

# UCLA AUDIT & ADVISORY SERVICES

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**Edwin D. Pierce, CPA, CFE**  
Director

10920 Wilshire Boulevard, Suite 700  
Los Angeles, California 90024-1366  
310 • 794-6110  
Fax: 310 • 794-8536

July 29, 2015

SENIOR VICE PRESIDENT/CHIEF COMPLIANCE AND AUDIT OFFICER SHERYL VACCA  
EXECUTIVE VICE CHANCELLOR & PROVOST SCOTT WAUGH:

Re: Central Ticket Office – Ticket Inventory Audit Report #15-2242

Enclosed is the audit report covering our review of the UCLA Central Ticket Office (CTO) ticket inventory activities.

The primary purpose of the audit was to ensure that CTO's structure and controls, and the related systems and procedures surrounding ticket inventory are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. Our objective was to assist management in maintaining adequate control over ticket inventory. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit focused on the following areas:

- Purchasing and Receiving
- Inventory Control
- Physical Security
- Ticketing System Access

Based on the results of the work performed within the scope of the audit, CTO's overall organizational structure and controls are generally conducive to accomplishing its business objectives. However, internal controls could be further strengthened by implementing the following:

- Management should ensure purchase transactions executed utilizing Low-Value Orders (LVOs) are in accordance with delegated purchasing authority as provided for in UCLA Policy 741, "Low-Value Purchases" (UCLA Policy 741).
- Management should ensure that purchases of goods and services are executed utilizing established purchasing methods that include the University's terms and conditions.
- Management should ensure that contracts are executed by employees who have been delegated authority to sign on behalf of the UC Regents.

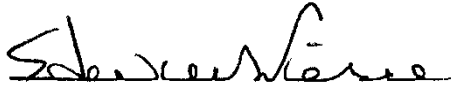
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The corrective actions implemented by management satisfactorily address the audit concerns and recommendations contained in the report. In accordance with our follow-up policy, a review to assess the implementation of our recommendations will be conducted approximately four months from the date of this letter.

Please feel free to contact us if we can be of further assistance.

A handwritten signature in black ink, appearing to read "Edwin D. Pierce". The signature is fluid and cursive, with a prominent initial "E" and "P".

Edwin D. Pierce, CPA, CFE  
Director

Enclosure

cc: S. Olsen

CENTRAL TICKET OFFICE  
TICKET INVENTORY  
AUDIT REPORT #15-2242

CENTRAL TICKET OFFICE  
TICKET INVENTORY  
AUDIT REPORT #15-2242

Background

In accordance with the UCLA Administration fiscal year 2014-15 audit plan, Audit & Advisory Services (A&AS) has conducted an audit of the UCLA Central Ticket Office (CTO) ticket inventory activities.

In 1979, the Chancellor chartered CTO in order to create a completely centralized ticketing operation where a customer would be able to purchase tickets for every event on campus. CTO provides additional services to the campus community and the general public through its Ticketmaster sales outlet, and by selling bus passes, movie and amusement park tickets. CTO utilizes web-based sales, bar-code control functionality, and print-at-home technology.

In fiscal year 2013-14, CTO's total direct revenue was \$2.6 million of which, approximately \$1.1 million was from total sales and service, and \$1.5 million was recharge income. CTO operates five days a week and employs 12 career staff and approximately 30 student employees. A Director oversees the CTO. This individual reports to the Administrative Vice Chancellor.

Purpose and Scope

The primary purpose of the review was to ensure that CTO's structure and controls, and the related systems and procedures surrounding ticket inventory are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. Our objective was to assist management in maintaining adequate control over ticket inventory. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the engagement focused on the following ticket inventory areas:

- Purchasing and Receiving
- Inventory Control
- Physical Security
- Ticketing System Access

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests, interviews with key personnel, and other auditing procedures considered necessary to achieve the audit purpose.

#### Summary Opinion

Based on the results of the work performed within the scope of the audit, CTO's overall organizational structure and controls are generally conducive to accomplishing its business objectives. However, internal controls could be further strengthened by implementing the following:

- Management should ensure purchase transactions executed utilizing Low-Value Orders (LVOs) are in accordance with delegated purchasing authority as provided for in UCLA Policy 741, "Low-Value Purchases" (UCLA Policy 741).
- Management should ensure that purchases of goods and services are executed utilizing established purchasing methods that include the University's terms and conditions.
- Management should ensure that contracts are executed by employees who have been delegated authority to sign on behalf of the UC Regents.

The audit results and recommendations are detailed in the following section of the audit report.

## Audit Results and Recommendations

### Purchasing and Receiving

Interviews were conducted with CTO management and staff to obtain an overview of processes and controls over purchasing and receiving of ticketing and consignment inventory. A sample of purchase and consignment items was selected and tested to verify appropriate approvals were obtained, items were properly received, and accuracy and timeliness of posting to inventory records. Purchase documentation, including but not limited to Post Authorization Notifications (PANs), invoices, and other relevant supporting documentation were reviewed for adequacy. Purchase orders (POs), Low-Value Orders (LVOs), and utilization of existing vendor agreements were reviewed to verify compliance with University policy and departmental procedures. Consignment agreements were evaluated for appropriate authorization, terms and conditions.

