

February 28, 2011

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Director, Disbursements and Travel
0955

***Subject: MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05***

The final audit report for *MyMeetings and Hosted Events*, Audit Report 2011-05, is attached. We would like to thank all members of the department for their cooperation and assistance during the audit.

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 the conclusion of the audit exit conference. AMAS also requests that draft reports not be photocopied or otherwise redistributed.

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AUDIT & MANAGEMENT ADVISORY SERVICES



University of California
San Diego

MyMeetings and Hosted Events December, 2010

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Project Number: 2011-05

MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05

Table of Contents

I.	Background.....	1
II.	Audit Objective, Scope, and Procedures.....	2
III.	Conclusion	3
IV.	Observations and Management Corrective Actions	3
	A. Federal Contract and Grant Fund Restrictions.....	3
	B. Event Type Classification	5

APPENDIX A – MyEvents Application Decision Tree

APPENDIX B – Event Type Definitions

APPENDIX C – Event Routing/Heirachy

MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05

I. Background

Audit & Management Advisory Services (AMAS) has completed a post-implementation review of the MyMeetings and Hosted Events application as part of the approved audit plan for fiscal year 2010-11. This report summarizes the results of our review.

University of California Business and Financial Bulletin BUS-79, Expenditures for Business Meetings, Entertainment, and Other Occasions (BUS-79) outlines policies and procedures that govern expenditures related to hospitality to academic and staff employees, and on behalf of non-employee donors, visitors, volunteers and students in connection with a business meeting, entertainment event or programmatic activity. BUS-79 details the University's various documentation requirements, cost and fund restrictions, and the level of approval needed based on the type of event and costs incurred.

In May 2008 a UCSD Tiger Team was formed to develop a web-based application to manage the accounting, processing, and payment for entertainment, meetings and programmatic activities. Before then, departments used a manual paper-based process to submit, review and approve entertainment and business meeting expenses. On August 20, 2009 the MyMeetings and Hosted Events (MyEvents) application was rolled out to pilot departments. The pilot was a success, and the production version of the application was made available to the entire UCSD campus on October 1, 2009

The MyEvents application is designed to incorporate many of the requirements of BUS-79, and contains many features that streamline the reporting, review and approval process. The system is designed so that the information requested from the employee initially entering the data into the system (the preparer) differs based on the type of event. In addition, based on the information provided, the system may prompt the preparer to attach supporting documentation; restrict expenditures based on the funding source used; or require additional approvals. A MyEvents decision tree detailing the information, documentation and approvals required by the application is provided at **Appendix A**.

In order for a department to use the MyEvents application, the Departmental Security Administrator (DSA) must first set-up at least one ENT/EN approval template. UCSD Travel is automatically added to template level one, giving them final approval. The DSA adds the delegated department approver to template level two, the fund manager to level three and the preparer to level four. Unlike other IFIS approval templates, the ENT/EN template is limited to four levels, but an unlimited number of alternate approvals can be designated by the DSA. Also, the DSA may create multiple ENT/EN templates for each preparer (user).

The level of approval required for each event depends on the type of event and whether or not the event is considered special entertainment. Definitions for each type of event,

MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05

as well as examples for each type, are provided at **Appendix B**. The preparer and fund manager approvals are always required, and approval from a department contact with delegated authority is required for entertainment events. If the event is attended by a spouse or family member, is a “celebrating” or “attending” event type, or has a cost per person that exceeds the maximum limit established by BUS-79, the event is considered special entertainment and requires Vice Chancellor or designee approval. Chancellor approval is required when the cost per person exceeds the maximum limit by 200%.

Appendix C provides a graphical overview of the MyEvents event approval routing and hierarchy.

As indicated above, UCSD Travel is automatically added to the EN/ENT template for final approval. UCSD Travel conducts a review of every event processed through the MyEvents system. The review includes, but is not limited to, ensuring that the event was properly classified, comparing the number of participants reported on the guest listing, ensuring that the attached receipt (when required) is adequate and agrees to the expenditure reported, and determining if the individual providing department approval for entertainment events has a delegation approval form on file for a limited number of events (selected on a sample basis).

II. Audit Objective, Scope, and Procedures

The objective of our review was to evaluate whether the MyEvents application controls were adequate to reasonably assure compliance with the requirements of BUS-79. In order to achieve our objectives we completed the following:

- Reviewed BUS-79;
- Interviewed the Director of Travel and Disbursements, the Assistant Director of Travel, the Administrative Computing and Telecommunication (ACT) Programmer Analyst responsible for development and maintenance of MyEvents, and the Travel and Entertainment Operations Supervisor;
- Viewed the MyEvents online tutorial;
- Reviewed Tiger Team development documentation available via SourceForge;
- Tested the functionality of the system by simulating a number of events in the Quality Assurance (QA) environment;
- Summarized the MyEvents decision tree (**Appendix A**);
- Using a MyEvents QueryLink query developed by the ACT Programmer Analyst responsible for maintenance of the MyEvents application, determined how many events were processed between January 1, 2009 and November 16, 2010 included purchases of alcohol that were personally reimbursed;
- Using Audit Command Language (ACL) performed data analysis on MyEvents transactions between January 1, 2009 and November 16, 2010 to determine if reimbursement for alcoholic beverages was charged to federal contract & grant funds (based on the federal fund range);

*MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05*

- Determined if there were any instances in which the MyEvents preparer was also the fund manager or department approver for transactions between January 1, 2010 and November 16, 2010; and
- Using ACL, selected a random sample of 15 transactions processed between January 1, 2009 and November 16, 2010 that contained expenditures of at least \$75, and tested transaction attributes as follows:
 - ✓ Determined if the event type selected by the preparer appeared reasonable based on the event description provided;
 - ✓ Verified that the transaction was supported by an itemized receipt, and that the itemized receipt total agreed to the expenditure amount entered by the preparer;
 - ✓ Determined if the event was classified as special entertainment and, if so, if the transaction was properly approved by a Vice Chancellor or designated authority; and
 - ✓ For hosting or attending events, verified that the transaction received department approval and, if so, that the department approver did not report directly or indirectly to the host.

III. Conclusion

Based on the audit procedures described above, we concluded that the MyEvents application was generally adequate to reasonably assure compliance with BUS-79. The system appeared effective in obtaining required documentation and approvals, and in most cases disallowed the processing of costs that are restricted by BUS-79. However, we did find areas in which system controls could be improved to provide greater assurance that the requirements of BUS-79 are being met. These findings are discussed further in the balance of this report.

IV. Observations and Management Corrective Actions

A. Federal Contract and Grant Fund Restrictions

The MyEvents application required supplemental testing and coding corrections to help prevent alcoholic beverage expenditures from being charged to all fund ranges for federal contract and grant funds to help prevent alcohol expenditures from being charged to federal contract and grant funds.

