

May 27, 2016

DAVE KOCH  
Director  
Recreation  
0529

**Subject:           *Recreation - Business Process Review  
Report 2016-09***

The final report for Recreation – Business Process Review, Report 2016-09, is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

Because we were able to reach agreement regarding management action plans 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. We will contact you at the appropriate time to evaluate the status of the management action plans.

UC wide policy requires that all draft reports be destroyed after the final report is issued. We also request that draft reports not be photocopied or otherwise redistributed.

David Meier  
Director  
Audit & Management Advisory Services

Attachment

cc:     Judy Bruner  
       Brian DeMeulle  
       Juan Gonzalez  
       John Hughes  
       Cheryl Ross  
       Greg Spire  
       Sheryl Vacca

# UC San Diego

## AUDIT & MANAGEMENT ADVISORY SERVICES

Recreation – Business Process Review

Report No. 2016-09

May 2016

### FINAL REPORT

**Performed By:**

Bella Chang, Auditor  
Jennifer McDonald, Manager

**Approved By:**

David Meier, Director

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## I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a business process review of Recreation as part of the approved audit plan for Fiscal Year 2015-16. The objective of our review was to evaluate whether current business practices provide reasonable assurance that operations are effective, and result in compliance with University policies and procedures and accurate financial reporting. The scope of our review included activities for FY 2014-2015, and for the period July 1 through December 31, 2015.

We concluded that improvement is needed in Recreation’s business practices to provide assurance that business operations are effective, and result in compliance with University Policy and accurate financial reporting. We noted internal control weaknesses in financial activities, which led to financial deficits, inaccurate reporting, and insufficient review of financial expenses. For instance, the Department’s self-supporting activities were running a large deficit and a formal written plan for reducing the deficit was not in place. Additionally, revenues and expenses were not regularly reviewed to ensure they were appropriately processed, coded, and approved in accordance with policy. Further, rates for self-supporting activities were not reviewed and appropriately approved.

In reviewing the Department’s cash management and cash handling activities, we noted several processes that were not in strict compliance with University policy, including timely deposits to the Central Cashier, individual accountability of cash register drawers, safe combination maintenance, and appropriate cashier training. We also noted that timekeeping practices were not properly controlled to ensure that labor transactions were accurate, effectively reviewed, and approved prior to processing payroll. In addition, background checks were not conducted for all employees in critical positions.

Other areas we identified for needed improvement were equipment management practices to provide greater assurance for accounting and reporting compliance and the management of information technology for compliance with University policy and federal guidelines.

### Management Action Plans

#### A. Financial Management

1. The Business Office has implemented new procedures and forms supporting travel. The forms contain necessary trip information, such as reason for travel, index to charge, approval signatures, etc. The forms are to be completed prior to travel and are submitted to the fiscal assistants for processing. Furthermore, they have expanded the use of Travel Cards to avoid travelers booking hotels and flights for other employees.
2. The Business Office has corrected miscoded revenue to ensure that financial reports reflect accurate information.

The Department Business Office will:

3. Develop a written plan to resolve funds in overdraft, as required by policy.
4. Ensure that Distribution Of Payroll Expenses (DOPE) reviews are performed and documented on a monthly basis, as required by policy.
5. Ensure that proper account codes are used and appropriate approvals are obtained as necessary.
6. Ensure that rates for goods and services are submitted to the Vice Chancellor’s office and

General Accounting for review and approval.

7. Ensure that expense approval hierarchies and processes are modified to ensure that expenses are not reviewed and approved by personnel that report, directly or indirectly, to the personnel incurring the expenses.
8. Ensure that expense transfers are conducted timely and are appropriately documented.

**B. Cash Management and Cash Handling**

1. The Department Head Cashier has begun making daily deposits to the Central Cashier.

The Business Office will ensure:

2. The appropriate accountability for cashiering activity at Outback Surf Shop.
3. That safe combinations are changed upon employee separation, properly stored and administered, and properly documented.
4. That cash handling training is appropriately conducted per BUS-49.

**C. Timekeeping Practices**

1. The Business Office will ensure that timesheets for by-agreement employees are submitted timely and that all timesheets are properly reviewed and verified.

**D. Background Checks**

1. The Business Office will ensure that all potential employees of critical positions receive the proper background check prior to hiring, promoting, or transferring from another department.

**E. Equipment Management**

1. The VIN numbers for the passenger vans acquired in January 2015 were entered into the Campus Asset Management System (CAMS).
2. The Equipment Manager will develop a plan to ensure that UC Identification (UCID) tags are consistently applied and equipment that is lost or stolen is promptly reported to the Campus Police.

**F. Information Technology**

The Computer Systems Manager will contact Information Technology Services (ITS) for assistance in:

1. Completing a formal information systems risk assessment.
2. Ensuring the Department website is ADA compliant.

Observations and management action plans are described in greater detail in section V. of this report.

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## II. BACKGROUND

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Audit & Management Advisory Services (AMAS) has completed a business process review of Recreation as part of the approved audit plan for Fiscal Year 2015-16. This report summarizes the results of our review.

