May 19, 2020

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Dean, Rady School of Management
0553

Subject: ***Rady School of Management***
     Report 2020-05

The final report for Rady School of Management, Report 2020-05, 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.

        Christa Perkins
        Interim Director
        Audit & Management Advisory Services

Attachment

cc: Judy Bruner
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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Rady School of Management
Report No. 2020-05
May 2020

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ATTACHMENT A – Audit Results by Business Office Functional Process

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a departmental review of the Rady School of Management (RSM) as part of the approved audit plan for Fiscal Year 2019-20. The objective of our audit was to evaluate whether internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policies and procedures, and resulted in accurate financial reporting.

Based on our review, we concluded that the Rady School of Management internal controls were generally adequate and provided reasonable assurance that operation were effective, performed in compliance with University policies and procedures, and resulted in accurate financial reporting. To address our findings, RSM has agreed to the following Management Action Plan:

A. General Ledger Transaction Sampling
Until the new financial system is implemented in July 2020, RSM management will ensure that all transactions sampled through the Transaction Sampling system are reviewed and documented on a timely basis. After the system implementation, RSM will ensure that their ledger review activities are in compliance with new policies and procedures.

B. Review of Distribution of Payroll Expense (DOPE) Reports
1. RSM administration will ensure that payroll expense verification /DOPE review is completed monthly, and documentation of the verification is maintained.
2. RMS administration will create a formal procedure for the payroll expense verification /DOPE review process so that it may be performed consistently by individuals and alternates.

C. Entertainment Event Documentation and Allowability
1. RSM will re-educate business office employee on the requirements set forth in UC Policy BFB BUS-79 *Expenditures for Business Meetings, Entertainment, and Other Occasions.*
2. For payment requests for special entertainment events (such as those exceeding the maximum allowable per-person meal expenses), RSM will include written justification as to why the special entertainment was necessary, in accordance with policy. The individual with the delegated authority to approve special entertainment will ensure that the required written justification is adequate, and that the expenses meet all other approval requirements contained in the policy.
3. Events will be charged to the appropriate account codes to accurately reflect the nature of the expenditure.

D. Travel
1. RMS will, within the coding of travel expenditures, ensure that travel of non-UC-employees is accurately classified.
2. RSM will take steps to ensure that future group travel event documentation includes signed Student Certificates for Business Travel.

E. Equipment Inventory
1. RSM will document the process by which the biennial physical inventory will be performed, including the notation of any equipment that is not properly tagged. The procedure will call for the results of the inventory to be reported to RSM administration and to Campus Equipment Management.
2. RSM administration will update CAMS records to include the two equipment identified as without UCID tags.

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

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a departmental review of the Rady School of Management as part of the approved audit plan for Fiscal Year (FY) 2019-20. This report summarizes the results of our review.

The School of Management was established in 2001 and renamed the Rady School of Management (RSM) in 2004. RSM's first professional degree program was the Flex MBA program, which was aimed at working professionals with a desire to bring their ideas and innovations to the marketplace. The Flex MBA program was established as a self-supporting professional degree program, with financial support coming from RSM student fees, without subsidies or permanent funding from central campus. Since the initial inception of the Flex MBA program, RSM has established other self-supporting graduate degree programs, including a Master of Science in Business Analytics, a Master of Finance, and a Master of Professional Accountancy. RSM also offers a Full-time MBA program, which is supported through tuition and student fees.

In addition, RSM offers undergraduate and executive education. Undergraduate education includes an Accounting Minor, Business Minor, Entrepreneurship & Innovation Minor, and a Supply Chain Minor. Like the Full-time MBA, undergraduate education is supported by central campus funding. Executive education offerings include certificate and customized training programs aimed at working professionals and executives via its Executive Education department, and are operated on a self-supporting basis.

RSM also hosts the Beyster Institute as one of its centers of excellence. The Institute works to advance the understanding and practice of employee ownership as an effective and responsible business model. The focus is education, research, and consulting to promote employee ownership and the creation of effective ownership cultures. The Beyster Institute serves companies interested in the employee ownership business strategy, business owners looking to transition out of their companies, and professional advisors.

