

**UNIVERSITY OF CALIFORNIA, DAVIS  
INTERNAL AUDIT SERVICES**

**College of Letters and Sciences  
Division of Social Sciences  
Administrative Review  
Internal Audit Services Project #14-09**

**April 2014**

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**MANAGEMENT SUMMARY**

**Background**

As part of the Internal Audit Services (IAS) audit plan for fiscal year (FY) 2014, IAS conducted an administrative review of the Division of Social Sciences Dean's Office.

The Division of Social Sciences (DSS) is the largest of three divisions in the College of Letters and Science. The mission of DSS is: "To bring scientists, scholars, teachers, and students together to answer questions about ourselves and the world we live in, and to educate the next generation to seek solutions to the most pressing issues of society today."

DSS is comprised of 10 departments, 5 Programs and 4 Centers. Several DSS programs continue to be ranked among the best in the world. The 2013 US News and World Report Rankings established the Psychology program as 21<sup>st</sup> in the nation, with Political Science ranked 23<sup>rd</sup> and History ranked at 27<sup>th</sup>. The Center for Poverty Research at UCD, founded in 2011, is one of three federally designated centers whose mission is to facilitate academic research on poverty relating to labor markets, non-cash safety nets, immigration, and children and intergenerational mobility. The Institute of Social Sciences is in the initial formation stages and when fully functioning will stimulate division and campus-wide collaborative research, contributing to an international presence for DSS.

Fall 2013 enrollment census identified approximately 6,300 undergraduate and 500 graduate students enrolled in 16 undergraduate majors and 9 graduate programs. The Division employs 201 ladder rank faculty full time equivalent (FTE) positions, 122 Teaching Assistant FTE, and another 85 staff FTE; a total of approximately 410 budgeted employees<sup>1</sup>. DSS departments, centers and programs are provided support through four administrative clusters and three service centers for research, payroll and information technology. The cluster and center organizational structures were created in 2010 and allows for cost savings on shared services. Each cluster is managed by a Chief Administrative Office (CAO), while centers are provided oversight through Managers.

The DSS total operating expenses in FY 2013 were over \$61 million, with salaries and benefits (84%) comprising the most significant category. As of July 1, 2013, the DSS carryforward fund balances totaled \$31.9 million<sup>2</sup> including \$13.6 million in unrestricted funds and \$18.3 million in funds designated for a restricted purpose, i.e. contracts and grants.

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<sup>1</sup> As of the April 10, 2014 staffing update.

<sup>2</sup> Carryforward balances were calculated by Budget and Institutional Analysis, and exclude financial aid funds, indirect costs, encumbrances and liens.

## **Purpose and Scope**

The objectives of the review were to:

- Assess the financial performance of DSS over the past five years, including the availability of and commitments against carryforward and discretionary funds;
- Assess internal controls over accounting and administrative practices within the Dean's immediate office;
- Assess financial and budgetary reporting to the Dean for oversight of the DSS; and
- Analyze key operating metrics including numbers of faculty, staff, vacancies, and students that could impact financial performance.

To address the audit objectives, we interviewed administrative personnel from the DSS Dean's Office, clusters and centers, as well as personnel from Budget and Institutional Analysis (BIA), Office of Research and the Office of Campus Counsel. We also reviewed key operational metrics and financial data, identified trends and obtained additional data as needed. We discussed issues noted with the appropriate personnel.

Our review incorporated financial information and operating metrics for the five fiscal years ended in FY 2013, as well as budgetary data through April 2014.

## **Conclusion**

Our review of the DSS Dean's Office indicates that the administrative and financial matters within the Dean's Office are generally well managed.

