

The logo for UC Irvine, featuring the letters "UCIRVINE" in a large, black, serif font. The letters are closely spaced, with "UC" and "IRVINE" being particularly prominent.The text "INTERNAL AUDIT SERVICES" in a black, serif font, arranged in two lines. A vertical line is positioned to the left of the text.

Intercollegiate Athletics  
*Internal Audit Report No. I2017-103*  
September 30, 2017

*Prepared By*

Julie Chung, Senior Auditor

*Reviewed By*

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Mike Bathke, Director



INTERNAL AUDIT SERVICES  
IRVINE, CALIFORNIA 92697-3625

September 30, 2017

**MICHAEL IZZI**  
**DIRECTOR OF INTERCOLLEGIATE ATHLETICS**  
**DEPARTMENT OF INTERCOLLEGIATE ATHLETICS**

**Re: Athletics Audit**  
**No. I2017-103**

Internal Audit Services has completed the review of the Department of Intercollegiate Athletics and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

*Mike Bathke*

Mike Bathke  
Director  
UC Irvine Internal Audit Services

Attachment

C: Audit Committee  
John Hauscarriague, Senior Associate Athletic Director  
Paula Smith, Deputy Athletic Director

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## I. MANAGEMENT SUMMARY

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In accordance with the fiscal year (FY) 17 audit plan, Internal Audit Services (IAS) reviewed business operations and other financial activities within the Department of Intercollegiate Athletics (IA). In general, the review in IA identified internal control and compliance weaknesses that should be improved to minimize business risks and ensure compliance with University policies and procedures and/or best business practices. The following concerns were noted.

**University Property Use** – An established business process for the use and scheduling of University property was not properly and consistently implemented with appropriate oversight. Invoice amounts did not include all charges and clients were not invoiced in a timely manner. Agreements were not executed and signed prior to the event dates or facility use, or maintained on file as required by policy. These observations are discussed in section V.1.

**Travel Expenses** – Travel reimbursements were not properly approved and/or lacked proper separation of duties. Supporting documentation, such as an agenda and/or the purpose for the trips or business meeting meals were not submitted as required by policy. In addition, travel reimbursements were not properly processed and approved and justification for expenses were not documented or was not sufficient. Further details related to these issues are provided in section V.2.

**Business Meetings and Entertainment Expenses** – Requested reimbursements were not properly approved and/or lacked proper separation of duties. Supporting documentation, such as an agenda and/or the purpose for the business meeting meals were not submitted as required. In addition, IAS noted that the frequency of business meeting meals exceeded the policy guidelines. These observations are discussed in section V.3.

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## II. BACKGROUND

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'The mission of IA at the University of California, Irvine (UCI) is to facilitate and enrich the education and personal growth of its students through their participation in competitive NCAA Division I athletics. IA is committed to the welfare of student-athletes and staff, and advocates an environment that promotes excellence in athletic and academic performance, sportsmanship, diversity, and gender equity. IA also supports the UCI's mission of public service and serves to generate a unifying spirit among students, faculty, staff, and alumni that transcends communities, cultures, and generations.'

The IA Business Office, which reports to the IA Director, manages or assists in financial and administrative matters for both staff and sports teams.

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## III. PURPOSE, SCOPE AND OBJECTIVES

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The purpose of the audit was to assess IA business risk, internal controls, and compliance with University policies and procedures. The review was designed to determine whether sufficient internal control measures are in place to prevent or detect inappropriate, non-compliant and/or fraudulent transactions, while ensuring efficiency and effectiveness in business operations. The audit scope included fiscal year 2015-2016 business operations and financial activities.

The following audit objectives were included in the review:

1. Review University property use business processes for compliance with policies and procedures and for assurance that invoices are properly and timely recorded, billed, collected, deposited, and reconciled.
2. Review travel expenses for proper accountability and separation of duties, adequate supporting documentation, assurance of valid and pre-authorized transactions, as well as compliance with policies and procedures.
3. Review business meeting and entertainment expenditures for proper accountability and separation of duties, adequate supporting documentation,

assurance of valid transactions, as well as compliance with policies and procedures.

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#### **IV. CONCLUSION**

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Many internal controls within IA business operations and financial activities have been established and implemented. However, concerns were noted with the practices and processes in University property use, travel expenses, and business meeting and entertainment expenditures.

Observation details were discussed with management, who formulated action plans to address the issues. These details are presented below.

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#### **V. OBSERVATIONS AND MANAGEMENT ACTION PLANS**

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##### **1. University Property Use**

###### **Background**

UCI Administrative Policy, Section 900-10: Policy on Use and Scheduling of UC Irvine Properties, was issued to ensure that University interior and exterior spaces are used efficiently and responsibly, and in ways consistent with the priorities of the University. Also, to comply with policy, the scheduling offices are required to obtaining required information and an agreement from the client prior to the event date. In addition, the policy also outlined the responsibilities of the scheduling offices in assigning and scheduling the use of campus properties under their purview.