BUS-79, Section VIII.F describes funding source restrictions for expenses subject to BUS-79. In summary, the policy prohibits any exceptional entertainment or alcohol expenditures from being charged to state funding sources. In addition, federal funding sources may be used for entertainment expenses only as allowed by the contract or grant, but under no circumstances may expenses for alcohol be

MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05

charged to federal contract and grant funds. This policy is consistent with the Office of Management and Budget Cost Principles for Educational Institutions (OMB Circular A-21), which does not allow alcohol purchases to be charged to federal funding sources.

For most event types, the MyEvents application will prompt the preparer to indicate whether or not the reimbursement of payment will include an expense for alcohol. If the preparer indicates that an expense for alcohol is included, the MyEvents user interface will display a comment regarding fund source restrictions, as well as a hyperlink to the Blink page listing all of the fund source restriction discussed in the preceding paragraph.

When processing an event through the MyEvents application, the preparer designates what IFIS index or indexes will be used to post the expenditures (**Appendix A-9**). When the preparer indicates that alcohol was purchased for the event, the application will check to determine what IFIS fund ranges were included in the IFIS indexes designated. If only state appropriation or general fund were designated (funds 180XXX, 181XXX or 199XXX) the system will prompt the user that an index that uses a non-restrictive fund source must be designated for the alcohol amount. Otherwise, the transaction cannot be processed.

While this appears to be an effective system control to ensure that alcohol purchases are not posted to state appropriation or general fund ranges, there was not a corresponding system control in production to ensure that alcohol purchases were not posted to federal contract and grant funds (fund range 21000A-33999A), or federal flow-through funds (fund ranges 18800A-18899Z and 20851A-20899Z). Therefore, the system could process an event with alcohol using only federal contract and grant or federal flow-through funds. However, the transaction would not be in compliance with BUS-79 and OMB Circular A-21.

In meeting with Travel and Disbursements staff in regards to this issue, it was clear that the department was fully aware of the requirement, and has historically reviewed entertainment documentation to ensure that alcohol has not been purchased using federal funding sources. Therefore, this issue appears to be a technical oversight during the testing phase of the application development process.

Our testing of transactions did not identify any instances in which alcohol was charged to a federal contract and grant fund using the MyEvents system.

MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05

Management Corrective Action:

The MyEvents application control had been modified to ensure that events containing alcohol expenses cannot be charged to solely to funds within the federal contract and grand fund range (21000A-33999A), or to funds within the federal flow-through fund ranges (18800A–18899Z and 20851A–20899Z).

B. Event Type Classification

Four of the 15 MyEvent transactions that we examined did not appear to have the correct event type classification based on the event description provided. As a result, these events did not receive delegated department approval, as required by policy.

One of the most significant features of the MyEvents application is that information requested from the preparer in regards to the event, as well the approvals required, are customized based on the event type selected and subsequent information provided by the preparer. For example, if the preparer classifies an event as a “hosting” type event, the system will require that the transaction be approved by a delegated department approver who does not report directly or indirectly to the host. Similarly, “celebrating” and “attending” type events require Vice Chancellor or designee approval. As a result, the system should facilitate enhanced compliance with BUS-79.

In order to reasonably assure that information provided by the preparer is correct, and that department approval (when required) had been properly delegated, the UCSD Travel team performs a review of each MyEvent transaction before giving the transaction final approval.

To validate that UCSD Travel review processes were being performed adequately, AMAS randomly selected 15 MyEvent transactions with expenses over \$75 for detailed testing. Overall, the transactions appeared to be well documented and properly approved. However, four of the transactions reviewed that were classified as meetings appear to have actually been “hosting” type events based on the description provided. Details concerning these events are provided in the following table.

MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05

Document Number	Event Description (Summary)	Number of Participants	Participant Description
E0000327	Dinner hosted by a University Professor following a lecture at the American Heart Association convention in Orlando, Florida.	10	Researchers attending the conference.
E0002918	UCSD Associate Director took a UCLA Professor and two graduate students to dinner following a seminar and subsequent office hours.	Four	Two professors and two graduate students.
E0006576	Lactation Program meeting dinner that included 4 non-UCSD individuals.	Five	San Jose Lactation Clinical Staff.
E0007419	Conference Post-meeting Refreshments provided to attendees.	409	Conference Staff and attendees.

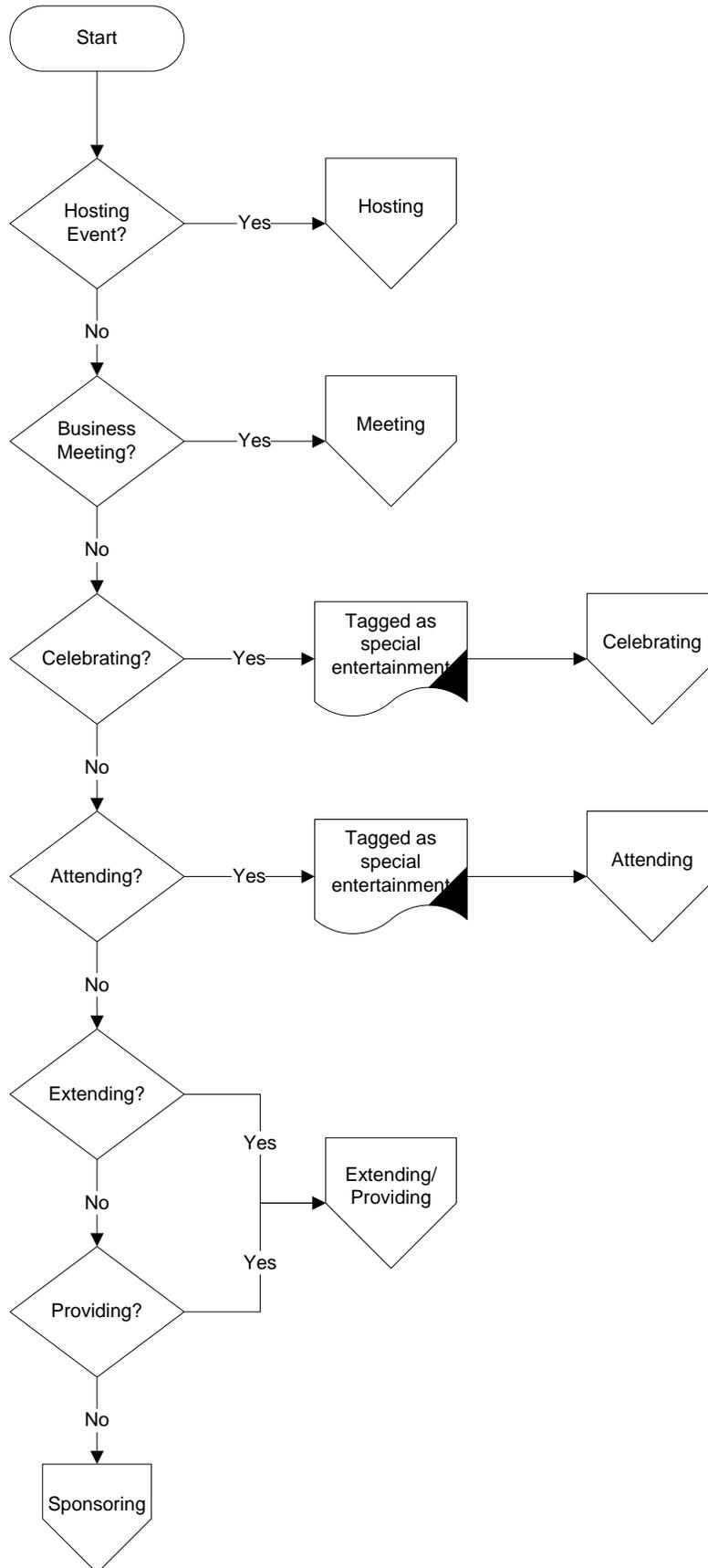
As mentioned above, “hosting” type events requires the approval of a delegated department approver. However, because the events listed in the above table were classified as meetings, delegated department approval was not required prior to posting the expenses to the operating ledger. In addition, the last event listed contained alcohol purchases. When a preparer classifies an event as a meeting they are not presented with questions pertaining to alcohol and, by extension, the system controls in place to prevent alcohol from being posted to state or federal contract and grant funds are not used for meeting type events. In this case, alcohol expenses incurred for the event listed above were posted to unrestricted funding sources.