Total funding sources for DSS have increased from \$70 million in FY 2009 to \$95 million in FY 2013. General Funds represent the largest funding source, at 72% (\$50 million) in FY 2009 and 58% (\$55 million) in FY 2013. Extramural funding sources increased from \$14 million in FY 2009 to \$27 million in FY 2013, accounting for the drop in general funds as a percent of total funding sources. Total expenditures for DSS increased less rapidly, growing from \$54 million in FY 2009 to \$61 million in FY 2013. Salaries and benefits comprise the largest expenditure for DSS, at 87% (\$47 million) in FY 2009 and 84% (\$51 million) in FY 2013. DSS carryforward balances have doubled between FY 2009 and FY 2013 to \$31.9 million at July 1, 2013, with much of this growth due to increases in restricted extramural funding.

Internal controls over accounting and administrative activities within the Dean's Office as well as the clusters and centers were found to be in place and functioning appropriately. We noted some minor issues which were communicated to and corrected by DSS management during the course of our review. Our interviews with administrative personnel concerning DSS operational activities within the Dean's Office and in the clusters and centers providing support to the departments offered consistently positive feedback. Additionally, the Dean expressed satisfaction with the level of financial reporting currently being provided to him.

Our review of key operating statistics did disclose a 5% reduction in the DSS undergraduate student population and corresponding student credit hours between FY 2009 and FY 2013. This issue is being researched and addressed by DSS in collaboration with BIA.

We identified one notable issue associated with the Physical Education Program (PE Program). Accounts are included in the DSS accounting organization structure that are the financial responsibility of UC Davis Athletics (Athletics), and two accounts were found to be overdrawn by approximately \$485K at June 30, 2013. Athletics has developed a plan with BIA to address the largest deficit balance; however we also found there are no clearly defined roles and responsibility for governance of the PE Program. DSS, Athletics and the Provost have agreed to work together (with support from BIA) to formalize a structure for shared governance over the PE Program's operational and academic activities.

## **I. OBSERVATIONS, RECOMMENDATIONS, AND MANAGEMENT CORRECTIVE ACTIONS**

### **A. Financial Overview and Key Operating Metrics**

#### **Financial Highlights:**

	<u>FY 2009</u>	<u>FY 2013</u>	<u>\$ Change</u>	<u>% Change</u>
Total Funding Sources	\$70 million	\$95 million	\$25 million	36%
General Funds	\$50 million	\$55 million	\$5 million	10%
General Funds as Percentage of Total Fund Sources	72%	58%	---	---
Extramural Funds	\$14 million	\$27 million	\$13 million	93%
Extramural Funds as Percentage of Total Fund Sources	20%	28%	---	---
Total Expenditures	\$54 million	\$61 million	\$7 million	13%
Salaries and Benefits Expenditures	\$47 million	\$51 million	\$4 million	9%
Salaries and Benefits as a Percentage of Total Expenditures	87%	84%	---	---
Carryforward Balances	\$16 million	\$ 32 million	\$16 million	100%
Restricted	\$8 million	\$ 18 million	\$10 million	125%
Unrestricted	\$8 million	\$ 14 million	\$6 million	75%
General Funds	\$7 million	\$ 9 million	\$2 million	29%

DSS experienced budget cuts to the general funds group along with the rest of the campus, however, the ability to absorb the cuts through expense management has allowed the total net general funds available at year end for DSS to dip only in FY 2010. Overall the general fund carryforward at year end had a steady increase of 29% from \$7.0 million in FY 2009 to \$9.0 million in FY 2013.

**Key Metrics and Operating Trends:** DSS experienced a 5% (308 students) reduction in its undergraduate student population between FY 2009 and FY 2013. This reduction is the net of the new student population which increased by 431 students, a decrease in the continuing students of 715 students, and a decrease of the readmitted population of 24 students. During the same time, the graduation rate had a positive increase of 508 students. A drop of 77 students can be explained by the difference in new students versus graduates; however, DSS is working with BIA to better understand the 715 student drop in the continuing student population.

The 5% decline in the DSS undergraduate student population correlates with a decline of 5% in student credit hours for the same 5 year period. Major counts are also down by 5% (354 students) since its highest count in FY 2010.

The DSS decline in continuing undergraduate students was not comparable to campus wide metrics which saw a 2% increase in continuing undergraduate students. DSS's new student growth of 26%, however, outpaced the campus growth of 24%.

