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June 18, 2024

To: Charles Hale, Dean, Division of Social Science
        Tilly Govender, Assistant Dean, Budget and Administration

Re: **Division of Social Sciences – Internal Control Review**
        Audit 08-24-0003

We have completed a limited review of internal controls in the Division of Social Sciences as part of the 2023-24 annual audit services plan. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing.* Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by the Division of Social Science and Academic Personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

cc:
        Chancellor Henry Yang
        David Marshall, Executive Vice Chancellor
        Chuck Haines, Vice Chancellor, Chief Financial Officer
        UCSB Audit Committee
        Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

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UC SANTA BARBARA
Audit & Advisory Services

Audit Report

Division of Social Sciences – Internal Control Review

June 18, 2024

Performed by:

Antonio Mañas Meléndez, Associate Audit Director
Irene Camargo, Senior Auditor

Approved by:

Ashley Andersen, Audit Director   Report No. 08-24-0003

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of this audit was to evaluate internal controls and procedures established by the Division of Social Sciences to ensure best business practices are in place to support operational effectiveness and efficiency, including compliance with University policies and regulations.

The objective of our audit was to determine whether:

- Adequate financial oversight is in place to prevent overdrafts.

- Financial reporting at the Division of Social Sciences level and the department level is periodically reviewed by the Dean's office.

- FlexCard transactions included prior business need approvals, adequate purchasing support documentation, and timely approval.

- The Dean participates in hiring new Senate Faculty and approves all final candidates.

CONCLUSION

Based on the results of the work performed within the scope of the audit, our review highlighted opportunities for improvement in the following areas:

- Improving the financial oversight to monitor accounting strings with low balances and prevent overdrafts.

- Providing periodic financial status reports at the division level to the Dean for review.

- Obtaining periodic financial status reports from all departments in the Division of Social Science for review and better management of accounting strings in consultation with chairs and management services officers (MSOs).

- Monitoring and verifying the budget to actual startup funds for Senate Faculty new hires.

- Ensuring FlexCard purchase support documentation includes adequate proof of receipt documentation.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. Financial Oversight - Overdrafts

OBSERVATION

Our work found opportunities to improve financial oversight in the Division of Social Sciences to prevent overdrafts.

We identified and quantified the accounting strings in overdraft at the end of fiscal year 2022-23 and inquired about the causes of overdrafts and plans for addressing deficits. We found that the department had approximately $2,476,000 in overdraft in 33 accounting strings[1]. See Table 1 for more details.

Table 1	Accounting Strings in Overdraft	
Accounting String	**Fund Title**	**Overdraft**
404300-07427-5	University Opportunity Fund	($22)
404300-17096-3	Pahl Initiative Social Issues	(4,081)
404300-18082-3	SA-Lottery Funds	(20,845)
404300-19900-2,3	State General Funds	(329,936)
404300-20293-2,3	Summer Session UC Students	(48,003)
404300-38969-1,6	Orfalea Global & Inter STD FFE	(36,757)
404310-17160-2,6	Jazz Coffeehouse	(459)
404310-19900-3	State General Funds	(67,433)
404310-41549-0,1,3,6	Dean Social Science Fund	(58,795)
404310-41832-5	Leonard Broom Chair Demography	(84,783)
404310-41880-2,6	McCune/Sage/Endowed Chair	(2,293)
404310-53272-3	UCSB Development	(482)
404310-89998-0,1,6	UC Path Dept Default Fund	(38,600)
404312-19900-3	State General Funds	(130,441)
404320-19900-2	State General Funds	(115,474)
404322-19900-3	State General Funds	(174,166)
404326-19900-3	State General Funds	(74,156)
404330-19900-3	State General Funds	(493,829)
404350-17165-5	C. Burdick Global Scholars Fund	(27,710)
404350-17166-2,5,6	Feminist Futures Initiative	(4,356)
449052-19900-3	State General Funds	(762,928)
Total Amount in Overdraft		**($2,475,549)**

Source: Data Warehouse June 30, 2023.

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[1] The accounting string is a combination of account number, fund source, and sub-account.

During our audit, the overdraft was reduced by $204K[2], and the Division has committed to addressing an additional amount of $327K by the end of the fiscal year. However, there will remain a balance of approximately $1.9M[3] that will need to be discussed with the Office of the Executive Vice Chancellor to formalize a plan to address the deficit in the Division.

Adequately managing accounting string balances and monitoring expenditures is imperative to limit overdrafts. Before the expense is processed, funds need to be available to cover the cost. Overdrafts should be resolved by transferring funds to cover the cost.

