UCSB Audit and Advisory Services

Internal Audit Report

Associated Students
Internal Control Review

July 29, 2016

Performed by:
Antonio Manas-Melendez, Principal Auditor
Stacy Stone, Audit Analyst

Approved by:
Robert Tarsia, Director

Report No. 08-16-0007
This page intentionally left blank.
July 29, 2016

To: Marisela Marquez, Executive Director
   Associated Students

       Distribution

Re: Associated Students Internal Control Review
   Audit No. 08-16-0007

As part of the 2015-16 audit services plan, Audit and Advisory Services has completed an internal control review of Associated Students of the University of California, Santa Barbara.

The primary purpose of this audit was to evaluate the adequacy of internal controls over selected Associated Students business processes, and to determine whether practices in the selected areas are consistent with University of California and University of California, Santa Barbara policies and procedures. The scope of our work included detailed review of the organization’s procurement practices, and cash controls at the Associated Students Cashiers and Ticket Office.

We found that Associated Students does not have full, formal authority for procurement, and needs to consult with the Vice Chancellor for Student Affairs and Procurement Services, and perhaps the Chancellor’s Office, to clarify whether the organization needs a formal delegation of procurement authority to conduct its own procurement activities. Our findings in the area of bidding and award, formation of procurement agreements, and vendor qualification point to a need to improve practices to comply with University policies and protect the interests of Associated Students and the University.

Our review of Ticket Office cash handling practices found that written procedures, definitions of roles and responsibilities, cashier training, and other practices require improvement to help ensure compliance with University policies and best practices.

Detailed observations and management corrective actions are included in the following sections of the report. The management corrective actions provided indicate that each audit observation was given thoughtful consideration, and that positive measures have been taken or are planned to implement the recommendations.

We appreciate the cooperation and assistance of Associated Students personnel during the review. If you have any questions, please feel free to contact me.
Respectfully submitted,

 Robert Tarsia  
 Director  
 Audit and Advisory Services  

Enclosure

Distribution:

Student Affairs  
Vice Chancellor for Student Affairs Margaret Klawunn  
Bill McTague, Executive Director of Resources Planning, Information Technology & Sustainability  
Ed Schatz, Director of Internal Controls, Associated Students  
Cindy Lopez, Assistant Director Finance & Budget, Associated Students  

Business and Financial Services  
Jim Corkill, Controller and Director  
Kim Ray, Associate Director of Controls  
Jacob Godfrey, Associate Director and Materiel Manager  

cc: Chancellor Henry Yang  
Vice Chancellor Administrative Services Marc Fisher  
UCSB Audit Committee  
Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca
PURPOSE

The primary purpose of this audit was to evaluate the adequacy of internal controls over selected business processes of Associated Students of the University of California, Santa Barbara (Associated Students), and to determine whether practices in the selected areas are consistent with University of California (UC) and University of California, Santa Barbara (UCSB) policies and procedures. This audit was part of our fiscal year 2015-16 audit services plan.

SCOPE, OBJECTIVES, AND METHODOLOGY

Our scope of work included a review of internal controls in selected Associated Students business areas, chosen based on an audit risk analysis. Areas selected for review included procurement, and cash handling and processing. Our evaluation of internal controls included processes in place as March of 2016; our detailed audit testing included transactions for fiscal year 2014-15.

The objectives of the audit included determining whether:

- The following procurement practices are adequately controlled and comply with UC and UCSB policies, procedures, and best practices:
  - Bidding and Award
  - Vendor Qualification
  - Purchase Order and Contract Formation

- Cash handling and processing processes for Associated Students Cashiers and Ticket Office (Ticket Office) sales are consistent with UC and UCSB policies and procedures, with appropriate internal controls.

