UCLA EXTENSION

AUDIT REPORT #23-4001

Audit & Advisory Services

September 2023

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# Background

In accordance with the Campus fiscal year 2022-23 audit plan, Audit & Advisory Services (A&AS) conducted an audit of UCLA Extension (UNEX).

UNEX was established in 1917 as the southern branch of the University of California Extension and has become a self-standing unit and one of the largest continuing education institutions in the nation. UNEX provides continuing and professional education to individuals who seek career development, increased understanding or skills in a subject area, or personal enrichment. Unlike the schools and departments within the main UCLA campus, UNEX does not grant degrees. Instead, UNEX offers courses that can be taken individually or as part of certificate programs.

The Dean of UNEX is supported by the Associate Dean of Administration and Associate Dean of Academic and Faculty Affairs. UNEX has the following academic program and administrative departments:

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| **Academic Program Departments** | **Administrative Departments** |
| * Arts
* Business, Management & Legal Programs
* Education, Humanities, and Social Sciences
* Engineering & Digital Technology
* Health Sciences & Sciences
* International Programs
 | * Budget and Financial Services (BFS)
* Facilities Management
* Human Resources
* Information Technology Services (ITS)
* Instructional Development
* Strategic Communications & Marketing
 |

Each of the departments is headed by a Director who establishes priorities for the department, is responsible for staff, and oversees day-to-day operations. The academic departments develop and oversee the continuing education curriculum, manage the approval process for courses, instructors, and programs, and supervise instructors, among other things, for their areas. The administrative departments carry out the daily operations in certain areas for UNEX as a whole, such as registering and processing student enrollments, maintaining student records, marketing course and program offerings, managing human resources, maintaining facilities, and overseeing information technology systems. Administrative departments also work with UCLA campus counterparts to ensure policy compliance and proper administration of business matters. Notably, UNEX maintains its own databases of student records and course enrollments separate from those of the University.

UNEX is a financially self-supporting unit and receives no state funds. With an annual budget of approximately $60 million for the 2022-23 academic year, UNEX must cover its faculty, staff, and operational costs, as well as any program enhancements or innovations. Revenues primarily depend on the ability of its course offerings to attract enrollments. For fiscal year 2021-22, UNEX reported total revenues of approximately $56.2 million and had total expenditures of approximately $38.7 million. UNEX offers over 100 certificate programs and 40 specializations, and employed approximately 227 career employees and 2,300 instructors in 2022, the majority of which are part-time, independent instructors.

# Purpose and Scope

The purpose of the review was to ensure that there are adequate internal controls over the department’s administrative and financial activities. Where applicable, compliance with University policies and procedures was also evaluated. The scope of the audit covered the following areas:

Purchasing & Payables

Emergency Response Preparedness

Business Continuity Planning

Periodic Certificate Program Reviews

Certificate Program Course and Instructor Approval

Budgeting & Financial Management

Accounts Receivable

Information Technology (IT) Systems

Mandatory Trainings

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included interviews, tests, and other procedures considered necessary to achieve the objective.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, UCLA Extension has established internal controls and business practices to help ensure that the financial and administrative objectives of the department are met. However, the review did find areas where internal controls could be further strengthened.

*Purchasing*

* Management should ensure that written approval is obtained for expenses where required by University policy. This approval should occur before the commitment is made to the vendor.
* Management should ensure that receipt of purchased goods and services is appropriately conducted and documented on a timely basis. The receipt of goods and services should be documented with the dated signature of the responsible staff on the invoice or equivalent document. Doing so will maintain accountability and support an adequate audit trail.
* Management should periodically remind staff on the proper uses of Low Value Orders (LVOs). Such reminders should provide an overall review of topics, but could emphasize allowable purchases versus restricted and prohibited items. In addition, management should spot check LVOs periodically to determine whether they are in compliance with University policies and procedures, and whether additional training is warranted.
* Management should regularly remind faculty and staff to create orders in BruinBuy at the time of commitment, and prior to the event taking place, the service being provided, or the goods delivered, using an estimate or quote from the vendor. This timing will help ensure that the proper terms and conditions are in place, timely payments are made to vendors, and budgeting data is accurate. In addition, management should perform periodic reviews of purchase transactions to verify that orders have been properly created in BruinBuy.
* Management should track, monitor and resolve on a timely basis invoices that are posted on the UNEX Accounts Payable/BruinBuy Hold & Incomplete (H&I) report to identify the main reason(s) for the H&I invoice status and address the root causes for the Accounts Payable (AP) processing edit check exceptions. For example, to help avoid further delays in payment processing, management should ensure vendor addresses on invoices match the vendor addresses in BruinBuy, prior to submitting invoices to AP.
* Management should review Post Authorization Notification (PAN) audit logs on a periodic basis to help identify those reviewers who are not reading their PANs in a timely manner. Those individuals should be reminded to timely read their PANs because a delay in reading PANs dilutes the control activity of monitoring transactions to ensure that the expenses are proper and appropriate.

