



AUDIT AND ADVISORY SERVICES
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March 15, 2021

To: Sharon Tettegah, Director
Center for Black Studies Research

Re: **Center for Black Studies Research – Internal Control Review
Audit Report No. 08-21-0006**

We have completed a limited internal control review of the Center for Black Studies Research 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 Center for Black Studies Research and Chicano Studies Research Institute 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
Joe Incandela, Vice Chancellor for Research
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

Center for Black Studies Research - Internal Control Review

March 15, 2021

Performed by:

Antonio Mañas-Melendez, Associate Director

Irene Camargo, Senior Auditor

Approved by:

Ashley Andersen, Audit Director

Report No. 08-21-0006

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of the audit was to evaluate internal controls and procedures established by the Center for Black Studies Research (CBSR) 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:

- Procedures, guidance, and best practices are established to assist the department in complying with University of California (UC) and University of California Santa Barbara (UCSB) policies.
- Business-related expenses are adequately supported and appropriately reviewed and approved.
- Financial reporting is accurate, complete, and approved by management.

CONCLUSION

Based on the results of the work performed within the scope of the audit, we found the Center for Black Studies Research has established overall effective internal controls over business related expenses. However, our work identified a need to ensure business continuity over administrative operations and financial reporting oversight.

During our audit, we were informed that the department has implemented the following initiatives to improve business continuity and financial reporting oversight:

- Creation of a new administrative unit (CASU)
- Implementation of a departmental financial system
- Documentation of a detailed procedure manual

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. POLICY, PROCEDURES, AND BEST PRACTICES

OBSERVATION

Our review of policy, procedures, and best practices over expense, asset, payroll, and financial management found a need to improve documented procedures to ensure business continuity over administrative operations and financial reporting oversight. Specifically, we found:

- CBSR relied on policies, procedures, and guidance to ensure best business practices are in place to support operational effectiveness and efficiency, including compliance with University policies. We found adequate separation of duties were in place for key business processes. Specifically,
 - Travel expense reimbursements were administered using University of California Policy G-28, *Travel Regulations* (UC Policy G-28). Business and Financial Services provided guidance for Gateway and FlexCard processing for procurement expenses.
 - Asset management procedures were adhered to and reported biannually to comply with *University Management and Control of University Equipment policy* (UC Policy BUS-29).
 - Payroll management included administering time management through the Kronos timekeeping system, in accordance with the department payroll draft procedural manual. In addition, UCPath payroll administration relied on a user desk manual and was contingent upon completion of required UCPath training.
- The department has a process in place to reconcile account-funds on a monthly basis. However, there is not a process to ensure management's visibility of the department's current financial status. During our review, we observed that several business processes were managed by one person who was not available during the audit. The location of financial reports and other support documentation was not identified in any procedure, creating a potential disruption of business continuity.

Audit was informed that a new administrative unit CASU has been developed to support the CBSR and Chicano Studies Research Institute (CSI) to ensure operations and core business functions are not impacted. The CASU will provide functional area responsibilities, workflows and limited system access to ensure separation of duties, documentation of processes and procedures, monitoring, and accountability. The CASU Administrative Manual is currently under development by the Management Services Officer (MSO) establishing policies and procedures to be implemented by the new administrative unit.

2. TRAVEL REIMBURSEMENT AND FLEXCARD ADMINISTRATION

OBSERVATION

Our work highlighted an opportunity to improve travel reimbursement documentation to justify economic travel, meal and incidental expenses, and lodging charges. In addition, we found a need to include better support documentation and properly classify expenses to the correct object code.

Travel Reimbursement

We performed a limited review of 15 travel reimbursements to determine whether travel support documentation was adequate and reasonable to comply with the following University policy requirements:

- The travel support documentation to justify the business-related purpose was provided.
- Transportation expenses were reasonable and based on the most economical mode and most commonly traveled route.
- Itemized lodging statements were provided and advances were documented.

We found support documentation did not always provide adequate information to justify airline economy seats, detailed hotel expenses, and meal expenses as required by UC Policy G-28 and best practices. For example:

- Two international airline e-tickets were used to justify expenses without the ability to confirm coach/economy class seating. A boarding pass could be used to support seating assignments.
- One hotel stay was not supported by an itemized lodging bill.

During our review, we were informed that under the CASU's administration, all support documentation will be reviewed and approved by the MSO.

Procurement Expenses

We reviewed all 15 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 all expenses were purchased by the cardholder and reviewed/approved by the Business Officer.

However, when reviewing transactions for a merchant account used to process web-based transactions, we identified four of the five transactions were incorrectly allocated to the wrong object code. During our audit, we were informed that expenses will be allocated to the correct object code.

3. FINANCIAL REPORTING

OBSERVATION

Our review of financial reporting found three account-funds were in overdraft for an amount of \$6,763. One of the three accounts in overdraft, for an amount of \$1,014, was not included in the reconciliation process, and three additional accounts without activity were still open. In addition, we were informed management did not receive financial reports for review and approval.

Monthly Reconciliations

We performed a limited reconciliation between the General Ledger (GL) account-fund balance activity reports and the department account-fund balance spreadsheet for March 2020. We reviewed the reconciliation process performed by the Financial Analyst. Once the monthly general ledger is posted by Business and Financial Services (BFS), the Financial Analyst verifies the accuracy of the online GL detail report by manually cross-referencing monthly expenses reported against expense support documentation. Account-fund balances are then posted to the department spreadsheet by month for the fiscal year. We found expense tracking and reconciliation to be very time consuming. Our work also identified:

- Three account-funds were in overdraft as of June 30, 2020. All three accounts are scheduled to be closed.
- Three account-funds did not have activity. CBSR informed us that due to inactivity, the account-funds are scheduled to be closed.

