

November 4, 2011

MARTA KUTAS  
Chair, Department of Cognitive Science  
0515

**Subject:        *Department of Cognitive Science***  
***Audit & Management Advisory Services Project 2012-04***

The final audit report for Department of Cognitive Science, Audit Report 2012-04, 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 (copied on tan paper for ease of identification) 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 this time.



Stephanie Burke  
Assistant Vice Chancellor  
Audit & Management Advisory Services

**Attachment**

cc:    D. Lake  
      D. Larson  
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      G. Matthews  
      D. McGraw  
      S. Vacca

**AUDIT & MANAGEMENT ADVISORY SERVICES**



University of California  
**San Diego**

**Department of Cognitive Science**  
**November 2011**

**Performed by:**

Ken Daniszewski, Auditor  
David Meier, Manager

**Approved by:**

Stephanie Burke, Assistant Vice Chancellor

Project Number: 2012-04

***Department of Cognitive Science  
Audit & Management Advisory Services Project 2012-04***

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***Department of Cognitive Science***  
***Audit & Management Advisory Services Project 2012-04***

**I. Background**

Audit & Management Advisory Services (AMAS) has completed a limited scope review of the Department of Cognitive Science as a part of the approved audit plan for Fiscal Year 2011-2012. This report summarizes the results of our review.

A landmark date for cognitive science at UCSD was the founding meeting of the Cognitive Science Society, held in 1979. In 1986, the UCSD Department of Cognitive Science was established, becoming the first Cognitive Science Department in the world. From its inception, the UCSD Cognitive Science Department has promoted an interdisciplinary approach to the study of learning, perception, action, and interaction in the physical, material, social, and cultural world.

The Department of Cognitive Science offers both a B.A. and a B.S. degree, as well as two Ph.D. programs in Cognitive Science which currently serve approximately 665 undergraduate and 36 graduate students. For the Fiscal Year 2010-11, the Department of Cognitive Science managed a total budget of approximately \$6.7 million including \$3.2 million (48%) in general funds. Approximately 73% of departmental expenditures were for salaries and benefits, 6% for supplies and expenses, and 2% for travel expenses.

**II. Audit Objective, Scope, and Procedures**

The objective of our audit was to review key internal controls for departmental financial activity, and evaluate whether these internal controls provided reasonable assurance that financial activity was conducted in accordance with University and campus policies and procedures. This was not a full scope audit using a broad-based preliminary survey approach to evaluating department risk as prescribed by the Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing. Rather, this was a limited scope review of key department internal controls for financial activities based on department management's assertions, and AMAS testing performed to validate those assertions. The scope of our review consisted of department financial activities in the prior and current fiscal years.

In order to fulfill our objective, we interviewed the Department Management Services Officer (MSO); evaluated the AMAS internal control questionnaires and separation of duties matrix completed by the MSO; reviewed department timekeeping, payroll, purchasing processes and travel; examined department financial reports, files, and documents; and performed limited transaction testing for selected financial activities, (Attachment A).

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**III. Conclusion**

Based on our procedures, we concluded that in general the key internal controls we evaluated provided reasonable assurance that financial activity was conducted in accordance with University and campus policies and procedures. However, we noted several opportunities for improvement in the department's internal control processes, as described in the following section.

**IV. Observations and Management Corrective Actions**

**A. Approvals for the Department Chair's Expenses**

**Travel and entertainment expenses of the Department Chair were not reviewed and approved in accordance with University policy**

University policy provides that travel and entertainment expenses should not be approved by personnel that report, directly or indirectly, to the person incurring (claiming) the expenditure. However, at the time of our audit, the travel and entertainment expenses of the Department Chair were being reviewed and approved by the Department's chief administrative officer, who reports to the Chair.

**Management Corrective Action:**

The Cognitive Science Department submits the Department Chair's travel and entertainment expenses to the Dean's Office for review and approval.

**B. Review of the Distribution of Payroll Expense (DOPE) Reports**

**Review of the Distribution of Payroll Expense Reports was not adequately documented.**

Documentation supporting the review of monthly Distribution of Payroll Expense Reports (DOPE) was not adequately documented. UC Policy, IA 101, *Internal Control Standards: Department Payrolls* requires DOPE reviews to be performed monthly and requires that this DOPE review be adequately documented. However during our audit we found that no documented audit trail was being established for the monthly DOPE reviews. The failure to document the monthly DOPE review increases the risk that the department would have inadequate documentation to support its expenditures in the event of a federal audit.

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**Management Corrective Action:**

The Department will document the monthly DOPE reviews and maintain this documentation in accordance with University policy.

**C. SAS 112 Key Controls Documentation**

**Requirements of campus guidelines for documenting key controls were not being met.**

*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 determining the seriousness of internal control issues. SAS 112 establishes standards and provides guidance on communicating matters related to an entity's internal control over financial reporting identified in an audit of financial statements.