Recreation (Department), a division of Student Affairs, provides students, faculty, staff, and the community with the opportunity to participate in cooperative and competitive programs and activities in an effort to enhance wellness, fitness, and quality of life. The programs offered cover a wide variety of areas such as informal recreation, intramural sports, Fitlife, Outback Adventures, and Sports Clubs. Facilities include the Recreation Intramural and Athletic Center (RIMAC), the Main Gym, the Canyonview Athletic Complex, the Climbing Center, and the Challenge Course.

The Department receives student registration fees and core funds to support their operations. Approximately 50% of their income is from revenue generated as an Other Income Producing<sup>1</sup> self-supporting activity (SSA). The income produced by the SSA is used to support the department's operational activity. A detailed summary of income for Fiscal Year (FY) 2015 and Fiscal Year to Date (July 2015 – December 2015) is depicted in **Attachment A**.

The Department Business Office (Business Office) consists of a Business Officer position and six full-time equivalents (FTEs), including a Sales Manager, a Computer Systems Manager, an Employment Coordinator, two Payroll/Fiscal Assistants, and a Head Cashier. The Business Office staff manages the referendum funds, core funds, revenues, and expenses for the different units within the Department.

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## III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

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The objective of our audit was to review the Department's business practices, and evaluate whether they provide reasonable assurance that operations are effective, and result in compliance with University policies and procedures and accurate financial reporting. The scope of our review included activities and business practices for FY 2014-2015, and for the period July 1 through December 31, 2015. In order to achieve our objective, we performed the following:

- Reviewed system-wide and local policies, including, but not limited to:
  - University of California (UC) Business and Finance Bulletin (BFB) BUS-29: *Management and Control of University Equipment*,
  - UC BFB BUS-49: *Policy for Cash and Cash Equivalent Received*,
  - UC BFB BUS-43: *Materiel Management*,
  - UC BFB G-28: *Travel Regulations*,
  - UC BFB IA-101: *Internal Control Standards: Department Payroll*,
  - UC BFB Information Security (IS)-3: *Electronic Information Security*,
  - UC Personnel Policies for Staff Members (PPSM) 21: *Appointment*,

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<sup>1</sup> An Other Income Producing activity provides goods and services to a wide range of customers that include non-UC users, students, faculty, staff, and other campus departments.

- UC San Diego (UCSD) Policy and Procedure Manual (PPM) 300-40: *Guidelines for Recharge and Other Income Producing Activities*,
- UCSD PPM 510-10: *Use of University Name and Seal*,
- UCSD PPM: *Overdraft Policy*,
- Applicable Blink guidance;
- Reviewed State of California Department of Industrial Relations, Division of Labor Standards Enforcement Labor Law (CA Labor Law);
- Interviewed the following Department employees:
  - Department Business Officer (DBO),
  - Payroll/Fiscal Assistants,
  - Computer System Manager,
  - Sales/Customer Service Manager,
  - Head Cashier,
  - Unit Directors of Sports Clubs and Outback Adventures,
  - Outdoor Leadership Coordinator,
  - Outback Adventures Retail Store Manager, and
  - Weight Room Supervisor/Equipment Manager;
- Reviewed available Department financial documents;
- Reviewed the Department’s cash management and cash handling procedures;
- With assistance from the DBO, completed and reviewed the separation of duties matrices for key business activities;
- Reviewed business process internal control questionnaires;
- Evaluated electronic financial approval hierarchies within the Integrated Financial Information System (IFIS);
- Analyzed financial activities reflected in the IFIS Operating Ledgers and Expanded Budget Summaries;
- Compiled and evaluated financial and income reports; and
- Performed detailed testing of selected key business processes to verify that internal controls were adequate and functioning in compliance with University policy, as summarized in **Attachment C**.

#### IV. CONCLUSION

Based on our review, we concluded that improvement is needed in the Department’s business practices to provide assurance that business operations are effective, and result in compliance with University Policy and accurate financial reporting. The areas we noted for improvement are described in the balance of this report.

#### V. OBSERVATIONS REQUIRING MANAGEMENT ACTION

<b>A.</b>	<b>Financial Management</b>
Financial management of Department funds required improvement to ensure proper internal controls are in place, and reports are accurate and meaningful.	

<b>Risk Statement/Effect</b>	
The absence of appropriate controls for financial activity could potentially lead to inaccurate reporting and financial deficits.	
<b>Management Action Plan</b>	
A.1	The Business Office has implemented new procedures and forms supporting travel. The forms contain necessary trip information, such as reason for travel, index to charge, approval signatures, etc. The forms are to be completed prior to travel and are submitted to the fiscal assistants for processing. Furthermore, they have expanded the use of Travel Cards to avoid travelers booking hotels and flights for other employees.
A.2	The Business Office has corrected miscoded revenue to ensure that financial reports reflect accurate information.
	The Department Business Office will:
A.3	Develop a written plan to resolve funds in overdraft, as required by policy.
A.4	Ensure that Distribution Of Payroll Expenses (DOPE) reviews are performed and documented on a monthly basis, as required by policy.
A.5	Ensure that proper account codes are used and appropriate approvals are obtained as necessary.
A.6	Ensure that rates for goods and services are submitted to the Vice Chancellor's office and General Accounting for review and approval.
A.7	Ensure that expense approval hierarchies and processes are modified to ensure that expenses are not reviewed and approved by personnel that report, directly or indirectly, to the personnel incurring the expenses.
A.8	Ensure that expense transfers are conducted timely and are appropriately documented.