RECOMMENDATION

We recommend that the Office of the Dean:

- Formalize a plan in coordination with the Executive Vice Chancellor (EVC) to address the outstanding inherited debts and other funds in overdraft.

- Establish and document an adequate reporting process to periodically track account strings with low balances to help prevent overspending and avoid overdrafts as is recommended by sound business accounting practices.

MANAGEMENT RESPONSE

The Office of the Dean will:

- Formalize a plan in coordination with the Executive Vice Chancellor (EVC) to address the outstanding inherited debts and other funds in overdraft.

- Establish and document an adequate reporting process to periodically track account strings with low balances to help prevent overspending and avoid overdrafts as is recommended by sound business accounting practices.

Audit and Advisory Services will follow up on the status of these issues by October 15, 2024.

2. FINANCIAL REPORTING AND MONITORING

OBSERVATION

Division Financial Reporting

We found that there is no periodic oversight of the financial status at the division level and departments do not provide periodic financial reporting to the office of the Dean.

A comprehensive documented financial reporting process could help mitigate the risk of overspending. Generating and reviewing financial reports at the division level and department level would provide an overview of the financial status of the whole Division. This would enable the Dean's Office to evaluate and monitor the financial status of the Division which would assist in making strategic financial decisions.

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[2] One thousand.
[3] One million.

Department Financial Reporting

We performed a limited review of the balance of accounting strings operated by the departments under the Division of Social Science and found that nine of the twelve departments have at least one accounting string in overdraft. We found that there is not a periodic request and oversight of each of the department's financial status provided to the Division of Social Science. See Table 2 for the departments in overdraft.

Table 2	Departments in Overdrafts
Department	**Overdraft**
Anthropology	($1,031,531)
East Asian Language & Studies	(23,000)
Black Studies	(62,062)
Chicano Studies Institute	(1,500)
Department of Communication	(301,163)
Economics	(114,343)
Global & International Studies	(157,359)
Political Science Department	(248,752)
Social Science	(1,592,374)
Total	**($3,532,084)**

Source: Data Warehouse as of June 30, 2023.

RECOMMENDATION

We recommend that the Office of the Dean determine general practices for departmental financial reporting from the departments under the Division of Social Science to ensure the Office of the Dean is aware of the financial status of the departments. Document the process in a procedure and communicate the procedure to all departments under the Division of Social Science.

MANAGEMENT RESPONSE

The Office of the Dean will determine general practices for departmental financial reporting from the departments under the Division of Social Science to ensure the Office of the Dean is aware of the financial status of the departments. Document the process in a procedure and communicate the procedure to all departments under the Division of Social Science. The plan for the new fiscal year is to review individual departmental accounts in consultation with all Chairs and MSOs and to inform the most relevant findings to the Dean.

Audit and Advisory Services will follow up on the status of these issues by February 28, 2025.

Financial Monitoring of Senate Faculty Startups

We performed a limited verification of the tracking process of startup funds allocated for twelve Senate Faculty new hires during the fiscal year 2022-23. We found administrative errors in the spreadsheet used to track the budget and actual funding of the Senate Faculty startups in

the Division. We noted discrepancies in the amounts paid in specific commitment categories within the spreadsheet. These discrepancies included overpayments in specific commitment categories, but in any case, the overpayments did not exceed the total commitment per individual. Below we present some of the identified errors:

- In two cases, transferred funds were not reflected in the tracking spreadsheet. In both cases, the Transfer of Funds (TOF)[4] reference number was mistakenly omitted.

- In one case, startup funding of three categories was mistakenly budgeted to both the EVC and the Dean when it should be only budgeted by one of them. This created a budget allocation in the tracking spreadsheet that exceeded the Dean's commitment. Furthermore, a TOF for $1,000 was incorrectly referenced to a category with no allocated funding.

- In three cases the amounts budgeted for transfer did not agree with the actual amounts transferred. In two of the three cases, the amounts transferred exceeded the allocated amounts by $10,000 and $5,000 respectively creating a deficit within the enrichment category, but not for the total amount committed.

- In another case, a TOF reported in the tracking spreadsheet is being revised by the department and should not show as being transferred, creating an adjustment of the balance of the category.

The spreadsheet, used to track startup funds, itemizes the overall startup total allocations budgeted by categories, including a breakdown of the committed funds, and references to TOFs processed in each category for tracking purposes. The spreadsheet also captures allocations and transfers from the Division of Social Science to the department under the Division. Categories include, but are not limited to, the recruitment allowance, summer salary, removal, furniture and equipment, research, and others.

