

April 16, 2015

DR. CHARLES W. NAGER
Chair, Department of Reproductive Medicine
8433

Subject: *Department of Reproductive Medicine
Project 2015-25*

The final audit report for Department of Reproductive Medicine, Audit Report 2015-25, is attached. We would like to thank all members of the department for their cooperation and assistance during the audit.

Because we were able to reach agreement regarding corrective actions to be taken 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. While management corrective actions have been included in the audit report, we may determine that additional audit procedures to validate the actions agreed to or implemented are warranted. We will contact you to schedule a review of the corrective actions, and will advise you when the findings are closed.

UC wide policy requires that all draft audit reports, both printed and electronic, be destroyed after the final report is issued. Because draft reports can contain sensitive information, please either return these documents to AMAS personnel or destroy them at the conclusion of the audit. We also request that draft reports not be photocopied or otherwise redistributed.

David Meier
Director
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Attachment

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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Department of Reproductive Medicine
April 2015

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Project Number: 2015-25

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ATTACHMENT A – Audit Results by Business Office Functional Process

*Department of Reproductive Medicine
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I. Background

Audit & Management Advisory Services (AMAS) has completed a review of the Department of Reproductive Medicine (Department) as part of the approved audit plan for Fiscal Year 2014-15. This report summarizes the results of our review.

The Department resides within the University of California San Diego (UC San Diego) School of Medicine (SOM). The primary missions of the Department are to:

- Deliver comprehensive, quality patient care that is responsive to the needs of the San Diego region as a whole and of the local community.
- Provide training and education to physicians and allied health professionals.
- Expand medical knowledge through clinical and basic science research.
- Provide the highest quality teaching programs for medical students, residents and fellows.

The Department consists of six divisions: Urogynecologic Reconstructive Surgery, Reproductive Endocrinology and Infertility, Obstetrics and Gynecology, Gynecologic Oncology, Hospitalists, and Maternal-Fetal (Perinatal) Medicine. The Department currently has 47 faculty who educate students and provide patient care in many specialty areas such as high risk pregnancy management, fetal diagnosis and therapy, gynecologic oncology, urogynecology, infertility, as well as general gynecologic and obstetrical women's health care. They provide comprehensive women's health care at multiple locations throughout San Diego. In addition, their obstetrical service provides the only in-hospital birthing center on the West Coast, managed by experienced clinical nurse midwives.

Research is conducted in a wide variety of areas which explore reproductive health. Total contract and grant activity for the Fiscal Year 2013-14 was \$4.4 million in revenue and \$6.3 million in expenses. The Department's teaching programs include medical students, residents, fellows and practitioners. A new Department Chair was appointed effective August 2014.

The Department Business Office (Business Office) staff support critical department business processes including contract and grant administration, financial analysis and reporting. The SOM Service Core-Academic Affairs provides administrative support to the Business Office for faculty and non-faculty performance management, as well as timekeeping, hiring, and budgeting of faculty salaries. Health Sciences Human Resources (HSHR) provides administrative support for staff and student employee timekeeping and human resource needs, and Information Systems (IS) are managed by the SOM IS Support Services.

The SOM Corporate Statement of Revenues and Expenses for Fiscal Year 2013-14 reported total Department revenue of \$18 million, total Department expenses of \$27 million, for a net loss of (\$9) million. Transfers and beginning Fund Balance offset this

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loss by \$1 million, resulting in a final Fund Balance of (\$8) million at the end of Fiscal Year 2013-14.

II. Audit Objective, Scope, and Procedures

The objective of our review was to determine whether Department business process controls provided reasonable assurance that financial results were accurately reported, operations were effectively managed, and activities complied with relevant policies, procedures and regulations. The project scope included a review of current business practices and the analysis of selected business transactions completed in Fiscal Year 2013-14 and during the period of July 1 through December 31, 2014.

