

**UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**Academic Affairs
Near Relatives
Audit and Management Advisory Services Project #15-67**

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**Academic Affairs
Near Relatives**

MANAGEMENT SUMMARY

Audit and Management Advisory Services (AMAS) conducted a review of near relatives in academic title series. The purpose of this review was to assess the adequacy of internal controls over the employment of near relatives and overall compliance with University policies governing near relatives in academic title series.

UC Davis Academic Personnel Manual section 520 (APM 520), *Employment of Near Relatives*, includes the relevant policies regarding the employment of near relatives in academic title series. APM 520 defines a near relative as a spouse, parent, domestic partner, child, sibling, aunt/uncle, or niece/nephew. In-laws or step-relatives in one of these relationships are also considered near relatives, as are other persons residing in the same household as the employee.

Because familial relationships of employees are not tracked, we limited the scope of our audit to near relatives residing in the same household.

To perform our audit, we reviewed relevant University policies; analyzed Payroll and Personnel System (PPS) data; interviewed Academic Affairs management; contacted the University's schools, colleges, and divisions to request copies of required near relative approval letters; and reviewed other supporting documentation such as effort reports for evidence of employees supervising each other.

To test compliance with APM 520, we utilized PPS employee address and payroll data to identify near relative pairs in academic title series who: (a) reside in the same household, i.e., who have matching addresses; and (b) who are funded by the same department, as employment within the same department is a condition which must be met in order for APM 520 to be applicable. When applicable, the primary requirement of APM 520 is the execution of a letter by the department chair to the dean requesting approval of the employment of the near relatives.

65 near relative pairs were identified as having the same address and being employed by the same department; from these, we reviewed a sample of 28¹ near relative pairs for testing. Of these 28 near relative pairs, approval letters had been executed for 16 of them. This compliance rate of approximately 57% indicates that enhancements in internal controls are necessary.

Personnel within all of the departments that did not complete an approval letter stated that they had knowledge of the near relative relationships but were not familiar with the APM 520 requirement to obtain an approval letter; therefore, we are making no recommendations regarding control procedures to identify near relative arrangements.

¹ The original sample included 29 pairs, however, we subsequently identified that one near relative pair did not report to the same immediate supervisor and therefore APM 520 is not applicable.

OBSERVATION, RECOMMENDATION, AND MANAGEMENT CORRECTIVE ACTIONS

- A. Of 28 near relative pairs we reviewed, 16 had completed the approval letters required under APM 520, which indicates that enhancements in internal controls are necessary.**

APM 520 requires an approval letter prior to the employment of near relatives when the following two conditions are met:

- The near relatives would be appointed in the same department.
- The near relatives would have:
 - (1) A direct or indirect supervisory relationship; or
 - (2) The same immediate supervisor; or
 - (3) A close working relationship.

The approval letter must be signed by both near relatives and the department chair and be approved by the dean. If one near relative has supervisory authority over the other, the letter must identify a third party supervisor. Once the letter is approved, a copy must be sent to Academic Affairs to be saved in the personnel files of the employees.

In our review, we examined 28 near relative pairs for compliance with APM 520. Those pairs were selected because PPS payroll data indicated they resided at the same address and received funding from the same source, which indicates they work in the same department and possibly have a close working relationship. The 28 pairs had appointments in 20 different departments.

From the 28 pairs we tested, an APM 520 approval letter had been completed for 16 pairs. Additionally, we noted that most of the 16 agreements were missing at least one required element such as evidence of dean's approval, chair's signature, or employee signature. Three of the 16 had not been forwarded to Academic Affairs as required. We also noted one instance of an employee certifying the effort report of his near relative, implying a level of supervisory responsibility which their approval letters stated would not be present.

In response to our inquiries, personnel within all of the departments that did not complete an approval letter stated that they had knowledge of the near relative relationships but were not familiar with the APM 520 policy requirements.

Recommendation

Strengthen internal controls to improve compliance with APM 520 and ensure all the requirements are completed appropriately. Because the audit did not detect any near relative relationships that were not already known to departmental personnel, we are making no recommendations regarding enhanced control procedures to identify near relative arrangements.

Management Corrective Action

1. To assist departments in drafting near relative agreements, Academic Affairs will make available an electronic template by March 15, 2016.
2. By March 15, 2016, Academic Affairs will issue a communication to leadership at all schools, colleges, and divisions with information summarizing the requirements of APM 520 and instructions regarding completion of fully-compliant near relative agreements and submission to Academic Affairs.
3. By March 15, 2016, Academic Affairs will establish procedures to review approval letters for compliance with all required elements of APM 520, including employee signatures, chair signature, and dean signature.
4. Regarding the instance identified of the employee certifying the effort of his near relative, by August 15, 2015, Academic Affairs will notify the department that the certification of effort should follow the supervisory procedures outlined in the approval letters for these near relatives.