

RIVERSIDE: AUDIT & ADVISORY SERVICES

June 26, 2013

To: Michael R. Pazzani, Vice Chancellor

Subject: Internal Audit of the Office of the Vice Chancellor for
Research and Economic Development

Ref: R2013-06

We have completed our review of the Office of the Vice Chancellor for Research and Economic Development (VC-RED) in accordance with the University of California, Riverside Audit Plan. Our report is attached for your review.

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

Gregory Moore
Director

cc: Audit Committee Members
Assistant Vice Chancellor Greer
Executive Director Parish

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2013-06
OFFICE OF THE VICE CHANCELLOR FOR
RESEARCH AND ECONOMIC DEVELOPMENT

JUNE 2013

Approved by:

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Principal Auditor

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Assistant Director

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Director

**UC RIVERSIDE
OFFICE OF THE VICE CHANCELLOR FOR
RESEARCH AND ECONOMIC DEVELOPMENT
INTERNAL AUDIT REPORT R2013-06
JUNE 2013**

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the purpose and scope of the audit, it is our opinion that, overall, the system of internal controls within the Office of the Vice Chancellor for Research and Economic Development is operating satisfactorily and is generally in compliance with University policies and procedures.

Financial management, budgetary, and operating control practices and procedures are generally in place to ensure overall compliance with University policies and procedures as well as federal, state, and other requirements.

Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

University of California, Riverside (UCR) Audit & Advisory Services, as part of its Audit Plan, performed an operational review of the UCR Office of the Vice Chancellor for Research and Economic Development (VC-RED) to evaluate compliance with University policies and procedures, efficiency and effectiveness of operations, and adequacy of certain internal controls.

The objective of our audit was to evaluate whether VC-RED management processes and administrative procedures were adequate to provide reasonable assurance that operations were effective and efficient, in compliance with University policies and procedures, and resulted in reliable financial reporting.

B. BACKGROUND

VC-RED provides services and resources that enhance research and other creative endeavors, promote partnerships and collaborations with government, industry, and other research enterprises, develop policy and procedures that support creativity and entrepreneurial spirit, and ensure that business processes and educational programs encourage innovation as well as compliance.

The following paragraphs describe some but not all of the units, departments, and activities that the VC-RED organization comprises.

The Office of Sponsored Programs Administration (SPA) is the institutional office responsible for reviewing, endorsing and submitting proposals to extramural sponsors for research, training, instructional, and other activities. In addition, SPA negotiates and accepts awards on behalf of The UC Regents, processes award accounts, provides post-award non-financial administration, prepares and administers sub-agreements, and provides training to the campus community.

The Office of Technology Commercialization (OTC) manages UCR's intellectual property, license agreements, option agreements, equity agreements, material transfer agreements, and confidentiality agreements with private industry. It oversees the disclosure of inventions developed by UCR faculty, develops the licensing strategy for UCR intellectual property, and encourages further technical innovations. OTC provides information and counseling on all aspects of intellectual property, licensing, consulting relationships and other interactions with industrial collaborators and also coordinates with other agencies to promote regional economic development based on UCR innovations.

The Office of Research Integrity provides broad oversight, resources and education for integrity and compliance issues relating to the conduct of research at UCR. It creates and maintains the Campus research integrity and compliance infrastructure, educates and trains researchers in the responsible conduct of research and research compliance, and implements policy and procedural requirements relating to research misconduct and the federal Office of Research Integrity.

The Office of the Campus Veterinarian oversees all animal facilities at UCR and ensures that laboratory animal care and use programs comply with federal, state, and local guidelines for laboratory animal care.

C. **SCOPE**

The scope of the review and evaluation of business processes and administrative procedures was limited to activities and operating practices during the current fiscal year as well as the prior fiscal year.

The audit included review and analysis of selected data from the fiscal year (FY) 2009/2010 through FY 2011/2012. Due to the extensive range of financial activities and the considerable volume of financial data, not all identifiable transactions were reviewed. Furthermore, because of the nature of the audit's overall perspective, sampling methodology, and other inherent limitations, the procedures could not be relied on to ensure that errors or irregularities are detected, especially minor or isolated incidents.

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 2013. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS

Based on results of work performed within the purpose and scope of the audit, in our opinion, internal control within VC-RED is operating satisfactorily and is generally in compliance with University policies and procedures.

Our assessment is based on results of the following procedures:

- Reviewed VC-RED organizational and financial information.
- Met with management; Discuss details of potential areas of concern.
- Obtained and reviewed management responses to an internal control questionnaire.
- Reviewed existing policies, procedures, and control activities for VC-RED business processes including:
 - payroll and timekeeping
 - non-payroll expenditure transactions
 - travel and entertainment expenses
 - sponsored research activities
 - use of university property
 - accounting for equipment and supplies inventory
 - cash receipts and petty cash management
 - general ledger review and financial reporting
 - records management
 - information systems
- Evaluated whether internal accounting and administrative controls over key business processes are operating as intended and in compliance with university policy.
- Performed analytic review of VC-RED expenditures for FY 2009/2010 through FY 2011/2012; selected certain departments/activities for further review and analysis.

- For selected departments and activities –
 - Reviewed FY 2011/2012 records of individual expenditure items of at least \$10,000 each for validity, compliance, reasonableness, and proper financial reporting.
 - Obtained and evaluated management's explanations for significant changes in the amounts and nature of expenditures.

We did not detect specific transactions that appear to be particularly questionable when considering the amounts and nature of expenditures and we did not become aware of unusual or unexpected trends in the levels of expenditures in selected departments and activities that could not be explained to our satisfaction.