In order to achieve our objectives we completed the following:

- Reviewed and evaluated the Department business documentation and information including the Department website, the organizational chart and academic and financial information;
- Reviewed selected applicable federal requirements and University policies and procedures including, but not limited to;
 - Office of Management and Budget (OMB) Circular A-21;
 - Academic Personnel Manual (APM), Section 025: Conflict of Commitment and Outside Activities of Faculty Members; and 670 Health Sciences Compensation Plan, University of California¹;
 - UC Business and Finance Bulletin BUS 49 (BUS 49): Policy for Handling Cash and Cash Equivalents Reviewed;
 - UC Business and Finance Bulletin BUS 79: Expenditures for Entertainment, Business Meetings and Other Occasions;
 - UC Business and Finance Bulletin G-28: Policy and Regulations Governing Travel;
 - IA 101: Internal Control Standards: Department Payrolls;
 - UC Personnel Policies for Staff Members (UCPPSM), UCSD Implementing Procedures (HR-S-1), 23/Performance Management;
 - SAS 112/115-The Auditing Standards Board statement on Auditing Standards (SAS) No. 115, Communicating Internal Control Related Matters Identified in an Audit.
- Conducted interviews with Department management including the Department Business Officer (DBO), the Assistant DBO, the Financial Manager, the Department Security Administrator (DSA) and other key staff members;
- Reviewed internal control questionnaires and separation of duties matrices with Department management;

¹ The University established APM 671: Conflict of Commitment and Outside Activities of Health Sciences Compensation Plan Participants, as of July 1, 2014. UC San Diego will implement this policy no later than July 1, 2015. Until then, faculty remain subject to APM 025 and the current APM 670.

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- Consulted with UC San Diego Travel, Disbursements, Recharge Committee, Equipment Management and Interim Controller;
- Reviewed Department approval hierarchies for electronic transaction processing within the Integrated Financial Information System (IFIS) and employee reporting relationships;
- Verified the financial status of Department funds for the Fiscal Year ended June 30, 2014 and for the period July 1, 2014 through December 31, 2014;
- Analyzed Department deficit balances;
- Reviewed clinical service agreements billing and reconciliation process, and selected three agreements for focused review; and
- Analyzed procedures and performed limited transaction sampling in the select areas to verify that internal controls were adequate and functioning in compliance with University policy.

III. Conclusion

We concluded that Department internal controls were generally adequate and provided reasonable assurance that financial results were accurately reported, operations were effectively managed, and activities complied with relevant policies, procedures and regulations. The Department has a seasoned DBO, a newly assigned Assistant DBO, and a Department Chair that contribute to a strong leadership team. However, the Department is experiencing staffing issues that need to be resolved to ensure that the appropriate internal controls are consistently performed, and financial reports are accurately, timely, and useful to management.

A summary of results by business office functional area is provided as *Attachment A*. Specific management actions planned or in process for those areas that were rated “Satisfactory” or “Improvement Suggested” are noted in *Attachment A*. Those areas which were rated “Improvement Needed” are described in the remainder of this report.

IV. Observations and Management Corrective Actions

A. Financial Management and Oversight

We noted areas in which the Department has not shown effective financial management and oversight. Areas of concern included overdraft monitoring, clinical service agreement oversight and transaction sampling.

Overdraft Monitoring – Overdraft monitoring and resolution were not performed in strict conformance with campus policy. The campus Overdraft Policy requires that departments monitor financial balances and initiate corrective action in a timely manner to eliminate overdrafts for expenditures exceeding the related allocation/budget. The policy assigns responsibility for financial management to the department administrators. This responsibility should include periodic monitoring and resolution of overdraft balances. The policy also requires that

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deficit balances exceeding \$10,000 or greater than 60 days in duration be documented in writing, and be approved by the cognizant Vice Chancellor.

The Department did not have an overdraft monitoring process in place, and the Financial Manager did not regularly review Department account balances to identify funds in overdraft.

