

UC MERCED AUDIT AND ADVISORY SERVICES

July 1, 2015

To: Sam Traina – Vice Chancellor for Research
Subject: Audit of Yosemite Field Station Recharges and Payments
Ref: Report No. M15A002

Internal Audit has completed an audit of Yosemite Field Station's recharges and payments. Management has put together management corrective actions for the issues identified. We will follow up to verify that management corrective actions are completed.

We appreciate the help we received from the employees involved with Yosemite Field Station during this audit.



Todd Kucker
Internal Audit Director

Attachment

cc: SVP Vacca
Chancellor Leland
Associate Chancellor Putney
Faculty Director Conklin

**UNIVERSITY OF CALIFORNIA, MERCED
AUDIT AND ADVISORY SERVICES**

**Yosemite Field Station
Report No. M15A002**

July 1, 2015

Work Performed by:
Todd Kucker, Internal Audit Director
Craig Ledebur, Internal Audit Mentee

Management Summary

Internal Audit has completed an audit of recharges and payments for the Yosemite Field Station. The purpose of the audit was to verify that amounts charged for staying at the field station are consistent with approved rates.

From our audit testing, we concluded that internal controls over recharges, payments, and reservations need improvement. Overall, we noted many difficult and time-consuming processes that could be improved. We also noted that the use of many different systems make it difficult to determine whether payments have been received for all reservations.

The following report discusses potential improvements to processes in these areas:

- Processes should be implemented to promote consistent billing
- Only approved rates should be charged
- Processes related to recharges and payments could be simplified
- Control over reservations could be improved
- Work closely with Risk Services to identify and manage risks

Purpose and Scope

Internal Audit has completed an audit of recharges and payments for the Yosemite Field Station. A financial review of recharges was part of the Fiscal Year 2014 – 2015 audit plan. The audit focused on the activities of one recharge center, Yosemite Field Station. The purpose of the audit was to verify that amounts charged for staying at the field station are consistent with approved rates. This consistency is very important as researchers are often charging the stays to federal grants. The audit objectives were:

- To verify that the use of the Yosemite Field Station is consistent with its mission of research and education; and,
- To determine whether charges and recharges for use of the Yosemite Field Station were consistent with published and approved rates.

To achieve the audit objectives, the following testing was completed:

- Reviewed a sample of fifty reservations at the station during July 1, 2013 through January 31, 2015 to determine whether amounts charged for the stays and the payments received were appropriate
- Reviewed use of the station for consistency with the mission of research and education
- Reviewed recharges and payments for consistency with published rates
- Reviewed the station's special use permit with Yosemite National Park and verified that use of the station has been consistent with the requirements.

Background

The Yosemite Field Station is located in the historic village of Wawona just inside the south entrance of Yosemite National Park. It is dedicated to facilitating synergistic links among science, art, education, and natural resource management. Offices, a lab, learning center, and workshop are in a refurbished historic house and stable built in 1934. Guest houses (refurbished old vacation homes) are available for overnight stays for up to fifty-five people.

UC Merced has established a memorandum of understanding and special use permit with the National Park Service. As part of the statement of work, the university agrees to: “Manage and maintain facilities for research and education assigned as field stations in the Parks; Host the University of California, national and international research community through the provision of research facilities and/or temporary housing in support of research and education activities.”

The memorandum of understanding and a special use permit explain the university’s management requirements related to the station. The permit explains, “Use of the assigned property is only for purposes consistent with the Research and Education partnership between UC Merced and the National Park Service... No facilities may be used for park visitor accommodations.”

Yosemite Field Station is one of two Natural Reserves managed by UC Merced’s Office of Research and Economic Development which are part of the University of California Natural Reserve System. Anyone can request a reservation to stay at the field station through the Natural Reserve System Reserve Application Management System (RAMS). The request has to explain the research or educational purpose of the proposed stay.

To help cover costs related to running the station, fees are charged for the station and for office space. Fees are charged on a per person per night basis. Periodically, the costs and proposed rates are submitted to the National Park Service for review and approval. Different daily and monthly rates have been approved for “UC/National Park Service/ US Geological Service”, “Non-UC”, and “Other” categories. The most recently approved rates covering July 1, 2013 through June 30, 2016 range from \$15 to \$40 per night while the monthly rates range from \$150 to \$600. Current rates are published on the field station’s webpage.