###### **Observation**

IAS reviewed the IA Facilities and Operations (scheduling office) business process for obtaining required information and agreement, scheduling event date and time, billing invoices, collecting payments, and depositing checks. IAS noted that the current business procedures was not properly and consistently established and implemented with appropriate oversight of the

billing process and accounts reconciliation review. The following is a summary of the observations:

- Invoices were not billed to the client in a timely manner. For example, an invoice dated February 8, 2017 was generated for an agreement dated June 1, 2016 with event dates from June 20, 2016 through December 15, 2016.
- An invoice amount did not include all charges whereby the client was under billed by \$4,125. In one agreement dated February 8, 2016, although the dates and times were noted in the pricing document, the rates and corresponding charges for two dates were not calculated and included in the total invoice amount.
- Invoiced amounts were not collected in a timely manner and in some cases payments were not collected for several periods [aquatics center]. For example, a payment was collected on April 5, 2016 for an invoice dated September 1, 2015.
- Checks were not deposited in a timely manner as required by policy. For example, a check dated August 16, 2016 was deposited on September 15, 2016. Policy states that collections “shall be deposited at the designated Main Cashiering Station at least weekly or whenever collections exceed \$500.”
- Agreements with water polo and soccer clubs as well as an agreement with the head tennis coach were not executed and signed prior to the event dates or facility use as required by policy.
- Some agreements with water polo clubs were not maintained and on file as required.
- The current version of Policy 900-10, issued May 2010, was not attached as an exhibit to all agreements reviewed as required by policy. Instead, an older version of the policy, issued January 2003, was attached as an exhibit.

- Dates and beginning/ending times of events were not properly or timely obtained, updated, and maintained on file in the electronic calendar as supporting documentation to ensure accurate billing. For example, rain cancellations in August, September, and October 2015 were discussed/documentated on April 4, 2016 at the time of collections. In addition, documentation such as follow-up requests to schedule additional event dates or to cancel previously scheduled dates were not maintained or updated to the calendar to avoid double booking or maintenance work or for use as a working summary to accurately invoice the dates, times, and facilities used by the clients. Using the dates, times, and facilities documented in the calendar, IAS calculated that the invoice amount was under billed by \$13,925 for one agreement and under billed by \$3,813 for another agreement.

In addition, it should also be noted that the rates charged to clients were reviewed and reassessed every five years. Rates should be reviewed more frequently to ensure that rates are competitive and cover all appropriate overhead expenses. Furthermore, Risk Management was not consulted on the appropriate levels of insurance coverage and the necessity of the optional provisions consistent with the use and duration of the license for its agreement with each client in years. IA should consult with Risk Management to ensure that its agreements are clearly stated and outlined with the appropriate level of insurance in order to minimize possible legal and financial exposure.

### **Management Action Plan**

The IA Business Office and Facilities and Operations have reviewed UCI Administrative Policy, Section 900 as well as the audit observations and has determined the need to establish the following.

- Consistent invoice process for facilities rentals ensuring timeliness and consistency with rental agreement.
- System to monitor collections and ensure payments and deposits occur on a timely basis.
- System to obtain and process written facilities rental request which initiates development of the facilities rental agreement in advance of use of facilities.
- Filing system that is consistent for all facilities rental agreements.

- System to document reservation changes and/or cancellations.
- Review rental rates every two years for appropriateness.
- Review with Risk Management campus insurance requirements every year to verify to appropriate insurance is in place for facilities rentals.

The above action plan identifies the means to improving practices that will produce a more consistent business process for the management of facilities rentals.

## 2. Travel Expenses

### Background

As of July 1, 2014, reimbursements for various transactions such as entertainment, travel, and other expenses are processed through the Kuali Financial System (KFS), a comprehensive enterprise financial system used to process most of the campus' financial transactions. Reimbursement requests pertaining to travel expenditures must comply with University policy on travel regulations (G-28) in addition to UCI policies.

### Observation

Ten travel reimbursements were reviewed to determine if the department complied with policy and procedures. The following is a summary of the observations.

- One travel reimbursement was not properly approved and lacked proper separation of duties. The IA Director's travel reimbursement was approved by his subordinate and was not reviewed and approved by the Chancellor's office in accordance with policy.
- For one travel reimbursement, advance approval was not obtained to use surface transportation although air travel is the appropriate mode of transportation. In addition, a comparison of expenses between surface and air transportation was not submitted as supporting documentation.
- For seven travel reimbursements, required supporting documentation, such as an agenda and/or the purpose for the trips or business meeting



meals were not documented as required by policy. The business purpose for all business meeting meals were documented as either “business purpose” or “confidential business purpose”.