We evaluated the Overdraft Summary Report for December 31, 2014 and identified the following Department funds or programs with deficit balances that were in overdraft longer than 60 days and more than (\$10,000). The following table provides a summary of the aged deficit balances in various fund ranges that need to be resolved.

Fund Ranges	Overdraft Balances 12 months or less	Overdraft Balances 13 to 24 months	Overdraft Balances 25 to 36 months	Overdraft Balances over 36 months	Total \$	Total %
Educational Fund 05397A	\$0	\$0	(\$201,967)	\$0	(\$201,967)	.9%
Opportunity Fund 07427A	\$0	\$0	(\$80,713)	\$0	(\$80,713)	.4%
State Agency Fund 18972A & 18969A	(\$434,878)	(\$34,912)	\$0	\$0	(\$469,790)	2.1%
Federal Contracts 33717A & 16059A	(\$46,298)	\$0	\$0	(\$31,270)	(\$77,568)	.3%
Clinical Funds (60100A-69750A)	(\$2,176,783)	(\$8,484,692)	(\$1,410,605)	(\$9,659,500)	(\$21,731,580)	96.1%
STIP Fund 69991A	\$0	\$0	\$0	(\$45,779)	(\$45,779)	.2%
AAOGF/Pregnancy F FLW-8565BA	(\$13,762)	\$0	\$0	\$0	(\$13,762)	.1%
TOTAL \$	(\$2,671,721)	(\$8,519,604)	(\$1,693,285)	(\$9,736,549)	(\$22,621,159)	100%
TOTAL %	12%	38%	7%	43%		100%

The majority of funds in deficit (96%) were in the Clinical Fund group. Clinical funds are unrestricted and represent the revenue or loss from patient care activities. We were advised that a large portion of this deficit was attributable to the nurse midwife program, in which costs have been disproportionately attributed to the Department. Health System leadership has agreed to help fund this deficit and move program expenses to the Health System going forward. In addition, the salary from the Revenue Manager has been borne by the Department for years in order to retain this resource, and the Department has recently negotiated to move this salary to the Dean's Office for at least the next two years.

Ongoing unresolved financial deficits could result in delays in final expense reporting for federal awards, and could jeopardize future federal research funding. Unresolved deficit spending may also be interpreted as poor stewardship for public funds.

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The campus has developed an electronic overdraft balance reporting system to help administrators meet their financial monitoring and reporting capabilities for various levels of accounting and organizational hierarchies. Although the use of this system is discretionary, it is an effective management tool for monitoring overdrafts. Planned routine overdraft monitoring will also assist management with resolving deficits timely, and minimizing negative STIP² that will be charged to accounts with a deficit balance.

Management Corrective Actions:

1. Department management has developed an overall deficit reduction plan that was presented to Health System senior leadership in December 2014. This plan will expect each division to be fiscally neutral and be held accountable for all activities in their division. Deficits related to all funds with the exception of Clinical Income funds are in the process of being resolved by the Department. Pending transfers should resolve these deficits in the coming months.
2. The Department management will:
 - a) Process transfers needed for deficits in funds that can be resolved now.
 - b) Work with Health System leadership to transfer deficits to be assumed by the Health System.
 - c) Implement a periodic fund balance monitoring process using the electronic overdraft balance reporting system, and hold Department personnel accountable for follow-up resolution of overdrafts.

Clinical Service Agreement Oversight – The billing and reconciliation process for service agreements was not timely or effective to recoup University costs for providing services to external parties.

A Service Agreement is a written legal agreement between the University and an external entity containing terms and conditions under which goods and/or services are provided by the University. Departments are responsible for knowing the contract terms and implementing business processes and strong internal controls to ensure that invoices are sent and payments are received in accordance with contract terms.

