

**RIVERSIDE: AUDIT & ADVISORY SERVICES**

June 23, 2011

To: Dr. John Martin Fischer, Chair  
Philosophy Department

Subject: Limited Review of Philosophy Department

Ref: R2011-21

We have completed our limited review of Philosophy Department in accordance with the UC Riverside Audit Plan. Our report is attached for your review.

We will perform audit follow-up procedures in the future to review the status of management action. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2011-21 will remain open until we have evaluated the actions taken.

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

Michael R. Jenson  
Director

xc: Audit Committee  
FAO Gales

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

INTERNAL AUDIT REPORT R2011-21  
PHILOSOPHY DEPARTMENT

JUNE 2011

Approved by:

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Auditor

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Michael R. Jenson  
Director

**UC RIVERSIDE  
PHILOSOPHY DEPARTMENT  
INTERNAL AUDIT REPORT R2011-21  
JUNE 2011**

**I. MANAGEMENT SUMMARY**

Based upon the results of work performed within the limited scope of the audit, it is our opinion that overall, the system of internal controls is generally adequate and in compliance with University policies and procedures.

We observed some areas that need enhancement to strengthen internal controls and/or effect compliance with University policy:

- The Finance and Administrative Officer performs conflicting duties related to payroll controls. (Observation III.A.2)
- Travel vouchers lacked adequate information to ensure that all expenses claimed were appropriate and business-related. (Observation III.D.2)
- Two (2) of 10 travel vouchers reviewed (20%) were approved by the traveler's subordinate. (Observation III.D.3)

These and other items are discussed below. Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

**II. INTRODUCTION**

**A. PURPOSE**

UC Riverside Audit & Advisory Services, as part of its Audit Plan, performed a limited review of the Philosophy Department (Department), to evaluate compliance with certain University policies and procedures, efficiency and effectiveness of selected operations, and adequacy of certain internal controls.

**B. BACKGROUND**

The Department is under the purview of the Dean for the College of Humanities, Arts, and Social Sciences (CHASS) and managed by the Department Chair. It has a total staff complement of 16 faculty members, three career employees and two student workers as of May 31, 2011.

The Department is a pluralistic program, and has strengths in specific areas of analytic philosophy (including the theory of agency, moral and political philosophy, philosophy of mind, language, and logic, philosophy of science, and philosophy of religion), of contemporary European philosophy (contemporary German philosophy and critical theory), and of the history of philosophy (especially early modern through the nineteenth century). There is a large amount of interchange among the different areas of strength in the Department and most faculty work in multiple areas. The Philosophy Department of UCR is a program where students can study contemporary analytic and contemporary European philosophy, where there is a strong presence in the history of philosophy, and where no rigid barriers between these different areas of philosophy exist.

### C. SCOPE

Audit & Advisory Services reviewed selected records supporting transactions that occurred between July 2010 and March 2011, and examined procedural controls related to the following major administrative areas:

#### 1. **General Internal Controls**

We reviewed and evaluated the Department's overall organizational structure and controls to ensure that it is conducive to accomplishing the business objectives of the Department and the University through an interview with the Department's Finance and Administrative Officer.

The interview covered the following areas:

- Control Environment: The questions involved ways that management can inform staff of their roles, responsibilities, accountability, and authorities; it also includes ways that management can create an environment to better ensure that integrity and ethical values are not compromised and that employees receive and understand the message.
- Risk Assessment: The questions were used to identify and assess the external and internal factors that could impact achievement of unit business objectives and provide a basis for certain management controls.
- Control Activities: The questions involved policies and procedures that help ensure that management's business objectives are achieved and directives are completed.

- Reporting and Monitoring: The questions involved management activities taken to assess the achievement of business objectives and the quality of internal control system performance.
- Communication: The questions involved how management identifies, captures, processes and reports information needed to achieve business objectives.

## **2. Financial Analytical Review**

We performed a financial analytical review of the actual expenditure account balances in FYs 2008-09 to 2010-11 (as of May 31, 2011). This included identifying unusual trends or fluctuations and obtaining explanations for any significant or unusual variances.

## **3. Payroll and Personnel Records**

Judgmentally selected and reviewed the personnel files of eight employees (five career and three faculty) and the time records of five career employees.

Also, we reviewed the Payroll Check Disposition Reports (PCDR) for FY 2010-11 (as of March 31, 2011).

## **4. Travel and Entertainment**

Selected and reviewed a judgmental sample of 10 travel and entertainment expenditures totaling \$29,778.

## **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 during the period February to May 2011 (not inclusive). Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

### III. OBSERVATIONS, COMMENTS, AND RECOMMENDATIONS

#### A. General Internal Controls

##### 1. Summary

We conducted a preliminary survey using the Internal Control Questionnaire and interviewing the Financial Administrative Officer to determine if the organizational structure and controls are conducive to accomplishing the business objectives of the Philosophy Department.

Our observations are discussed below.

##### 2. Segregation of Duties

The Finance and Administrative Officer performs conflicting duties related to payroll controls.

#### COMMENTS

The Finance and Administrative Officer (FAO) performs the following conflicting duties:

- Approves payroll time reporting documents and personnel action forms;
- Reviews PPS Post-Audit Notification (PAN) transactions;
- Reconciles the Distribution of Payroll Expense (DOPE); and
- Reviews the DOPE after reconciliation.

