

February 1, 2018

EMILY ROXWORTHY  
Provost, Warren College  
0422

**Subject:        *Warren College***  
***Reissued Final Report 2018-33***

The reissued final report for Warren College, Report 2018-33, is attached. This reissued report corrects Management Action Plan Item B.1, so it now reads "EWC will fully phase out accepting cash payments from students and instead will use the Triton Cash system."

We would like to thank all members of the department for their cooperation and assistance during the review.

David Meier  
Director  
Audit & Management Advisory Services

Attachment

cc:     Judy Bruner  
       Alex Bustamante  
       Penny Cumbey  
       Pamela Fruge  
       John Moore  
       Cheryl Ross  
       Steve Ross  
       Elizabeth Simmons

January 25, 2018

EMILY ROXWORTHY  
Provost, Warren College  
0422

**Subject: Warren College  
Report 2018-33**

The final report for Warren College, Report 2018-33, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans in response to the audit recommendations, a formal response to the report is not requested. The findings included in this report will be added to our follow-up system. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

David Meier  
Director  
Audit & Management Advisory Services

Attachment

cc: Judy Bruner  
Alex Bustamante  
Penny Cumbey  
Pamela Fruge  
John Moore  
Cheryl Ross  
Steve Ross  
Elizabeth Simmons

# UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Warren College  
Report No. 2018-33  
February 2018

**FINAL REPORT**

**Performed By:**

Ken Daniszewski, Senior Auditor  
Christa Perkins, Associate Director

**Approved By:**

David Meier, Director

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## I. EXECUTIVE SUMMARY

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Audit & Management Advisory Services (AMAS) has completed a review of Earl Warren College (EWC) as a supplement to the approved audit plan for Fiscal Year 2017-18. The objective of our review was to evaluate whether internal controls are adequate to provide reasonable assurance that operations are effective and efficient, in compliance with University policies and applicable regulations, and result in accurate financial reporting. The scope of this audit was designed to focus on activities which are primarily administered through EWC, and excluded activities administered by the Colleges Business Office (CBO).

Based on our review procedures, we concluded that internal controls were adequate to provide reasonable assurance that EWC operations were effective, in compliance with University policies and applicable regulations, and resulted in accurate financial reporting. We observed that EWC management and staff were focused on ensuring the appropriate internal controls were incorporated into EWC administrative processes and had a thorough understanding of their roles and responsibilities.

We identified opportunities for improvement in the administration of the College in the areas of ledger review, cash handling, and facilities use agreements. Management Action Plans to address these areas are listed below.

### A. Operating Ledger Review

The Provost will:

1. Ensure that designated personnel within EWC are assigned regular operating ledger review responsibilities.
2. Ensure that the designated personnel within EWC are provided with the appropriate financial system access and training to perform these assigned operating ledger review duties.
3. Establish procedures in collaboration with the CBO to ensure that the operating ledger review process is functioning effectively on an ongoing basis.

### B. Cash Handling

EWC will fully phase out accepting cash payments from students and instead will use the Triton Cash system.

### C. Management of Facilities Use Agreement

For any future Facilities Use Agreements, EWC will coordinate with CBO, which will engage Real Estate and Risk Management to ensure compliance with applicable University policy requirements and best practices.

Observations and related management action plans are described in greater detail in section V. of this report.

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## II. BACKGROUND

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Audit & Management Advisory Services (AMAS) has completed a review of Earl Warren College (EWC) as a supplement to the approved audit plan for Fiscal Year 2017-18. This report summarizes the results of our review.