The Department currently has eight clinical service agreements. As of August 1, 2014 all of these agreements were behind in payment collection, as invoices were not consistently mailed out and payments were not tracked and monitored per contract terms. At Fiscal Year end June 30, 2014, there was over \$1M deficit due

² The University invests available cash in short-term securities called the Short Term Investment Pool (STIP). “Negative” STIP is charged to accounts with a deficit balance.

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to uncollected service agreement payments. Focused effort by the DBO has reduced the balance to \$95k as of December 2014, all applicable to one particular service agreement. The service agreement process is the responsibility of Department management with the Finance Manager being responsible for the day to day operations and reporting to the DBO and other Department management.

Poor controls over the service agreement reconciliation process could result in lost income to the University, and could impact relationships with outside entities.

Management Corrective Actions:

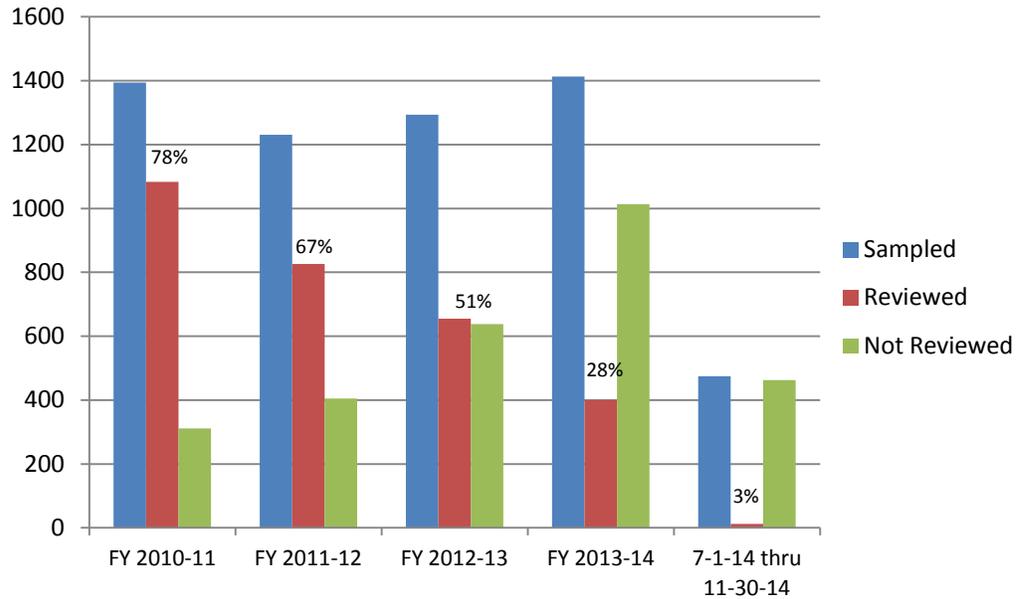
1. Department management has implemented a tracking system for all clinical service agreements to include payment reconciliation and status notes.
2. The service agreement in deficit has been terminated and the Department is negotiating a payment plan for past due amounts owed to UC San Diego.
3. The Department management will:
 - a) Ensure that Department personnel involved in the service agreement process clearly understand the service agreements contract terms, in particular with respect to invoicing and collections.
 - b) Implement a monthly monitoring report to make sure contract terms are being met and invoicing and collections are timely.

Transaction Sampling – Transactions selected by the campus Transaction Sampling system were not reviewed and reconciled on a timely basis.

The campus Transaction Sampling process selects a sample of department financial transactions to be evaluated during the ledger reconciliation and account validation process. After the review is completed, any transaction processing errors are identified by error type and corrected.

Approximately 108 Department transactions are selected by the system monthly. Our review of the Transaction Sampling Management reports, ran on January 8, 2015 for the last four and a half years indicated that review of sampled transactions has consistently declined over the last four years, as depicted in the graph below.