Management Corrective Action:

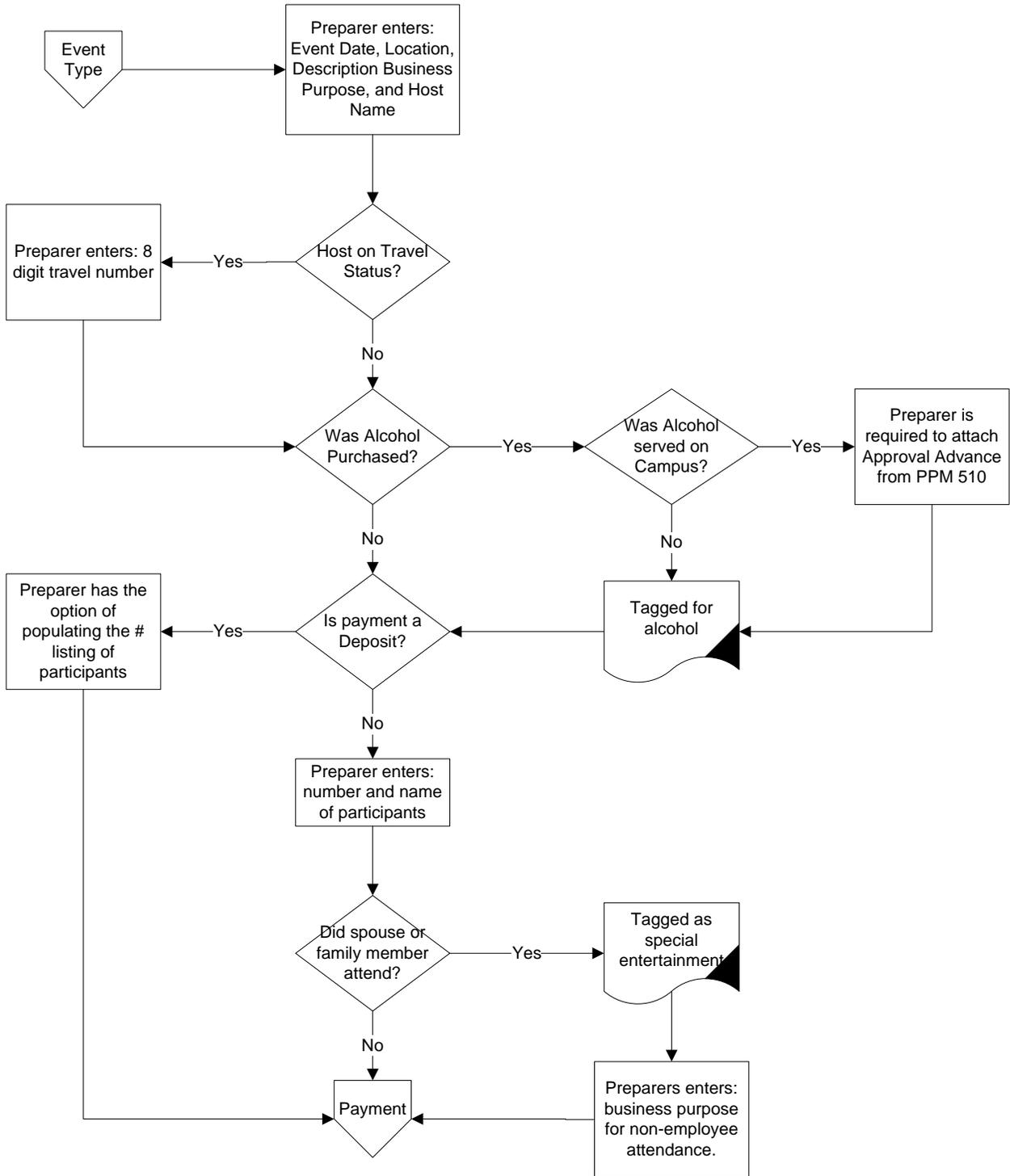
UCSD Travel has developed additional guidance to help departments distinguish between a meeting and a hosting event.

In addition, the UCSD Travel team will continue to closely review the classification of the events processed through the MyEvents system so that the proper system controls are used and the appropriate approvals are obtained.