In addition to Executive Education and the Beyster Institute, RSM also operates the following Centers of Excellence:
- California Institute for Innovation and Development (CIID)
- Center for Social Innovation and Impact
- Data Analytics
- Institute for Supply Excellence and Innovation

RSM has a core finance team that handles centralized or common functions, such as procurement, travel, meetings and entertainment, contract/grant accounting and fiscal oversight. However, some units within RSM, such as Executive Education and the Beyster Institute, are responsible for some business processes that are not handled by the RSM finance team. For example, the Beyster Institute and Executive Education each have their own portfolio of clients, and those units have their own staff who are responsible for billing clients on monthly basis. Payments for the consulting services of Beyster Institute and for the training services of Executive Education are centrally received and

processed for deposit. Sharing common processing tasks eliminates duplication and streamlines processes. The structure also allows for the specialization of receipts processing, which occurs daily.

As of the end of FY 2019, June 2019, RSM had cumulative deficits in self-supporting program funds approximating $3.2 million[1], much of which is attributable to operating losses incurred by the Flex MBA program over the first several years following the program's inception. RSM administration has been actively working with the Campus Budget Office (CBO) and the highest levels University leadership to resolve the issue. On October 18, 2018, *Rady School of Management Funding Framework*, a memoranda of understanding (MOU), was signed by the UCSD Chancellor, the Chief Financial Officer, and the Executive Vice Chancellor Academic Affairs to clear RSM's operating deficit through June 2018. However, RSM has challenged the amount as being too low and has been working with campus officials to support their claim since that time.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objective of our audit was to evaluate whether internal controls were adequate to provide reasonable assurance that operations were effective, in compliance with University policies and procedures, and resulted in accurate financial reporting. The scope of our review included activities and business practices for FY 2017-18 and FY 2018-19. In order to achieve our objective, we performed the following:

- Reviewed system-wide and local policies, including, but not limited to;
  - University of California (UC) Business and Finance Bulletin (BFB) BUS-29: *Management*
  - *and Control of University Equipment*,
  - UC BFB BUS-43: *Materiel Management*,
  - UC BFB BUS-49: *Policy for Cash and Cash Equivalents Received*,
  - UC BFB BUS-79: *Expenditures for Business Meetings, Entertainment, and Other Occasions*,
  - UC BFB G-13: *Policy and Regulations Governing Moving and Relocation*,
  - UC BFB G-28: *Travel Regulations*,
  - UC BFB G-42: *Gifts Presented to Non-Employees on Behalf of the University*,
  - UC BFB IA-101: *Internal Controls Standards, Departmental Payrolls*,
  - UC Accounting Manual,
    - A-000-7*: Official Documentation Required in Support of University Financial Transactions*
    - P-415-10: *Capitalization of Property, Plant, and Equipment*
  - UC Contracts and Grants and Accounting Manual,
  - UCSD Policy & Procedure Manual (PPM): Section 300-2 *Overdraft Policy*,
  - UCSD Blink guidance including, but not limited to, Express Card practices, Travel, Purchasing, and Meetings and Entertainment, and
  - UCSD Blink guidance on Statement on Audit Standards (SAS) 112/115;
- Interviewed the following key personnel from RSM:
  - Assistant Dean for Finance,
  - Executive Education Supervisor,

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[1] RSM as a whole had a cumulative deficit at June 30, 2018 of approximately $1.6 million, which included surpluses in other programs that are supported through other funding sources.

- o   Director of Computing & Technology Services,
- o   Laboratory Coordinator, and
- o   Staff Human Resources Manager;
- Worked with RSM to complete a Separation of Duties Matrix, and various questionnaires to outline various administrative functions;
- Evaluated RSM internal controls in the following areas:
  - o   Operating Ledger Review,
  - o   Deficit Balance & Over Management,
  - o   Cash Handling with respect to Human Research Subjects payments,
  - o   Non-Payroll Expenditures,
  - o   Effort Reporting,
  - o   Express Card Management,
  - o   Equipment Management,
  - o   Invoicing by the Beyster Institute and Executive Education, and
  - o   Delegations of Authority for special entertainment;
- Performed limited transaction testing in the following areas to verify the internal controls were adequate and functioning in compliance with University policy:
  - o   Entertainment Events,
  - o   Individual Travel Events,
  - o   Group Travel Events,
  - o   Equipment Purchases, Asset Tracking and Capitalization,
  - o   Accounts Receivable for Beyster Institute and Executive Education,
  - o   Express Card Transactions, and
  - o   Marketplace purchases.