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Management advised that through Fiscal Year 2013-14 all contract and grant expenditures have been reviewed, however Departmental funds were not being reviewed and verified consistently. They further advised that with a transition in management and an empty position for Fund Manager they have limited staff resources and had not had time to complete the most recent transaction sampling.

Evaluation of the transactions selected for review provides reasonable assurance that errors are timely identified and corrected. If transactions are not timely reviewed there could be increased risk of non-compliance with federal cost accounting standards.

Management Corrective Actions:

Department management has hired a temporary staff member to complete transaction sampling for prior months by June 30, 2015. Management will implement a process to ensure that all sampled transactions are reviewed and checked off for verification documentation in a timely manner. Sampling Management reports will be reviewed and monitored to assure this is being done.

B. Internal Control Certification

We noted the Department did not document verification of key internal control activities or monthly review of Distribution of Payroll Expense (DOPE) reports.

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Control Tracker: Documentation of Key Controls – The Department did not document verification of all key internal control activities.

Statement of Auditing Standards No. 112 (SAS 112), "Communicating Internal Control Related Matters Identified in an Audit," is an accounting standard that establishes guidelines for classifying reportable internal control issues. SAS No. 115 supersedes SAS No.112 of the same title. University policy and prescribed guidelines from SAS 112/115 require departments to provide documented evidence that internal control activities are being performed on a regular basis as prescribed by SAS 112.

Per University policy on BLINK, all units must document their performance and certification of key control activities on a regular basis through the Control Tracker Module, which was released to the campus July 2014.

As outlined in the policy, required key controls that a department must perform and certify include:

- Fiscal Operations Review
- Ledger Transaction Verification
- Overdraft Funds Review
- Effort Reporting
- Reconciliation of Permanent Staffing List
- Payroll Expense Verification
- Petty Cash and Change Fund
- Credit Card Activity
- Physical Inventory
- Individual Security Access

Key controls verification should occur on a regular and periodic basis to demonstrate that the controls are working properly. The Control Tracker has guidelines establishing the frequency of certifications (monthly, quarterly and annually).

Department personnel were not aware of the campus policy implementing SAS 112/115 and documentation of key controls and, therefore, this requirement was not being met.

Management Corrective Action:

Department management will implement a process for review, documentation and monitoring of key internal control activities via Control Tracker.

Distribution of Payroll Expense (DOPE) Review – The Department did not document the monthly review of DOPE reports.

UC Business and Financial Bulletin IA-101 requires that a staff member be assigned the task of reconciling payroll expenditures and must document that the

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monthly review has been performed by signing and dating the DOPE report or a reconciliation log (or similar record) maintained for this purpose. We noted the Department did not document this review in accordance with policy.

Inconsistent practices for documenting key internal controls increases the likelihood that errors or irregularities could go undetected.

Management Corrective Action:

Department management will implement a process to ensure that DOPE reports are reviewed and documented by the reviewer on a monthly basis.

C. Travel and Entertainment Approval Hierarchies

Expense approval hierarchies allowed the approval of transactions by subordinate employees.

University policy provides that payments for expenses should be reviewed and approved by an individual who does not report directly or indirectly to the person incurring (claiming) the expenditure, (see, for example, UC Policies BFB-G-28, BFB-BUS-43, BFB-BUS-79 and AM-D224-17).

We reviewed department expense approval hierarchies to determine whether approval hierarchies had been assigned in accordance with University policy. Approvals were also reviewed as part of detailed testing of selected expenditures. The following observations were made based on our review:

- One of the Chair's travel expenses was approved by a subordinate staff member who indirectly reports to the traveler.
- One entertainment event where the DBO was the host/meeting coordinator was approved by the Financial Manager who directly reports to the DBO.
- Expense hierarchies for the new Assistant DBO were not updated to ensure that the Financial Manager who is subordinate to him does not approve his expenditures.