Earl Warren College (EWC) was established in 1974 as the fourth undergraduate college at UC San Diego (UCSD). Named after the former California Governor and Chief Justice of the United States, the College continues the legacy of Earl Warren by encouraging students to explore the relationship between leadership and social justice. Warren College students represent all majors offered at UCSD, and the college motto, "Toward a Life in Balance," is integrated into Warren College's academic requirements and student events to provide a well-rounded university experience. Its mission is to enable students to acquire the intellectual, social, and decision-making skills necessary to assume responsible citizenship in a global society. EWC students enhance their educational experience at UCSD by participating in a wide range of programs, services, and leadership opportunities. The complement of a rigorous academic curriculum and myriad co-curricular opportunities provides every EWC student with the opportunity to achieve the Warren College vision of a life in balance.<sup>1</sup>

During most of its existence, EWC had its own internal dedicated business office. However in June 2012, a centralized Colleges Business Office (CBO) was established based on a Memorandum of Understanding (MOU) between Academic Affairs, Student Affairs, and Business Affairs-Housing, Dining, and Hospitality Services (HDH). This CBO consolidated UCSD's six undergraduate college business offices. The CBO now provides business services to the six undergraduate colleges and their affiliated units (Provosts' offices, Writing/Core sequence programs, academic advising, student affairs and residence life units, the Council of Provosts (COP), and the International House). Functional support provided to the colleges by the CBO includes transactional processing and management of fiscal, human resources and academic personnel functions.

Organizational elements within Warren College reporting directly to the Provost include Academic Advising, Student Affairs, Residential Life, and the Warren College Writing Program. In Fiscal Year (FY) 2017, \$3.4 million were expended on Warren College indexes. These expenditures were primarily funded by State General funds (62%) Residence Halls funds (19%), Student Service Fees (15%), and Gift funds (4%). On the expenditure side, faculty and staff salaries and related benefits accounted for approximately 75% of these FY 2017 expenditures, with 23% for supplies and expenses, and 2% for travel.

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## III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

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The objective of our review was to evaluate whether internal controls are adequate to provide reasonable assurance that operations are effective and efficient, in compliance with University policies and applicable regulations, and result in accurate financial reporting. In order to achieve our objective, we performed the following:

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<sup>1</sup> This brief description of the college is from the EWC website.

- Reviewed background information related to Earl Warren College, such as:
  - Applicable UC and UCSD Policies and Procedures
  - The EWC Organization Chart, website and Student Guide
  - Information on EWC Student Organizations
  - Resident Advisor Training Materials
  - Prior audits related to EWC
  - Accounting data on EWC revenues and expenses during the period under review;
- Interviewed the following:
  - Colleges Business Office Director of Fiscal Affairs
  - EWC Dean of Student Affairs
  - EWC Associate Dean/Director of Residential Life
  - EWC Assistant Director of Residential Life
  - EWC Writing Program Coordinator
  - Several other administrative staff members from the College;
- Reviewed the following:
  - EWC cash handling procedures, including the Student Activity Center
  - Resident Advisor orientation and training materials
  - Practices for review of financial reports and ledger review
  - Procedures related to issuing a Facilities Use Agreement (FUA) for a Summer program;
- Performed detailed compliance testing of the following:
  - EWC Teaching Assistant Allocation calculation;
  - Waiver forms submitted by Summer program participants; and
  - Residential Life bank account transactions.

The scope of this review did not include business processes such as travel expense reporting or procurement card processes, which are now primarily administered by the CBO and were reviewed in a prior AMAS audit of the CBO in 2014. The scope of this audit was designed to focus on activities which are primarily administered through EWC.

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## **IV. CONCLUSION**

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Based on our review procedures, we concluded that internal controls were adequate to provide reasonable assurance that EWC operations were effective and efficient, in compliance with University policies and applicable regulations, and resulted in accurate financial reporting. We observed that EWC management and staff were focused on ensuring the appropriate internal controls were incorporated into EWC administrative processes and had a thorough understanding of their roles and responsibilities.

We identified opportunities for improvement in the administration of the College in the areas of operating ledger review, cash handling, and facilities use agreements. These three items are addressed in detail in the remainder of this report.

## V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

<b>A.</b>	<b>Operating Ledger Review</b>
EWC personnel did not conduct operating ledger review activities on a routine basis.	
<b>Risk Statement/Effect</b>	
The lack of an effective ledger review system within the College increases the risk that accounting errors or improper transactions could occur and go undetected.	
<b>Management Action Plans</b>	
A.1	The Provost will ensure that designated personnel within EWC are assigned regular operating ledger review responsibilities.
A.2	The Provost will ensure that the designated personnel within EWC are provided with the appropriate financial system access and training to perform these assigned operating ledger review duties.
A.3	The Provost, in collaboration with the CBO, will establish procedures to ensure that the operating ledger review process is functioning effectively on an ongoing basis.