DSS graduate student populations have increase 6% (28 students) over the five year period. Graduate degrees have also increased by 17% (18 students) for the same period.

The student/faculty ratio increased 5% between FY 2009 and FY 2013; and sits at 29.3 students per faculty for 2013.

The declining enrollment trends are being researched and addressed by DSS in collaboration with BIA.

**Carryforward Balances:** As of July 1, 2013, BIA identified approximately \$31.9 million in carryforward balances for DSS<sup>3</sup>. These balances included \$13.6 million in unrestricted funds comprised primarily of state, tuition and ICR funds, and \$18.3 million in restricted funds, which includes contracts and grants, private gifts and self-supporting activity.

- Of the \$13.6 million unrestricted balance, 53% (\$7.1 million) was related to the Dean's Office accounts, while 47% (\$6.4 million) was related to the DSS departments. Approximately \$4.5 million of the \$7.1 million in Dean's Office accounts was committed for faculty start-up, retention packages and other academic support. Approximately \$2.2 million of the \$6.4 million department balances was likewise committed for the ongoing support of faculty start-up, retention packages and other academic support.
- Of the \$18.3 million restricted balance, 97% (\$17.7 million) was related to the DSS departments, while only 3% (\$583 thousand) was related to the Dean's Office.

**Faculty Recruitments:** DSS plans to add 6.0 new faculty FTE by July 1, 2014, increasing total ladder rank faculty FTE from 201 to 207. The 6.0 net FTE increase is a result of 10.5 retirees/resignations and 16.5 new hires. The net effect of the increase in 6.0 FTE along with equity, retention and benefit increases for all faculty will add approximately \$1.1 million to the FY 2015 payroll/benefit costs.

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<sup>3</sup> Carryforward balances were calculated by Budget and Institutional Analysis, and exclude financial aid funds, indirect costs, encumbrances and liens.

This section is provided for informational purposes only.

## **B. Physical Education Program**

### **1. There are no clearly defined roles or responsibilities for governance of the PE Program, which is currently informally shared between DSS and Athletics.**

To help facilitate the offering of non-major courses related to physical activities and education, the Physical Education Program (PE program) was designed to offer accredited courses relating to fitness and health, athletic training, teacher education, and organized sports. This, however, required the PE Program to be organized within an academic unit reporting to an academic Dean. DSS was selected as the best academic unit for the PE Program to report to, and so resultantly the PE Program's financial organization was also housed within the DSS financial organization, while the operational decision making of the PE Program remained within Athletics.

At fiscal year-end 2013, the PE Program had a deficit of approximately \$485K, which was identified within the DSS financial organizational accounts. Neither DSS, nor Athletics claimed to have control over the expenses that contributed to the program's deficit, nor could either unit articulate their roles and responsibilities over the PE Program. Currently, there is a lack of accountability for the financial management of the program.

In order to effectively manage any program, it is important to establish an appropriate level of governance over the operations and decisions that impact the viability of the program including a clear set of defining roles and responsibilities.

### **2. PE Program accounts are in overdraft status.**

Accounts within the Physical Education Program accounting organization (PHES) that are under the umbrella of the DSS accounting organization were in overdraft status (approximately \$485K) at June 30, 2013. Athletics is currently working with BIA to identify a solution to address the current overdraft and prevent future overdrafts.

## **Recommendations**

1. Establish a means to provide governance over the operational and financial decisions that affect the stability and viability of the PE Program.
2. Athletics should continue to work with BIA to identify a solution to the overdrawn Athletics accounts currently aligned with DSS.

**Management Corrective Action**

1. The Dean of DSS, Athletics Management and the Provost, with support from BIA staff, will work together to identify a shared governance that clearly defines roles and responsibilities over the PE Program. The governance will establish accountability over both the operational and financial decisions that impact the financial stability of the PE Program. The plan for shared governance will be developed and implemented by February 15, 2015.
2. Athletics and BIA have agreed to a plan that will address the largest deficit account balance (\$424K) within the PHES organization over a seven year span by utilizing salary savings from a position when the incumbent retires. Resolution for the remaining balances of the PHES organization will be incorporated as part of the work performed within corrective action #1 above.