UC Merced employees and students staying at the station as part of UC research or educational activities can recharge the costs related to their stay. Employees from other UC campuses can utilize the intercampus recharges to pay. Costs can also be paid via check or credit card. The station does not accept cash payments.

During summers, there are programs where high school and college students spend time at the field station which enables them to learn about and experience Yosemite National Park.

Conclusion

From our audit testing, we concluded that internal controls over recharges, payments, and reservations need improvement. Overall, we noted many difficult and time-consuming processes that could be improved. The remainder of the report describes potential improvements under the following headings:

- Processes should be implemented to promote consistent billing
- Only approved rates should be charged
- Processes related to recharges and payments could be simplified
- Control over reservations could be improved
- Work closely with Risk Services to identify and manage risks

Observations and Management Corrective Actions

1. Processes should be implemented to promote consistent billing

The website for the Yosemite Field Station mentions "Rates are subject to change and at discretion of the SNRI Reservation Personnel". This statement appears inconsistent with the agreements with the National Park Service as the agreements do not state that UC Merced employees can charge other than approved prices for stays at the station. During the audit, we noted many instances where incorrect rates or a lesser number of nights during the stays were charged. The following are examples of what we noted in the sample of selected reservations.

- Invoices for stays include the arrival and departure dates. The number of nights, the number of people on the reservation, and the nightly rate are used to calculate the total charge. We noted various instances where the number of nights appear incorrect based upon the arrival and departure dates. We also noted instances where the number of people charged was different from the number in the reservation. If special circumstances resulted in fewer people or fewer nights, written explanation should be maintained as an audit trail.
- We noted various instances where it appears that people stayed slightly longer than a month. There was inconsistency regarding how these people were charged. Sometimes, they were only charged for the first month while in other instances they were charged for an extra half month or an additional month. This inconsistency puts us at risk with federal awards. We noted instances where people weren't charged for the few extra days, but when grant money was involved, the entire next month was charged.
- During the audit, the station manager explained that rates charged are based upon the rates at the time when the original reservation was made rather than when the stay occurred. As a result, there can be many different prices charged to different people staying on the same night. This further complicates the billing. We noted an instance a reservation that took place eleven months after the price increase was charged at the prior year's rate.

- Price increases were not consistently applied. For example, we noted different stays for different people which lasted May through August 2014. The monthly rates increased on July 1, 2014. Some people were charged the new higher rate of \$225 per month for the entire time while another person was charged the old rate of \$150 per month for the entire stay.
- We noted instances where people were charged lower rates than what they qualified for. For example, we noted where a non-UC employee was charged the UC rate. The person worked for the California State University system and should have been charged the Non-UC academic rate. We also noted another instance where high school students on a leadership retreat at the station were charged the UC rate rather than the higher rate which would be charged for non UC and non academic use.
- We noted instances where Natural Reserve System staff and others were not charged for their stays when they were there to work on the station. The agreements with the National Park Service do not provide the station the authority to skip charging for particular stays.
- We noted instances where set amounts were charged for special programs. For one summer program, a set fee of \$5,000 is charged for each summer. The amounts are calculated on the invoices by estimating one hundred people at \$50 per stay, but this is just set up to get to the \$5,000 fee. The approved prices make it appear that the actual number of nights and guests at the station should have been tracked and calculated and then the actual number multiplied by the approved rate rather than charging a set amount based upon an estimate.

As a result of inconsistent billing, the station has not always been in compliance with the National Park Service agreements. Also, inconsistent billing has resulted in lower revenue than should have been earned.

We recommend that approved prices be charged for all stays at the station. There should be a monthly reconciliation of all reservations with the amounts invoiced and the reconciliation should be reviewed and approved by the employee responsible for the station.

If there are special cases when Station Manager would like to offer scholarships or reduced rates for stays, then there should be a scholarship fund set up to be paid out of the station's operating funds. This way the proper amount is still charged and earned by the station.

We also recommend that the statement that "rates are subject to the discretion of employees" be removed from the station's webpage.

Management Action Plan

Yosemite Field Station will remove the statement that rates are at the discretion of employees from the webpage. A monthly reconciliation process will be established to review that all stays are charged the correct number of people, nights, and at the correct rates.

Also, a scholarship fund of the Station's operating funds will be established for those instances when the Field Station Manager needs to charge guests a reduced rate. With the scholarships, the correct rate will still be charged in these instances.