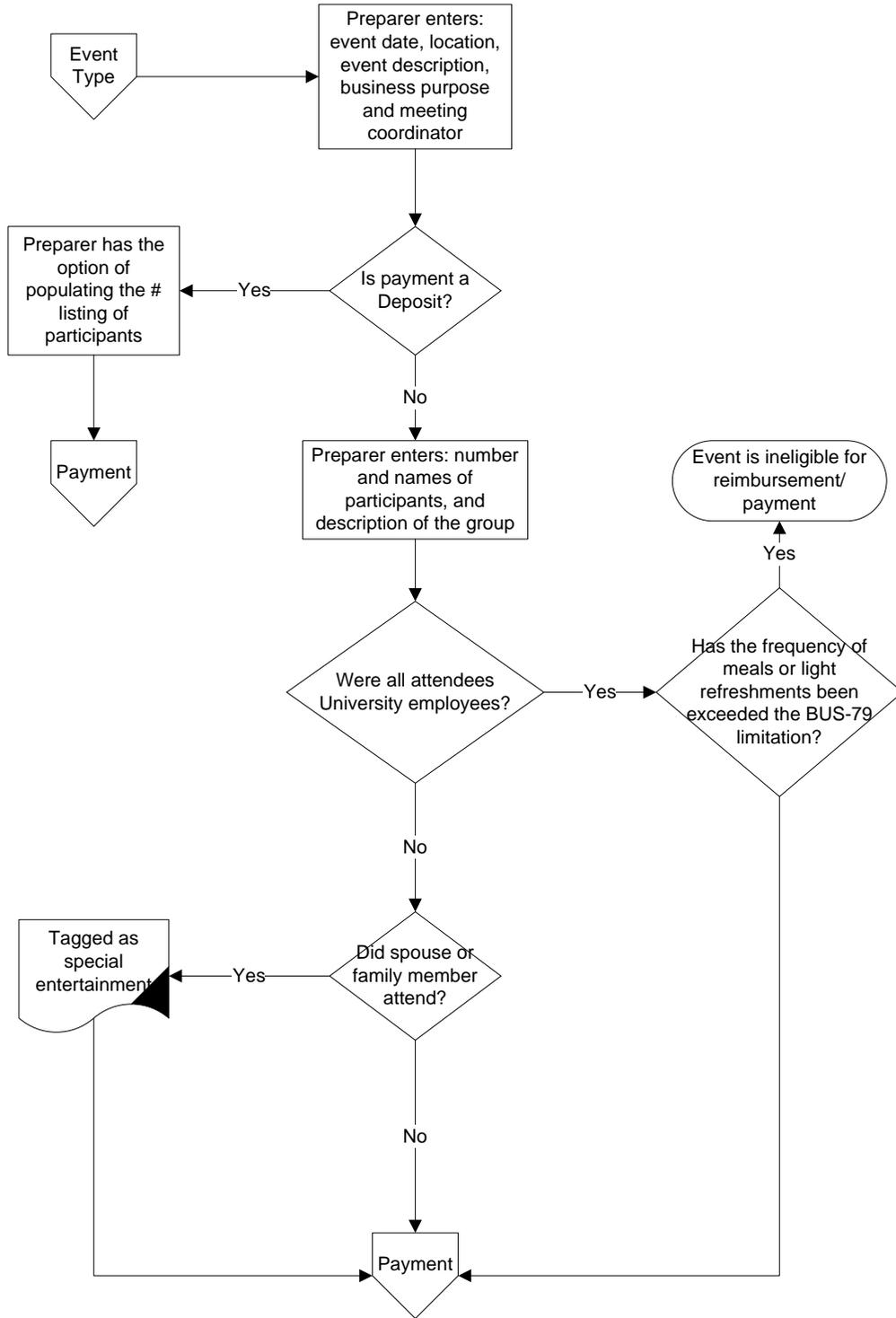
MyMeetings and Hosted Events
Audit & Management Advisory Services Project #2011-05
Application Decision Tree
Application Step 1 (Event Type)



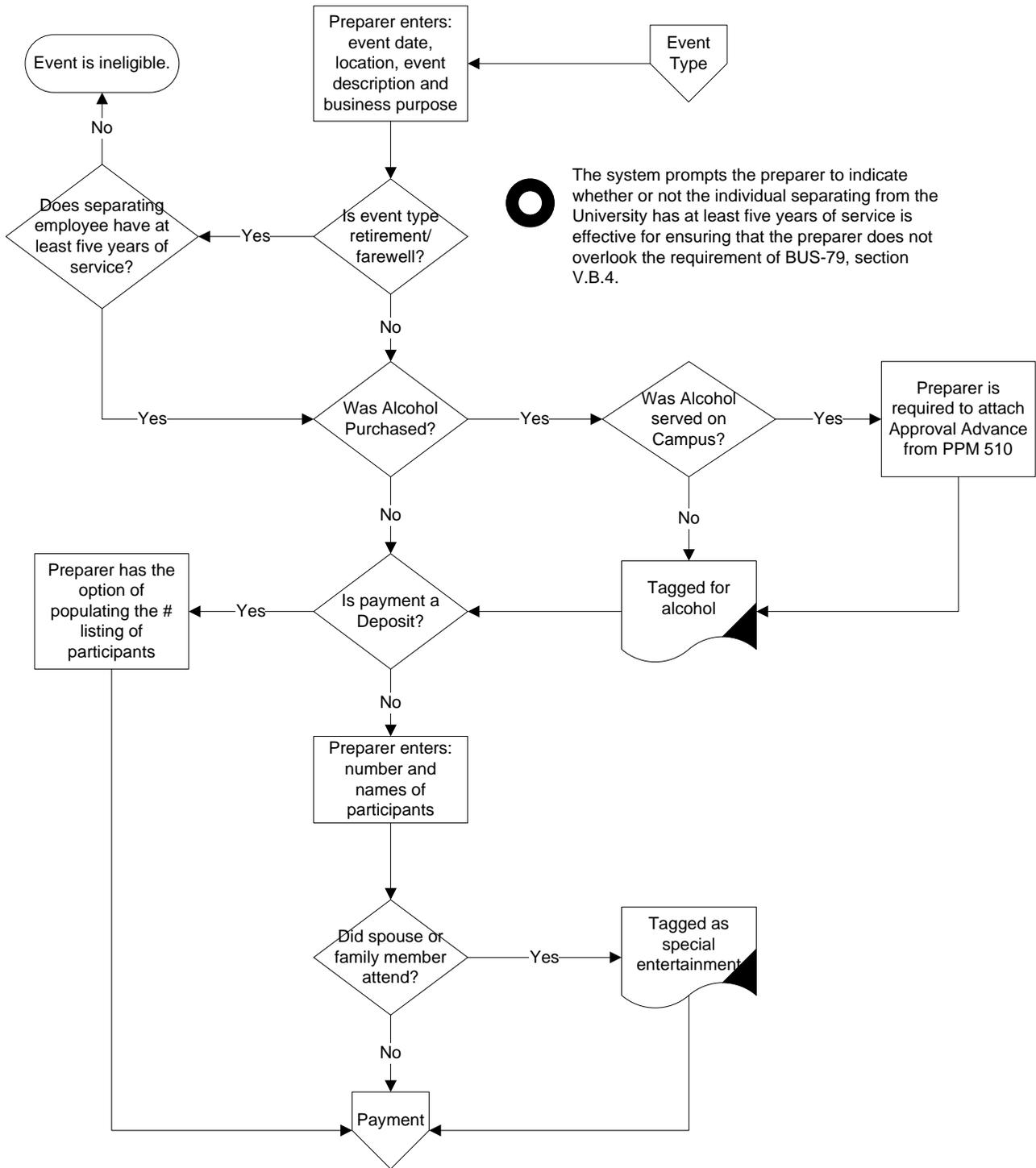
MyMeetings and Hosted Events
 Audit & Management Advisory Services Project #2011-05
 Application Decision Tree
 Application Steps 2 and 3 (Information and Guests)
 Event Type: Hosting