Appendix A -Carryforward Balances, FY 2012 to FY 2014<sup>4</sup>

<b>Campus Carryforward and Reserve Balances</b> (amounts in 000's)					
	2011-12	2012-13	2013-14	2013-14	2013-14
	Carryforward As of July 1, 2011	Carryforward As of July 1, 2012	Carryforward As of July 1, 2013	Committed Obligations COBL	Known Obligations KOBL
<b>State Funds/Tuition/Fees</b>					
General Funds and Tuition	\$ 5,661	\$ 5,890	\$ 6,215	\$ (3,605)	\$ (250)
Summer Session Fees	\$ 645	\$ 881	\$ 1,180	\$ (28)	
Professional Degree Fees	\$ 15	\$ 15	\$ 15		
Student Services Fee	\$ 21	\$ 36	\$ 6		
Course Material Fees	\$ 5	\$ 10	\$ 11		
Campus-Based and Other Student Fees <sup>1</sup>	\$ 141	\$ 131	\$ 167	\$ (20)	
<b>Sub-Total, State Funds/Tuition/Fees</b>	<b>\$ 6,488</b>	<b>\$ 6,963</b>	<b>\$ 7,594</b>	<b>\$ (3,653)</b>	<b>\$ (250)</b>
<b>Indirect Cost Recovery</b>					
<b>Sub-Total, Indirect Cost Recovery</b>	<b>\$ 3,919</b>	<b>\$ 4,212</b>	<b>\$ 4,262</b>	<b>\$ (1,551)</b>	<b>\$ (1,205)</b>
<b>Other Unrestricted Funds</b>					
Private Unrestricted Gifts	\$ 96	\$ 133	\$ 169		
Other Funds <sup>2</sup>	\$ 15	\$ 122	\$ 114		
Unrestricted Endowment/FFE Earnings	\$ 20	\$ 28	\$ 28		
UNEX Reserves	\$ 1,031	\$ 1,273	\$ 1,461	\$ (57)	
Self-Supporting Degree Fees					
Application Fees					
<b>Sub-Total, Other Unrestricted Funds</b>	<b>\$ 1,163</b>	<b>\$ 1,557</b>	<b>\$ 1,772</b>	<b>\$ (57)</b>	<b>\$ -</b>
<b>Sub-Total, ICR/Other Unrestricted</b>	<b>\$ 5,081</b>	<b>\$ 5,769</b>	<b>\$ 6,034</b>	<b>\$ (1,608)</b>	<b>\$ (1,205)</b>
<b>Total Unrestricted</b>	<b>\$11,569</b>	<b>\$12,731</b>	<b>\$13,628</b>	<b>(5,261)</b>	<b>(1,455)</b>
<b>Restricted and Designated Funds (all remaining funds)</b>	<b>\$ 11,422</b>	<b>\$ 16,954</b>	<b>\$ 18,323</b>		
<b>All Funds Total</b>	<b>\$ 22,991</b>	<b>\$ 29,686</b>	<b>\$ 31,950</b>		
<b>Select Fund Types -- State Funds/Tuition/Fees</b>					
Prior Year Expenditures	\$ 41,150	\$ 42,137	\$ 45,770	\$ 45,770	
CF as a % of Expenditures	16%	17%	17%	9%	
<b>Select Fund Types -- ICR/Other Unrestricted</b>					
Prior Year Expenditures	\$ 2,664	\$ 3,025	\$ 3,619	\$ 3,619	
CF as a % of Expenditures	191%	191%	167%	122%	
<b>Restricted and Designated Funds (all remaining funds)</b>					
Prior Year Expenditures	\$ 10,575	\$ 9,706	\$ 11,112		
CF as a % of Expenditures	108%	175%	165%		
<b>All Fund Types</b>					
Prior Year Expenditures	\$ 54,388	\$ 54,868	\$ 60,501		
CF as a % of Expenditures	42%	54%	53%		
<b>Selected Funds -- Dean - Departmental/Other:</b>					
Carryforward held by Dean's Office	60%	55%	53%		
Carryforward held by Departments/Other	40%	45%	47%		

<sup>1</sup> Campus-Based and Other Student Fees category is almost 90% student referendum funds on a campus-wide basis.