The action plan will be completed by August 31, 2015.

2. Only approved rates should be charged

During the review of reservations and payments, we noted that people were sometimes charged for half months. Daily rates and monthly rates have been approved by the National Park Service and published on the field station's webpage. There is no mention of half month rates.

The half month rate could be viewed as a discount as the rate is not consistently applied. For example, we noted where a grant was charged for three months when students stayed for two months and eight days. We noted other instances where other payees were charged for a half month when they spent twenty days into a month rather than for another entire month.

During the review of payments, we noted that there were some prices charged for services which were not approved by the National Park System and not advertised with the other prices. We noted where a \$50 per person daily rate was charged for the "Data Visualization Informatics Center and Lab". This price was not evaluated and approved.

Monitoring and review is an important part of internal control. Currently, only one employee is involved with approving reservations and invoicing. There is no review of amounts charged for particular stays.

We recommend that only approved rates be used when calculating charges. If the station would like to be able to charge a half month amount or rates for special services at the station, the rates should be proposed to the National Park Service during their periodic review and approval of rates.

We recommend that another employee periodically review reservations, amounts billed, and amounts received. This review would identify when certain rates should be proposed to the National Park Service. Unapproved rates should not be used.

Management Action Plan

Yosemite Field Station will only charge rates approved by the National Park Services. The station will seek approval from the National Park Service for services, like the Data Visualization Informatics Center and Lab, that have not yet been approved.

Prior to, or at the time of, the stays, payment information will be obtained from guests rather than following up for payment information after the stay. The number of guests, the number of nights, and the amounts to be paid will all be agreed to by the time of the stay. Amounts charged will be

compiled during the monthly reconciliation of reservations and reviewed by the Natural Reserve System Director.

The action plan will be completed by August 31, 2015.

3. Processes related to recharges and payments could be simplified

During the review of reservations and payments, we noted many difficulties in determining whether a particular reservation and stay had been paid for. Currently, there are many different systems utilized to process a payment or recharge related to a reservation. As the different systems do not utilize the same tracking number related to the reservation, it often requires time-consuming searches to trace the payment. Also, sometimes amounts are combined and fees are applied to payments which results in very different amounts being recorded in the campus financial system. As a result, there is no simple way to trace payments back to reservations. A considerable amount of employee time has to be devoted to following up on payments and recharges.

One difficulty is that none of the employees involved with approving reservations, invoicing for stays, and following up to verify that payments, recharges, and intercampus charges have easy access to all reservation and payment information. Currently, the Field Station Manager is dependent upon receiving certain payment information from other employees to verify that a stay was paid for. During the audit, we noted stays where the manager could not determine whether payment has been received.

Another difficulty relates to the system used for reservations and invoicing. The Reserve Application Management System (RAMS) is utilized by the UC Natural Reserve System to manage reservations. Most Natural Reserve locations do not have reservations where people stay overnight or for long periods of time. As a result, it appears that the system was not originally programmed to manage the volume of overnight stays.

All details related to a stay (number of guests, number of nights per guest, and the rate charged for each guest) should be set up so another employee can complete the invoicing at the time of the stay. Currently, the only employee set up to complete the invoicing is the station manager. She has many other responsibilities related to promoting the mission of the field station. As a result, there are sometimes delays in completing the invoicing.

While poor use of systems and processes add to the difficulties, the main difficulties result from not requiring payment (or at least payment information) in advance or at the time of the stay. As the station only follows up for payment after the stay, someone can stay at the station for many months while no payment is required. As a result, employees have to follow up to determine whether the person had adequate funding available after months of staying at the station. To reduce the risk of nonpayment, invoicing and requesting payment should be completed each month rather than waiting until the end of a stay of multiple months.

Overall, we noted many delays in the payment and recharge processes. We noted instances where recharges and intercampus charges were completed many months after the stays were

completed. We noted one instance where a \$10,862 recharge was completed seven months after the end of the stay. The recharge was to a federal award so the station's recharges and the spending on the grant were understated for many months.

As a result of the current difficulties, much employee time is wasted following up on payments, there are long delays in receiving payments, and the station can't easily determine whether all reservations were paid for.

We recommend that a monthly reconciliation process be established. Monthly, all reservations and room use should be reconciled with invoices and with payments. Invoices and payment requests should be provided monthly to guests for stays that last for multiple months.

