

July 6, 2012

SURESH SUBRAMANI
Executive Vice Chancellor, Academic Affairs
0001

***Subject: Executive Vice Chancellor Academic Affairs Executive Accounts
Audit & Management Advisory Services (AMAS) Project 2012-51***

The final audit report for Executive Vice Chancellor Academic Affairs Executive Accounts, AMAS Project 2012-51, is attached. We would like to thank all members of the department for their cooperation and assistance throughout the audit.

Management corrective actions for the issues that we noted are reflected in this final report. Consequently, we do not request a formal response. The management corrective actions will be added to our follow-up system, and we will initiate follow-up procedure at the appropriate time.

Please call me if you have any questions regarding this audit report.

Terri Buchanan
Interim Assistant Vice Chancellor
Audit & Management Advisory Services

Attachment

cc: K. Farrelly
D. Larson
G. Matthews
D. McGraw
S. Vacca

AUDIT & MANAGEMENT ADVISORY SERVICES



University of California
San Diego

**Executive Vice Chancellor Academic Affairs
Executive Accounts
June, 2012**

Performed By:

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Approved By:

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Project Number: 2012-51

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***Executive Vice Chancellor Academic Affairs - Executive Accounts
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I. Background

AMAS has completed a review of Executive Vice Chancellor Academic Affairs' Executive Accounts. This report summarizes the results of our review.

The Executive Vice Chancellor Academic Affairs (EVCAA) is responsible for oversight of the educational and research mission of the general campus through graduate, professional, and undergraduate education, the undergraduate colleges, research centers, and the UCSD libraries. In addition, the Office of International Affairs, the Preuss School, the Stuart Collection, and University Extension report to Academic Affairs. The EVCAA oversees the recruitment, advancement, and retention of all faculty, deans, and other academic leaders and is responsible for general campus academic planning, programs, and budgeting. Administrative support units within the EVCAA office include Academic Personnel Services, Faculty Equity, Resource Administration, Program Planning and Undergraduate Education.

The former Senior Vice Chancellor for Academic Affairs (SVCAA) stepped down effective October 1, 2010 and the current EVCAA was appointed as Acting SVCAA until his March 17, 2011 appointment as SVCAA. Effective April 1, 2011, the SVCAA's title was changed to Executive Vice Chancellor – Academic Affairs for UC San Diego.

The UCSD Chancellor requested that Audit & Management Advisory Services (AMAS) perform a review of selected business office operations and related internal controls for new Vice Chancellors.

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 Fiscal Years 2010-11 and 2011-12 (through March 2012). In order to achieve our objectives we completed the following:

- Reviewed relevant University of California (UC) policies;
- Reviewed Delegations of Authority and Disbursements Signature Authorizations documents;
- Interviewed EVCAA personnel;
- Analyzed Internal Control Questionnaires and Separation of Duties matrix completed by the Department;
- Determined the composition of executive accounts (see ***Attachment A***);

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- Performed an analytical review of funds and accounts to assess risks associated with expenditures;
- Reviewed approval hierarchies in the Integrated Financial Information System (IFIS);
- Reviewed processes for reporting of travel and entertainment expenditures for direct reports to the EVCAA;
- Reviewed electronic travel approvals for direct reports to the EVCAA;
- Obtained a list of all payments from executive accounts;
- Selected a sample of sixteen travel transactions from executive accounts and tested for compliance with University and campus policies and procedures;
- Selected a sample of supply & expense expenditures from executive accounts; 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.

III. Conclusion

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

IV. Observations and Management Corrective Actions

A. Timekeeping

Timekeeping was not consistently conducted in strict conformance with university and campus requirements, as timesheets were not consistently completed and approved for employees in months that they did not use any vacation or sick leave.

Upon receipt from the department Timekeeper, employees in the Vice Chancellor's Office manually completed the monthly Payroll Time Record (PTR), signed the document, and forwarded it to their supervisor. Supervisors then approved and forwarded the PTRs to the Timekeeper, who entered the data into the campus online timekeeping system. The Timekeeper then printed out the completed timesheets from the online system and forwarded the package to the Payroll Supervisor. The Payroll Supervisor then reviewed the documents to

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ensure that all leave time reported by the employees on the timesheets agreed to the time recorded online.

However, we noted that the Timekeeper started the timekeeping process by printing out only the reports for exception-reporting employees that used vacation or sick leave during the period. Consequently, the timekeeping process did not formally document payroll charges for exception-reporters that did not use any leave during the month.

Good business practices ensure that all employees attest to the time they worked, as well as leave taken, and that supervisors approve the timekeeping records to demonstrate effective stewardship for public funds. For this reason, University policy requires that departmental records be maintained to support all payments through the University's Payroll/Personnel System (Accounting Manual Section P-196-13), and that all payroll time records be approved by the employee's supervisor (Business & Finance Bulletin IA-101).

Management Corrective Actions:

The EVCAA's office has implemented monthly timekeeping for all employees (regardless of whether leave is used during the period) requiring supervisor approval of timekeeping records, as required by University policy.