MyMeetings and Hosted Events
 Audit & Management Advisory Services Project #2011-05
 Application Decision Tree
 Application Steps 2 and 3 (Information and Guests)
 Event Type: Meeting

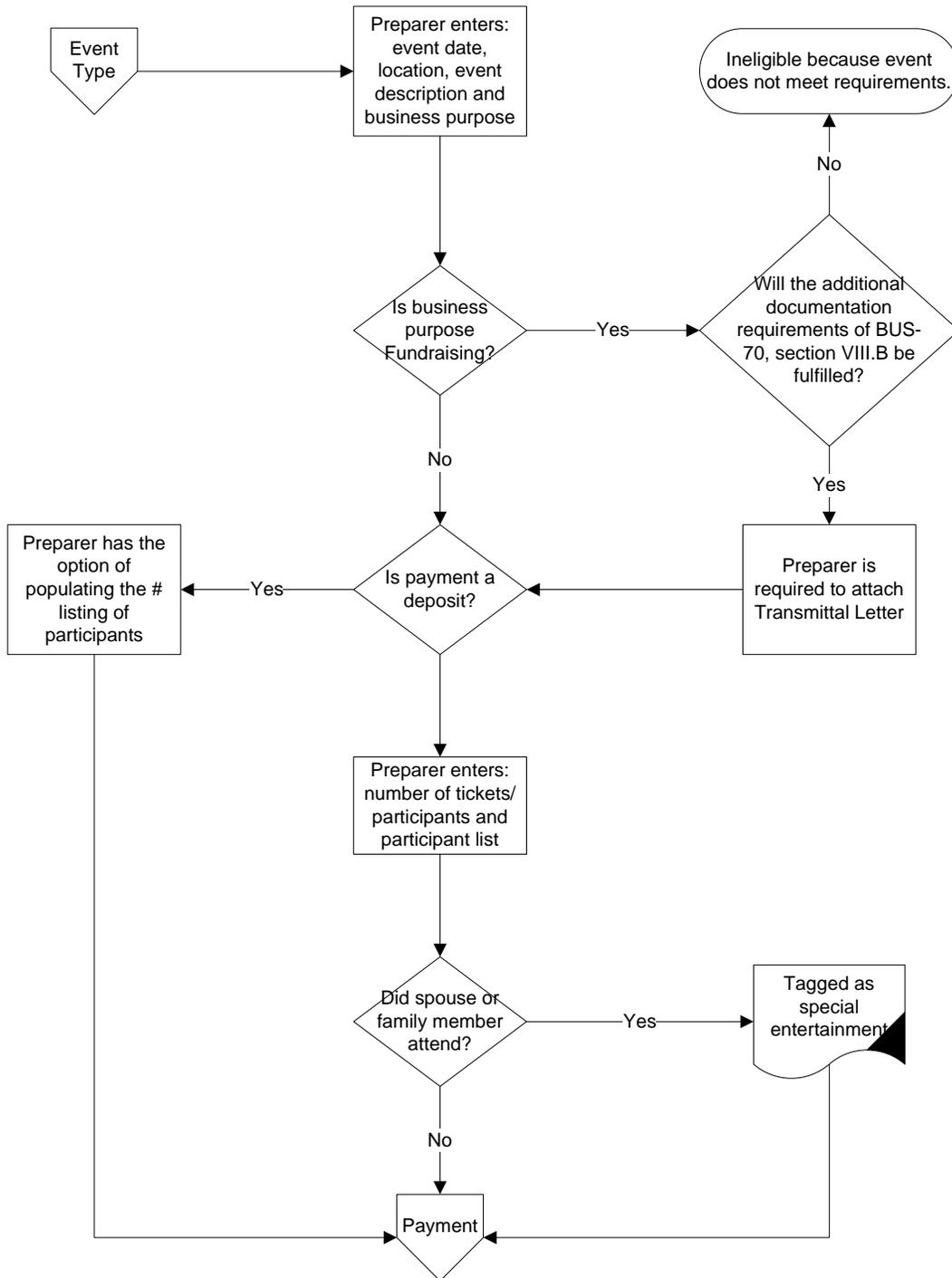


MyMeetings and Hosted Events
 Audit & Management Advisory Services Project #2011-05
 Application Decision Tree
 Application Steps 2 and 3 (Information and Guests)
 Event Type: Celebrating

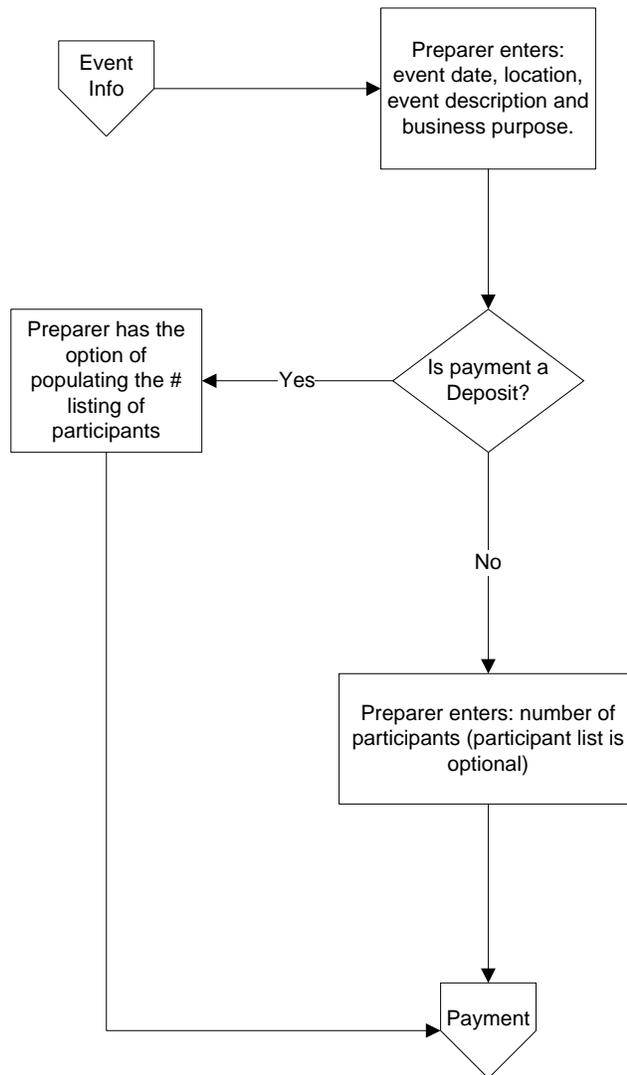


The system prompts the preparer to indicate whether or not the individual separating from the University has at least five years of service is effective for ensuring that the preparer does not overlook the requirement of BUS-79, section V.B.4.