IV. CONCLUSION

Based on our review, we concluded that the Rady School of Management internal controls were generally adequate and provided reasonable assurance that operation were effective, performed in compliance with University policies and procedures, and resulted in accurate financial reporting. However, we did identify areas in which internal controls could be improved, the details of which are provided in the remainder of this report. The common theme from our observations are related to the documentation of key controls and the validation that these controls are carried out.

At the time of our review, UCSD was completing an Enterprise System Renewal (ESR) project, the purpose of which was to replace outdated systems, including the Integrated Financial Information System (IFIS), and create more efficient and streamlined business processes. The new financial system is slated to go-live on July 1, 2020. Along with the system changes, many core business processes will also change. Throughout the balance of this report, we've indicated areas in which we are aware that the system changes will result in business process changes, with recommendations on how to address our findings after these changes have taken place.

Attachment A provides the results of the business process review. Specific management actions planned or in process for those areas were rated "improvement needed" or "improvement suggested," as noted in the attachment.

V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

A.	General Ledger Transaction Sampling
RSM has not reviewed all operating ledger transactions selected by the campus Transaction Sampling system.	
Risk Statement/Effect	
Incomplete reconciliation of selected transaction samples increases the risk that unauthorized, unallowable, or unsubstantiated transactions might occur.	
Management Action Plan	
A.1	Until the new financial system is implemented in July 2020, RSM management will ensure that all transactions sampled through the Transaction Sampling system are reviewed and documented on a timely basis. After the system implementation, RSM will ensure that their ledger review activities are in compliance with new policies and procedures.

A. Operating Ledger Transaction Sampling – Detailed Discussion

RSM has enrolled in Transaction Sampling program for operating ledger reconciliation. Transaction sampling is a process managed by the UCSD Controller's office that selects transactions for review during the ledger reconciliation period. The process can substantially reduce the workload associated with a 100% operating ledger transaction review process; which is the only alternative to participating in the Transaction Sampling program. Departments opting to use the system are expected to review all transactions that are sampled by the system. The system provides a comprehensive way to electronically document the operating ledger review. Review results are aggregated in a summary report referred to as the Transaction Sampling Management Report which is available for management to review in order to direct training efforts, if warranted. In addition, the system allows management to fine tune the sampling tool beyond the standard setting of selecting all transactions above $2,500, while expenditures below the threshold in travel, equipment, supplies and expenses are randomly selected. Transaction Sampling is effective if the entire sample is promptly reviewed, and errors addressed.

Based on our review, we noted that that during FY 2018-19, RSM had a total of 5,538, or 87% un-reviewed transactions out of 6,357 transactions sampled. Because this important fiscal oversight activity is not being completed in accordance with internal control best practices, the risk of unauthorized, unallowable or unsubstantiated transactions is increased.

It's our understanding that the Transaction Sampling system will be eliminated with the implementation of the new financial system in July 2020, and will possibly be replaced with a policy framework rather than a specific system that aids departments with their ledger review. Regardless of what form this new process will eventually take, RSM should perform their fiscal oversight and key control responsibilities in a way that is compliant with policy and best practices.

B.	Review of Distribution of Payroll Expense (DOPE) Reports
RSM did not complete and document the monthly DOPE reviews as required by policy.	
Risk Statement/Effect	
Lack of a monthly review and reconciliation increases the risk of potential processing errors and/or payroll fraud.	
Management Action Plans	
B.1	RSM administration will ensure that payroll expense verification /DOPE review is completed monthly, and documentation of the verification is maintained.
B.2	RSM will create a formal procedure for the payroll expense verification /DOPE review process so that it may be performed consistently by individuals and alternates.

B.   Review of Distribution of Payroll Expense (DOPE) Reports – Detailed Discussion

University Policy (UC Policy IA-101, *Internal Control Standards; Department Payroll*) requires that the DOPE review be performed monthly and that results be documented.