The EVCAA's office will also implement the new campus system, MyTimeEntry, which provides an electronic workflow for employee self-entry of time worked and leave taken, and supervisor approvals (including periods when no leave is taken). Once implemented, the Timekeeper will print out the Data Entry Verification Report (or the Timekeeping Audit Report) and submit it to the Payroll Supervisor for spot-checking (to replace the current process for reviewing entered PTRs).

B. Approvals and Authorizations

Some document approval templates were not consistently updated as required.

For one electronic document approval template reviewed, the preparer was listed as the alternate approver. This created a condition where the document preparer could hypothetically complete a transaction without a second department member reviewing the transaction. While we did not identify any transaction for which this took place, the inclusion of a required secondary department approver

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provides additional assurance that all financial transactions are bona fide University business.

We noted an additional four approval templates where minor adjustments were suggested to improve internal controls. Finally, we also noted that one employee who had separated from the University was included in the list of employees with signature authorization for the department.

Management Corrective Actions:

The Finance Manager has deleted the five templates, and has initiated the process to cancel the signature authorization for the separated employee.

C. Travel Supporting Documents

Three of sixteen travel reimbursements reviewed did not have complete supporting documentation.

AMAS reviewed sixteen travel expense claims for travelers charged to executive accounts. For one traveler, a credit card receipt without appropriate detail was used to support a meal expense. Inadequate supporting documentation for travel expenses increases the risk to the University that inappropriate expenses will be reimbursed.

For two other travelers, two receipts used to support meal expenses included alcohol purchases that were not deducted from the meal expenses prior to requesting reimbursement. In both cases, the alcohol was charged to State general funds (index VAAP01), on which alcohol is not allowable.

Management Corrective Actions:

Travel expense preparers and approvers will ensure that expenses for all travel are allowable and properly documented. The cost of the alcohol charged to State funds will be moved to alternate fund sources.

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Attachment A - Composition of Executive Account Funds

Organization	660203 - VC Academic Affairs														660226 - Assoc VC- International Affairs		660210 - VCAA- Affirmative Action
Program	661000 - Executive Management													663000 - General Administrative Services	663000 - General Administrative Services		661000 - Executive Management
Fund	02500A	03475A	03537A	03640A	05397A	07427A	19900A	25887A	39800A	50594A	68310A	69994A	86116A	66708A	19900A	25887A	68310A
Description	Academic Removal - Loan	Faculty Loan- UCSD Fdn	Supplemental Home Loan Program	Revelle Emergency Loan Fund	Educational Fund	Opportunity Fund	General Fund	USDE/P033A1 00644/Klein/ FWS	UCFDN/ Chancellors Assoc/1169	Irene Mcfarland Trust/VAA/ Chandler	Sale Of Surplus Property	Vice Chancellor- Academ Affairs- STIP	Google-Dept Support/VAA/ Welch	So Ca Higher Ed. Recruitment Consortium	General Fund	USDE/P033A 100644/ Klein/FWS	Sale Of Surplus Property

Fiscal Year 2010-11 Activity:

Net Budgetary Allocations (A)	\$10,299	\$23,993	\$701,254	\$37,495	\$29,936	\$77,029	\$5,829,230	\$2,943	\$10,088	\$18,527	\$75,987	\$29,215,207	\$18,800	\$79,948	\$101,775	\$862	-\$68
Net Expenditures	-\$78	-\$285	-\$29,817	-\$446	\$29,936	\$77,029	\$5,761,791	\$2,943	\$3,907	-\$35	-\$1,287	-\$1,022,455	-\$35	\$76,622	\$101,775	\$862	-\$68
Liens at Year-end	\$0	\$0	\$0	\$0	\$0	\$74,033	\$43,466	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance at 6-30-11	\$10,377	\$24,278	\$731,070	\$37,940	\$0	-\$74,033	\$23,972	\$0	\$6,182	\$18,562	\$77,274	\$30,237,662	\$18,835	\$3,325	\$0	\$0	\$0

Fiscal Year 2011-12 Activity (through March 31):

Net Budgetary Allocations (A)	\$10,377	\$24,278	\$731,070	\$37,940	\$0	\$17,360	\$5,877,028	\$2,645	\$6,182	\$18,562	\$80,200	\$30,237,662	\$18,835	-\$3,325	\$0	\$95,401	\$0
Net Expenditures	-\$42	-\$209	-\$21,285	-\$327	\$0	\$103,247	\$4,591,633	\$2,645	\$6,705	\$35	-\$455	-\$851,980	\$35	-\$7,085	\$283	\$69,834	\$0
Liens at Quarter-end	\$0	\$0	\$0	\$0	\$0	\$17,535	\$18,119	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Ending Balance at 3-31-12	\$10,419	\$24,487	\$752,355	\$38,267	\$0	-\$103,422	\$1,267,276	\$0	-\$523	\$18,527	\$80,655	\$31,089,643	\$18,800	\$3,760	-\$283	\$25,566	\$0

(B)

(A) Includes balances reallocated from the prior period.

(B) Deficit as of March 31, 2012 will be cleared by the end of the Fiscal Year.