

July 25, 2014

MARGARET LEINEN
Vice Chancellor
Marine Sciences
0210

***Subject: VC Marine Sciences Executive Accounts
Audit & Management Advisory Services Project 2014-66***

The final audit report for the VC Marine Sciences Executive Accounts, 2014-66, is attached. We would like to thank all members of the department for their cooperation and assistance during the audit.

The findings included in this report will be added to our follow-up system. While management corrective actions have been included in the audit report, we may determine that additional audit procedures to validate the actions agreed to or implemented are warranted. We will contact you to schedule a review of the corrective actions, and will advise you when the findings are closed.

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 the conclusion of the audit. We also request that draft reports not be photocopied or otherwise redistributed.

David Meier
Director
Audit & Management Advisory Services

Attachment

cc: D. Bennett
J. Bruner
C. Kristofco
S. Pike Humphrey
D. Rico
S. Vacca

UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

VC Marine Sciences Executive Accounts
July 2014

Performed By:

Bella Chang, Auditor
Greg Buchanan, Manager

Approved By:

David Meier, Director

Project Number: 2014-66

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Audit & Management Advisory Services Project 2014-66*

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Attachment A – VC Marine Sciences Executive Accounts

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I. Background

Audit & Management Advisory Services (AMAS) has completed a review of the Vice Chancellor – Marine Sciences' (VCMS) executive funds as part of the approved audit plan for Fiscal Year 2013-14.

The VCMS is responsible for articulating the vision for UC San Diego marine science, providing direction for academic programs, expanding revenue sources, and optimizing the administrative organization. The VCMS is also the director of UC San Diego Scripps Institution of Oceanography (SIO), providing leadership nationally and internationally in scientific matters related to the ongoing research efforts of SIO scientists and in relations with Federal, State, and local governmental entities and private organizations and individuals. Additionally, the VCMS serves as the Dean of Graduate School of Marine Sciences.

The former VCMS stepped down effective December 31, 2012, and the current VCMS was selected effective October 1, 2013. An interim VCMS was appointed to fill in between the break in appointments. This review of selected business office operations and related internal controls is a service provided to incoming Vice Chancellors to ensure executive accounts are in appropriate order. 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 selected business office operations (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 departmental organizational and financial information;
- Met with management to discuss any potential areas of concern;
- Requested and reviewed departmental responses to internal control questionnaires; and
- Performed detailed testing of selected key business processes to verify that internal controls were adequate and functioning in compliance with University policy.

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III. Conclusion

Based on our audit procedures, we concluded that oversight for VCMS executive accounts was generally adequate, and expenditures charged to the executive funds were in compliance with University and campus policies and procedures. As can be seen in Attachment A, the executive accounts are in good financial condition overall. Allocations of funds are performed during closing procedures, which explains the deficit balances at Fiscal Year-End 2013. It should also be noted that the Business Office addresses deficit concerns based on the fund level, rather than the org level.

We observed a few opportunities for improvement, which are discussed in the balance of this report.

IV. Observations and Management Corrective Actions

A. Express Card Administration

The department administrator and transaction reviewers assigned to one Express Card were not compliant with University policy.

University policy provides that Express Card transaction reviewers may not be in a subordinate relationship to the cardholder (Business and Finance Bulletin BUS 43: *Material Management*, Procurement Card Program).

With the Chancellor's approval, the VCMS was issued an Express Card. The department administrator and transaction reviewers of the card were SIO Director's office staff, all of who are subordinate to the VCMS.

Management Corrective Action:

A representative from the BFS-Disbursements Express Card team has been assigned the transaction reviewer role for the VCMS's Express Card, and will be responsible for reviewing the VCMS Express Card transactions prospectively.

B. Recharge Rate Approvals

Current recharge activities are not using rates approved by the Recharge Rate Review Committee.

UCSD guidelines require that Service Enterprise and Academic Support recharge activities submit recharge rate proposals and obtain approvals from the campus

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Recharge Rate Review Committee¹. Guidelines also state that “recharge activities should be operated on a no-gain/no-loss basis².” If the recharge activity is operating at a surplus, the department must limit the surplus to two months worth of expenses.

We noted that the current recharge rates for Martin Johnson House rentals and SIO Divers Operations, two activities that provide funding for VCMS executive accounts, had not been approved by the Recharge Rate Review Committee. In addition, as of June 30, 2013, the Martin Johnson House rental recharge fund had a surplus balance exceeding the allowed 2-month amount, and the SIO Diver Operation recharge fund had a deficit balance.

Management Corrective Actions:

The SIO Business Office has submitted a revised proposal for the Dive Operations. This proposal included a five-year plan to reduce the accumulated deficit.

The Martin Johnson House proposal will be revised to include income and expenses from the Martin Johnson House rental, as well as the Scripps Seaside Forum rental. This revision will adjust the surplus balance to within the guidelines.

C. Equipment Management

Equipment management practices resulted in inaccurate equipment inventory.

In accordance with UC Policy BUS 29, a physical inventory of equipment is required every two years. Complete equipment inventory lists are available through the Campus Asset Management System (CAMS) by the department’s custody code(s). Furthermore, all inventorial equipment should have a UCID tag affixed to the equipment.