The requirement that the monthly Distribution of Payroll Expense Reports (DOPE) review is to be completed, the steps involving the review and the results of the reviews were not formalized in RSM. We found no documented audit trail to substantiate that control procedures were completed. Instead, we were informed by RSM management that they use a distributed review process whereby if various administrative personnel observed a payroll irregularity, they would bring it to management's attention. Given the number of employees in RSM and the overall expenditures associated with payroll, RSM should ensure that a complete review of the DOPE be performed on a monthly basis and that the results of their review be documented.

For FY 2018-19, RSM's payroll expenses were approximately 51% of all expenditures made by the department. Due to payroll being the largest expenditure component, it is important for RSM to review payroll expense on a monthly basis to ensure that expenses are accurate.

C.	Entertainment Event Documentation and Allowability
We noted instances where the entertainment event expense reports submitted for approval did not include all applicable costs, where processing was not timely, and where the activity was misclassified.	
Risk Statement/Effect	
Submitting an incomplete event reports for approval increases the risk that the events include expenses that are inappropriate or non-compliant with policy, and that expenses are not approved at the appropriate organizational level.	
Management Action Plans	
C.1	RSM will re-educate business office employee on the requirements set forth in UC Policy BFB BUS-79 *Expenditures for Business Meetings, Entertainment, and Other Occasions.*
C.2	For payment requests for special entertainment events (such as those exceeding the maximum allowable per-person meal expenses), RSM will include written justification as to why the special entertainment was necessary, in accordance with policy. The individual with the delegated authority to approve special entertainment will ensure that the required written justification is adequate, and that the expenses meet all other approval requirements contained in the policy.
C.3	Events will be charged to the appropriate account codes to accurately reflect the nature of the expenditure.

C. Event Documentation and Allowability – Detailed Discussion

University Policy (BFB BUS-79 *Expenditures for Business Meetings, Entertainment and Other Occasions* (BUS-79)) sets forth requirements over the processing and authorization of all expenditures associated with business meetings and entertainment. The policy specifies the calculation of event rates on per-person basis, and explains what constitutes standard entertainment versus special entertainment and how they are handled differently.

Entertainment event expenditures are expenditures for meals or light refreshments and related services (e.g., labor charges, room rental, equipment rental, decorations, flowers, and similar expenditures) incurred in connection with events that are primarily social or recreational activities in support of the University's mission. Such activities must support an underlying University business purpose, such as promoting goodwill or donor cultivation.

The term "standard entertainment" refers to meals and light refreshments associated with hosting official guests, donors, receptions, and recruitment events. The term "special entertainment" refers to meals or light refreshment expenses for events where the per-person maximum allowable cost is exceeded and for certain types of activities regardless of expense, such as employee morale building and recognition events. If expenditures exceed the per-person maximum rates specified in policy, or meet any of the other conditions under which policy requires additional approval, then adequate

justification must be included with the payment request submitted for approval to the individual with delegated authority to approve special entertainment. Specifically, policy requires that "*any request for approval of an exception to the per-person maximum rates must include a written justification for the expenditure.*"

In striving to establish itself as a self-sustaining organization, RSM cultivates relationships with alumni and with the business community in search of potential donors. Our review of entertainment expenses entailed reviewing 11 judgmentally selected events to evaluate for documentation completeness, allowability, timeliness and authorization. Our review identified errors or omissions in four of the events that were included in our sample, which suggests that controls over this process should be improved. Our specific observations were as follows:

- In September 2018, RSM held a dinner to support alumni and spouse donor engagement. Leading up to the event, RSM made deposits to the restaurant totaling $6,000. The event resulted in expenses totaling $10,712, which included a $3,000 room charge[2]. When processing this event, RSM calculated the per person average using the total from the final bill that was received at the restaurant ($4,712, or $10,712 less the $6,000 deposit), rather than the event total less the room charge ($7,712, or $10,712 less the $3,000 room charge). This resulted in RSM miscalculating the per person cost as approximately $66, while the actual per person cost was approximately $109. Because the actual per person cost exceeded the limitation set forth in policy ($81 for dinner), this event should have obtained special entertainment approval at a higher organizational level, but did not. We also noted that expenses for alcohol were not recorded to the IFIS account code used for alcohol, which is required by policy.