### A. Operating Ledger Review

Operating ledger review is the process of analyzing an organization's ledger transactions to provide reasonable assurance that recorded accounting charges and credits are valid. In addition, ledger review process verifies that transactions are appropriate and compliant with all applicable policies and regulations. As a recipient of funds from a variety of sources, part of the University's stewardship responsibility is to ensure that resources are used as intended and that financial records are complete and accurate. In addition, ledger review impacts the University's annual financial schedules and provides accurate information for further financial analysis to occur at higher departmental, divisional, school, and college levels. Therefore, all UCSD departments should regularly examine transaction records against official university records to verify accuracy, appropriateness, and proper compliance.

According to University policy (Accounting Manual Policy D-224-17), the responsibility for ledger review is delegated by the Chancellor to the Provost, and then can be further delegated by the Provost to the appropriate individuals within her organization. Policy states that accountability for the management of financial resources is delegated by the Chancellor to the organizational heads of functional units on campus, e.g. to the heads of the administrative, service and academic units. At EWC, this means that the Provost has this responsibility. The Provost in turn, as stated in this Accounting Manual Policy, may assign these ledger review responsibilities within the College to the appropriate members of the organization.

Further, the MOU which established the CBO included a Task Matrix which outlined the division of responsibilities for Fiscal Operations. This matrix specified that ledger review of operational expenses



was a unit (College) responsibility. College personnel are in the best position to notice any transactions which might be questionable.

During our review, however, we observed that ledger review activity was not performed on a routine basis at EWC. The EWC personnel interviewed stated that they were not able to review their ledgers for financial activity for the portions of the budget for which they are responsible. This appeared to be the result of not having been granted sufficient access to financial systems, not having been trained in the use of the systems, or not using the systems frequently enough to remember how to do so.

It appeared that ledger review activity occurred within the CBO, however CBO alone is not sufficiently familiar with the College to be able to effectively review it's ledgers without the very active involvement of key personnel within the College. We noted that the CBO produced some financial management reports which were available to EWC personnel. The CBO provided a Summary Report from the Confluence content management system, however this report was not adequate for the task of ledger review as currently configured. To properly review the ledgers, reviewers need the ability to drill down to the individual transaction level to perform the ledger review process. The Unit Summary Report provided by the CBO did not provide the ability to drill down in this way. And, it appeared that several key individuals within the Warren College management team were not familiar with this report or no longer knew how to use the Confluence content management system itself. Additionally, we were informed during the review that the UCSD MyFunds system was used for additional financial reporting. However, when we requested to see copies of these MyFunds reports, they were not available.

<b>B.</b>	<b>Cash Handling</b>
We noted several areas where EWC cash handling practices were not in compliance with University cash handling policy.	
<b>Risk Statement/Effect</b>	
Although the College receives minimal amounts of cash in the form of payments from students, the administrative burden and risk of cash loss is significant. Non-compliance with policy in this area increases the risk of cash loss or misappropriation.	
<b>Management Action Plan</b>	
B.1	EWC will fully phase out accepting cash payments from students and instead will use the Triton Cash system.

**B. Cash Handling – Detailed Discussion**

University policy (Business and Finance Bulletin BUS 49) establishes rigorous requirements for the handling of cash by University personnel. During our review, we noted several instances where EWC practices were not in compliance with this policy. These areas of non-compliance were highlighted by an incident during our review, as we were informed by the CBO that approximately \$3,000 in small bills

had been found in the EWC safe with no documentation as to how this money had been received. It appears that an individual who previously worked in EWC had continued access to this safe after she had moved on to another position elsewhere in the University, and accessed the safe to prepare the funds for deposit. However, documentation was not retained to determine the source or date of receipt. Given the lack of documentation for the cash found in the safe, AMAS was unable to determine if any cash had been improperly removed from the office safe at any time, nor could we determine the source of funds in the safe. We have no additional evidence by which to assess whether any funds were misappropriated or lost in this incident.

