies Research

Re: **College of Creative Studies – Internal Control Review
Audit Report No. 08-21-0010**

We have completed a limited internal control review of the College of Creative Studies as part of the 2020-21 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 the College of Creative 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
Gerardo Aldana, Dean of College of Creative 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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UCSB Audit and Advisory Services

Internal Audit Report

College of Creative Studies - Internal Control Review

May 7, 2021

Performed by:

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

Approved by:

Ashley Andersen, Audit Director

Report No. 08-21-0010

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of the audit was to evaluate internal controls and procedures established by the College of Creative Studies (CCS) 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:

- Business-related expenses are adequately supported and appropriately reviewed and approved.
- Financial reporting is accurate, complete, and approved by management.
- Non-permanent faculty appointments include adequate approvals, funding, and periodic payroll monitoring.

CONCLUSION

Based on the results of the work performed within the scope of the audit, we found the College of Creative Studies has established overall effective internal controls over business related expenses, financial reporting, and administration over limited appointments. However, our work identified minor opportunities to improve administration of travel support documentation.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. TRAVEL REIMBURSEMENT AND PROCUREMENT ADMINISTRATION

OBSERVATION

Our work highlighted an opportunity to improve travel reimbursement documentation to justify economic travel, conference expenses, and lodging charges.

Travel Reimbursement

We performed a limited review of 15 travel reimbursements to determine whether travel support documentation was adequate and reasonable to comply with selected University policy requirements. We found support documentation did not always provide adequate information as required by UC Policy G-28. Specifically,

- The travel support documentation justified the business-related purpose. However, in one case the support documentation did not include a conference agenda.
- Transportation expenses were reasonable and based on the most economical mode and most commonly traveled route. However, in one case the support documentation did not specify if economic airline tickets were booked.
- Itemized lodging statements were provided and advances were documented. However, we found a \$162 reimbursement for five nights lodging in a friend's house and the receipt provided for reimbursement did not include any details to determine whether the residence was a real business. As per G-28, when a traveler lodges with a friend or relative while on official business, a non-cash gift, may be provided to the host. The actual cost of such a gift may be reimbursed up to \$75.

Procurement Expenses

We reviewed all eight Gateway expenses and seven procurement card (FlexCard) purchases during fiscal year 2019-20 and found purchases were reasonable for the business purpose and included support documentation. In addition, we found adequate separation of duties protocol was implemented to ensure expenses were reviewed and approved by someone other than the purchaser.

2. FINANCIAL REPORTING

OBSERVATION

Our review of financial reporting found monthly reconciliations are accurate, timely reported, and approved by management.

We performed a limited reconciliation between the campus General Ledger (GL) and the departmental shadow system, GUS¹, for June 2020. We reviewed the reconciliation process performed by the Financial Analyst and verified the accuracy of GUS account/fund statement

¹ GUS: custom financial database system. See the background section for more information.

reports against the GL. We found that expense information reported in both systems are consistent. Additionally, we verified that the Assistant Dean reviews and approves the monthly reconciliations.

3. NON-PERMANENT FUNDING ADMINISTRATION

OBSERVATION

We found non-permanent faculty payroll allocations are overall budgeted and approved, however payroll monitoring could be improved.

We performed a review of the nine active non-permanent faculty members during the period of the review to determine whether appointments were properly approved, adequately funded, and appointment terms and payroll allocations were monitored.

We found that the appointment percentages approved in the budget did not fully agree with the percentages recorded in the department spreadsheet used to track non-permanent appointments because of an administrative error. During our audit, the correction to the spreadsheet was made. Audit verified that the budgeted percentages report matched the percentage in the revised spreadsheet.

RECOMMENDATION

We recommend the College of Creative Studies provide training or guidance to faculty, staff, and students regarding University travel policy requirements. These initiatives should pay special attention to identify the adequate support documentation to support travel expenses.

MANAGEMENT RESPONSE

College of Creative Studies will provide training or guidance to faculty, staff, and students regarding University travel policy requirements. These initiatives should pay special attention to identify the adequate support documentation to support travel expenses.

Audit and Advisory Services will follow up on the status of these issues by June 30, 2021.

GENERAL INFORMATION

BACKGROUND

College of Creative Studies²

Since 1967, CCS has offered a small intellectual community of committed undergraduate students and faculty set within a major research university. The mission of CCS is to recruit the most talented and imaginative undergraduates, and provide them with the intellectual environment and advice that allows them to undergo the transition quickly from consumers of knowledge to colleagues in the act of human creativity in the arts and sciences.

CCS has approximately 425 undergraduate students with a focus on independent studies.

² UCSB College of Creative Studies website.

There are 13 Senate faculty members and 16 temporary lecturers to teach all aspects of the curriculum of the College. The student-to-faculty ratio is 8:1. Students can apply to one of eight majors offered by CCS: Art, Biology, Chemistry and Biochemistry, Computing, Mathematics, Music Composition, Physics, or Writing and Literature. When appropriate to their educational goals, students may also choose to complete both a Creative Studies major and a major in one the other colleges at UCSB. CCS students are also eligible to pursue a minor in the College of Letters & Science.

GUS³

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 review was focused on department administrative processes during fiscal year 2019-20. Our audit and evaluation included audit tests we developed from our risk assessment in determining whether the department is following policy and best practices for travel reimbursements, expenses administration, and financial reporting.

To accomplish our objectives, we:

- Researched UC and UCSB policies, best practices, and other guidance concerning the College of Creative Studies.
- Conducted interviews with College of Creative Studies management to gain an understanding of department processes, policies, and procedures.
- Evaluated College of Creative Studies business practices to determine whether they incorporate adequate internal controls and reviewed for opportunities to enhance operational efficiency.
- Performed a risk analysis that considered business related policy and procedures, allocated expenses, financial reporting, training, payroll monitoring, and IT general controls.
- Tested a sample of travel reimbursements to determine whether:
 - The travel purpose was documented and adequately approved.
 - Transportation taken was by the most economical means.
 - Meals and lodging support documentation was included.
 - Travel advances were cleared.

³ GUS: University of California Santa Barbara GUS website.

- Tested a sample of business-related FlexCard and Gateway expenses to determine whether:
 - Purchases were reasonable for the business purpose.
 - Purchases included adequate documentation.
 - Expenses were properly approved by someone other than the cardholder.
- Tested all non-permanent funding to determine whether faculty appointments were adequately budgeted, approved, and monitored.
- Reviewed the accuracy, timeliness, and completeness of the reconciliation process between the campus general ledger and the department shadow system.

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*.

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)
- University of California Business and Finance Bulletin BUS-29, *University Management and Control of University Equipment policy*. (UC Policy BUS-29)

AUDIT TEAM

Ashley Andersen, Audit Director
Antonio Mañas-Melendez, Associate Director
Irene Camargo, Senior Auditor