- For one travel reimbursement, the traveler was improperly reimbursed the entire taxi expenses for four passengers as reciprocity for dinner expense paid by one of the passengers.
- For one travel reimbursement, the traveler was improperly reimbursed for refreshments. Policy states that when the entire length of a trip is less than 24 hours, meal and incidental expenses shall not be reimbursed unless the travel includes an overnight stay as supported by a lodging receipt.
- For one travel reimbursement, exceptional approval was not requested for submitting the travel expense claim to the travel accounting office more than 60 days after the end of the trip as required by policy.
- For five travel expense claims, the traveler changed flights and was reimbursed a total of \$1,356 for the additional charges but did not document the business purpose for the flight changes. No explanation was given in two claims and “unforeseen circumstances” was the given explanation in three claims.
- In addition, the traveler did not comply with the department policy requiring original itemized receipts for one travel reimbursement and exceeding the \$25 daily maximum meal allowance for three travel reimbursements.

Internal controls, such as a proper documentation, i.e., sufficient description of the business purpose, authorization, and review, should be strengthened to comply with policy, reduce the potential for reimbursement of improper expenses as well as errors/inaccuracies, waste, and fraud to go undetected.

### **Management Action Plan**

Although it is IA’s business practice and objective to comply with travel reimbursement policy and procedures, the action plan identifies opportunities to improve reimbursement practices to ensure proper authorization and

review, proper documentation is obtained and provides sufficient description of business purpose. The IA Business Office has reviewed policy as well as the audit observations and has determined the following to be covered in a department-wide communication.

- Require meeting agendas to support business purpose of travel reimbursement requests for individual travel when appropriate.
- Require accurate business purpose descriptions on travel reimbursement forms, cautioning against the practice of inaccurate “cut and paste” descriptions.
- Update and communicate department policy regarding meal maximums and practices for claiming per diem reimbursements to responsibly approach university’s maximums.
- Communicate procedures for flight cancellations or changes to ensure business purpose is clearly outlined on reimbursement documents.
- Communicate procedure for advance approval documentation for surface travel reimbursement.
- When business meetings occur during travel, include host certification form with travel reimbursement documentation.

### **3. Business Meetings and Entertainment Expenses**

#### **Background**

As of July 1, 2014, reimbursements for various transactions such as entertainment, travel, and other expenses are processed through KFS. Reimbursement requests pertaining to business meeting and entertainment expenditures must comply with University policy (G-79) in addition to UCI policies.

#### **Observation**

Thirty business meeting and entertainment reimbursements were reviewed to determine if the IA complied with University and departmental policies and procedures. The following is a summary of the observations.

- For two reimbursement requests (one for business meeting meal expense and the other as part of a morale-building activity, retirement) were not

properly approved and lacked proper separation of duties. The IA Director's reimbursements were approved by his subordinate and were not reviewed and approved by the Chancellor's office in accordance with policy.

- For six reimbursement requests for business meeting meal expenses, the required business meeting documentation was not documented and submitted for review as required by policy. The business purpose for all business meeting meals were documented as "confidential business purpose". Policy states, "The business purpose of meals or light refreshments provided as part of a meeting must be explained (sufficient description of business purpose) on the Check Request (or electronic equivalent) or substantiated by other documentation (e.g., an agenda) attached to the form."
- For two meal reimbursement requests as part of a morale-building activity, the host certification was not signed and submitted as required by policy. The policy states "The signature of the host must also be obtained for entertainment, recruitment, and employee morale-building activities. A request to reimburse entertainment, recruitment, or employee morale-building expenses must include a written statement signed by the host and/or the approving authority certifying that the hospitality expenses were incurred for an official University business purpose."

In addition, IAS noted that the IA Director frequently requested reimbursements for meals and light refreshments. Policy states, "Meals and light refreshments that are provided by an employer to its employees on a frequent or routine basis are treated by the IRS as taxable income and therefore are not reimbursable under University policy."

The following guidelines should be followed in providing meals and light refreshments in connection with a business meeting, entertainment event, or employee morale-building activity.

- Meals should be limited to no more than once a month or twelve times per year, per group.

- Light refreshments should be limited to no more than twice per month, per group.”

Internal controls, such as a proper documentation, i.e., sufficient description of the business purpose, authorization, and review, should be strengthened to comply with policy, reduce the potential for reimbursement of improper expenses as well as errors/inaccuracies, waste, and fraud to go undetected.

### **Management Action Plan**

Although it is IA’s business practice and objective to comply with policy and procedures on expenditures for business meetings and entertainment, the action plan identifies opportunities to improve reimbursement practices to ensure proper authorization and review, proper documentation is obtained and provides sufficient description of business purpose. The IA Business Office reviewed the audit observations and has determined the following to be covered in a department-wide communication:

- Require accurate business purpose descriptions on reimbursement forms, cautioning against the practice of inaccurate “cut and paste” descriptions.
- Require the TEM Host Certification form with reimbursements related to morale-building functions.
- Communicate the policy regarding business meeting, entertainment event, or employee morale-building activity frequency (once a month per group).