#### A. LVO Purchases

Two consecutive LVOs (#3865NRA573 and #3865NRA574) for special security envelopes were issued on the same day (June 28, 2014), for two consecutive vendor invoices (#1111-069412 and #111069413), totaling \$7,073.24 (\$3,924.05 + \$3,149.19, respectively). UCLA Policy 741 provides that LVOs are for supplies and services that do not exceed a cost of \$5,000 per vendor, per day, and that the issuance of multiple LVOs on the same day or repeat orders on consecutive days to a vendor for the same or related material, or the issuance of multiple invoices by a vendor in order to circumvent policy are prohibited.

Recommendation: Management should ensure purchase transactions executed utilizing LVOs are in accordance with delegated purchasing authority as provided for in UCLA Policy 741. For BruinBuy orders greater than \$5,000, a PO should be utilized. PO requests can be entered into BruinBuy using an R-class order. POs can cover a single transaction or multiple transactions. By doing so, management

will maintain compliance with campus policy and ensure proper terms and conditions of purchases are appropriate.

Response: We agree. Management will insure purchase transactions are executed utilizing LVOs in accordance with delegated purchasing authority as provided in UCLA Policy 741.

B. Order Class “X” Transactions

Three purchase transactions for goods and services were executed using an “X” class order (3865XRA682, 3865XSA050 AND 3865XSA506). These transactions should have been executed utilizing using a LVO, PO, established blanket agreement, or system-wide agreement as needed. For one of the transactions (3865XSA506), there is an existing PO (3865PBK113). “X” transactions do not include the University’s terms and conditions. As a result, the vendor’s terms and conditions may govern the transaction which creates additional risk exposure to the University.

Recommendation: Management should ensure that purchases of goods and services are executed utilizing established purchasing methods that include the University’s terms and conditions. Management should also consider contacting the Campus Purchasing and Accounts Payable department in order to determine the best purchasing method for any special transactions. By doing so, the University will be protected from any vendor’s onerous terms and conditions.

Response: We agree. We have since worked with Purchasing to establish a Master Agreement for the category of vendors whose purchases in the past were executed with an “X” class order. This Master Agreement has been written by Purchasing and includes the University’s terms and conditions. All vendors have returned sign copies of the Agreement to Purchasing.

### C. Consignment Contracts

Two consignment contracts for tickets were signed by a CTO Supervisor that does not have authority to sign contracts. The contracts are for Catalina Express and Pacific Park-Santa Monica. As a result, the vendor's terms and conditions may govern the transaction which creates additional risk exposure to the University.

Recommendation: Management should ensure that contracts are executed by employees who have been delegated authority to sign on behalf of the UC Regents. Management should consider coordinating efforts with Campus Purchasing and Accounts Payable to determine the best method for efficiently executing consignment contracts. By doing so, the University will be protected from any vendor's onerous terms and conditions.

Response: We agree. We have since worked with Administrative Policies and Delegations, Campus Purchasing and Campus Counsel to have a Delegation drafted and executed. A Delegation of Authority – Execution of Consignment Ticket Agreements was signed by the Administrative Vice Chancellor on July 17, 2015. This Delegation authorizes the Director Central Ticket Office to execute agreements between CTO and consignment vendors for tickets to be sold by CTO. All agreements must be approved as to legal form by General Counsel prior to execution. We will follow these procedures going forward with these agreements.

### Inventory Control

Interviews were conducted with CTO management and staff to obtain an overview of processes and controls over physical ticketing and consignment inventory. Relevant supporting documentation for periodic, daily and annual physical inventory counts was inspected for adequacy, accuracy, and appropriateness. Sales reports were reconciled to inventory records to verify appropriateness of record keeping. Ticket sales and related reconciliations for individual events and consignment items were tested to verify



completeness and accuracy as well as proper review and approval. CTO's methodology of daily monitoring and tracking of ticket inventory was evaluated for operational effectiveness and efficiency. Principal vendor certifications were evaluated for being up-to-date and reflective of specialized services being provided.

No significant control issues were found in this area.

#### Physical Security

Interviews and observations were conducted with CTO management and staff to obtain an overview of the processes and controls over campus satellite ticketing locations and their related ticketing equipment. The adequacy of physical security over the satellite locations was also reviewed. Observations included review of security camera coverage, entrances/exits and windows, and storage of ticket inventory and related equipment.

No significant control issues were found in this area.

#### Ticketing System Access

Interviews were conducted with CTO management and staff to obtain an overview of processes and controls over access privileges granted to CTO's ticketing system. A sample of CTO employees was selected from each defined ticketing system user group to determine the appropriateness of privileges granted. Testing was performed of all individuals granted ticketing system privileges to verify each person is a current CTO employee with appropriate access based on their corresponding responsibilities. Selected ticketing system reports were reviewed to ensure adequacy of data captured. Controls over periodic review of employee ticketing system access were evaluated for adequacy.

No significant control issues were found in this area.