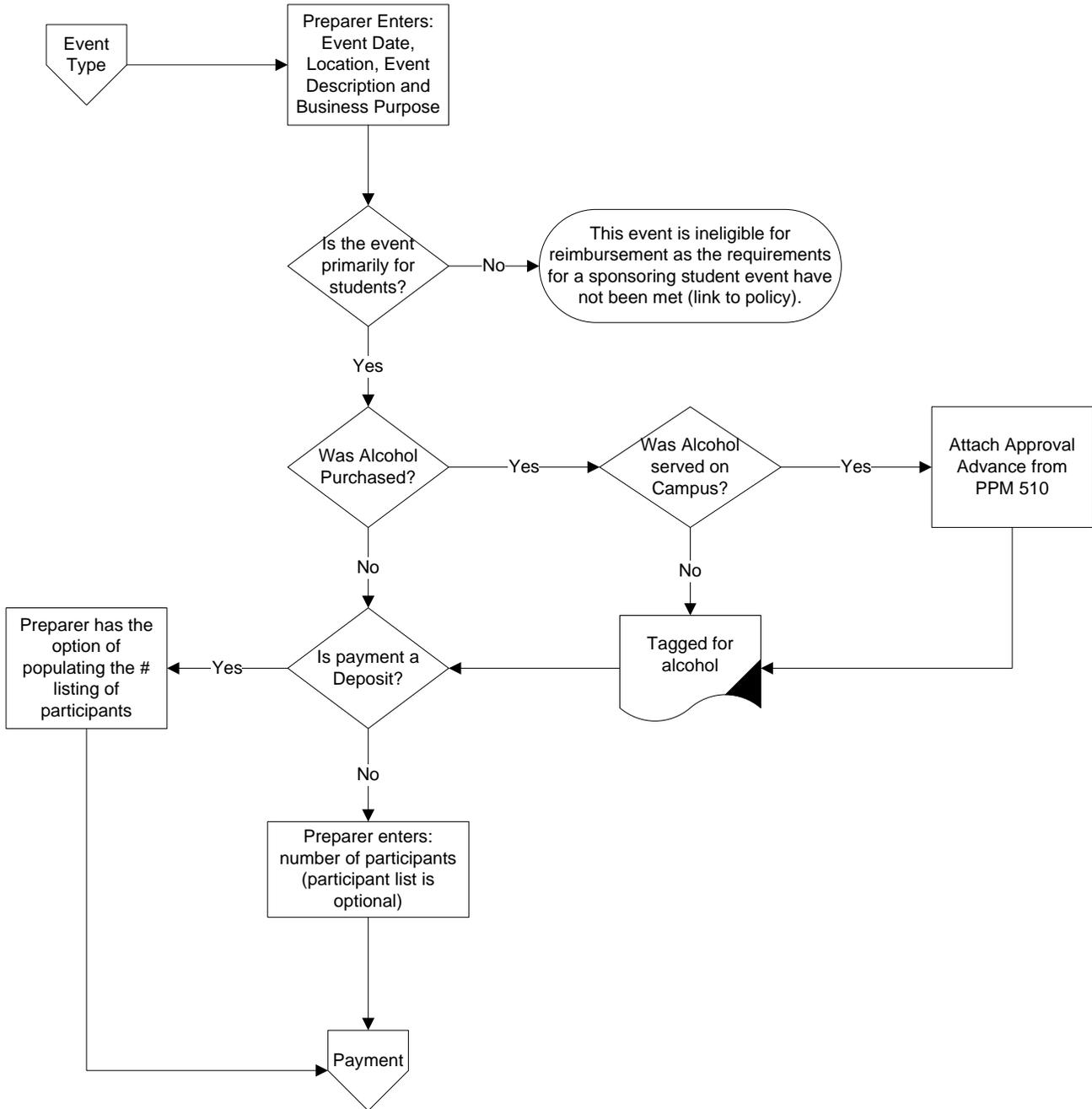
MyMeetings and Hosted Events
 Audit & Management Advisory Services Project #2011-05
 Application Decision Tree
 Application Steps 2 and 3 (Information and Guests)
 Event Type: Attending



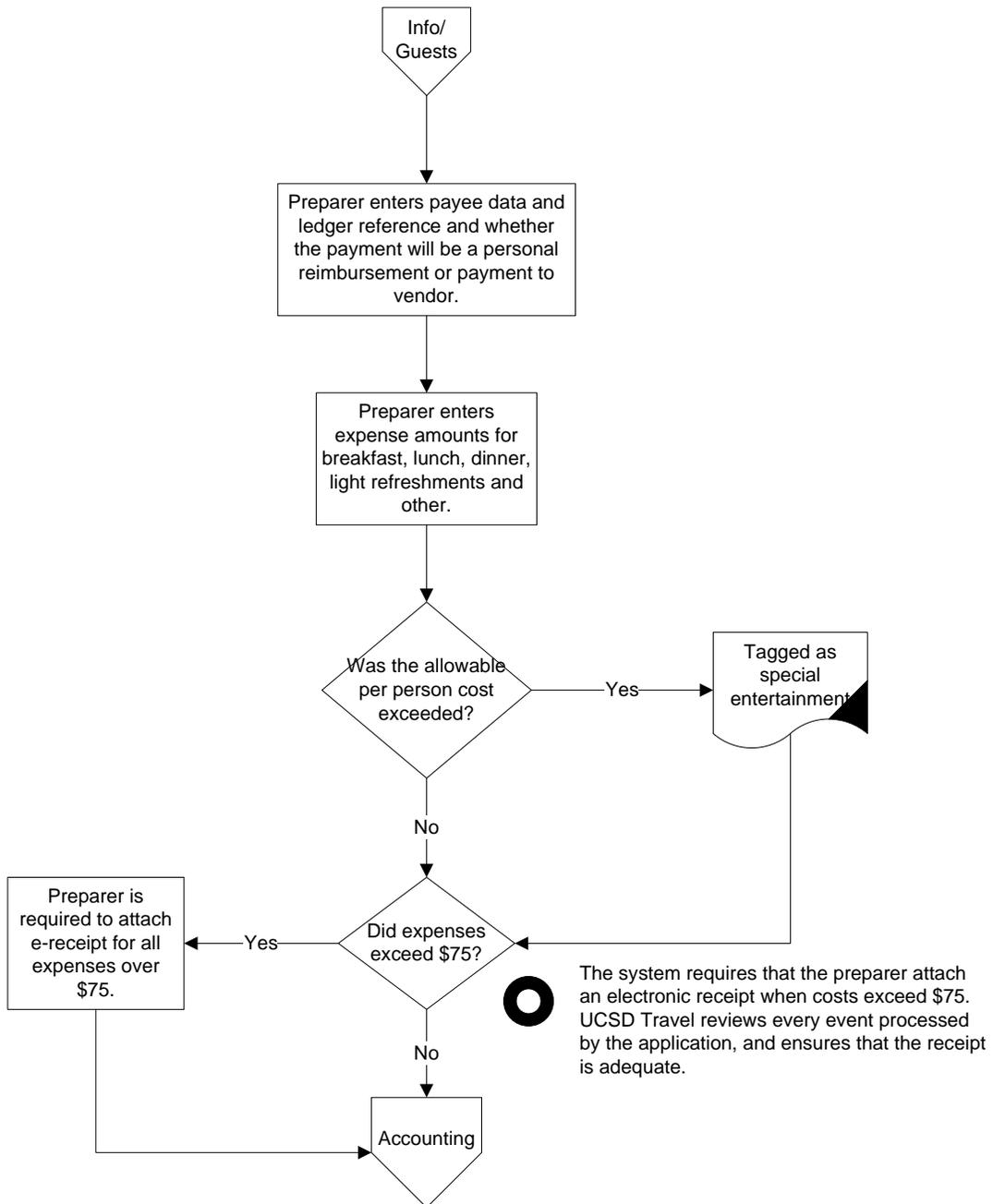
MyMeetings and Hosted Events
Audit & Management Advisory Services Project #2011-05
Application Decision Tree
Application Steps 2 and 3 (Information and Guests)
Event Type: Extending/Providing