We noted that some equipment accounted for in CAMS using VCMS executive account custody codes were in fact in the custody of other SIO departments, and should have been assigned to a different custody code in CAMS. We were informed that the SIO Director’s Office often purchases equipment on behalf of SIO labs, and equipment purchased is oftentimes incorrectly assigned to VCMS executive account custody codes.

¹ “Overview of Self Supporting Activities,” blink.ucsd.edu, 3 March 2014. Web. 12 June 2014.

² “Self Supporting Activities: Academic Support Activities Policy” and “Self Supporting Activities: Service Enterprise Activities Policy” – Costing and rates, blink.ucsd.edu. 3 March 2014. Web. 12 June 2014.

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In addition, we found that a UCID tag was not affixed to one of the three pieces of equipment that we selected for review. Based on information provided by the SIO Director's Office, UCID tags had been sent to all individuals with physical custody of the equipment, and it was unknown as to why the UCID tag was not physically affixed to the equipment.

Management Corrective Actions:

The SIO Director's Office has requested transfers of equipment to appropriate custody codes in CAMS. Additionally, replacement tags were affixed to equipment for which UCID tags were found to be missing.

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LEVEL THREE ORGANIZATION ORGANIZATION	FISCAL YEAR 2012-13 ACTIVITY JULY 1, 2012 - JUNE 30, 2013				FISCAL YEAR 2013-14 ACTIVITY (PARTIAL YEAR) JULY 1, 2013 - JAN 31, 2014			
	BUDGET	FINANCIAL	ENCUMBRANCE	BALANCE	BUDGET	FINANCIAL	ENCUMBRANCE	BALANCE
HA0500 - SIO DIR-INSTITUTIONAL SUPPORT								
416400 VCMS BUDGETARY SAVINGS	32,288	32,288	0	0	-842,086	0	0	-842,086
416401 VC MARINE SCIENCES-UNALL-I & R	771,557	-15,573	0	787,130	1,388,154	6,828	0	1,381,326
416402 VCMS RESEARCH UNALLOCATED	0	0	0	0	1,267,300	0	0	1,267,300
416403 DIRECTORS OFFICE-SIO	47	0	0	47	47	0	0	47
416422 VC MARINE SCIENCES-UNALL-OR	876,772	0	0	876,772	3,136,425	0	0	3,136,425
416456 DIRECTORS FUNDS CORE MISSION	1,822,000	1,822,000	0	0	0	0	0	0
416498 PROV ACADEMIC UPGRADE - SIO	1,500,000	0	0	1,500,000	2,803,649	0	0	2,803,649
436410 DIRECTOR'S OFFICE-CONTRACTS & GRANTS	887,005	868,356	0	18,649	723,837	513,630.00	5,590	204,617
436456 DIRECTORS FUNDS ADMINISTRATION	654,718	41,585	0	613,133	1,113,308	71,124	0	1,042,183
436457 SIO GOVT/INTL RELATIONS	634,564	634,564	42,050	-42,050	272,213	419,573	40,610	-187,970
436460 DIRECTORS OFFICE-SIO	13,198,371	2,046,176	21,448.48	11,130,746	19,829,728	2,944,779	102,494	16,782,455
436461 ADMINISTRATION - SIO	1,326,855	1,040,461	2,011	284,383	1,463,604.00	643,575	857	819,172
802010 PROV VC MARINE SCIENCES	435,455	120,000	0	315,455	4,119,275	0	0	4,119,275
HA1500 - SIO DIR-FACILITIES								
436414 SIO-SEAWEED CANYON	95	95	0	0	0	58	0	-58
728800 RESTORATION-OLD SCRIPPS BLDG	7,963	0	0	7,963	7,963	0	0	7,963
HA2000 - SIO DIRECTOR, OTHER ACTIVITIES, NON-RECHARGE								
436445 SIO COMMUNICATIONS/PUBLIC AFFAIRS	295,143	294,143	19,800	-19,800	183,883	198,541	10,135	-24,793
436446 SIO DEVELOPMENT	356,687	364,073	3,555	-10,941	265,114	151,944	1,249	111,920
436448 SIO DIR-SPECIAL EVENTS	36,203	74,013	1,166	-38,976	-37,810	33,078	435	-71,323
436463 CTR FOR EARTH OBSERVATIONS & APPLCS	58,000	0	0	58,000	58,000	0	0	58,000
436468 SIO SCIENTIFIC COLLECTIONS	463,304	386,538	26	76,740	263,569	289,837	85	-26,354
436484 SIO D.O./SUPPOR SERVICES	4,142,436	6,956,750	442,578	-3,256,892 ¹	-1,548,432	2,924,129	158,389	-4,630,950
436492 SIO SEASIDE FORUM	662,352	333,634	72,878	255,840	328,718	133,028	58,858	402,888
Executive Accounts Overall Balance				12,556,199				26,353,686

¹ All facilities and capital improvement project expenses are accounted for in org 436484. Because these expenses are often ongoing and extend past June 30th, the accounts are not zeroed out until the project is complete and all expenditures have hit the ledger.