To accomplish our objectives, our detailed work included interviews, direct observations, review of documentation, testing, and other steps, including:

- Research and review of UC and UCSB policies and procedures addressing procurement and cash, including:
  - Business and Finance Bulletin BUS-49, Policy for Cash and Cash Equivalents Received.
  - Regents Policy 3301, Policy on Associated Students.
  - University of California Policy PACAOS - Appendix A – Authorized Student Governments.
  - University of California Accounting Manual – Section C-173, Cash: Cash Controls.
Interviews with Associated Students and Business and Financial Services personnel to obtain a better understanding of processes and internal controls in place, and to identify areas of concern.

Assessment of risks in selected areas based on the results of interviews, value of potential losses due to noncompliance, and prior audit results.

Detailed testing of a sample of procurement transactions for compliance in the following areas:

- Vendor qualification, including conflict of interest and insurance requirements.
- Purchase orders and contract formation, including proper format, supporting documentation, and terms regarding restricted items.
- Bidding for procurements over $100,000 per supplier per year.
- Negotiations for procurements under $100,000.

Testing of Ticket Office cash control practices, to determine whether:

- Reasonable processes and controls are in place and comply with applicable policies and procedures.
- Cash training and written procedures are provided to all appropriate students and other personnel working in Ticket Office functions.
- Appropriate security practices are in place for physical transfers of deposits to the banks.

This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

**BACKGROUND**

Associated Students is an official unit of UCSB and a nonprofit organization that provides services, employment opportunities, and leadership experience to undergraduate campus students. Every undergraduate student is a member upon payment of required quarterly registration fees, and the organization relies on student fees, business service activities, and ticket sales from events to support its operations. Table 1 outlines Associated Students support and revenue for fiscal year 2014-15; Table 2 outlines Associated Students expenses for fiscal year 2014-15.

Associated Students is governed by elected student representatives, five executive officers and 25 Senate members. These elected officials are assisted by various boards and committees and 30 full-time professional staff.

---

1 Information in the Background section was adapted from documentation located on the University of California Office of The President website and from Associated Students financial statements for fiscal year 2014-15.
Under the Legal Code of the Associated Students\textsuperscript{2}, Associated Students is required to follow all University policies. All Associated Students staff are UCSB employees; the organization reimburses the University for the payroll costs of these employees.

In 1982, the Chancellor delegated authority to Associated Students to “expend funds accumulated annually from mandatory fees charged to campus undergraduate students; miscellaneous income from revenue-producing facilities; and activities for purposes deemed compatible with the objectives and purposes of the Association as an official unit of the University.”

**Procurement**

To provide services and conducts its programs, Associated Students makes purchases and enters contracts for a variety of goods and services, including routine administrative items, events, legal services, and food, among others.

Official campus units, such as Associated Students, may not sign agreements or contracts on behalf of the University or the UC Regents without proper authority. As used in this report, delegated procurement authority refers to the capacity of campus personnel outside of the Procurement Services unit of Business and Financial Services to purchase goods and services on behalf of their departments.

<table>
<thead>
<tr>
<th>Description</th>
<th>Revenue</th>
</tr>
</thead>
<tbody>
<tr>
<td>Associated Students Registration Fees</td>
<td>$7,276,184</td>
</tr>
<tr>
<td>Student Activities and Co-sponsorships</td>
<td>161,739</td>
</tr>
<tr>
<td>Donations</td>
<td>40,186</td>
</tr>
<tr>
<td>Sales of Services and Products</td>
<td>1,107,979</td>
</tr>
<tr>
<td>Interest and Dividends</td>
<td>121,888</td>
</tr>
<tr>
<td>Realized Loss on Marketable Securities</td>
<td>(1,246)</td>
</tr>
<tr>
<td>Unrealized (Loss) Gain on Marketable Securities</td>
<td>(19,427)</td>
</tr>
<tr>
<td>Miscellaneous Income</td>
<td>70,174</td>
</tr>
<tr>
<td><strong>Total Support and Revenue</strong></td>
<td><strong>$8,757,477</strong></td>
</tr>
</tbody>
</table>

Source: The Associated Students of the University of California at Santa Barbara Financial Statements for fiscal year 2014-15.

