

CAPITAL PROGRAMS  
RECHARGE PROCESS  
AUDIT REPORT #25-2102

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Background

As part of the Campus audit plan for fiscal year (FY) 2024-25, UCLA Audit & Advisory Services (A&AS) conducted an audit of the Capital Programs recharge process.

At UCLA, recharges are an internal billing system to account for when one department provides a service or good to an internal customer and charges them for it. Similarly, UCLA also uses intercampus recharges to bill other UC campuses for services provided. Recharge transactions are processed via the campus accounting system. Recharge rates are approved by UCLA Academic Planning and Budget on an annual basis.

Recharges are governed by UCLA Policy 340, Sales and Service Activities; UCLA Policy 360, Internal Control Guidelines for Campus Departments, and UCLA Financial Policy.

The Capital Programs department consists of the following two areas:

*Capital Planning and Finance* – responsible for planning, environmental assessment, project budgeting, and project financial services including contracts administration. This area is led by an Associate Vice Chancellor, who reports to the Vice Chancellor and Chief Financial Officer.

*Design and Construction* – responsible for project design, engineering, permitting and inspection services, project management, and construction management activities. This area is led by an Associate Vice Chancellor, who reports to the Vice Chancellor and Chief Financial Officer. Capital Programs recharge rates include applicable services provided to internal customers by the following:

- Project, construction and contract managers
- Architects, engineers and inspectors
- Information Technology (IT)
- Various financial and administrative analysts

Currently, Capital Programs has 62 full-time employees. Total Capital Programs recharges for FY2024 were \$8,191,130.

#### Purpose and Scope

The purpose of the audit was to evaluate the adequacy and effectiveness of select internal controls for compliance with University policies and procedures. The audit scope included the following recharge process activities:

- Budget Rates / Approval
- Transaction Processing
- Reconciliation

The audit reviewed recharge activities that occurred during the period August 1, 2024 to November 30, 2024. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, review of documents, tests, and other procedures considered necessary in achieving the objective.

#### Summary Opinion

Based on results of the work performed, Capital Programs internal controls are generally conducive to accomplishing its business objectives related to recharge processing. No significant control observations were noted. Audit results are summarized below.

## Audit Results

#	OBSERVATION and CRITERIA	RECOMMENDATION	MANAGEMENT'S RESPONSE
<b>RECHARGE RATES – BUDGET / RATE APPROVAL</b>			
<p>Audit work included the following:</p> <ul style="list-style-type: none"> <li>Discussions with management regarding the budget/rate approval process.</li> <li>Verified Capital Programs fiscal year (FY) 2024-25 budget and rate proposal was submitted to and approved by the Office of Academic Planning and Budget (APB) in accordance with UCLA Policy 340.</li> <li>Verified the FY2024-25 APB approved rates were accurately reflected within the CapSTAR application based on job title and related employee name by tracing a judgmental sample of 20 approved rates to CapSTAR.</li> </ul> <p>There were no issues identified.</p>			
<b>RECHARGE TRANSACTION PROCESSING</b>			
<p>Audit work included the following:</p> <ul style="list-style-type: none"> <li>Discussions with management regarding controls surrounding recharge transaction processing.</li> <li>Selected a judgmental sample of 20 unique recharge transaction from Capital Programs FY2024-25 active projects listing and for each sample: <ul style="list-style-type: none"> <li>Traced the selection from the appropriately approved CapSTAR weekly timesheet detail to the summary monthly recharge data in the General Ledger.</li> <li>Recalculated the recharged amount based on timesheet hours and recharge rates.</li> <li>Validated the recharge amount agreed to the approved weekly timesheets.</li> <li>Verified recharge amounts were recharged on a monthly basis.</li> </ul> </li> </ul> <p>There were no issues identified.</p>			
<b>RECHARGE RECONCILIATION</b>			
<p>Audit work included the following:</p> <ul style="list-style-type: none"> <li>Discussions with management regarding recharge reconciliation processes.</li> <li>Verified management prepared, reviewed, and approved the recharge reconciliation within 30 days for a sample of months (August, September, and November 2024) by obtaining and reviewing reconciliation documentation.</li> <li>Re-performed the recharge reconciliation to verify accuracy by agreeing to supporting documentation (e.g., general ledger data, upload summary report).</li> </ul> <p>There were no issues identified.</p>			