## **A. Financial Management – Detailed Discussion**

### Funds in Overdraft

The campus Overdraft Policy requires that departments monitor financial balances and administrators should initiate corrective action in a timely manner to eliminate any overdrafts. The policy also requires that a resolution plan to eliminate deficit balances exceeding \$10,000, or greater than 60 days in duration, be documented and approved by the Vice Chancellor or Dean to whom the Department reports.

In reviewing fund balances (**Attachment A**), it was noted that the Department's SSAs are in large part running a deficit. The funds for most SSAs should operate at a no-gain/no-loss basis and all deficit balances should be corrected timely. During our interviews, it was noted that a five-year plan was in place to reduce the deficit; however, the plan was mostly verbal and not formally documented or approved.



### Review of DOPE Reports

UC policy requires DOPE reviews to be performed monthly and that the review be routinely documented. We noted that DOPEs were not being reviewed or reconciled monthly. Furthermore, the Department did not reconcile monthly DOPE reports to departmental records or compare monthly payroll expenses to budgeted amounts, as required by policy.

### Incorrect Accounting Information

Special entertainment must be approved by both the employee with delegated entertainment approval authority and the employee with delegated approval authority for special entertainment (Vice Chancellor). During our review of entertainment transactions, we noted that an employee/team-building event was expensed using account code 637250 (Meals – Business Events) rather than 637465 (Meals – Parties & Social Events). This type of event is considered special entertainment and requires approval by the Vice Chancellor or the Chancellor's designee. Because the incorrect account code was used, the transaction was not flagged to obtain the appropriate approval.

We also prepared an income trend analysis for FYs 2011-2015 (**Attachment B**). When reviewing the transactions in each revenue account code, it was noted that income with "Masters" in the description was coded with the revenue account code for Rec Class Income (562504) instead of the revenue account code for the Masters Swim Program (562506), beginning in FY2013. This was especially significant in FY2014 and FY2015, where \$100,000 and \$148,296 (respectively) was incorrectly coded as Rec Class Income. If income had been properly recorded, the Masters Swim Program Income would have shown an increase of 18% and 6%, respectively, instead of a decrease of 61% and 79%.

### Travel Expenditures

During our review, it was noted that the Department had experienced employee turnover within the Business Office, resulting in travel vouchers not being processed in accordance with policy. For example, detailed testing identified four sampled vouchers that were not submitted or processed in a timely manner, resulting in late fees applied to two Travel Cards. In addition, we noted other concerns in processing travel, including trips that were not always preauthorized, incorrectly handling prepayments for hotel and registration which resulted in overpayments to the Travel Card, and a traveler who paid for a hotel room, using their Travel Card, on behalf of a coworker.

### Rates for SSA

As an SSA, the Department sets rates at which to sell their goods and services. Currently, any changes to rates are reviewed internally and approved by the Department Director. The Department is considered an Other Income Producing Activity and should submit a rate proposal for approval to the Department Head, Vice Chancellor, and General Accounting. The proposal should also include, at a minimum, a business plan and the funding sources for anticipated or unanticipated operating deficits. Approval from the Vice Chancellor and General Accounting may also assist the Department's efforts to reduce their deficit and reduce the risk of further loss. While this type of activity does not require approval from the Recharge Rate Review Committee, the Financial Analysis Office (FAO) may provide insight on appropriate rate setting practices.

Transaction Approval Process

During detailed testing, we noted three travel expenses incurred by the Department Director that were approved by the DBO, who reports directly to the Director. UC policy states that *“travel expense claims should not be approved by a person who reports directly or indirectly to the traveler.”* The Director’s expenses should therefore be approved at a higher administrative level.

The establishment of appropriate approval hierarchies helps ensure segregation of responsibilities within the procurement processes, and increase assurance that purchase transactions are bona fide University expenses that comply with University policy.

Expense Transfers

A cost (expense) transfer occurs when expenses are moved from one accounting distribution to another after they have been recorded in the operating ledger. Blink guidance states that when processing cost transfers, specific procedures must be followed to fulfill federal, state, and UC requirements. In addition, a complete explanation to all cost transfers must be provided to include how the error occurred, specific descriptions of items being transferred, explanation for the untimeliness, and preventative measures to mitigate recurrence.

We sampled 20 electronic non-payroll expense transfers (ENPETs) and 20 electronic payroll expense transfers (EPETs). We noted that 12 ENPETs were not completed in a timely manner (greater than 120 days from the transaction date), and 10 of the 12 were used to correct a fund distribution error. In addition, we noted ENPETs did not contain the appropriate documented explanation as required. We also noted two instances where EPETS were not completed in a timely manner.