Management Corrective Actions:

The DSA has updated the approval hierarchy templates to ensure that financial transactions will be reviewed and approved by someone not reporting directly or indirectly to the individual who incurred the expenditure. Specifically, the DBO's expense activity will be approved by the Department Chair, and the Assistant DBO's expenses will be approved by the DBO. The Department's Chair's travel and entertainment expenses will be approved by the Dean's Office.

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D. Express Card Controls

Business Office staff shared an Express Card. In addition a conference registration expense was inappropriately charged on an faculty member's Express Card.

The Department Express Cardholder Administrator has a card in his name which was shared by the Business Office. The Express Card management instructions on BLINK specifically state that Express Card holders are responsible for their cards and are not allowed to lend or share their Express Card. Failure to follow these guidelines may put the cardholder at risk of incurring unallowable expenses.

In addition, a judgmental sample of ten Express Card transactions were selected for review to determine whether expenses were adequately supported by purchase and receipt documents and to verify that expenses were valid University expenses. One of these transactions had a charge for conference registration. Conference registration is specifically restricted by the University Policy for Express Card purchases as posted on BLINK unless there will be no other travel expenditures associated with this expense or the attendee is a non-UCSD employee. These exceptions did not apply.

It is the Express Cardholders responsibility to abide by Express Card usage guidelines. It is also the Express Card Administrators role to review the expenditures to make sure they are compliant with the University policy. Without appropriate and authorized use and review the University may incur unallowable or fraudulent expenses.

Management Corrective Actions:

1. The Department Express Card Administrator will discontinue any sharing immediately, and assess whether additional business office staff should be provided with an Express Card.
2. Management will ensure appropriate approval of Express Card purchases and administration.
3. Management will remind the faculty member of restricted purchases, and ensure that going forward restricted charges are not incurred.

E. Departmental Cash Handling Procedures

Cash handling procedures for checks received did not comply with University policy (BUS-49).

Policy provides that receipts received by departments through the mail shall be documented, and any checks shall be endorsed with a "U.C. Regents" stamp immediately upon receipt. In addition, policy requires the deposit of funds to a

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Main Cashiering station at least weekly or whenever collections exceed \$500. Cash receipts held more than one day are required to be stored as followed: Up to \$1,000 in a locking receptacle; From \$1,001 to \$2,500 in a safe; and From \$2,501 to \$25,000 in a steel door safe, with a door thickness of not less than one inch and wall thickness of not less than ½ inch. While the Department does not receive a high volume of checks, payment for expert witness fees and donations are occasionally received.

During our review we noted that some personnel were endorsing checks immediately and keeping checks in a locked drawer until deposit was made, but this practice was not consistent with all Business Office. In some cases, personnel did not endorse checks immediately upon receipt, deposit checks timely, or store checks in a secure receptacle as required by policy.

Non-compliance with policy may result in inaccurate cash processing, untimely reporting, and may put the University assets and employee security at risk.

Management Corrective Actions:

Department management has ensured cash handling procedures are improved and in compliance with University policy. Management will make sure all staff responsible for receiving and processing cash have an endorsement stamp and are instructed to endorse checks immediately upon receipt and ensure they are secured and deposited in accordance with policy.

F. Unallowable Grant Expenditures

Paper supplies were inappropriately charged to a federal grant.

Office of Management and Budget (OMB) Circular A-21 establishes the principles for determining costs applicable to grants, contracts and other agreements with educational institutions. OMB A-21 requires costs charged to the award be allocable, reasonable, consistent and allowable. The Circular indicates that office supplies, postage, and local telephone charges that are not identified with one specific project should normally be supported through facilities and administrative (overhead) cost recovery.

We judgmentally selected a sample of two awards and reviewed operating expense reports for Fiscal Year 2013-14 through October 31, 2014 to determine whether expenses appeared reasonable and allocable. We identified an instance where a paper office supply expense was inappropriately charged to the federal fund. We found several corrected instances of the same type of expense charged to this fund that were previously reviewed and transferred by the fund manager.