\textsuperscript{2} The By-Laws of the Associated Students of UCSB are included in this document.
Associated Students Cashiers and Ticket Office

The Ticket Office sells tickets for events sponsored or held by UCSB Intercollegiate Athletics, the Multicultural Center, the Associated Students Program Board, the Music Department, Theater & Dance, and student organizations, as well as other special events. The Ticket Office also provides other services such as discounts for theme park tickets and movie tickets, sales of course readers/notes, and disbursement of the proceeds for approved emergency student loans. This unit relies on student employees to cover most of its positions. For this reason, all cashiers are generally new to their jobs every year.

Regulations and Policies

Table 3 outlines the principal policies and procedures we considered relevant to the scope of this audit. The Appendix to this report includes definitions of various terms used in the report.

<table>
<thead>
<tr>
<th>Description</th>
<th>Expenses</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lock-in Programs</td>
<td>$1,942,976</td>
</tr>
<tr>
<td>Program Board</td>
<td>820,201</td>
</tr>
<tr>
<td>KCSB</td>
<td>118,125</td>
</tr>
<tr>
<td>Appropriation Remittances</td>
<td>551,533</td>
</tr>
<tr>
<td>Discretionary Student Programs</td>
<td>625,772</td>
</tr>
<tr>
<td>Office of Student Life Student Groups</td>
<td>579,046</td>
</tr>
<tr>
<td>Staff Salaries Directly Allocable</td>
<td>1,672,224</td>
</tr>
<tr>
<td>Student Employment</td>
<td>622,247</td>
</tr>
<tr>
<td>Associated Students Grants</td>
<td>160,562</td>
</tr>
<tr>
<td>Staff Salaries (Allocable)</td>
<td>418,056</td>
</tr>
<tr>
<td>Administrative Overhead</td>
<td>198,012</td>
</tr>
<tr>
<td>Depreciation</td>
<td>27,622</td>
</tr>
<tr>
<td><strong>Total Expenses</strong></td>
<td><strong>$7,736,376</strong></td>
</tr>
</tbody>
</table>

Source: The Associated Students of the University of California at Santa Barbara Financial Statements for fiscal year 2014-15.
SUMMARY RESULTS OF REVIEW

We found that Associated Students does not have full, formal authority for procurement, and needs to consult with Vice Chancellor for Student Affairs and Procurement Services, and perhaps the Chancellor’s Office, to clarify whether the organization needs a formal delegation of procurement authority to conduct its own procurement activities. Our findings in the area of bidding and award, formation of procurement agreements, and vendor qualification point to a need to improve practices to comply with University policies and protect the interests of Associated Students and the University.

Our review of Ticket Office cash handling practices found that written procedures, definitions of roles and responsibilities, cashier training, and other practices require improvement to help ensure compliance with University policies and best practices.
<table>
<thead>
<tr>
<th>Name</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business and Finance Bulletin BUS-43, Materiel Management</td>
<td>Governs University procurement procedures and establishes bid thresholds and selection criteria. The policy incorporates the <em>California Public Contract Code</em> - Chapter 2.1 requirement that any single University of California purchase contract or purchase order involving an estimated expenditure of more than $100,000 annually “be awarded to the lowest bidder meeting specifications.” In addition, outlines bid selection and contract formation requirements, including the inclusion of standard University terms and conditions of purchase.</td>
</tr>
<tr>
<td>Business and Finance Bulletin BUS-63, Insurance Requirements and Certificates of Insurance</td>
<td>Establishes the required insurance provisions to be included in contracts between contractors and the University. These requirements must be included in the contract as a contractual obligation that must be complied with before commencing work, providing goods, or using University facilities. All agreements between contractors and the University must require contractors, vendors, and consultants to issue certificates of insurance to the University providing evidence that the type of insurance required by the contract is fulfilled.</td>
</tr>
<tr>
<td>Business and Finance Bulletin BUS-49, Policy for Cash and Cash Equivalents Received</td>
<td>Includes the University’s policies related to handling and processing cash and cash equivalents, and defines roles and responsibilities related to receipt, safeguarding, reporting, and recordkeeping for all University cash and cash equivalents.</td>
</tr>
<tr>
<td>Regents Policy 3301, Policy on Associated Students</td>
<td>Reaffirms that the Associated Students on several campuses are official units of the University exercising authorities concerning student affairs by delegations from The Regents, the President, and the Chancellors. Authorizes the President to exercise administrative action to treat Associated Students and all of its activities as integral parts of the University, including, in particular, steps necessary to secure exemption from taxes on property administered by the Associated Students and from government permits and fees for activities, and actions to confirm that employees of the Associated Students are employees of the University.</td>
</tr>
<tr>
<td>University of California Accounting Manual – D-371-16, Disbursements Approvals</td>
<td>This section of the <em>University of California Accounting Manual</em> summarizes the level of approval required for various types of non-payroll payments made by the University.</td>
</tr>
<tr>
<td>University of California Accounting Manual – Section C-173, Cash: Cash Controls</td>
<td>This section of the <em>University of California Accounting Manual</em> includes regulations governing the establishment of University bank accounts and the delegation of signature authority to other University representatives.</td>
</tr>
</tbody>
</table>