Validation of the tracking sheet would help to reduce errors during the data entry process and the processing of TOFs. This comparison should show the budgeted amounts as part of the financial startup plan and the actual operating costs. Performing a comparison of the budget to actual committed amounts will help to create accountability in tracking startup funds.

3. PROCUREMENT

OBSERVATION

Our review of FlexCard[5] transactions highlighted that separation of duties principles are followed in all cases. Pre-approvals were obtained before the cardholder completed the purchase and approval of the allocation of funds was performed on time. However, we found opportunities to ensure adequate support documentation is obtained.

We reviewed the six FlexCard transactions processed in the Division during the fiscal year 2022-23. We reviewed whether these expenses were properly approved and documented and found:

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[4] Transfer of Funds: Moving funds from one accounting string to another.
[5] Procurement credit card for low value purchases. See background for full description.

- All six purchases were preapproved by the Assistant Dean, Budget and Administration before the purchase.

- All six purchases lacked evidence of receipt such as a packing slip upon receipt or at least an email confirming the reception of the purchase[6].

- One purchase was missing an invoice for an electronic commencement invitation.

- One invoice did not include the taxes but was properly paid in the GL.

Additionally, we verified that the funding allocation of all FlexCard purchases processed during the fiscal year 2022-23 were timely approved. Furthermore, we found that FlexCard purchases were made by cardholders, and the allocation of these expenses was approved by someone other than the cardholder.

RECOMMENDATION

We recommend the Office of the Dean document a procedure defining the required support documentation for FlexCard transactions. Purchases should include appropriate invoices and support documentation of the receipt.

MANAGEMENT RESPONSE

The Office of the Dean will document a procedure defining the required support documentation for FlexCard transactions. Purchases should include appropriate invoices and support documentation of the receipt.

Audit and Advisory Services will follow up on the status of these issues by August 30, 2024.

4. HIRING PROCESS

OBSERVATION

The Dean participates in hiring new Senate Faculty and approves all final candidates.

We selected the twelve Senate Faculty members hired during the fiscal year 2022-23. We verified that in all cases the Dean participated in the selection process and approved the final candidate in the UC Recruit[7] system.

Faculty new hires are processed through a systemwide web-based recruitment system for academic positions for the University of California (UC) campuses. There are five stages of the recruitment process. The Dean is responsible for approving the interview of potential candidates, short-list on-campus interviews, and the selected candidate[8].

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[6] In cases that a packing slip is not available or confirmation of subscription renewals are not sent by the merchant, Business and Financial Services recommends using an email confirmation of receipt from someone other than the cardholder to provide adequate proof of receipt.

[8] See background for more information.

Table 3 shows the workflow of the hiring management process.

Table 3	UC Recruit Management System
Stages	**Description**
Stage 1	Search plan and advertising for the Senate Faculty position
Stage 2	*Initial applicant review
Stage 3	Long-short list interviews (remote)
State 4	*Shortlist interviews (on campus)
Stage 5	*Approval of selected candidate

Source: Auditor Analysis.
*Dean approval.

GENERAL INFORMATION

BACKGROUND

Division of Social Science[9]

The Division of Social Sciences at the University of California Santa Barbara (UCSB) consists of twelve departments, and numerous thematic clusters, programs, and centers, with a mandate for research from a wide range of disciplinary and interdisciplinary perspectives.

The Division's mission has four guiding principles: 1) to generate new knowledge about society, both locally and globally, with an emphasis on issues of pressing contemporary importance; 2) to make this knowledge accessible to diverse publics, with practical contributions to social justice and the common good; 3) to provide undergraduates with first-rate Social Science education, which consolidates their critical analytical skills, provides experience-based learning opportunities, and leaves them well-prepared for the job market; and 4) to train the next generation of Social Science scholars, to serve as researchers, professors, and purveyors of specialized knowledge in diverse settings.

The Division of Social Sciences in the College of Letters and Science at UCSB promotes social science research and a teaching and research environment in which students can develop an understanding of the social dynamics of today's changing world. Through the 12 departments and programs, the Division offers more than 6,500 undergraduate and 400 graduate students the opportunity to study and learn from nationally and internationally recognized faculty. The twelve departments include Anthropology, Asian American Studies, Black Studies, Chicana & Chicano Studies, Communication, Economics, Exercise & Sport Studies, Feminist Studies, Global Studies, Military Science, Political Science, and Sociology.