We were informed that the Director has not been included in the financial and budget management process and may not be aware of account-funds in overdraft. Specifically, monthly reconciliations were not provided to management for final review and approval. The implementation of a financial data system will improve financial reporting.

Implementation of GUS

During our audit, we were informed that CBSR recently implemented the GUS¹ system for financial management for fiscal year 2020-21. The implementation of the GUS database system will allow for systematic assistance that will improve time and efficiency in managing, tracking, and reconciling account-funds to the GL. GUS will also provide essential monthly and annual financial reports to assist management and affiliated researchers with financial budget management. A summary report between GUS and the GL should be reviewed and approved by management.

Financial Access

We reviewed a current list of GUS system administrative users to determine adequate access controls and found access profiles are limited to job responsibilities. We were informed that administrative staff will be responsible to administer account-funds and systematically

¹ GUS is a custom database shadow system for managing and maintaining funding source, purchasing, lien, and other essential financial information for many departments and research or organizations across the UCSB campus.

reconcile on a monthly basis to ensure that faculty has a current account balance of their projects and account-funds in the GL are consistent, accurate, and complete. The Director, MSO, and Affiliate Researchers will be provided with online access to view projects under their purview.

Adequate access and oversight to operational and financial reports allows for management to obtain data that supports the operational and financial status of the department. It is imperative that management has the ability to review financial reports to provide oversight of account-fund balances, expense activity, and accounts in overdraft. Access to financial data and financial reports are vital for management to make effective budget decisions based on the financial condition of the department.

RECOMMENDATION

We recommend the Center for Black Studies Research:

- Finalize the draft CASU Administrative Manual to improve operational functionality, accurate financial management and reporting, and compliance objectives.
- Implement the new CASU administrative procedures to ensure departmental operations and core business functions including, but not limited to, financial and budgeting management, payroll management, access management, procurement management, and asset management are not impacted in accordance with policy, procedures, and best practices.

MANAGEMENT RESPONSE

Center for Black Studies Research will:

- Finalize the draft CASU Administrative Manual to improve operational functionality, accurate financial management and reporting, and compliance objectives.
- Implement the new CASU administrative procedures to ensure departmental operations and core business functions including, but not limited to, financial and budgeting management, payroll management, access management, procurement management, and asset management are not impacted in accordance with policy, procedures, and best practices.

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

GENERAL INFORMATION

BACKGROUND

Center for Black Studies Research²

The CBSR began in Fall 1969 as a result of student struggles for Black Studies in Fall 1968. From the onset, the Center's mission has been to support interdisciplinary research on the

² UCSB Center for Black Studies Research website.

social, political, historical, cultural, and economic experiences of communities in the United States and the African Diaspora across all disciplines. The field of Black Studies encompasses all disciplines including Science, Technology, Engineering, and Math (STEM).

Two new research programs were introduced, Broadening Participation and Race, and the Politics of Space. Innovative research and programming are a current goal of the CBSR as demonstrated through the current focus on diversity across disciplines.

The CBSR offers research support to faculty, post-doctoral scholars, graduate, and undergraduate students. The CBSR continues to support and maintain programs that have been traditionally associated with the CBSR. For example, they continued to support projects, which focused on The Black Radical Tradition, Haitian Studies, and Engaged Scholarship. CBSR also developed a new line of research that focused on the convergence of Black Studies STEM. Additionally, a post-doctoral scholar, introduced research, which focuses on Africana Religions.

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.

CASU⁴

The creation of an administrative support services unit for CBSR and CSI is to expand capacity and streamline processes by optimizing resources of both units through shared administrative staff who work collaboratively for both units. The proposed structure utilizes a team of skilled experts in their area of responsibilities as opposed to a generalist staffing model. It also allows for the elimination of process and staffing redundancies while investing in a slight Full-Time Equivalent (FTE) increase that is focused on administrative excellence and research development. As both units grow with new faculty researchers, research projects, programming, and events the administrative services support structure affords both units the increased expertise and expanded administrative capacity to manage the workload competently. The model proposed improves administrative competency, eliminates redundancy, builds capacity, and creates subject area experts while increasing administrative scope. More importantly, it preserves the autonomy of CSI and CBSR, their individual Directors, and distinct programming while providing both units with expanded administrative capacity and structural integrity for growth.

SCOPE

The limited scope of our work included the review of compliance with UC and UCSB policies and procedures, travel requirements, expense administration, and financial reporting.

³ GUS: University of California Santa Barbara GUS website.

⁴ CASU: Unit approved to combine administrative resources.

Specifically, we reviewed:

- UC and UCSB policies, best practices, and other guidance concerning Center for Black Studies Research.
- Travel reimbursement practices follow UC Policy G-28, *Travel Regulations*.
- Expense transactions are adequately approved and include documentation to support the purchase.
- Financial reporting practices and procedures are accurate, complete, and approved by management.

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 Finance Bulletin BUS-29, *University Management and Control of University Equipment policy*. (UC Policy BUS-29)
- University of California Business and Financial Bulletin BUS 79, *Expenditures for Business Meetings, Entertainment, and other Occasions*. (UC Policy BUS-79)

AUDIT TEAM

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Irene Camargo, Senior Auditor