Source: Auditor analysis.
DETAILED OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Procurement

Our review of procurement activity identified areas of non-compliance with University policies and Procurement Services procedures. Our results are summarized in Table 4.

<table>
<thead>
<tr>
<th>Category</th>
<th>Associated Students</th>
</tr>
</thead>
<tbody>
<tr>
<td>Procurement Authority</td>
<td>✗</td>
</tr>
<tr>
<td>Standard Contract and Purchase Order Formats</td>
<td>Partial</td>
</tr>
<tr>
<td>UC Terms &amp; Conditions Form</td>
<td>Partial</td>
</tr>
<tr>
<td>Insurance Certification</td>
<td>Partial</td>
</tr>
<tr>
<td>Bid Process or Sole Source Justification (&gt;$100,000)</td>
<td>✗</td>
</tr>
<tr>
<td>Formal Quotations (&lt;$100,000)</td>
<td>✗</td>
</tr>
<tr>
<td>Vendor Qualification Documentation</td>
<td>✗</td>
</tr>
<tr>
<td>Conflict of Interest Evaluation</td>
<td>✗</td>
</tr>
<tr>
<td>Financial Approvals for Related Disbursements</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Auditor analysis.
✓: Full compliance.
✗: No compliance or very limited compliance.
Partial: Partial compliance.

1. Procurement Authority and Oversight

Status of Delegated Procurement Authority

Associated Students and Student Affairs personnel believe that the 1982 delegation from the Chancellor to Associated Students to expend funds (discussed in the Background section of this report), along with the organization’s 501(c)3 status, convey full delegated procurement authority to Associated Students. However, the 1982 delegation from the Chancellor refers only to the expenditure of funds, and would typically be considered financial authority, not procurement authority (see definitions in the Appendix to this report). This means that the delegation would not, on its own, provide Associated Students the authority to form contracts or purchase orders, nor does it authorize a particular procurement method or the award of contracts or purchase orders.
We did note that the current campus Delegations of Authority letter from the Chancellor, dated August 19, 2015, delegates to the Executive Director of Associated Students the authority to “execute service agreements.” However, this delegation does not directly address actual procurement activities or authority; we also noted that the letter does not include any other delegations to Associated Students, such as delegations pertaining to the purchase of goods.

Based on the available documentation, we have concluded that, although Associated Students has authority to expend funds, it does not have full, formal authority for procurement.

**Oversight**

As discussed in the following sections of this report, Associated Students does not always comply with University policies in its procurement practices, including bidding and award requirements, use of contract and purchase order forms that are consistent with University policies and requirements, and inclusion of required terms and conditions. We also noted that Associated Students only uses Gateway, the campus procurement system, in a limited manner, generally only for office supplies. We were also informed that Associated Students does not routinely consult with Procurement Services regarding its procurement activities.