While some expense transfers occurred due to situations outside of the Business Office’s control (e.g. funding was not received until after the 120 days), others were not moved until the end of the fiscal year due to an available balance on student registration fees/core fees received. A more thorough review of expenses and fund balances on a regular or monthly basis may have assisted in avoiding errors and untimely transfers.

<b>B.</b>	<b>Cash Management and Cash Handling</b>
During our review, we noted a number of cash management and cash handling activities that were not conducted in strict accordance with University and campus policy.	
<b>Risk Statement/Effect</b>	
Deficiencies in cash controls increase the risk for misappropriation or theft.	
<b>Management Action Plan</b>	
B.1	The Department Head Cashier has begun making daily deposits to the Central Cashier.

	The Business Office will ensure:
B.2	The appropriate accountability for cashiering activity at Outback Surf Shop.
B.3	That safe combinations are changed upon employee separation, properly stored and administered, and properly documented.
B.4	That cash handling training is appropriately conducted per BUS-49.

## B. Cash Management and Cash Handling – Detailed Discussion

University policy provides requirements for handling cash and cash equivalents, and defines roles and responsibilities related to the receipt, safeguarding, reporting, and recordkeeping for all University cash and cash equivalents.

During our review, we noted the following processes that were not in strict compliance with BUS-49:

Deposits to Central Cashier – Policy section XB.2 states *“collections at Sub-cashiering Stations and Departments shall be deposited at the designated Main Cashiering Station at least weekly or whenever collections exceed \$500.”* We noted that cash collections were prepared at the end of each shift or at closing (for Outback operations), and submitted to the Head Cashier for reconciliation and processing. However, the Head Cashier would submit the deposits at the end of each month or when collections exceeded \$5,000.

Individual Accountability – Policy section VIIIA.2.1 states that *“each cashier shall be assigned a unique identifier not accessible by or shared with other individuals. The unit must provide a cash register drawer, a cash drawer insert or another secure cash receptacle to which only the cashier has access. An individual endorsement stamp or its mechanical equivalent will be provided.”* We noted that cashiers at Outback Surf Shop were not assigned a separate drawer for each cashier session. In addition, deposits were prepared at the end of the day, rather than at the end of each cashier session, making it difficult to identify who had custody of the cash at a single point in time.

Physical Security – Policy section IX.11 states that *“a safe’s combination must be changed whenever a person who knows the combination leaves the employ of a cash handling unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes.”* We noted that while safe combinations were changed on an annual basis, they were not changed when an employee, knowing the combination, leaves the department. In addition, students who were given the safe combination would routinely save the information to their personal cell phones, in violation of policy section IX.8, *“The safe’s combination must be given only to supervisory and authorized personnel who must then commit the combination to memory.”*

Cash Handling Training – Section IX.15 states that cash handling training will be delivered *“to all employees who handle cash... when a new employee starts work in a cash handling job [and] at least once per year to refresh knowledge concerning policies, procedures and techniques...”* We noted that new employees did not complete a formal training program. The Sales Manager conducted informal training sessions for new employees and discussed cash handling policies and procedures during

quarterly sales meetings. The Sales Manager also communicated training expectations to other unit managers who trained their cash handling employees. Evidence of cash handling training is an important factor in establishing an individual’s qualification for handling cash and ensuring that University assets are protected, accurately and timely processed, and properly reported.

<b>C.</b>	<b>Timekeeping Practices</b>
Timekeeping practices were not properly controlled to ensure that labor transactions were accurate, effectively reviewed, and approved prior to processing payroll.	
<b>Risk Statement/Effect</b>	
A lack of internal controls for timekeeping practices may allow unauthorized payroll transaction to be processed and overpayments to be made resulting in a loss of funds.	
<b>Management Action Plan</b>	
C.1	The Business Office will ensure that timesheets for by-agreement employees are submitted timely and that all timesheets are properly reviewed and verified.

<b>C. Timekeeping Practices – Detailed Discussion</b>
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The Department is comprised of staff, student, and by-agreement<sup>2</sup> (BYA) employees. The majority of employees use the University’s online timekeeping system, MyTime Entry (MTE), to submit hours worked during a pay period. However, MTE does not have the ability to handle BYA appointments. As a result, these employees are paid by a set contract amount or must complete paper timesheets for reporting time worked.

For most BYA employees, paper timesheets are printed out by the Business Office and placed in binders for distribution to each unit. The employees have the responsibility to complete and sign their timesheet prior to the end of each pay period. For any given pay period, the two Payroll/Fiscal Assistants may process as many as 300 BYA paper timesheets in addition to the electronic timesheets in MTE. Due to this high volume, they do not monitor timesheet submission and may be unaware if timesheets are not submitted, possibly resulting in employees not being paid for work performed. Per the CA Labor Law, *“it is the employer’s obligation to pay [the employee] on the established payday regardless of whether the timecard is submitted... [The] employer can comply with the law... by paying all of the wages that it reasonably knows are due for [the] regularly scheduled work period.”*

The Payroll/Fiscal Assistants use the Timekeeping Application Rewrite (TAR) to process BYA timesheets, while timesheets submitted through MTE are automatically fed into TAR. As part of their process, they review the online timekeeping verification report for the BYA timesheets. However, they do not review the report for the timesheets processed through MTE. Per the Payroll department, the report should be reviewed regardless of the type of timesheet as part of the verification process.

