EVENTS & TRANSPORTATION

REVENUE RECOGNITION

AUDIT REPORT #17-2211

Audit & Advisory Services

June 2017

EVENTS & TRANSPORTATION

REVENUE RECOGNITION

AUDIT REPORT #17-2211

Background

In accordance with the UCLA Administration fiscal year 2016-17 audit plan, Audit & Advisory Services (A&AS) conducted a review of the Events & Transportation’s (E&T) revenue recognition business practices. The UCLA Events Office and Transportation are two separate areas of operation that make up the E&T division within UCLA Administration. The Events Office is responsible for scheduling non-academic uses of classrooms and outdoors facilities, the Campus Calendar, commercial film shoot activities, student events, University commencements, and general event planning and coordination of campus services. Transportation supports the campus community by providing for safe and efficient commuting options and mobility in an environmentally responsible manner. The E&T Accounts Receivable & Cashiering (ARC) unit is responsible for overseeing the accounts receivable operation of E&T.

The Events Office revenues are generated from commencement, equipment rentals, film shoots, and internal, external, and student events. In fiscal year 2015-16, the Events Office generated about $2.6 million in sales revenue, and another $2 million in recharges for a total of $4.6 million in revenues.

Transportation revenues are generated from the sale of daily and monthly parking permits, vanpool ridership, campus parking citations, and certain Fleet & Transit activities. In fiscal year 2015-16, Transportation generated $3 million in sales & service revenue, and approximately $63.5 million in recharge income for a total of $66.5 million in revenues.

A Director oversees Parking Services, another Director heads the Events Office, while a third Director manages Communications & Commuter Services. These three individuals report to the Executive Director of E&T, who reports to the Administrative Vice Chancellor.

Purpose and Scope

The primary purpose of the review was to ensure that E&T’s organizational structure and controls, and the related systems and procedures surrounding revenue recognition are conducive to accomplishing its business objectives. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit focused on the following activities:

* Billing, Collections, and Accounts Receivable
* Recharge Processes
* Information System Controls

The review was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests of records, interviews, and other auditing procedures considered necessary to achieve the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the audit, E&T’s organizational structure and controls are generally conducive to accomplishing its business objectives related to revenue recognition activities. However, controls and business practices could be further strengthened by implementing the following:

*Billing, Collections, and Accounts Receivable*

* Management should ensure that Payroll Deduction Cancellation Forms are completed and filed timely with Bruin Commuter Services to reduce the risk that customers will be charged after they have discontinued service.

The audit results and corresponding recommendations are detailed in the following sections of the report.

Audit Results and Recommendations

Billing, Collections, and Accounts Receivable

Interviews, analyses, and document reviews were conducted to evaluate departmental controls for ensuring that transactions are recorded accurately and efficiently, collection procedures are effective, and accounts receivable records and management reports are accurate. Invoice and payment records and related supporting documentation were reviewed to determine if the transaction processing procedures facilitate efficient collections and ensure that payments are properly recorded. Aging reports were reviewed to evaluate collection efforts. Reconciliation and monitoring procedures were also reviewed. The following were noted:

1. Sundry Debtors

A&AS obtained a sample of 15 sundry debtors’ accounts receivable transactions from E&T’s Quick Books application for October and December 2016. Specifically, A&AS verified that goods and services provided were accurately billed in a timely manner, invoices agreed to their related supporting documents and to services rendered, payments were accurately coded and posted to the correct accounts, and transactions were properly reconciled to the general ledger. Test work indicated Transportation has effective controls and procedures to ensure sundry debtor account receivable activities are recorded timely and accurately.

There were no significant control weaknesses noted in this area.

1. Vanpool Accounts (Non-Payroll)

A&AS conducted test work to evaluate the effectiveness of controls and procedures to ensure that accounts receivable are recorded in the vanpool database timely and accurately for vanpool riders who are not on payroll deduction. Test work included walkthroughs of processes and discussions with E&T staff, and a review of written procedures and supporting documentation.

A&AS reviewed the Vanpool Monthly Payment documentation, Accounts Receivable Activity Summary, and the fiscal year 2016-17 Vanpool Program Fare Structure report to gain an understanding of processing procedures involved with the vanpool program, including the current fare structure. In addition, A&AS queried Detail General Ledger information to identify non-payroll vanpool transactions from September and November 2016.

Based on this review, we obtained a sample of 15 vanpool rider payments not on payroll deduction, and an additional nine riders with outstanding balances. A&AS verified that payments were remitted accurately and timely, fees were properly applied and invoiced for late payments, and payments were accurately posted and reconciled to the general ledger through an examination of the Aging Report Summary, Outstanding Balance Report, and related invoices.