To help ensure that Associated Students complies with all University policies, and conducts all procurement activities in an appropriate and efficient manner, we recommend that the organization:

- Resolve the status of its procurement authority by:
  - Consulting with the Vice Chancellor for Student Affairs and Procurement Services, and perhaps the Chancellor’s Office, to clarify whether Associated Students needs a formal delegation of procurement authority to conduct its own procurement activities.
  - Working with Procurement Services to determine if delegated procurement authority would be the best approach for Associated Students.

If Associated Students is delegated authority for procurement, or enters another arrangement that is consistent with University policies, the organization should help ensure that procurement activity is properly conducted and monitored for compliance with applicable policies and best practices by:

- Ensuring that departmental personnel involved in procurement have had the appropriate training.
- Performing periodic reporting of procurement information to Procurement Services.
- Evaluating expanded use of Gateway for purchasing goods and services.
- Implementing other measures as agreed to with Procurement Services.
2. **Bidding and Award**

We identified the following concerns with respect to bidding and award processes:

- Procedures covering the required competitive process for purchases over $100,000 are not documented, nor are procedures documented for the process of obtaining, documenting, and evaluating negotiations with vendors for purchases under $100,000. As outlined in Table 3, the requirements for competitive processes and negotiations are included in UC Policy BUS-43, *Material Management*.

- There was no documentation of a competitive process or negotiation for the one procurement of $100,000 we reviewed; there was also no Sole Source Justification form. There was also no documentation of negotiations with vendors for the six procurements under $100,000 we reviewed; the value of these procurements ranged from $5,000 to $80,000.

3. **Formation of Procurement Agreements**

The results of our interviews, review of documentation, and detailed testing of procurement agreements, indicate that Associated Students overall does not comply with University policies and Procurement Services requirements in the formation of procurement agreements, including:

- Limited use of standard forms required by UC Policy BUS-43 or Procurement Services, such as the standard *University of California Terms and Conditions of Purchase*. The standard terms form was not included in seven of the eight agreements we reviewed for which these requirements would be applicable.

- Limited use of procurement agreement templates and language approved by Procurement Services. Four of eight of the agreements we reviewed, for which these requirements would be applicable, did not use templates that had been reviewed and approved by Procurement Services.
  
  - Some agreements were not properly signed. Associated Students signed two contracts in the name of The Regents of University of California without the proper authority, and another was not fully executed.\(^3\)
  
  - Two contracts did not comply with mandatory insurance requirements, potentially putting the University at risk of economic loss. One of these contracts was for a major campus event, and Risk Services indicated to us that they were not consulted, nor would they have agreed to a waiver of insurance, for this event. Subsequent to our audit, Associated Students provided additional documentation related to insurance certificates; however, this documentation did not include the specific insurance certificates related to these contracts.

\(^3\) According to Procurement Services, Associated Students should not use the name of the Regents of University of California. According to *The Constitution of the Associated Students of the University of California Santa Barbara*, all contracts and other obligations are to be executed in the name of the Associated Students.
4. **Vendor Qualification**

Associated Students maintains its own vendor list, and does not follow Procurement Services practices for qualifying new vendors. The organization’s vendor validation process is generally limited to requesting IRS Form W-9, *Request for Taxpayer Identification Number* (Form W-9).

Our detailed review also highlighted the following issues:

- By managing its own vendor list, Associated Students is limiting opportunities to access lower negotiated prices included in UC Strategic Sourcing agreements.\(^4\)

- Associated Students records do not include any documentation of conflict of interest disclosure forms, which are a necessary step that helps ensure that vendor relationships are consistent with University conflict of interest polices.

- Two employees were set up as vendors to be reimbursed for substantial expenditures, including food purchases for the food bank operated by Associated Students and $7,468 in photography equipment. Making purchases for the organization in this manner circumvents normal procurement and payment processing controls.

- Form W-9 was not on file for two of the ten vendors we reviewed.

We recommend that Associated Students consult with Procurement Services to develop and implement procurement processes that fully comply with University policies, including the areas of bidding and award, formation of procurement agreements, and vendor qualification.