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<sup>2</sup> BYA employees are used for various units and events, such as Outback Trip guides and Fitlife class instructors, due to the irregular nature of these positions.

<b>D.</b>	<b>Background Checks</b>
Background checks were not always conducted for employees in critical positions.	
<b>Risk Statement/Effect</b>	
The absence of background checks for critical positions impacts the University’s ability to provide security, care, and safety for the campus population.	
<b>Management Action Plan</b>	
D.1	The Business Office will ensure that all potential employees of critical positions receive the proper background check prior to hiring, promoting, or transferring from another department.

#### **D. Background Checks – Detailed Discussion**

The University performs background checks on potential employees in order to ensure a safe work environment and the protection of key organizational assets, including people, property, and information. UC PPSM 21, *Appointment*, provides that a job-related background check is required for new-hires of critical positions and employees who are promoted, reclassified, or transferred into critical positions. The policy offers examples of essential elements of critical positions that stipulate the need for a background check.

We sampled three career staff and ten student employee appointments for evidence of background check performance. Two of the three career staff received background checks prior to being hired. The third employee was a lateral transfer from another campus department. Information provided by Central Human Resources indicated that this employee never received a background check at the previous position as their employment was prior to the issuance of PPSM-21. Because some of the employee’s job duties are considered functions of a critical position, such as “handling/receipt of development funds,” a background check should have been performed.

The following table provides the breakdown of the ten student positions and results of the background check process:

	<b>Position</b>	<b>Background Check Obtained?</b>
1	Lifeguard	No
2	Outback Surf Shop employee	Yes – cleared
3	Lifeguard	No
4	Outback Surf Shop Employee	Yes – cleared
5	Original position: Operations Attendant, Promotion: Sales employee	No
6	Lifeguard	No
7	Original position: Operations Attendant, Promotion: Sales employee	No
8	Operations Attendant	No
9	Lifeguard	No

	Position	Background Check Obtained?
10	Lifeguard	No

Operations attendants generally provide entry to Recreation’s facilities such as the equipment room and weight room. Since they do not handle cash, initial background checks were not required. However, two operations attendants were promoted to Sales and should have received background checks. In addition, lifeguards are responsible for providing emergency care services and may provide services for children or minors, which makes them mandatory reporters per the California Child Abuse and Neglect Reporting Act (CANRA)<sup>3</sup>. Per policy, the direct responsibility for the care, safety, and security of humans or animals is considered an essential element of a critical position, thus requiring the need for background checks for lifeguards.

<b>E. Equipment Management</b>	
Equipment Management practices could be improved to provide greater assurance for accounting and reporting compliance.	
<b>Risk Statement/Effect</b>	
Control weaknesses in equipment management could result in accounting and reporting errors, and non-compliance with policy.	
<b>Management Action Plan</b>	
E.1	The VIN numbers for the passenger vans acquired in January 2015 were entered into the Campus Asset Management System (CAMS).
E.2	The Equipment Manager will develop a plan to ensure that UC Identification (UCID) tags are consistently applied and equipment that is lost or stolen is promptly reported to the Campus Police.

**E. Equipment Management – Detailed Discussion**

The Weight Room Manager/Equipment Manager is responsible for the identification and tracking of inventoriable equipment within the department. This is completed by placing a UCID tag on the equipment and entering the equipment serial number into CAMS. At least every two years, custodial departments must take physical inventory of all University Inventorial Equipment, Government Inventorial Equipment, Other Government Property, and Other Inventorial Items. If a UCID tag is accidentally obliterated, defaced, or removed, the equipment custodian is responsible for obtaining a replacement tag and updating CAMS with the new information.

<sup>3</sup> CANRA is a set of laws intended to protect children from abuse and neglect and ensure that observed instances of abuse are properly reported. Mandatory reporters are employees whose duties bring them into contact with minors on a regular basis, or supervises those whose duties bring them into contact with minors on a regular basis.

During detailed testing, we found that the Vehicle Identification Number (VIN) for four passenger vans were not included in CAMS. Additionally, we could not locate a UCID tag for one treadmill. We also noted that police reports were not filed for items that were tagged as “Disposed – Lost/Stolen” in CAMS. Per UC policy and UCSD Blink guidance, Campus Police should be notified regarding lost or stolen inventoriable equipment.