UC Recruit for Academic Job Openings[10]

UC Recruit is an academic personnel recruitment system used by all 10 campuses, UC's Agriculture and Natural Resources (ANR) division, and the UC Office of the President.

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[9] Division of Social Science website.
[10] UCOP academic and recruiting web-based tool.

Designed as a web-based, academic recruitment and application management tool, UC Recruit streamlines the academic hiring process and provides secure online academic employment recruitment management that supports faculty and applicants throughout the entire recruitment process. Such collaboration makes it possible to recognize and utilize best recruitment practices across the UC system to bring world-class academic appointees to UC and to further UC's goal of diversifying its faculty.

The UC Recruit Governance Board is the governing body for this systemwide collaboration, and the Board's membership is comprised of one representative for each UC location using the UC Recruit system. Academic job openings are managed at the campus level.

The Recruit system provides a standard paperless process for all academic appointee searches. Some of the major features include:

- Department staff can easily set up and post new recruitments with full job descriptions.
- Applicants can view job postings, submit their application documents, and track the status of their requested letters of reference.
- References can upload their letters of reference.
- Faculty search committees can review applicants any time, from anywhere, and share notes with fellow committee members.
- Faculty and administrators who review aggregate applicant pool diversity information can access that data more conveniently and in a consistent form.

UC Procurement Card Program (FlexCard)[11]

A procurement card is a credit card authorized by the University of California to designated employees to enable the timely purchase of low-value goods or services. The card is routinely accepted by merchants who accept VISA or MasterCard for payment. The card is a corporate liability card, issued to an employee only for university purposes. Its use is subject to strict cardholder purchasing controls which cannot be exceeded without authorization. A settlement is executed electronically on the settlement date providing the opportunity for the University to eliminate costs for processing purchase orders, supplier invoices, and issuing checks, for each supplier.

There is only one type of procurement card at UCSB, which is referred to as a FlexCard. The FlexCard is issued to an individual, not to a department, and the card and account number cannot be used by anyone other than the cardholder. Separation of duties is critical in order to reduce the risk of errors, intentional or unintentional, that cannot be made by separating functional responsibilities. Payment liability rests with the University, not the cardholder.

FlexCard allocators are responsible for ensuring that FlexCard transactions are charged to the appropriate account fund within a 14-day posting period and usage tax is omitted for specific purchases that do not incur taxes. Adequately monitoring and verifying expenses ensure that financial transactions are complete and accurate.

SCOPE

The scope of our review was focused on the Division of Social Science business processes

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[11] BFS BUS-43: Purchases of Goods and Services.

and internal controls during the fiscal year 2022-23. To accomplish our objectives, our work included interviews, observations, review of support documentation, and other steps. Specifically, we:

- Researched UC and UCSB policies, best practices, and other guidance relevant to the Division of Social Science.

- Conducted interviews with the Division of Social Science and Academic Personnel to obtain an understanding of core business processes, financial oversight and reporting, and the Senate Faculty hiring approval process.

- Performed a risk analysis that considered business-related policy and procedures, financial reporting at the division and the department level, startup funds, hiring processes, and procurement.

- Evaluated the Division of Social Science business practices and procedures to determine whether they incorporated adequate internal controls and reviewed opportunities to enhance and improve operational efficiency.

- Reviewed and analyzed financial administration of overdrafts at the division and plans to reduce deficits in the fiscal year 2022-23.

- Evaluated the financial status overview at the division level and departments under the Division of Social Science.

- Assessed if there is adequate monitoring of the start-up funds that accurately report the budget to actual tracking of Senate Faculty new hire allocations, transfer of funds, and balances.

- Tested FlexCard procurement transactions to determine if purchases were approved by someone other than the cardholder, support documentation was maintained, and approvals were timely reviewed.

- Tested that the Dean approved new hire Senate Faculty in the fiscal year 2022-23 and support documentation is maintained.

CRITERIA

Our audit was based upon standards as set forth in UC and UCSB policies, best practices, and other guidance relevant to the scope of the audit. This audit was conducted in conformance with the International Standards for the Professional Practice of Internal Auditing. This review emphasized, but was not limited to, compliance with:

- UCSB Accountability and Internal Control, Policy 5101
- UC Business and Financial Bulletin BUS-10, *Principles of Accountability with Respect to Financial Transactions* (UC Bus-10)
- UC Business and Finance Bulletin BUS-43, *Purchase of Goods and Services* (UC Policy BUS-43)
- UCSB FlexCard Management Procedures

AUDIT TEAM

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