---

**Management Corrective Actions**

Associated Students provided a letter in response to our draft report, along with copies of historical documents. In this response letter, the organization disputes that the distinction between financial authority and procurement authority was meant to apply to Associated Students, and maintains that existing delegations convey full authority for independently conducting its procurement activities. Further, Associated Students states in its response that it “requires significant independence from Campus and UC protocols in order to establish a meaningful voice for the student community. A key tool for accomplishing this is the possession of independent financial authority including the procurement component. While recommendations for improvements to related processes are important and welcomed, it is critical that procurement decision-making is preserved within Associated Students. By continuing to accomplish both, Associated Students has and will continue to create a strong redundant procurement system that it is obligated to follow through its Legal Code, with additional welcomed guidance from Procurement Services where feasible.”

Audit and Advisory Services found little in the Associated Students response that would cause us to change our conclusions. This is especially true given that, under *the Legal Code of the Associated Students*, the organization is required to follow all University policies. Moreover, Audit and Advisory Services found nothing in the Associated

---

\(^4\) Standardized agreements with vendors to optimize spend and purchasing activities across the UC system, which are intended to result in cost savings for the University.
Students response that would cause us to change our modest recommendation that Associated Students consult with the Vice Chancellor for Student Affairs and Procurement Services, and perhaps the Chancellor’s Office, to clarify whether the organization needs a formal delegation of procurement authority to conduct its own procurement activities.

Associated Students agreed to take the following actions in response to our recommendations:

**Procurement Authority and Oversight**

- Clarify formal delegation of procurement authority with the Chancellor and the Vice Chancellor of Student Affairs, including considerations for additional documentation necessary to confirm related discussions.
- Create a strong redundant procurement system with additional guidance from Procurement Services.
- Work with Procurement Services to expand training to encompass additional applicable recommendations.
- Work with Procurement Services to determine what procurement information would be practical and useful to report to their department.
- Evaluate sourcing options within Gateway while meeting Associated Students Legal Code criteria.
- Engage Procurement Services for improvement recommendations.
- Implement and update documentation, templates, and training processes.

Associated Students anticipates concluding its consultations by the beginning of the 2016 fall academic quarter.

**Bidding and Award, Formation of Procurement Agreements, and Vendor Qualification**

Associated Students bases their procurement practices on the Associated Students Legal Code, Associated Students Financial Guide, and the direction of the student government. Associated Students welcomes additional recommendations from Procurement Services and relative to BUS-43 in this area, but those recommendations need to be made with efforts to preserve the Associated Students Legal Code and Financial Guidelines. 

*Audit and Advisory Services will follow up on the status of these issues by November 15, 2016.*

---

5 As we noted earlier in this report, the Legal Code of the Associated Students requires complying with University policies.
B. Cash Controls

Our review of Ticket Office practices found that written procedures, definitions of roles and responsibilities, cashier training, and supporting documentation practices require improvement to help ensure compliance with Policy BUS-49 and best practices. Table 5 summarizes the results of our evaluation.

1. Documentation of Procedures, Roles and Responsibilities, and Training

Existing written procedures do not adequately document Ticket Office practices addressed by UC Policy BUS-49, including roles and responsibilities. For example:

- The procedures do not describe how cashiers reconcile their drawers at the start and end of each shift, and how managers supervise or review these reconciliations.
- It was unclear which duties are carried out by student employee managers vs. staff managers.

At the time of our review, key duties in the cash handling process were assigned to only one person or were incompatible with cashier responsibilities, based on Policy BUS-49 requirements. For example:

- Deposits were not being validated and prepared under dual custody.
- Distribution of payroll and other checks was being performed by cashiers.

We also found that cashier training subjects and completion of training are not formally documented; training is done one-on-one by shadowing an experienced cashier. It is unclear who certifies that cashiers have obtained adequate training to operate as cashiers.