- In October 2018, RSM held a Dean's Advisory Council event at UCSD for donor cultivation. RSM hired a catering company to provide food and beverages at the event. The per-person rate for the event was calculated as $58.12, which exceeded the permitted lunch rate of $47, thus requiring special entertainment authorization. For this event, special entertainment authorization was secured. However, it was done without the justification being documented, as required by policy.

- In October 2017, RSM provided dinners and snacks to participates in their weekend Flex MBA program. We noted that the expenses were not submitted for reimbursement within 45 days, as required by policy.

Ensuring that entertainment expenses are processed in accordance with policy is particularly important for RSM, considering the number of entertainment expenses that they incur from their unique course offerings and donor outreach events. Based on the observations listed above, it appears that RSM personnel involved in processing and approving entertainment would benefit from being re-educated on the requirements set forth in UC policy.

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[2] The allowable cost elements in the per-person calculations are listed in BUS-79 and on Attachment A, where allowable per-person rates are listed. These include the cost of the food and beverages, labor, sales tax, delivery charges, and other service fees. The costs of room rental and event space, room setup fees, media rental, and decorations are not included in the per-person costs unless those costs cannot be separated by the vendor.

D.	Travel
We noted travel events that were not accurately recorded in IFIS, and where supporting documentation was incomplete.	
Risk Statement/Effect	
Miscoding travel expenditures increases the risk that the event does not accurately portray who is completing the travel activity and where they are going.	
Management Action Plans	
D.1	RSM will, within the coding of travel expenditures, ensure that travel of non UC-employees is accurately classified.
D.2	RSM will take steps to be sure that future group travel events include the signed Student Certificates for Business Travel.

D. Travel – Detailed Discussion

University policy (UC Policy G-28, Travel Regulations) sets forth policies and procedures for University funded travel. This policy includes requirements for how travel is processed, what expenses are reimbursable, and how the travel is approved. The policy also lists situations in which student travel is acceptable. In general, students are permitted to travel when their participation supports a faculty member's research project, they are presenting at a conference, the trip is integral for the student's degree work, or the student is actively participating in a competition or student group. UCSD's local guidelines available through Blink require that a student certification form be completed for all students that travel using University funds. The purpose of this form is to provide justification as to why a student is traveling and to ensure the correct classification as a business related expense, rather than scholarship funding.

In April 2019, an RSM faculty member took a group of MBA students to Baja, Mexico for a short-term immersion trip to give them an understanding of the dynamics of the Baja California region. While this trip may have been allowable on the basis of it being integral to the students' coursework, student certification forms were not completed in accordance with local guidelines.

We also noted several instances in which it appears that the incorrect account code was used when recording travel expenditures, as follows:

- An event selected for review involved the hosting a group of foreign nationals so that they could attend a week-long RSM program. The costs were coded to Foreign Travel (Account 652902). The entry should have recognized that the travel was for the benefit of non-UCSD affiliated persons and thus should likely have been coded to Foreign Travel – Non-UCSD employees (Account code 652903).

- A group travel event to involving students and a faculty member to Baja, Mexico was also selected for review. The trip's entire balance was coded to Foreign Travel – Canada / Mexico (Account 652901). There should likely have been an allocation between student and academic expenses along the lines of Foreign Travel – Non-UCSD employees / Foreign Travel – Canada / Mexico (Account codes 652903 and 652901, respectively).

Accurate classification of foreign travel will be increasingly important to ensure institutional visibility for University support of foreign trips. RSM has a significant amount of travel activity with staff traveling for training and to represent the institution. With students and faculty traveling abroad to complete capstone projects, foreign delegations attending hosted programs, an organization that aims to be self-supporting should have an accurate view of expenditures.

E.	Equipment Inventory

RSM did not complete equipment inventories as per policy, and some discrepancies were noted between balances charged to inventoriable equipment in IFIS and records with the Campus Asset Management System (CAMS).

Risk Statement/Effect

Without a physical inventory there is a risk that assets may not be present, may be untagged, or present but not included in inventory records.

Management Action Plans

E.1	RSM will document the process by which the biennial physical inventory be performed, including the notation of any equipment that is not properly tagged. The procedure will call for the results of the inventory to be reported to RSM administration and to Campus Equipment Management.
E.2	RSM administration will update CAMS records to include the two projectors identified below, and tag those pieces of equipment accordingly.