Specific examples of non-compliance with University policy (BUS-49) we noted related to this incident and EWC practice in general include the following:

- Individual Accountability for Cash Received – Policy (BUS 49) establishes requirements for maintaining individual accountability for all cash received. According to this policy, each cashier should be assigned a unique identifier not accessible by or shared with other individuals. The unit should provide a cash register drawer, a cash drawer insert or another secure cash receptacle to which only the cashier has access. An individual endorsement stamp or its mechanical equivalent should be provided. Cashiers should lock all cash in a drawer or secure receptacle whenever leaving the immediate area. Documentation of cash differences should be maintained for each cashier. These practices were not in place at EWC to document individual accountability of cash receipts.
- Documentation of Cash Received – According to policy, an official University cash receipt shall be recorded for each collection. A copy of the receipt shall be provided to payers making an in-person payment and to payers making currency and coin payments through the mail. Although receipts shall be produced for check payments received through the mail, the mailing of a receipt to the payer is only required when the payer has requested a receipt. We noted that documentation was not available regarding the funds in the safe to ascertain the source of the funds and document their receipt. We were informed that receipt books for prior academic years could not be located.
- Safe Combination Access – According to policy, a safe's combination must be changed whenever a person who knows the combination leaves the employ of a cash handling unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes. We noted that several people had access to the EWC safe, including one individual who no longer officially worked in the office. The safe combination was changed during our review.

- Frequency of Deposits** – According to policy, collections at Sub-cashiering Stations and Departments shall be deposited at the designated Main Cashiering Station at least weekly or whenever collections exceed \$500. Our review of cash deposits recorded against the EWC Student Activity Center (SAC) index <sup>2</sup> in the UCSD Integrated Financial Information System (IFIS) identified the following pattern of recorded cash deposits:

Fiscal Year	Number of SAC Cash Deposits Recorded in IFIS	Total value of SAC Cash Deposits Recorded in IFIS
2010	10	\$405.00
2011	12	\$755.26
2012	13	\$871.95
2013	10	\$1,214.96
2014	9	\$1,280.00
2015	2	\$1,553.26
2016	1	\$872.00
2017	0	\$0.00

This deposit information was corroborated during our interview with a former EWC Residential Life administrative staff member with fiscal responsibilities who told us she believed the last time she did a deposit was in Fall 2016. Based on this information, the frequency of deposits for EWC has not been in compliance with policy requirements.

Given the inherent risks associated with handling cash and the fact that other payment methods such as Triton Cash are available, EWC should consider discontinuing the process of receiving payments in the form of cash as a regular business process.

<b>C.</b>	<b>Management of Facilities Use Agreement (FUA)</b>
Procedures for managing a FUA for a Summer program did not conform to University policies or recommended best practices.	
<b>Risk Statement/Effect</b>	
Non-compliance with University policies on the management of facility use agreements could increase the risk that the University might be liable for problems arising from the use of the facility, such as the risk of insufficient insurance coverage or insufficient protective measures to ensure the safety of program participants.	
<b>Management Action Plan</b>	
<b>C.1</b>	For any future Facilities Use Agreements, EWC will coordinate with CBO, which will engage Real Estate and Risk Management to ensure compliance with applicable University policy

<sup>2</sup> i.e. for IFIS Index DWCSACG, Rule Class Code CR05.

requirements and best practices.
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### C. Management of Facilities Use Agreements – Detailed Discussion

EWC has several community areas which are available for rental by the public when not otherwise needed for University purposes. These public rentals are infrequent, but when they occur they are managed via a Facilities Use Agreement (FUA) between the College and the outside entity wishing to use the space.

