

March 2, 2016

MARK COOPER
Director
Office of Post Award Financial Services
0954

Subject: *Drawdowns (Cash Management)*
Report 2016-03

The final report for Drawdowns (Cash Management), Report 2016-03 is attached. We would like to thank all members of the department for their cooperation and assistance during the review.

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
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UC San Diego

AUDIT & MANAGEMENT ADVISORY SERVICES

Drawdowns (Cash Management)
Report No. 2016-03
March 2016

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TABLE OF CONTENTS

I. EXECUTIVE SUMMARY 3

II. BACKGROUND..... 4

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES 4

IV. CONCLUSION..... 5

I. EXECUTIVE SUMMARY

Audit & Management Advisory Services (AMAS) has completed a review of the cash management controls and information systems within the Office of Post Award Financial Services (OPAFS) as part of the approved audit plan for Fiscal Year 2015-16. The objectives of this review were to assess the oversight for the drawdown of funds and the adequacy of accounting controls for cash draws, including policy and documentation standards.

We concluded that OPAFS Cash Management practices for the oversight of cash drawdowns were adequate to ensure accurate and timely Letter of Credit (LOC) draws for applicable project expenditures. The practices reviewed were a combination of automated and manual procedures that were evaluated individually and in combination to assess their integrity. Automated IDC calculations within the Access database ensured the proper amounts were included in drawdowns. Additionally, manual procedures performed in agency workbooks appeared to identify and prevent inappropriate drawdowns related to fund overdrafts and over authorized funding amounts.

II. BACKGROUND

Audit & Management Advisory Services (AMAS) has completed a review of the cash management controls and information systems within the Office of Post Award Financial Services (OPAFS) as part of the approved audit plan for Fiscal Year 2015-16. This report summarizes the results of our review.

OPAFS is a division of Business and Financial Services which provides post award services including the establishment of awards in the University financial system, providing professional advice to UCSD award recipients throughout the course of the project, monitoring for compliance, preparation of financial reports required by grantors, and the billing and drawdown of project funds. OPAFS employs approximately 33 personnel, two of whom are responsible for Cash Management activities.

Cash Management is the group within OPAFS that is primarily responsible for the drawdown of LOC¹ funded awards. In addition, Cash Management has the responsibility for reconciling amounts drawn per University financial systems to grantor records, and the preparation and submission for Federal reporting. Agencies that award project funds via LOC include, but are not limited to, the National Science Foundation (NSF), Department of Health and Human Services (DHHS), various National Aeronautics and Space Administration (NASA) agencies, and Department of Education.

OPAFS has advised the dollar volume of the LOC revenue draw was approximately \$60 million per month. The number of draws per month by agency depends on the amount of award expenditures. The drawdown amount is based on detailed daily expenditure data downloaded directly into a Microsoft Access database from the UCSD Data Warehouse. The original source of the expenditure data is the Integrated Financial Information System, or IFIS.

OPAFS recently replaced the legacy billing system for managing sponsored research grant invoices with a new platform called the Sponsored Projects Accounts Receivable and Cash Management (SPARCM) tool. The introduction of this tool has increased the billing timeliness and accuracy. Currently the campus generates more than 10,000 invoices totaling \$300 million a year. The SPARCM has reduced the tedious process of generating monthly invoices from two weeks to a few hours. A new module within SPARCM was recently introduced that allows departments to have visibility of non-LOC invoices.

OPAFS is currently working with Information Technology Services (ITS) to integrate the drawdown process into SPARCM, which will eliminate manual activities and streamline efficiencies. The Cash Management accountant is responsible for the drawdown processes and will be retiring in June 2016. OPAFS plans to replace this staff position after the drawdown process has been implemented in SPARCM. In the interim, OPAFS has trained additional Cash Management personnel to provide support after the retirement and up to the drawdown process going live in SPARCM. OPAFS anticipates implementation to occur in early Fiscal Year 2016-17.

III. AUDIT OBJECTIVE, SCOPE, AND PROCEDURES

The objectives of this review were to assess the oversight for the drawdown of funds and the adequacy

¹ A document guaranteeing payment based on delivery conditions.

of accounting controls for cash draws, including policy and documentation standards. In order to achieve our objective, we performed the following:

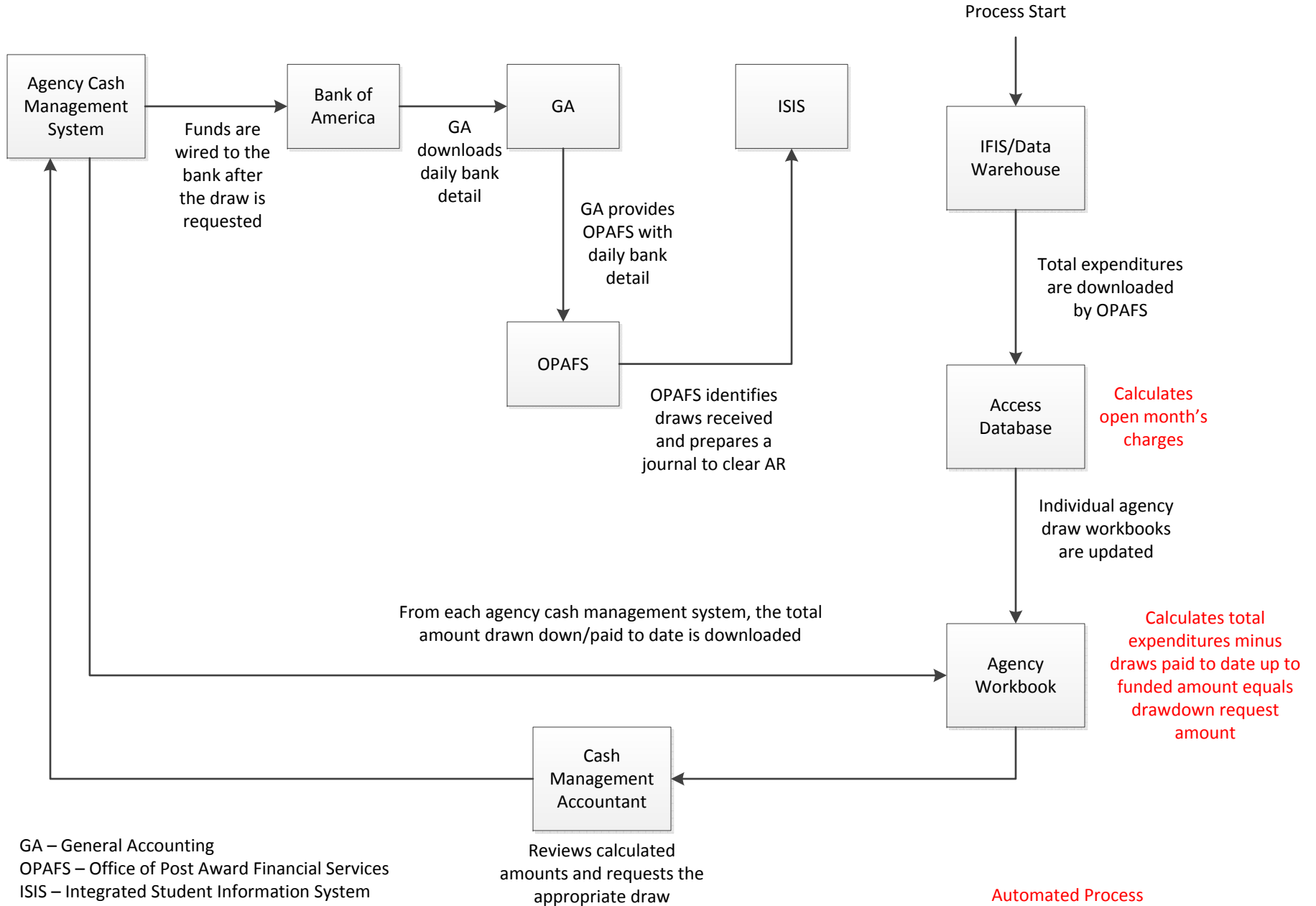
- Reviewed and documented the department's drawdown process (**Attachment A**);
- Reviewed written LOC drawdown and monthly reconciliation procedures;
- Reviewed information systems used in the Cash Management for the LOC drawdown processes;
- Reviewed SAS 112 Key Controls Documentation;
- Conducted interviews with OPAFS management and key personnel involved with the LOC drawdown procedures;
- Selected a sample of Federal agency LOC drawdown transactions for the quarter of July 1, 2015 through September 30, 2015, tested for the following characteristics;
 - Tested a sample of 35 Federal agency notice of awards for accuracy by comparing them to OPAFS record of authorized funding;
 - Tested a sample of 10ⁱ Agency funds to ensure the accurate calculation of indirect cost (IDC) performed by the Access database, and the timeliness of drawdown deposits to journal processing.

IV. CONCLUSION

Based on our review, we concluded that OPAFS Cash Management practices for the oversight of cash drawdowns were adequate to ensure accurate and timely LOC draws for applicable project expenditures. The practices reviewed were a combination of automated and manual procedures that were evaluated individually and in combination to assess their integrity. Automated IDC calculations within the Access database ensured the proper amounts were included in drawdowns. Additionally, manual procedures performed in agency workbooks appeared to identify and prevent inappropriate drawdowns related to fund overdrafts and over authorized funding amounts.

ⁱ This sample is included in the sample of 35.

Drawdowns (Cash Management)
Audit & Management Advisory Services Project #2016-03
Attachment A
Drawdown Letter of Credit Overview



GA – General Accounting
 OPAFS – Office of Post Award Financial Services
 ISIS – Integrated Student Information System
 IFIS – Integrated Financial Information System
 AR – Accounts Receivable

Reviews calculated amounts and requests the appropriate draw

Automated Process