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The Business Office actively monitored for unallowable grant expenditures, but they were delayed on their reconciliation and had not identified this charge yet.

Management Corrective Actions:

Department management has transferred the expenses to a discretionary fund source and will educate the PI and his staff regarding restrictions on office supplies for their grant. In addition, the Department will continue to monitor and review all expenditures in a timely manner.

G. Outside Professional Activity Reporting

Department faculty members were not in strict compliance with the annual conflict of commitment reporting requirement (APM 025/670).

Policy requires that faculty prepare an annual report to the Department Chair that summarizes any outside professional services from which the participant retained income.

There were 47 faculty members appointed in the Department as of January 13, 2015. For Fiscal Year 2013/14 reports were due by November 1, 2014 and seven forms (15%) were not submitted. For Fiscal Year 2012/13 reports were due by November 1, 2013 and nine forms (19%) were not submitted as of January 2015. Forms submitted were complete and appropriately reviewed by management in compliance with University policy.

Receipt and review of the annual outside Professional Activity Reports can alert Department management to situations that may require additional monitoring or education to ensure compliance with University policy, and appropriate campus oversight for potential conflicts.

Management Corrective Action:

Department management will continue efforts to obtain timely compliance for the receipt of the Conflict of Commitment reporting forms by elevating late statement individuals to the Dean's Office for discussion or requiring that the form be brought to the annual salary negotiation meeting.

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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	√	√	√	Discussed equipment acquisition and disposal processes with the custodian and campus asset manager. Verified five selected purchases.	Yes	Satisfactory	An equipment inventory was completed in the Department in August 2013 and campus wide in March 2014. No findings were noted.
Recharge Activity	√	√	√	Discussed recharge procedures with the DBO, Fund Manager and Finance Manager.	Yes	Satisfactory	Recharge activity was documented and journals were sent to recharge users monthly. The Department had limited recharge activity
Information Systems Environment		√		Discussed the control questionnaire with the Department Security Administrator.	Yes	Satisfactory	The Department relies on the SOM Information Technology (IT) to provide security for most electronic information resources. The DSA fields IT questions and works closely with SOM IT.
Effort Reporting	√	√	√	Reviewed ECert reports and quarterly certification summaries for Fiscal Year 2013-14.	Yes	Satisfactory	Effort report certification compliance was satisfactory. No findings noted.
Transaction Processing – Non-Payroll Expenditures	√	√	√	Analyzed 10 judgmentally selected transactions for reasonableness, and traced them to supporting documentation.	Yes	Satisfactory	Separation of duties appeared adequate. Non-payroll expenditures appeared reasonable and supported by documentation.

¹ Audit conclusions used in this report included the following four levels from highest to lowest; Satisfactory, Satisfactory/Improvement Suggested, Satisfactory/Improvement Needed and Improvement Needed.

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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)			
Payroll Expenditure Transfers (PETs)	√	√	√	Discussed the non-payroll transfer process with DBO and Fund Manager.	Yes	Satisfactory	Controls over payroll expense transfers appeared satisfactory. The Department had minimal payroll expense transfers for Fiscal Year 2013-14.
Non-Payroll Expenditure Transfers	√	√	√	Discussed the non-payroll transfer process with DBO and Fund Manager. Evaluated five non-payroll transfers in the operating ledgers and reviewed the business justifications.	Yes	Satisfactory	Controls over non-payroll expense transfers appeared satisfactory.
Performance Reviews	√	√	√	Discussed performance review process with DBO and Assistant DBO. Selected four employees to determine if performance evaluations had been completed and filed timely.	Yes	Satisfactory	One of four (25%) of the employees randomly selected for review did not have current performance evaluations completed and on file.
Operating Ledger Review & Financial Reporting	√	√	√	Examined selected operating ledgers and financial reports, and reviewed overdraft balances as of June 30, 2014.	No	Improvement Needed	Deficit balances were not appropriately monitored in the past. An overall deficit plan has been developed and approved by the Dean's Office. Individual deficit plans need to be established, as well as a monthly monitoring process. <i>Audit Report Finding A</i>