In the Summer of 2017, EWC issued a FUA to an outside educational nonprofit (the Nonprofit Organization) which runs Summer workshops for children and adolescents focusing on computer technology. According to the FUA, the Nonprofit Organization was to run a total of nine computer coding camps during the Summer of 2017. The first of these nine coding camps began on June 26, 2017 and the final coding camp ended on August 25. The computer coding camp activities took place in a large community room at EWC known as “The Warren College Courtroom.” The students in these coding camps did not lodge on campus. Documentation provided by EWC indicates that approximately 150 students participated in these coding camps most of whom were minors, and some of whom were as young as six years old.

For the use of this space, the Nonprofit Organization was charged \$80 per day, for the 44 days when the coding camps were actually in session. The total amount charged to the Nonprofit Organization under this FUA was \$3,520. Under the FUA, custodian services for the community room were supplied by UCSD at no additional cost. As mentioned above, the issuance of FUA’s by Warren College is infrequent. The last time this occurred prior to 2017 appears to have been in 2013. The 2013 FUA was issued to the same Nonprofit Organization.

Our evaluation of the management of this FUA with the Nonprofit Organization for the Summer 2017 youth coding camps found it was not in compliance with University policies and recommended best practices. Specifically, we noted:

- Lack of Delegated Authority - The Facilities Use Agreement (FUA) appears not to have been approved by anyone with delegated authority to do so. UCSD Policy (Policy and Procedure Manual (PPM) 440-4) states that *“No commitment may be made on behalf of the University, either orally or in writing, except by persons having formal delegations of authority for real property contract execution.”* However, based on our review, it appears that this FUA was approved by the EWC Provost, who does not have official delegated authority to approve this type of agreement.
- Insufficient Consultation within UCSD – It appeared EWC consulted with CBO, but not with any other UCSD Department prior to issuing the FUA to the Nonprofit Organization. Policy (PPM 440-4) states that *“All requests or inquiries regarding the licensing of real property should be directed to Real Estate Development.”* This policy also states that *“Conference Services handles use of specific University facilities (classrooms, conference rooms, auditoriums, outdoor areas, housing facilities) by a non-University group through a Request for Use of University Facilities/ Sponsorship form.”* In addition, the UCOP Department of Real Estate Services & Strategies

recommends that Campus Risk Management be consulted to determine the appropriate levels of insurance coverage to be used in agreements of this type.

Based on our review, however, it appears that neither EWC or CBO consulted with the UCSD Real Estate Office, Hospitality and Conference Services, or Campus Risk Management prior to issuing this FUA.

- Best Practices for Managing Minors on Campus – The UCOP Risk Services Department publishes on its website a detailed document describing "[Best Practices for Hosting Youth Camps on Campus](#)". For example, this document recommends that the department hosting the youth camp appoint an individual to administer the program and coordinate communications, scheduling, and oversight of the sponsored activities. This best practices document describes in detail steps which should be taken by the hosting department to oversee programs of this type, such as by overseeing the training and orientation of camp counselors.

However, it did not appear that the College assumed an active oversight role related to the Summer youth coding camps being hosted within their facility.

- Right to Terminate - The UCOP Department of Real Estate Services & Strategies recommends that facility use agreements include a provision that the University has the right to terminate the agreement at any time. However, the FUA issued by EWC for the Summer 2017 coding camps did not provide UCSD the right to terminate the agreement "at any time." Rather, this FUA only permitted UCSD to terminate the agreement if program participants were not being well-supervised or if the licensee violated University policy.
- No UCSD Signature on the FUA – Normally, a document such as this would be signed by someone at UCSD on behalf of the Regents of the University. The model minimum agreement recommended by the UCOP Department of Real Estate Services & Strategies, for example, includes a signature line to be signed by someone from the University on behalf of the Regents. However, the FUA was not signed or dated by anyone representing UCSD, it was signed only by a representative of the Nonprofit Organization. Approval by the Provost was documented via an email.

The cause of this instance of non-compliance was apparently an insufficient understanding of University policies related to issuing facilities use agreements. It is our understanding that a high level, campus-wide review of UCSD procedures related to facility use agreements is currently underway. In the future, EWC should consult with the appropriate University Departments and comply with the University policies and procedures then in effect.