<b>F.</b>	<b>Information Technology</b>
The Department has not conducted a formal information systems risk assessment as required by University policy. In addition, the Department website is not compliant with the Americans with Disability Act (ADA).	
<b>Risk Statement/Effect</b>	
Periodic risk assessments should be conducted to analyze changing business practices, to account for new threats and vulnerabilities created by these changes, and to determine the effectiveness of existing controls. Additionally, non-compliance with the ADA could increase the University’s risk for sanctions by the Federal government.	
<b>Management Action Plan</b>	
	The Computer Systems Manager will contact Information Technology Services (ITS) for assistance in:
F.1	Completing a formal information systems risk assessment.
F.2	Ensuring the Department website is ADA compliant.

**F. Information Technology – Detailed Discussion**

The purpose of a risk assessment is to help management create appropriate strategies and controls for stewardship of information assets. Departments or units that manage information assets and electronic resources should conduct formal risk assessments to determine the level of protection needed to adequately protect various existing information resources, and to understand and document potential risks from IT security failures that may cause loss of information confidentiality, integrity, or availability. As business operations, workflow, or technologies change, periodic reviews should be conducted to analyze these changes, to account for new threats and vulnerabilities created by these changes, and to determine the effectiveness of existing controls.

During our review, we noted that the last risk assessment performed on the computer environment was completed over seven years ago. Per UC BFB IS-3, the Department should complete a risk assessment on a periodic basis in order to:

- inventory and determine the nature of campus electronic information resources;
- understand and document the risks in the event of failures that may cause loss of confidentiality, integrity, or availability of information resources; and
- identify the level of security necessary for the protection of the resources.

Additionally, the ADA Standards for Accessible Design, which apply to businesses operating for the benefit of the public and all state and local government agencies, state that all electronic and information technology must be accessible to people with disabilities. The Computer Systems Manager indicated that their website was not ADA compliant.



## Recreation Business Process Review

## Financial Report

Referendum and Core Funds					
	20270A (Canyonview Referendum)	20271A (RIMAC Referendum)	20000A (Student Services Fees)	20252A (Intercollegiate Fees)	Cumulative
FY14 Reappropriation	\$43,040.34	\$307,798.11	(\$17,792.66)	(\$85,500.54)	\$247,545.25
FY15 Refereundum Funding	\$376,391.00	\$1,379,586.08	\$1,085,573.31	\$387,968.41	\$3,229,518.80
FY15 Revenue	\$0.00	\$0.00	\$0.00	\$50.00	\$3,477,064.05
Less FY15 Expenses	(\$353,850.30)	(\$1,386,562.19)	(\$893,102.54)	(\$396,039.77)	(\$3,029,554.80)
Less FY15 Transfers	\$0.00	\$0.00	\$0.00	(\$2,811.45)	(\$2,811.45)
<b>FY15 Reappropriation</b>	<b>\$65,581.04</b>	<b>\$300,822.00</b>	<b>\$174,678.11</b>	<b>(\$96,333.35)</b>	<b>\$444,747.80</b>
FY16 Funding (as of 12/15)	\$404,418.00	\$1,291,661.42	\$832,013.59	\$403,399.32	\$2,931,492.33
Less Expenses (as of 12/15)	(\$195,444.10)	(\$674,779.04)	(\$522,683.99)	(\$211,034.44)	(\$1,603,941.57)
<b>Balance (as of 12/15)</b>	<b>\$274,554.94</b>	<b>\$917,704.38</b>	<b>\$484,007.71</b>	<b>\$96,031.53</b>	<b>\$1,772,298.56</b>

Self-Supporting Activity						
	62510A (Recreation Income)	62512A (Outdoor Recreation Income)	62513A (Recreation FitLife Income)	62514A (Intramural Income)	62518A (Sports Clubs)	Cumulative
FY14 Reappropriation	(\$471,183.80)	(\$548,787.20)	(\$97,031.30)	\$111,305.37	\$39,842.37	(\$965,854.56)
FY15 Income	\$1,789,506.15	\$711,354.96	\$553,586.46	\$27,791.04	\$45,715.16	\$3,127,953.77
Less FY15 Expenses	(\$1,887,001.33)	(\$605,645.17)	(\$532,666.04)	(\$52,963.31)	(\$38,879.15)	(\$3,117,155.00)
Less FY15 Transfers	(\$65,527.80)	(\$17,605.12)	\$66,710.84	\$0.00	(\$1,144.60)	(\$17,566.68)
<b>FY15 Ending Balance (FY15 Reappropriation)</b>	<b>(\$634,206.78)</b>	<b>(\$460,682.53)</b>	<b>(\$9,400.04)</b>	<b>\$86,133.10</b>	<b>\$45,533.78</b>	<b>(\$972,622.47)</b>
FY16 Income (as of 12/15)	\$1,216,838.23	\$379,478.55	\$269,679.49	\$6,830.00	\$4,849.00	\$1,877,675.27
Less FY15 Expenses (as of 12/15)	(\$1,241,062.33)	(\$376,685.95)	(\$316,962.20)	(\$1,893.91)	(\$27,945.16)	(\$1,964,549.55)
Less FY15 Transfers (as of 12/15)	(\$32,957.68)	(\$8,901.50)	\$75,890.96	(\$1,049.32)	(\$753.70)	\$32,228.76
<b>Ending Balance (as of 12/15)</b>	<b>(\$57,181.78)</b>	<b>(\$6,108.90)</b>	<b>\$28,608.25</b>	<b>\$3,886.77</b>	<b>(\$23,849.86)</b>	<b>(\$54,645.52)</b>
<b>Cumulative Balance (FY15 Reappropriation + Ending Balance)</b>	<b>(\$691,388.56)</b>	<b>(\$466,791.43)</b>	<b>\$19,208.21</b>	<b>\$90,019.87</b>	<b>\$21,683.92</b>	<b>(\$1,027,267.99)</b>