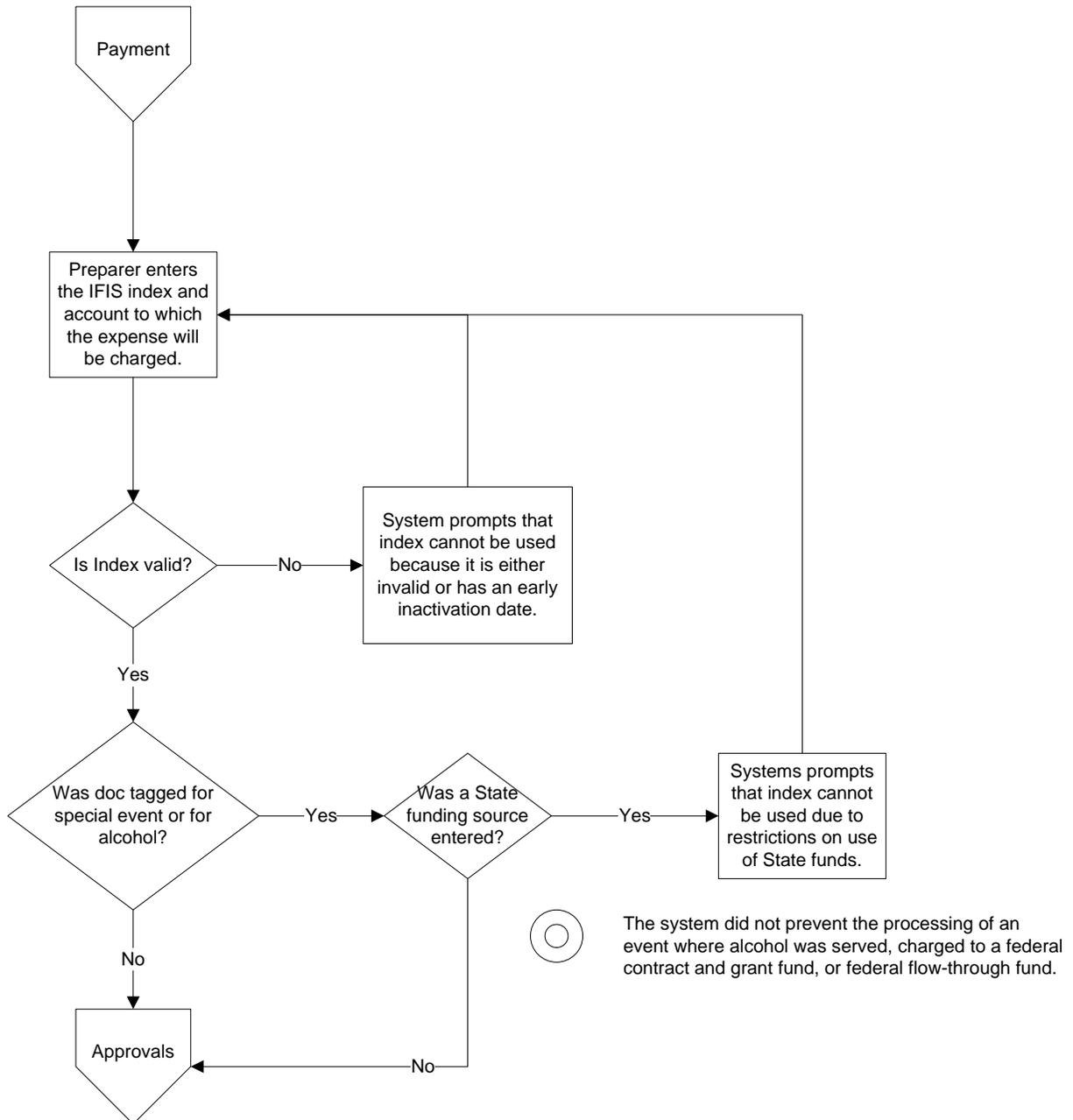
MyMeetings and Hosted Events
Audit & Management Advisory Services Project #2011-05
Application Decision Tree
Application Steps 2 and 3 (Information and Guests)
Event Type: Sponsoring