There were no significant control weaknesses noted in this area.

1. Payroll Deductions

A sample of 15 employees listed on the Payroll Deduction report for December 2016 was selected for testing. An additional five payroll deduction cancellations and five missed payroll deductions were also requested for review. Specifically, A&AS verified the following:

* Documentation was properly completed evidencing proper payroll deduction authorization and cancellation.
* Proper fees and scheduled payments are being collected.
* Parking fees are properly recorded to the general ledger and recognized in the proper period.
* Missed payroll deductions were properly identified and subsequently collected.

While test work indicated that fees from payroll deductions are being properly collected, recorded, and recognized, Transportation personnel have not been obtaining authorization forms to cancel payroll deduction requests, as required in E&T’s internal procedures. E&T procedure ARC-210-10: “Payroll Deduction Cancellations/Refund Processing” states that a Payroll Deduction Cancellation Form (PDC) is to be forwarded to accounts receivable staff for processing on a daily basis, to ensure accuracy and to verify that all PDC requests have been received. Instead of following established procedures, Transportation staff have been accepting e-mails from the Bruin Commuter Services department advising them of the cancellation. Once advised by Bruin Commuter Services, the relevant Transportation employee then processes the request and records “Off Van” and the date on the original Payroll Deduction Authorization form. By using this alternative process, Transportation never receives a formal request or agreement to cancel service and the related payroll deduction directly from the customer.

Recommendation: Management should ensure that Payroll Deduction Cancellation Forms are completed by the customers and then filed timely with Bruin Commuter Services to reduce the risk that they will be charged after discontinuing service.

Response: We concur. Events & Transportation (E&T) Accounts Receivable and Bruin Commuter Services have developed new procedures to help ensure the timely cancellation of payroll deduction for vanpool customers. The new procedures will not require a payroll deduction form to be submitted if E&T learns that the customer is no longer riding the van after the customer has separated from the University.

1. Aging of Accounts Receivable

A&AS reviewed departmental procedures, the Transportation Aging Report Summary for September and November 2016, supporting documentation relating to those customers whose accounts had been sent to collections or written off, Detail General Ledger information, and departmental monthly accounts receivable tracking sheets used for internal monitoring of receivables. A sample of 15 delinquent accounts was selected for testing from the September and November 2016 Aging report to evaluate whether collection efforts are properly documented, and accounts are properly aged and sent to the collection agency (when applicable) in accordance with E&T policies and procedures.

There were no significant control weaknesses noted in this area.

Recharge Process

Interviews were conducted with E&T management and staff to obtain an overview of the controls over the Arranged Events and Courtesy recharge process. A&AS selected a sample of 15 transactions from the September and November 2016 Arranged Event and Courtesy List for evaluation. Audit testing indicated that rates charged for products and/or services, and the recorded revenue accurately reflects the quantity of products and/or services provided. The September and November 2016 courtesy parking recharge reconciliations were also reviewed to ensure that courtesy parking transactions were processed, documented, and reconciled in a timely manner.

There were no significant control weaknesses noted in this area.

Events

A&AS conducted interviews with E&T accounts receivable staff and Events Office management, and reviewed a sample of event files. In addition, internal controls and procedures over Events Office accounts receivable were also evaluated. A sample of 10 events from the fiscal year 2015-16 Event Listing was selected for review to ensure that final billings and revenue accurately reflected goods and services provided. Billing procedures were evaluated to ensure proper compiling, documenting, reviewing, and approving of fees. Detail General Ledger information was also reviewed to ensure financial information was recorded properly, reflected the information from the Event Business Management Software System, and that delinquent accounts are properly monitored and resolved.

There were no significant control weaknesses noted in this area.

Information System Controls

A&AS evaluated the UCLA Transportation accountability structure as of January 23, 2017, established within the Distributed Administrative Computing Security System (DACSS) for effective delegation of authority in reviewing interdepartmental recharge transactions, and that existing access is appropriate and aligns with employee job responsibilities. Audit testing utilized the Campus Data Warehouse (CDW) system to generate an ad hoc report of all employees with access to recharge functions for the following departmental units: Transportation Services (code 3320), Commuter Assistance Ridesharing (code 3325), and Parking Services (code 3350). In addition, A&AS generated the “Reviewers by Specific Unit” report to determine the appropriateness of reviewer set up. Further, A&AS determined that there is an effective accountability structure for the preparation and review of the recharge function for UCLA Transportation.

There were no significant control weaknesses noted in this area.

170425-2

REP