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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)			
Service Agreements	√	√	√	Reviewed the service agreement process and reconciliation. Judgmentally selected three agreements to review in detail.	Yes Controls have recently been established.	Satisfactory / Improvement Needed	A plan has been established to monitor service agreement reconciliation on a monthly basis with management involvement. The \$1.2 million deficit has been reduced to \$95k in the last six months. Audit Report Finding A
Non Payroll Expense Transactions / Transaction Sampling	√	√	√	Analyzed Transaction Sampling reports for FY 11 through FY 14 and the period 7/1/14 through 11/30/14.	No	Improvement Needed	Transaction Sampling reviews were not performed timely or completely. Audit Report Finding A
Internal Control Certification SAS 112/115	√	√	√	The Department is not documenting verification of all key internal control activities.	No	Improvement Needed	Department Business Office was not aware of the requirements of SAS 112/115 or Control Tracker. Documentation of performance and certification of key control activities was not performed. Audit Report Finding B
Timekeeping and Payroll	√	√	√	Reviewed internal controls and DOPE reports.	Yes	Satisfactory/ Improvement Needed	Department HR functions reside with the Health Sciences HR Shared Services and the Academic Affairs Service Core. DOPE report reviews were being performed monthly but were not signed and dated by the person performing the review as specified in IA 101: <i>Internal Control Standards: Department Payrolls</i> . Audit Report Finding B

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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)			
Entertainment	√	√	√	Analyzed eight judgmentally selected transactions for reasonableness, and traced them to supporting documentation.	Yes	Satisfactory / Improvement Needed	Entertainment approvals and processing controls were effective with one exception. The approval hierarchy for the DBO was not set up appropriately therefore a meeting hosted by the DBO was approved by a staff member who reports directly to the DBO. <i>Audit Report Finding C</i>
Travel	√	√	√	Analyzed 10 judgmentally selected transactions for reasonableness, and traced them to supporting documentation.	Yes	Satisfactory/ Improvement Needed	We noted one travel event for the Chair was approved by an individual that reported to him due to an inadequate travel expense approval hierarchy. <i>Audit Report Finding C</i>
Express Cards	√	√	√	Analyzed 10 judgmentally selected transactions for reasonableness, traced to supporting documentation.	No	Improvement Needed	One card was shared in the Business Office. In addition, one of the 10 transactions reviewed was an unallowable Express Card expense for registration. The Express Card user was not aware of the policy at the time. <i>Audit Report Finding D</i>
Cash Handling		√	√	Discuss cash handling procedures with department personnel.	Yes	Satisfactory/ Improvement Needed	Cash handling processes did not comply with certain sections of BUS-49. <i>Audit Report Finding E</i>
Contract & Grant Activity	√	√		Reviewed two awards and associated policies, operating ledger detail for	Yes	Satisfactory/ Improvement Needed	Financial activity was routinely monitored for compliance with relevant agency requirements.

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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)			
(Post Award Admin.)				supply charges; evaluated selected journal vouchers, non payroll and payroll expenses and DOPEs. Met with Management and Fund Manager.			Monthly communication and reports are provided to faculty. However, due to staffing concerns some reconciliations were delayed. We noted one unallowable expense. <i>Audit Report Finding F</i>
Academic Personnel Manual (APM) 025 Compliance		√	√	Reviewed Outside Professional Activity Reporting Process and forms collected by Department for FY 2012-13 and FY 2013-14.	Yes	Satisfactory/ Improvement Needed	Seven of the 47 (15%) Department faculty members did not submit an Outside Professional Activity Report for the FY 2013-14 as required by policy. In FY 2012-13 nine forms were not submitted (19%). <i>Audit Report Finding G</i>