For completeness, the reconciliation should work from the reservations through to the actual payments. If payment is not received for a reservation or if less is paid than should have been based upon the number of days covered by the reservation, there should be written explanation for amounts less than expected (for example, the person stayed fewer days, the person didn't show up, etc.). These explanations should be periodically reviewed and approved by the NRS Director.

During the monthly reconciliation, if lower than required rates are charged as a scholarship, a monthly transfer from the station's operating funds should be made to true up the amount revenues or recharges to the amount that would have been received if all reservations were charged at the approved rates.

With the monthly reconciliation, the month end accounts receivable balance should be calculated. An aging report for reservations not yet paid for or recharged should be established. This report should be monitored over time in order to improve collection processes and to identify amounts that need to be written off.

We also recommend that the Office of Research review the costs and benefits for getting a different system for managing reservation information, invoicing, and recording payments. There may be simple systems available for managing overnight stays and reservations.

While there are various ways to improve administrative processes and systems, the Station appears to require more administrative support to manage reservations, billing, and follow up for payments.

Management Action Plan

Yosemite Field Station will obtain payment details from guests prior to, or at the time of, the stay.

A monthly reconciliation and review process of reservations, invoices, and payments will be established. The station will review current employee access to systems and determine whether one administrative employee could more efficiently manage reservations, billing, and payments

rather than separating the responsibilities. The reconciliation and accounts receivable will be reviewed and approved by another employee.

Yosemite Field Station and the Office of Research will review the costs and benefits of implementing a separate reservation system to manage reservations and payments.

The action plan will be completed by August 31, 2015.

4. Control over reservations could be improved

During discussion with employees, we noted that only the Field Station Manager reviews and approves that stays are in line with the research and educational purposes. The manager also sets up placeholders in the reservation system in order to keep rooms from being reserved at certain times (when the station is closed, etc.).

We noted that the station manager invoiced herself for certain stays as she manages some conferences during the year. To promote proper segregation of duties another employee should periodically review reservations. More than one employee should be involved with reservations and reviewing explanations when a room is set aside and not rented out.

During our review of reservations, we noted that all attendees were usually charged the same rate as the person making the reservation. There was often insufficient information about the other people part of the reservation to determine whether they should have been charged the same rate. For example, a UC employee would be charged \$30 per night, but this doesn't necessary mean that all other guests on the reservation qualified for the same rate.

When considering the approved purpose of the stay, it sometimes seemed unusual that others were included on the reservation. For example, in one instance the purpose was to finish writing a manuscript as "being in Yosemite will provide a space away from my regular office." There were seven people on this reservation so it is difficult to justify the purpose. In order to reiterate the research and educational purpose of the station, the purpose of the other people included should be reviewed to verify that they aren't using the location for vacation purposes.

More information is needed regarding who will be staying at the station. There are various reasons why this information is needed. One reason is that non-UC employees may be charged lower prices than they should. Another reason is it appears that minors are periodically staying at the station for different retreats and overnight stays. Training for the Child Abuse and Neglect Reporting Act (CANRA) and other requirements may need to be set up.

We recommend that another employee periodically review reservations and the reasons for setting aside rooms and houses from circulation. There should be sufficient written explanation when a particular house will not be rented for a particular time period.

We recommend that information be obtained for each person staying at the field station rather than just the person making the reservation.

Management Action Plan

Yosemite Field Station will obtain information related to all guests, rather than just the guest making the reservation, to review that the purpose for their stays. The Natural Reserve System Director will periodically review reservations to verify that they appear consistent with the mission of the Field Station. A monthly reconciliation will be completed to verify that all reservations are properly charged to guests.

The action plan will be completed by August 31, 2015.

5. Work closely with Risk Services to identify and manage risks

During the review of reservations, we noted various instances where high school students (minors under 18 years old) are staying overnight at the Yosemite Field Station. There are requirements for employee training and reporting under the Child Abuse and Neglect Reporting Act (CANRA) when minors come to a location controlled by the campus. Risk Services manages these requirements at UC Merced and should have been consulted regarding these stays.

We recommend that the Field Station Manager and Natural Reserve System employees work closely with Risk Services to identify requirements and processes for complying with regulations.

Management Action Plan

Yosemite Field Station will work with UC Merced Risk Services to obtain necessary CANRA training for employees who work with minors. The action plan will be completed by July 31, 2015.