

July 23, 2013

INTERIM VICE CHANCELLOR REESE

Subject: Audit Report No. M13C008
 VC for Administration Transition Review

Attached is the report of the VC for Administration Transition Review Audit (No. M13C008) which was performed in conjunction with a larger transition assessment. This report relates to the VC for Administration's (VCA's) immediate office and is a high-level review of funds under the VCA's immediate control.

The management action plan and implementation date will be entered into the TeamCentral database and monitored until completion.

We appreciate the assistance provided to us by your staff during the review. If you should have any questions, please feel free to contact me.



Todd Kucker
Internal Audit Director
UC Merced Internal Audit Services

Cc: SVP Vacca
 Chancellor Leland
 Director Ireland

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

**Vice Chancellor for Administration Transition Review
Report No. M13C008**

July 23, 2013

Work Performed by:
Contract Auditor Harrigan

Work Reviewed by:
Audit Director Kucker

Purpose and Scope

Internal Audit has completed an audit of the Vice Chancellor for Administration's (VCA's) immediate office. The primary purpose of this audit was to ensure that the accounts and activities taken over by the incoming VC Administration are in order and present little future risk of controversy. A secondary purpose was to ensure that budget funds remain available to the Interim VC Administration for the operations under his purview.

Our audit scope was limited to areas that are under the VCA's immediate control. This audit included discretionary funds and other fund commitments that were outside of the annual budget process.

Fieldwork was performed in June 2013 and included the following:

- Discussions with staff from the VCA's office and other direct reports in the Administration Division;
- Tests of transactions for compliance with policy; and
- Review of prior internal audit reports and management corrective actions when the scope included the VC Administration's office or areas that reported to her.

Background

This audit was conducted in conjunction with a larger transition assessment project undertaken by UC's Office of Ethics, Compliance and Audit Services at the request of the Chancellor of the University of California, Merced (UCM).

Patrick Reed, CPA, retired University Auditor, on behalf of UC's Office of Ethics, Compliance and Audit Services, led the Transition Assessment Review. A component of the Transition Assessment is the high-level review of funds under the VCA's immediate control. The results of Mr. Reed's assessment will be provided to the Chancellor under separate cover.

Conclusion

Based on our review, no new matters were identified which would create a concern for the incoming VC Administration. Accounts reviewed had balances, or will have by fiscal year end after planned fund transfers are executed, that are appropriate for the continued support of normal operations of the VCA's Office. We did not identify any indication of misuse of funds.

As part of the related transition review, we noted three units that report to the VCA had accumulated operating deficits. We were advised by the Budget Office that it will be left to the new VCA to determine how to address these accumulated deficits for Fleet Services, Early Childhood Education Center, and Transit Operations which total \$-4,265,169.

Based on a review of prior internal audit report observations, we noted there were no past due management corrective actions. As is current practice, the Audit Director will continue to follow-up on these items (See Appendix 1 for outstanding management corrective actions).

Area for improvement:

- **Non-employee Travel** - Procedures need strengthening over travel by external job candidates.

Our audit procedures cannot be relied upon to disclose all errors, irregularities, or violations of policy, procedures, regulations, contractual agreements or laws that may have occurred. The campus is responsible for establishing and maintaining adequate internal controls and complying with all policies, procedures, regulations and contractual agreements.

Observations

1. Controls over travel by external job candidates, need improvement.

Non-employees, such as job candidates, should be advised to utilize UCM's travel agencies BCD/Balboa Travel or UC Travel Center. Both are full service agencies with dedicated agents who can handle nearly all travel needs. A document describing how to make travel arrangements for a Non UCM Employee is available on the UCM travel web site.

We noted a candidate for the AVC Facilities position who made his own travel arrangements. He flew round trip from Madison, Wisconsin to Santa Monica/LA and from there, rented a jeep to drive round trip to UC Merced. He was not familiar with UC travel policies. After the fact, the VCA approved an exception to policy for the Jeep rental as the campus did not advise the candidate to rent an economy car or to request the UC negotiated rate. In terms of the air destination, UC Policy (G-28, p.9) states:

“Transportation expenses shall be reimbursed based on the most economical mode of transportation and the most commonly traveled route consistent with the authorized purpose of the trip.”

For travel to UC Merced, the most commonly traveled route would be on a flight that terminated in Sacramento, Fresno, or the bay area: San Francisco, Oakland, or San Jose, not an airport 350 miles further away.

Management Action Plan:

The Director of Controls and Accountability will add the issue to the agenda for the next monthly Management Service Officers (MSO) meeting. Department MSOs will be reminded that they are responsible to set up travel reservations for job candidates and should be familiar with the UC Travel Policy.

The action plan is scheduled to be completed by September 30, 2013.

UC Merced
Vice Chancellor of Administration
Outstanding Management Corrective Actions as of 6/18/13

Recommendation	State	Audit Project Code	Issue	Issue Type	Finding Risk Rating	Owner	Entity
Independent group should review and approve interdepartmental charges	Pending	M13A002 - Review of Financial Procedures	Independent review of Charges (RP 1.4)	Operational	Low	Groesbeck, Kimberly	Acctg Svcs
Updating Asset listing based upon Fixed Asset Inventories	Pending	M13A002 - Review of Financial Procedures	Information on Asset Listing not updated timely (RP 2.2)	Financial	Low	Callaway, Lori	Purchasing Equip Mgt
Departmental control over theft sensitive items should be monitored	Pending	M13A002 - Review of Financial Procedures	Departmental Control over Computers (RP 2.3-1)	Operational	Medium	Callaway, Lori	Purchasing Equip Mgt
Bar code scanning system will be implemented	Pending	M12A004 - Parking Operations	Permits Not Properly Returned to Transportation & Parking Svcs	Operational	Low	Groth, Karin	Facilities Parking
Formal storeroom procedures and controls should be implemented	Pending	M13A002 - Review of Financial Procedures	Storeroom controls (RP 2.5)	Operational	Medium	Toth, Tibor	Facilities
Improve Approval Process	Pending	M13A002 - Review of Financial Procedures	Inefficient Review and Approval Processes (RP 1.3)	Operational	Low	Groesbeck, Kimberly	Acctg Svcs
Criteria for selecting project management	Pending	M13A006 - Construction 1D Funded Projects (Systemwide) and Minor Construction Projects	Management of Projects - Report #2	Operational	Low	Mitchell, Graeme	Facilities
Improve Inspection and Documentation	Pending	M13A006 - Construction 1D Funded Projects (Systemwide) and Minor Construction Projects	Inspection and Documentation - Report #2	Compliance	Medium	Mitchell, Graeme	Facilities
A Fixed Assets system should be considered	Pending	M13A002 - Review of Financial Procedures	Assets tracked on spreadsheet (RP 2.4)	Financial	Medium	Callaway, Lori	Purchasing Equip Mgt
Assets not being utilized should be identified	Pending	M13A002 - Review of Financial Procedures	Information on Asset Listing not updated timely (RP 2.2)	Financial	Low	Callaway, Lori	Purchasing Equip Mgt
Additional Staffing in Locksmith Department	Pending	M12A001 - CAT Cards (cash and access)	Monitoring of Access	Operational	Medium	Fimbrez, Frank	Facilities Locksmith