<sup>2</sup> Other Funds category is 90% STIP and patent revenue on a campus-wide basis.

<sup>4</sup> System-wide data (Chart "L") is not included.

<sup>5</sup> Includes contracts & grants, gifts and endowments, and self-supporting funds.

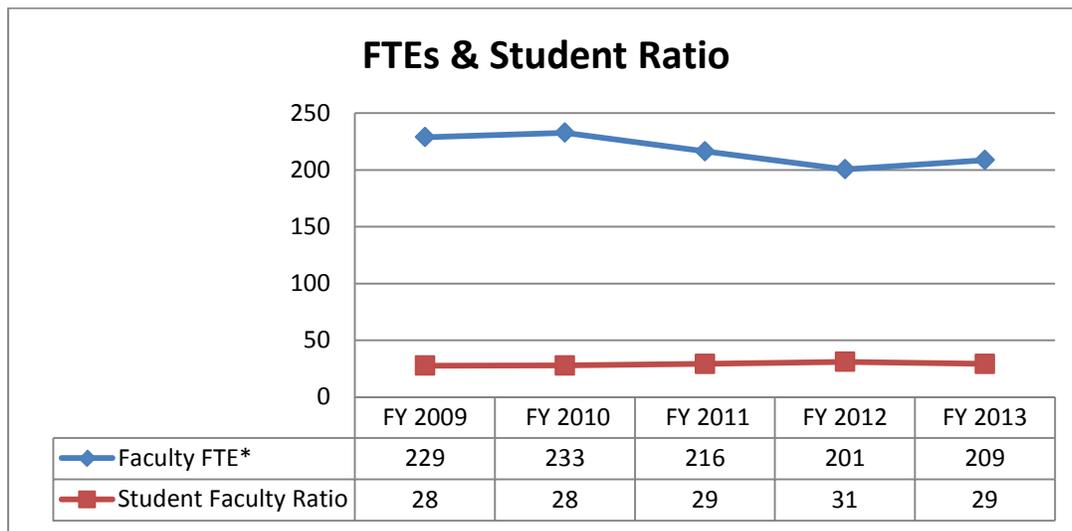
<sup>6</sup> Carryforward balance is calculated by Budget and Institutional Analysis, and excludes financial aid funds, indirect costs, encumbrances and liens.

<sup>7</sup> Total expenditures exclude system-wide (Chart "L"), financial aid funds, indirect costs, encumbrances and liens.