Through specific requirements of the UCSD Office of the Controller, as posted in guidance on BLINK, all Department's must certify and document key controls to demonstrate that review and follow-up activities were actually performed. The goal of this campus requirement is to ensure that existing key controls are in place and that UCSD can demonstrate through documentation that they are operating as intended. Departments are required to provide documented evidence that internal control activities are being performed on a regular basis as prescribed by SAS 112. If the department is not able to provide this documentation, it may be inferred that key controls have not been implemented.

**Management Corrective Action:**

The Cognitive Science Department will begin using the UCSD online SAS 112 reporting system which is currently being implemented.

**D. Employee Performance Appraisals**

**Performance appraisals were not consistently being provided to staff members on a timely basis in accordance with University policy.**

UC Personnel Policies for Staff Members state that, "The performance of each employee shall be appraised annually in writing by the employee's immediate supervisor, or more frequently, in accordance with local procedures." The appraisals serve to foster communication between supervisors and employees and to establish agreed upon performance expectations, while promoting a correlation between pay and performance. However, during our review we found that annual performance appraisals were often not performed for staff members within the Department, specifically lab support staff.

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**Management Corrective Action:**

The Department will ensure that annual written performance appraisals are conducted for all Cognitive Science staff personnel.

**E. Employee Background Checks**

**Employee background checks were not always conducted for Cognitive Science employees in accordance with University policy.**

UC Personnel Policies for Staff Members, revised September 1, 2006, established guidelines for critical positions requiring background checks. These guidelines designated an expanded number of University positions as critical positions requiring background checks. Recently, the UCSD Human Resource Department issued guidance on the BLINK website requiring that the broader UCOP guidelines on background checks be followed for campus hiring at UCSD. However, during our review we found that these requirements as to which positions require background checks have not yet been implemented within the Cognitive Science Department.

**Management Corrective Action:**

The Department will ensure for future hires that employee background checks are conducted for all Cognitive Science staff personnel as per the UCOP and campus requirements.

**F. Equipment Inventory**

**A documented equipment inventory count has not been conducted for more than two years.**

UC Business and Finance Bulletin (BUS) 29: *Management and Control of University Equipment* requires that the custodial department complete a physical inventory of all University inventorial equipment, government inventorial equipment, other government property, and other inventorial items at least every two years. The policy further states that the individual who performs the inventory may not also be assigned the responsibility for ordering or purchasing the property, maintaining the property records, or maintaining direct custody of the property.

However, during our audit we learned that the Cognitive Science Department did not have documentation to show that a physical inventory had been conducted within the department during the preceding two years.

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**Management Corrective Action:**

Department management will ensure that an equipment inventory is completed and documented at least biannually as required by University policy.



**Department of Cognitive Science  
 Audit Results by Business Office Functional Process  
 Audit & Management Advisory Services Project #2012-04**

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)			
Timekeeping, Payroll and HR	√	√	√	Reviewed selected timesheets, absence slips, LASR's, job descriptions, background checks and performance appraisals.	No	Needs Improvement	Timekeeping was well documented. However we noted that employee performance appraisals and background checks are not performed when required by policy. (See Report Observations IV.D and IV.E, page 3)
Transaction Processing - Non-Payroll Expenditures	√	√	√	Reviewed randomly selected transactions, traced to supporting documents.	Yes	Satisfactory	Supporting documentation was adequate.
Travel and Entertainment	√	√	√	Reviewed randomly selected transactions, traced to vouchers (TEV's) & supporting documents.	No	Needs Improvement	We noted that the Chair's travel and entertainment expenses were reviewed by an individual who reports to the Chair. (See Report Observation IV.A, page 2)

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

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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 selected operating ledgers, overdraft, Transaction Sampling, MyFunds and other financial reports.	No	Needs Improvement	We noted that the monthly DOPE review was not being documented as required by University policy. (See Report Observation IV.B, page 2)
Contract & Grant Activity (Post Award Admin.)	√	√	√	Reviewed selected grant proposal documents, award documents, budgets, timesheets, ECERT reports, non-payroll expenses, human subjects and other grant-related documents.	Yes	Satisfactory	Contract and Grant activity was monitored documented in compliance with University and sponsor requirements.
Expenditure Transfers	√	√	√	Reviewed transfer explanations for reasonableness.	Yes	Satisfactory	Transfer explanations appear reasonable. No exceptions were noted.

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

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Audit Results by Business Office Functional Process  
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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)			
Express Card	√	√	√	Reviewed randomly selected transactions; traced to supporting documentation.	Yes	Satisfactory	Purchases were processed and supported by documentation as required by University policy.
SAS 112 Department Key Controls Document			√	Reviewed for Department Key Controls Documentation.	No	Needs Improvement	We noted that SAS 112 key control documentation was not being maintained as required by University policy, (See Report Observation IV.C, page 3)
Equipment Management	√	√	√	Reviewed inventory listing and recent equipment acquisitions	No	Needs Improvement	We noted that documentation of a physical equipment inventory within the preceding two years was not available, (See Report Observation IV.F, page 4)

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