Business and Finance Bulletin Number IA-101, Section E. - Internal Control Standards: Departmental Payrolls, Review of DOPE states: *"An employee who approves payroll time reporting documents and personnel action forms or who distributes payroll checks or earnings statements may not be assigned responsibility for reviewing Distribution of Payroll Expense Reports."*

#### RECOMMENDATIONS

The DOPE review should be assigned to a person independent of approving payroll time reporting documents and personnel action forms or distribution of payroll checks/earnings statements.

*MANAGEMENT RESPONSE*

*This has been an ongoing problem for Philosophy due to staff shortages. With the current reorganization that is happening in CHASS, we will now be clustered with History and English and the administrative unit will oversee all departments. This should resolve the issue of conflicting duties.*

**B. Financial Analytic Review**

An analysis of the Philosophy Department's actual expenditures from FYs 2008-2009 to FY 2010-2011 (as of May 31, 2011) disclosed the following:

<b>Actual</b>	<b>FY 2010-11 (Annualized)</b>	<b>FY 2010-11 (as of 5/31/2011)</b>	<b>FY 2009-10</b>	<b>FY 2008-09</b>
<b>Total Expenditures</b>	\$3,240,622	\$2,970,571	\$3,548,597	\$3,814,344
<b>Increase/ (Decrease) vs. Prior Year</b>	(\$307,975)		(\$265,747)	
<b>% of Change vs. Previous Year</b>	(9%)		(7%)	

Employees' salaries and benefits account for 92% to 94% (\$3M to \$3.5M) of the department's total expenditures for the last two and current fiscal years.

No unusual or significant variances were noted.

**C. Payroll and Personnel Records**

As previously mentioned, salaries and benefits comprise the single biggest expenditure (92%) of the department.

The department's salaries and benefits during the current and two prior fiscal years are as follows:

<b>Actual</b>	<b>FY 2010-11 (as of 5/31/2011)</b>	<b>FY 2009-10</b>	<b>FY 2008-09</b>
<b>Salaries and Benefits</b>	\$2.8 Million	\$3.3 Million	\$3.5 Million

The department has a staff complement of 16 faculty members, three career and two student employees.

No major exceptions were noted.

**D. Travel and Entertainment****1. Summary**

Travel and entertainment expenditures for the last two fiscal and current years are presented below:

<b>Actual</b>	<b>FY 2010-11 (as of 5/31/2011)</b>	<b>FY 2009-10</b>	<b>FY 2008-09</b>
<b>Travel &amp; Entertainment</b>	\$90,450	\$89,271	\$104,953

Our review of travel expenses primarily focused on determining compliance with Business and Finance Bulletin (BFB) G-28, Policy Regulations Governing Travel, which states: *“University employees traveling on official business shall observe normally accepted standards of propriety in the type and manner of expenses they incur. In addition, it is the traveler’s responsibility to report his or her actual travel expenses in a responsible and ethical manner, in accordance with the regulations set forth in this Bulletin.”*

Also, compliance to Campus Policy Number (CPN) 900-20, Travel Policy, Regulations, and Procedures, and CPN 200-44, Entertainment, Business Meetings and Other Occasions were determined. CPN 200-44 states that this policy is based upon the philosophy that the use of University funds for entertainment-type expenditures must be essential, prudent, in keeping with accepted standards of the educational community, and in accordance with the best use of public funds.

Below are our observations.

**2. Travel Information**

Travel vouchers lacked adequate information to ensure that all expenses claimed were appropriate and business-related.

**COMMENTS**

Our review of the travel vouchers (TVs) and supporting documentation disclosed that eight of 10 TVs reviewed totaling \$27,809 did not state the specific purpose of the trips and/or lacked adequate information.



## RECOMMENDATIONS

Travel transactions should contain adequate information to ensure expenses claimed are appropriate and business-related.

The travelers should indicate in the iTravel Travel Expense Summary (TES) specific details of the trip such as the purpose, name of the University/School/Entity where researches or conferences occurred, the exact dates of the events, and the names of the contacted/collaborated individuals.

If the traveler had several destinations in one trip, the specific reasons for going to each of those places should be indicated in the TES.

Also, any meals provided during conferences should be disclosed in the TES and considered in claiming for reimbursements.

## MANAGEMENT RESPONSE

*We have since reviewed this information with our faculty and my financial assistant has informed them travel will not be processed in the future without the complete information required.*

### 3. Travel Approvals

Two (2) of 10 travel vouchers reviewed (20%) were approved by the traveler's subordinate.

## COMMENTS

Review of the approval process for the ten judgmentally selected TVs disclosed that two TVs of the CHASS' Associate Dean were approved by the Department Chair.

BFB G-28, Section IV, Approval of Travel Expense Voucher states: *"The Travel Expense Voucher should not be approved by a person who reports directly or indirectly to the traveler."*

RECOMMENDATIONS

The department should ensure that travel vouchers are approved by a person not directly or indirectly reporting to the traveler.

*MANAGEMENT RESPONSE*

*Department personnel were not aware of the situation and have corrected the routing already.*