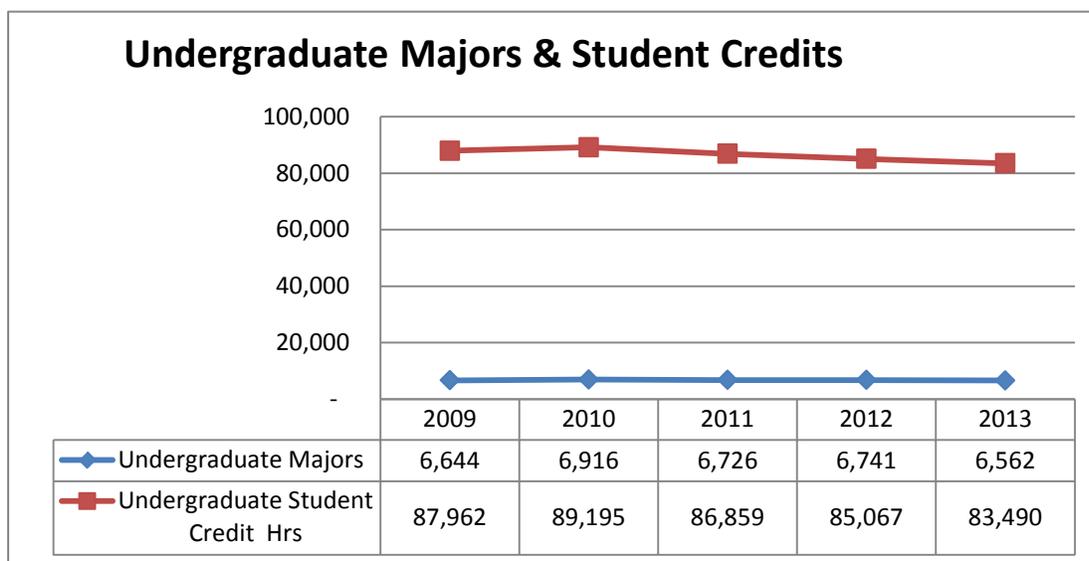
## Appendix A-1. Operating Trends, Total Sources, Expenditures &amp; Funds Available

	FY	FY	FY	FY	FY
	2009	2010	2011	2012	2013
<b>OPERATING TRENDS</b>					
Full Time Budgeted Faculty	251	247	234	226	224
Filled Faculty	229	233	216	201	209
Student Faculty Ratio	28	28	29	31	29
Undergraduate (UG) Majors	6,644	6,916	6,726	6,741	6,562
UG Student Credit Hours by Origin	87,962	89,195	86,759	85,067	83,490
UG Student Credit Hours by Pay Department	88,215	89,514	86,834	85,552	83,469
<b>\$, in thousands</b>					
<b>FUND SOURCES</b>					
Carryforward	\$ 13,226	\$ 16,254	\$ 18,757	\$ 23,782	\$ 31,164
July 1 Base Budget	31,421	31,466	31,879	33,674	44,234
Current Year Adjustments	25,053	21,930	27,502	28,689	19,251
Income	201	208	215	187	367
Recharges	64	84	166	170	197
<b>Total Sources</b>	<b>69,965</b>	<b>69,942</b>	<b>78,519</b>	<b>86,501</b>	<b>95,212</b>
<b>EXPENDITURES</b>					
Salaries and Benefits:					
Academic Salaries	32,947	32,000	31,952	31,870	33,139
Staff Salaries	6,014	5,946	6,112	6,124	6,662
Benefits	7,665	8,236	9,244	9,896	11,522
Scholarships & Fellowships	-	-	-	423	744
Other Expenditures:					
Travel and Entertainment	1,388	1,493	1,679	1,862	2,037
Services	1,624	1,677	1,921	1,755	2,037
Rent	1,166	1,102	882	1,038	1,194
Supplies	955	1,032	1,065	835	1,122
UCOP assessment					823
Equipment	396	617	297	183	415
Subcontracts	524	228	381	273	394
Computer software and supplies	205	231	320	330	390
Communication resources	294	256	281	245	244
Miscellaneous	453	462	534	481	440
<b>Total Expenditures</b>	<b>53,631</b>	<b>53,278</b>	<b>54,669</b>	<b>55,315</b>	<b>61,162</b>
Financial aid funds, external encumbrances & liens	(536)	(419)	(859)	(1,500)	(2,100)
<b>FUNDS AVAILABLE <sup>(1)</sup></b>	<b>\$ 15,798</b>	<b>\$ 16,245</b>	<b>\$ 22,991</b>	<b>\$ 29,686</b>	<b>\$ 31,950</b>
<sup>(1)</sup> Includes restricted and unrestricted fund balances from all fund sources as presented in Appendix A					

Appendix A-2. Operating Trends<sup>8</sup>



\*SIS 453- Includes Ladder Rank and Other faculty FTE paid positions



<sup>8</sup> Source: The Provost's Dashboard