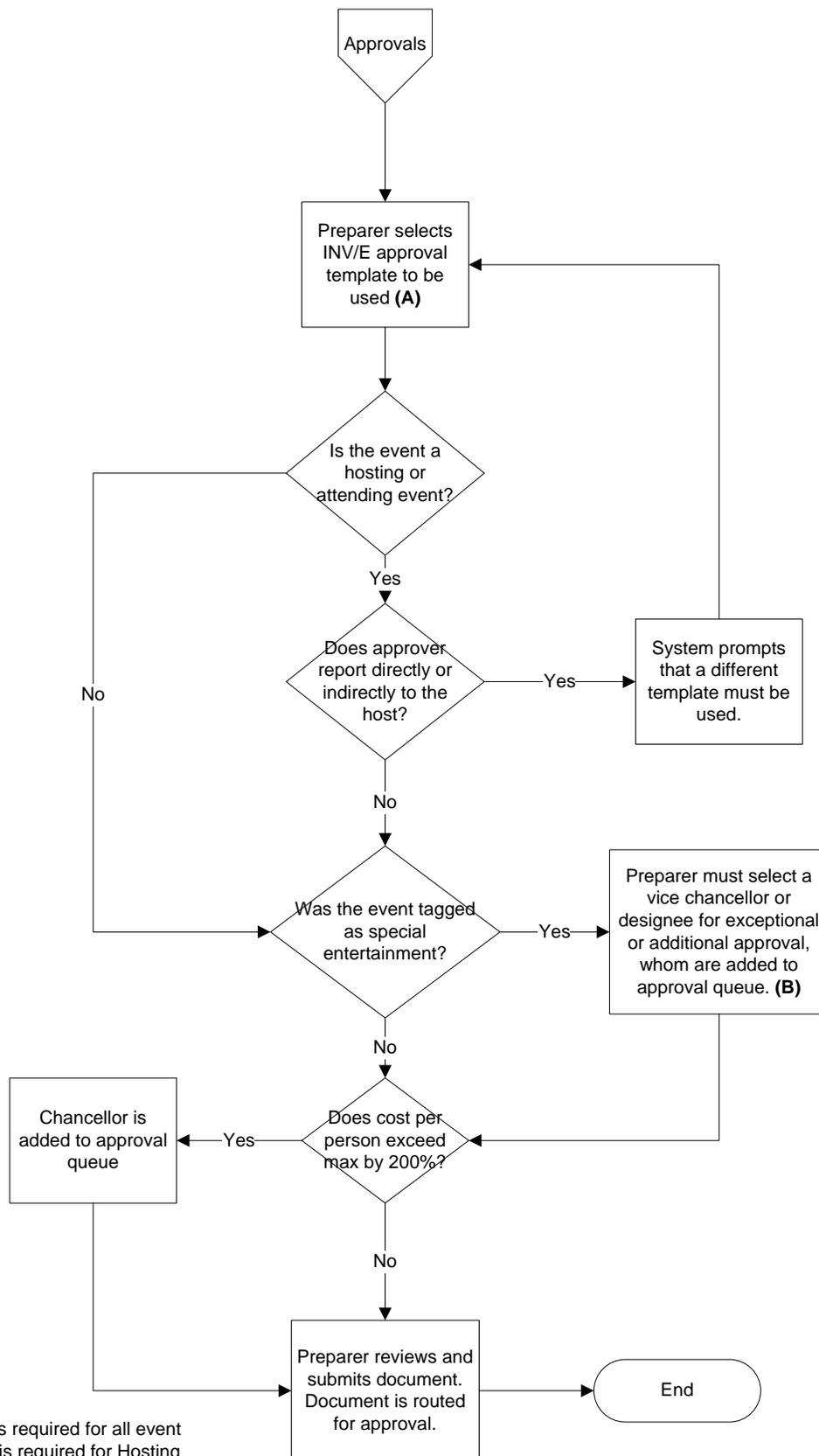
MyMeetings and Hosted Events
Audit & Management Advisory Services Project #2011-05
Application Decision Tree
Application Steps 4 (Payment)



MyMeetings and Hosted Events
Audit & Management Advisory Services Project #2011-05
Application Decision Tree
Application Steps 5 (Accounting)



MyMeetings and Hosted Events
 Audit & Management Advisory Services Project #2011-05
 Application Decision Tree
 Application Steps 6 (Approvals)



Notes:
(A) Fund manager approval is required for all event types. Department approval is required for Hosting and Attending event types.
(B) The appropriate VC or designee is determined based on the level 1 organization hierarchy or the index that was entered in step 5.

MyMeetings and Hosted Events
Audit & Management Advisory Services Project 2011-05
Event Type Definitions

Appendix B

- **Hosting** – Hosting occurs when an individual or department invites guests to attend, and is considered standard entertainment unless an exception applies. Examples include:
 - Dinner to discuss donor prospects
 - Dinner to discuss research and seminar
 - Recruitment lunch
 - Dinner with research group following a lecture
 - Employees gathering at a location off UCSD property

- **Meeting** – Infrequent gatherings between university employees, faculty, and students are considered business meetings. A meeting must have an agenda which is the sole focus of the session. To be eligible for reimbursement, any food/ beverage must clearly be necessary and integral to the meeting. Examples include:
 - Grant project discussions
 - Lab meeting
 - Research collaboration

- **Celebrating** – Celebratory events for employee appreciation and morale are considered special entertainment. Examples include:
 - Welcome celebration to introduce new faculty member to support staff
 - Lunch celebration of recruitment project completion
 - Department holiday celebration

- **Attending** – An invitation to attend a community event or fundraiser that requires the purchase of a table or tickets is considered special entertainment. Examples include:
 - Tickets to IMAX feature to encourage student participation in science and technology program
 - Purchase of a table for the San Diego Business Journal Women Who Mean Business 2010 Awards

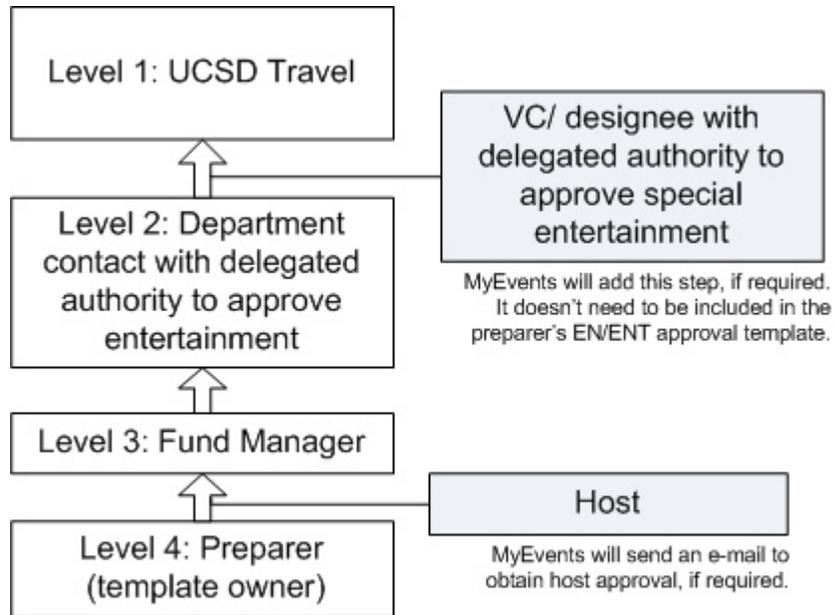
- **Extending** – Events based on an open invitation to the general public or the community that are considered programmatic in nature. Examples include:
 - Opening reception for an exhibition
 - Department open house

- **Providing** – Providing meals and snacks for work and program related circumstances are programmatic in nature. Examples include:
 - Educational conference
 - Lunch provisions for research subjects

- **Sponsoring** – Sponsoring a student event is considered a programmatic activity. Examples include:
 - Gathering for graduate students
 - Quarterly social event
 - Social hour

Source: <http://blink.ucsd.edu/travel/expenses-reimbursements/reporting/myevents/examples.html>

Entertainment event routing/ hierarchy:



Non-entertainment event routing/ hierarchy:

