

RIVERSIDE: AUDIT & ADVISORY SERVICES

April 14, 2011

To: Karim Zahedi
Executive Officer
Office of the Executive Vice Chancellor and Provost

Subject: Internal Audit of the Office of the Executive Vice Chancellor and Provost

Ref: R2010-21

We have completed our audit of the Office of the Executive Vice Chancellor and Provost (EVC/Provost) operations in accordance with the UC Riverside Audit Plan. Our report is attached for your review.

We appreciate the cooperation and assistance provided by your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Michael R. Jenson
Director

Attachment

xc: Audit Committee

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2010-21

OFFICE OF THE EXECUTIVE VICE CHANCELLOR
AND PROVOST

APRIL 2011

Approved by:

Rodolfo Jeturian
Assistant Director

Michael R. Jenson
Director

**UC RIVERSIDE
OFFICE OF THE EXECUTIVE VICE CHANCELLOR
AND PROVOST
INTERNAL AUDIT REPORT R2010-21
APRIL 2011**

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the scope of the audit, it is our opinion that, overall, the system of internal controls at the Office of the Executive Vice Chancellor and Provost (EVC/Provost) is operating satisfactorily and is generally in compliance with applicable University policies and procedures.

Positive observations included:

- The department has developed a comprehensive Policy and Procedures Manual for Administrative Operations.
- Proper approvals for various expenditures have generally been obtained.

We observed that some travel expenditures need more detailed documentation to strengthen internal controls. Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services (A&AS), as part of its Audit Plan, performed a limited review of the Office of the EVC/Provost operations for the period July 2005 through June 2009 (audit period) to evaluate compliance with certain University policies and procedures, efficiency and effectiveness of selected operations, and adequacy of certain internal controls.

The specific audit objectives are to:

1. Review and evaluate internal controls and administrative procedures.
2. Determine that procedures result in operational efficiency and effectiveness, as well as adequately providing accounting control.
3. Evaluate the reasonableness, validity, and propriety of selected expenditures and transactions.
4. Determine compliance with selected University policies and procedures.

B. BACKGROUND

The Executive Vice Chancellor and Provost is responsible for managing the daily operations of the UCR campus; developing academic and administrative policies; and working closely with the chancellor, the chair of the Academic Senate, and the deans of UCR's colleges, schools, and divisions to formulate and realize the campus' goals.

The Office of the Executive Vice Chancellor and Provost during the specific audit period was also responsible for overseeing a number of organizations that provide services to staff, faculty, and students, including, but not limited to:

- Office of Academic Personnel
- Office of Conflict Resolution
- Office of Undergraduate Education
- School of Medicine, Planning Office
- Palm Desert Graduate Center

C. SCOPE

Audit & Advisory Services reviewed selected records supporting transactions that occurred between July 2005 and June 2009, and examined procedural controls relating to the following major administrative areas:

1. General Internal Controls

We evaluated administrative and accounting procedures and internal controls based upon management and staff responses to the internal control questionnaire and verification of selected areas. Specifically, we reviewed the approval process involving various expenditures.

2. Financial Analytical Review

We performed a financial analytical review of expenditures for Fiscal Years 2005-2006, 2006-2007, 2007-2008, and 2008-2009. This included identifying unusual trends or fluctuations and obtaining explanations for any significant or unusual variances. Also, we reviewed financial ledgers to determine any fund deficits. FY 2009-10 expenditures were reviewed for comparison purposes.

3. Transactional Testing

We judgmentally selected and reviewed thirty one (31) transactions (payroll and non-payroll) during the audit period totaling approximately \$61,000 to determine reasonableness, validity, propriety, and proper approval.

Total annual EVC/Provost Office expenditures on the average approximated \$750,000 during the audit period.

D. INTERNAL CONTROLS AND COMPLIANCE

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- * effectiveness and efficiency of operations
- * reliability of financial reporting
- * compliance with applicable laws and regulations

Substantive audit procedures were performed in June 2010. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS AND COMMENTS

A. Internal Control Evaluation

Generally, internal controls on administrative and financial transaction processing are adequate. Proper review and approvals are obtained for various expenditures as well as on decision memoranda.

B. Financial Analytic Review

We performed a financial analytic review of the expenditures for FYs 2005-2006, 2006-2007, 2007-2008 and 2008-2009. No unusual variances, fluctuations or trends in expenditures were detected that could not be explained.

We noted that during these tight budget periods, total expenditures for FY 2009-10 decreased by 7% compared to the average expenditures during the audit period and by 13% compared to FY 2007-08.

C. Transactional Testing

We noted no significant exceptions in our review of thirty one (31) judgmentally selected transactions (payroll and non-payroll) totaling approximately \$61,000 to determine reasonableness, validity, propriety, and proper approval.

However, some observations regarding a foreign trip in 2006 (e.g. incidental expenses charged in addition to the per diem amount; per diem charges included a weekend) were noted that would suggest an enhanced review of and request for additional documentation for travel vouchers to strengthen internal controls. Internal controls have since been strengthened.

Travel expenditures for the EVC/Provost Office have steadily decreased by 43%, 54% and 88% in FY 2007-08, 2008-09 and 2009-10 compared to FY 2006-07.