Audit & Management Advisory Services Project 2016-09  
 Recreation Business Process Review  
 Income Trend Analysis

Account Name	Increase or Decrease from				Increase or Decrease from			Increase or Decrease from Prior			Increase or Decrease from		
	FY2011 Revenue	FY2012 Revenue	Amount	%	FY2013 Revenue	Amount	%	FY2014 Revenue	Amount	%	FY2015 Revenue	Amount	%
560000 - SHORT/OVER (60100-65999, EX 63XXX)	\$ -	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ -	\$ -	
560002 - ED ACTY/ACAD SUPPT-CONTRA-BAD DEBTS	\$ 356.22	\$ (333.33)	\$ (689.55)	-194%	\$ 45.00	\$ 378.33	-114%	\$ 48.38	\$ 3.38	8%	\$ 87.00	\$ 38.62	80%
562503 - CAMPUS REC-WEIGHT ROOMS INCOME	\$ -	\$ -	\$ -		\$ (100.00)	\$ (100.00)		\$ (440.00)	\$ (340.00)	340%	\$ (341.95)	\$ 98.05	-
562504 - CAMPUS REC-REC CLASS INCOME	\$ (730,310.73)	\$ (1,201,432.79) <sup>1</sup>	\$ (471,122.06)	65%	\$ (706,919.87) <sup>1</sup>	\$ 494,512.92	-41%	\$ (966,887.39)	\$ (259,967.52)	37%	\$ (1,134,505.03)	\$ (167,617.64)	17%
562505 - CAMPUS REC-MARKETING INCOME	\$ (3,050.00)	\$ (2,850.00)	\$ 200.00	-7%	\$ (2,530.00)	\$ 320.00	-11%	\$ (4,584.85)	\$ (2,054.85)	81%	\$ (560.00)	\$ 4,024.85	-88%
562506 - CAMPUS REC-MASTERS SWIM PROG INC	\$ (109,936.36)	\$ (117,023.67)	\$ (7,087.31)	6%	\$ (126,381.33)	\$ (9,357.66)	8%	\$ (49,561.00)	\$ 76,820.33	-61%	\$ (10,332.00)	\$ 39,229.00	-79%
562508 - CAMPUS REC-OTHER RENT INCOME	\$ -	\$ -	\$ -		\$ (840.00)	\$ (840.00)		\$ 280.00	\$ 1,120.00	-133%	\$ (1,120.00)	\$ (1,400.00)	-500%
562510 - CAMPUS REC-REC CARD INCOME	\$ (606,252.25)	\$ (619,325.55)	\$ (13,073.30)	2%	\$ (525,952.18)	\$ 93,373.37	-15%	\$ (561,096.92)	\$ (35,144.74)	7%	\$ (498,326.91)	\$ 62,770.01	-11%
562511 - CAMPUS REC-OVER/SHORT	\$ 1,029.52	\$ 295.95	\$ (733.57)	-71%	\$ (5,683.56)	\$ (5,979.51)	-2020%	\$ (7,243.66)	\$ (1,560.10)	27%	\$ (6,252.25)	\$ 991.41	-14%
562512 - CAMP REC-OUTDOOR REC INCOME	\$ (461,940.38)	\$ (499,201.56)	\$ (37,261.18)	8%	\$ (538,092.70)	\$ (38,891.14)	8%	\$ (580,199.54)	\$ (42,106.84)	8%	\$ (624,766.23)	\$ (44,566.69)	8%
562513 - RECREATION FITLIFE INCOME	\$ (336,090.98)	\$ (336,711.68)	\$ (620.70)	0%	\$ (376,714.38)	\$ (40,002.70)	12%	\$ (387,326.79)	\$ (10,612.41)	3%	\$ (451,369.71)	\$ (64,042.92)	17%
562514 - CAMPUS REC-INTRAMURAL INCOME	\$ (43,465.00)	\$ (37,815.00)	\$ 5,650.00	-13%	\$ (29,897.00)	\$ 7,918.00	-21%	\$ (34,561.00)	\$ (4,664.00)	16%	\$ (26,991.04)	\$ 7,569.96	-22%
562518 - CAMPUS REC-SPORTS CLUBS	\$ (8,662.65)	\$ (5,640.69)	\$ 3,021.96	-35%	\$ (13,519.43)	\$ (7,878.74)	140%	\$ (49,990.05)	\$ (36,470.62)	270%	\$ (43,230.16)	\$ 6,759.89	-14%
562561 - CAMPUS REC-MERCHANCISE SALES INCOME	\$ (46,862.33)	\$ (44,012.89)	\$ 2,849.44	-6%	\$ (47,278.73)	\$ (3,265.84)	7%	\$ (53,958.17)	\$ (6,679.44)	14%	\$ (52,480.64)	\$ 1,477.53	-3%
566002 - OTH SVC ENT/OTHER-CONTRA-BAD DEBTS	\$ -	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ 660.00	\$ 660.00	-
588309 - SALE OF CAPITAL ASSETS-CAMPUS	\$ -	\$ -	\$ -		\$ -	\$ -		\$ -	\$ -		\$ (550.00)	\$ (550.00)	-
<b>Total Revenue</b>	<b>\$ (2,345,184.94)</b>	<b>\$ (2,864,051.21)</b>	<b>\$ (518,866.27)</b>	<b>22%</b>	<b>\$ (2,373,864.18)</b>	<b>\$ 490,187.03</b>	<b>-17%</b>	<b>\$ (2,695,520.99)</b>	<b>\$ (321,656.81)</b>	<b>14%</b>	<b>\$ (2,850,078.92)</b>	<b>\$ (154,557.93)</b>	<b>6%</b>