E. Equipment Inventory – Detailed Discussion

University Policy (BUS-29) states that custodial departments are required to complete a physical inventory every two years, verifying the existence, current location, utilization, and equipment identification information. During our review, we were informed by RSM administration that RSM has not completed a physical equipment inventory on its own over the last several years. Besides being non-compliant with policy, not completing a physical equipment inventory increases the risk that inventory records are inaccurate or outdated, and that UCSD property in not appropriately tagged.

Further, we identified an equipment purchase for two projectors, for the total cost including sales taxes of $19,023.26 that were not recorded in CAMS or tagged according to policy. Typically, on Purchase Orders for capital equipment, there are UCID number(s) assigned for any applicable equipment. The UCID tags are mailed to the department for attachment to the applicable items. In this

instance, there were no UCID numbers assigned on the PO. A physical inventory would likely have observed that the two projectors noted above did not have UCIDs.

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Audit Results by Business Office Functional Process
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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion[1]	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Operating Ledger Review & Financial Reporting	√	√		Examined operating ledgers and financial reports. Reviewed the Transaction Sampling Management Report for RSM within FinancialLink.	No	Improvement Needed	For FY 2018-19, RSM had left 5,538 (87%) of 6,357 sampled transactions without review. Ledger verification is a key control. *Audit Report Observation A.*
Timekeeping, Payroll, Payroll Expense Verification / DOPE Review	√	√	√	Reviewed timekeeping and payroll processes with management. For June 2019, reconciled DOPES at the organization level, and validated all RSM non-assigned staff receiving payment.	No	Improvement Needed	Payroll expense verification is a passive process at RSM. There is no evidence that it is performed to a consistent standard, or that it is performed. Payroll expense verification is a key control. *Audit Report Observation B.*

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[1] Scale: Satisfactory - Improvement Suggested - Improvement Needed - Unsatisfactory

Rady School of Management
Audit Results by Business Office Functional Process
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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion[1]	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Business Meetings & Events	√	√	√	Reviewed 11 events totaling $58,583; evaluated support, documentation and authorization.	No	Improvement Needed	In one instance the per-person rates were not accurately calculated. Therefore, the event was authorized as regular entertainment whereas it should have been recognized as special entertainment. Another event received special entertainment approval without adequate justification in compliance with BUS-79. *Audit Report Observation C.*
Travel	√	√	√	Reviewed supporting documentation for 11 trips taken by individual travelers totaling $104,727, and for three group travel events totaling $56,536.	No	Improvement Needed	One group travel event did not include the student certificates for business travel in accordance with local guidelines. Two events were not given an accurate account code to reflect foreign travel for non-employees. *Audit Report Observation D.*

Rady School of Management
Audit Results by Business Office Functional Process
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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion[1]	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Equipment Management	√	√	√	Reviewed equipment purchases and enrollment in CAMS. Compared capitalization value to cost detail in IFIS.	No	Improvement Needed	Physical inventory was not completed per University policy. Two pieces of equipment were installed and capitalized without UCID tags. **Audit Report Observation E.**
Transaction Processing - Non-Payroll Expenditures	√	√	√	Reviewed supporting documentation for nine judgmentally selected Express Card transactions, and eight marketplace transactions.	No	Satisfactory	Express card transactions were reviewed for compliance with policy. No exceptions were noted.

Rady School of Management
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Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Invoicing / Accounts Receivable / Cash Management	√	√	√	Reviewed the invoicing process at Beyster Institute and Executive Education. Reviewed receipts for June 2019 invoices.	Yes	Satisfactory	Beyster Institute and Executive Education have different invoicing processes. Controls over invoicing, accounts receivable and cash management in these two units appeared adequate.
Contract & Grant Activity (Post Award Admin.)	√	√		Reviewed two awards totaling $ 276,530; evaluated journal vouchers, non-payroll and payroll expenses.	Yes	Satisfactory	Controls over federal contract and grant activity appear adequate. RSM has low volume of federal contract and grant activity.
Effort Reporting (ECERT)	√	√	√	Reviewed ECERT FinancialLink effort reporting queries and ECERT records.	Yes	Satisfactory	Processes to ensure timely completion of ECERTS appeared adequate.