<table>
<thead>
<tr>
<th>Table 5</th>
<th>Compliance with University Policies and Best Practices</th>
</tr>
</thead>
<tbody>
<tr>
<td>Category</td>
<td>Associated Students</td>
</tr>
<tr>
<td>Cashier Reconciliations</td>
<td>Partial</td>
</tr>
<tr>
<td>Sales Verifications</td>
<td>Partial</td>
</tr>
<tr>
<td>Dual Custody</td>
<td>Partial</td>
</tr>
<tr>
<td>Number of Tickets Sold are Reported</td>
<td>Partial</td>
</tr>
<tr>
<td>Cash Transfers to Banks</td>
<td>✓</td>
</tr>
</tbody>
</table>

Source: Auditor analysis.
✓: Full compliance.
Partial: Partial compliance.
2. **Supporting Documentation for Reconciliation and Verification Processes**

Our testing of three days of transactions found that Ticket Office cashier reconciliations and management review were not being documented consistently:

- Mandatory templates used to document cashier reconciliations and manager review should be clearly identified and cataloged. Currently, it is unclear what forms are in use and required.

- Supporting documentation requires improvement:
  - Only five of 18 Change Fund Verification forms, which are used to record cashiers' acknowledgments that their drawers have $150 at the start of their shifts, were completed and on file.
  - Only six of 18 Cashier Transaction forms, which are used to document that cashiers have reconciled their drawers at the start and end of each shift, were completed and on file. Only three were signed by a cashier manager to document their review and approval.
  - There was no documentation that daily sales reports, which summarize all sales activity and cash and credit card totals, were verified against cashier activity immediately after events or at the end of the shift. Further, the reports do not include initials or signatures of the preparers, nor they document supervisory review.
  - No supporting documentation is generated when event bags, which include the change funds for events such as soccer games, water polo games, and Music Department concerts, are signed out at the Ticket Office.

- There are limited accounting controls for tickets sold outside of the ticketing system, which include many events with substantial sales.

Our review of the physical transfer of deposits to the banks found that adequate controls for this process are in place and appropriately documented.

To ensure that Ticket Office processes incorporate sufficient internal controls and comply with University policies and best practices, we recommend that Associated Students consult with Business and Financial Services and document and implement updated procedures that include:

- Clear descriptions of roles and responsibilities.

- Detailed descriptions of reconciliation processes, required supporting documentation, and required signoffs by preparers and those responsible for supervisory review.

- Identification of activities requiring dual custody and appropriate segregation of duties.

- Required forms and templates that include fields for basic information such as document name, version date, and signoffs by preparers and those responsible for supervisory review.

- Training requirements.
Management Corrective Actions

Associated Students has worked closely with Business and Financial Services over the last fiscal year to ensure data security processes and PCI data compliance. Updates are currently in progress and will be completed based on recommendations for additional clarity. The Associated Students Cashiers and Ticket Office have been in the process of updating and consolidating its process documents.

Associated Students will continue to engage Business and Financial Services for additional input on best practices recommendations, including:

- Clarifying existing descriptions of roles and responsibilities.
- Updating the training checklist with confirmation signatures and dates of completion.
- Examining reconciliations and updating them to provide additional clarity.
- Improving dual custody for remote events.

Target completion will be the beginning of the 2016 fall quarter.

*Audit and Advisory Services will follow up on the status of these issues by November 15, 2016.*
## Definitions

<table>
<thead>
<tr>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Competitive Quotes</strong></td>
</tr>
<tr>
<td><strong>Delegation of Purchasing Authority</strong></td>
</tr>
<tr>
<td><strong>Sole Source</strong></td>
</tr>
<tr>
<td><strong>Strategic Sourcing</strong></td>
</tr>
<tr>
<td><strong>Budget and Financial Authorities</strong></td>
</tr>
<tr>
<td><strong>Procurement Authority</strong></td>
</tr>
<tr>
<td><strong>Signature Authority (University of California Accounting Manual)</strong></td>
</tr>
<tr>
<td><strong>UCSB Restricted Commodity List</strong></td>
</tr>
</tbody>
</table>

Sources: UCSB Procurement Services website, UC Policy BUS-43, the Institute for Public Procurement, and Wikipedia, validated with other sources.