<sup>1</sup> In FY2013, Recreation began recording deferred income for income received for the Knockaround camp. Approximately \$226,000 was deferred to FY2014, which explains the significant drop in Rec Class Income from FY2012 to FY2013.

<sup>2</sup> \$100,000.33 of income was miscoded as 562504, instead of 562506. Corrected amounts for FY2014 are as follows:

562504	\$ (866,887.06)	\$ (159,967.19)	23%
562506	\$ (149,561.33)	\$ (23,180.00)	18%

<sup>3</sup> \$148,296 of income was miscoded as 562504 instead of 562506. Corrected amounts for FY2015 are as follows:

562504	\$ (986,209.03)	\$ (119,321.97)	14%
562506	\$ (158,628.00)	\$ (9,066.67)	6%

**Recreation**  
**Audit Results by Business Office Functional Process**  
**Audit & Management Advisory Services Project #2016-09**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>1</sup>	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Operating Ledger Review & Financial Reporting	√	√	√	Examined operating ledgers and financial reports; compiled and evaluated financial and income reports.	No	Improvement Needed	Financial management should be improved to ensure proper internal controls.
Cash and Recharge	√	√	√	Reviewed financial reports and source documents; interviewed key personnel for cash management and cash handling processes.	No	Improvement Needed	A number of cash management and cash handling activities were not conducted in strict accordance with policy.
Timekeeping & Payroll	√	√	√	Reviewed randomly selected transactions; traced to supporting documents.	No	Improvement Needed	Timesheet tracking should be implemented to ensure employees are promptly. Online timekeeping verification reports should be reviewed each pay period.
Payroll Expenditure Transfers	√	√		Reviewed timeliness; verified adjusted payroll charges per	No	Improvement Needed	Sampled EPETs were not always completed in a timely manner.

<sup>1</sup> Scale: Satisfactory - Improvement Suggested - Improvement Needed - Unsatisfactory

**Recreation**  
**Audit Results by Business Office Functional Process**  
**Audit & Management Advisory Services Project #2016-09**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>1</sup>	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
				operating ledgers and distribution of payroll expense reports (DOPE's).			
Non-Payroll Expenditure Transfers	√	√		Reviewed timeliness and business justifications for reasonableness.	No	Improvement Needed	Sampled ENPETs were not always completed in a timely manner and properly documented.
Travel	√	√	√	Reviewed 20 trips totaling \$22,382.44; verified with supporting documents.	No	Improvement Needed	Various exceptions noted: trips were not reconciled timely, travel was inappropriately approved by subordinate employee, trips were not always preauthorized.
Equipment Management	√	√		Reviewed department's inventory listing and compared it to report in the Campus Asset Management System (CAMS).	Yes	Improvement Suggested	Police reports should be filed for lost and stolen equipment ID tags replaced when necessary. Equipment purchases during audit scope appeared reasonable and appropriate.

**Recreation**  
**Audit Results by Business Office Functional Process**  
**Audit & Management Advisory Services Project #2016-09**

Business Office Process	AMAS Audit Review Procedure				Risk & Controls Balance Reasonable (Yes or No)	Audit Conclusion <sup>1</sup>	Comments
	Analytical Review of Financial Data	Internal Control Questionnaire/ Separation of Duties Matrix	Process Walk-through (Ltd Document Review)	Transaction Testing (Sample Basis)			
Information Systems Environment		√		N/A	Yes	Improvement Suggested	Additional testing was not needed based on interview with Computer Systems Manager. Completing a risk assessment and updating the website to be ADA-compliant will better meet University and federal requirements.
Transaction Processing - Non-Payroll Expenditures	√	√	√	Reviewed randomly selected transactions; traced to supporting documents.	Yes	Satisfactory	Separation of duties appeared adequate. Non-payroll expenditures generally appeared reasonable and supported by documentation. There were a few instances where expenses were not accurately coded.