*Emergency Response Preparedness*

* The UNEX Emergency Action Plan (EAP) should be updated and enhanced to help ensure employee safety and emergency preparedness in the workplace. The updated EAP should be distributed to all employees and EAPs should be periodically reviewed and kept-up-to-date. Also, management should coordinate with Office of Emergency Management (OEM) to provide regular updates to employees regarding available training courses and resources, to raise awareness of emergency preparedness procedures.
* Management should continue to work with OEM to redesign its floor warden program and evacuation procedures, based on the current remote/hybrid workplace model. This effort should include enhancing procedures and tools to help ensure that trained resources are available to manage and assist in the safe evacuation of employees in the event of an emergency.

*Business Continuity Planning (BCP)*

* Management should ensure that departmental business continuity plans are comprehensive and kept up-to-date in UC Ready. UNEX Academic and Administrative departments also should assess the comments and recommendations provided by Insurance & Risk Management (IRM), and address missing or partially conforming BCP elements, where applicable.
* Management should continue its efforts to work with the IRM Business Continuity Planner and appropriate stakeholders to ensure that IT disaster recovery plans are developed, vetted, approved, and tested, in accordance with UC Information Technology (IT) Recovery Policy requirements.

*Periodic Certificate Program Reviews*

* Management should strengthen efforts to ensure that five-year reviews are completed for past due certificate programs. Due to the large back-log of past due reviews, management should consider developing a multi-year risk-based approach to determine the prioritization of programs for review.

*Certificate Program Course and Instructor Approval*

* Course approval packets should be properly completed and reviewed prior to course approval, in accordance with UNEX policies.
* Instructor approval packets should be properly completed and reviewed in Destiny. Adequate documentation for instructor approval dossiers also should be maintained.
* Management should consider the feasibility of creating a centralized repository that could be shared with the academic departments, to store instructor-related documents and contracts.

*Budget and Financial Management*

* Management should continue to work on developing standards and reporting tools that would help enable departments to perform a more robust review of budget variances. Management should consider establishing formal procedures that would require departments to investigate and provide written explanations for significant budget variances (e.g., 5-10%).

*Accounts Receivable (A/R)*

* Policies and procedures should be enhanced and updated to reflect current processes for the recording and collection of A/R balances.
* Formal procedures/guidelines should be established for reviewing and approving the registration of students from organizations with outstanding past due A/R balances (e.g., over 90 days), to help reduce delinquency rates. Also, management should enhance the review process over the A/R aging report to ensure that receivables are valid and potential errors are identified in a timely manner.

*Information Technology*

* Management should ensure that access to system applications is removed in a timely manner when an employee separates from UNEX or transfers to another Campus department.

*Mandatory Trainings*

* Management should remind faculty and staff of the mandatory training requirements. Management should e-mail periodic reminders to faculty and staff to complete mandatory training courses and to reinforce the importance of maintaining compliance with training requirements.

## Audit Results and Recommendations

| # | OBSERVATION andCRITERIA, where applicable | RECOMMENDATION | MANAGEMENT’S RESPONSE |
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| PURCHASING |
| The UNEX Budget and Financial Services (BFS) team is responsible for ensuring that purchases of goods and services are performed in accordance with University policies and procedures. Each UNEX department has its own buyer(s) to process purchasing activities for the department, mostly through Bruinbuy. Mandatory reviewers (primarily Directors, Continuing Educators, and Deans) are assigned to all UNEX accounts and cost centers, and they are responsible for reviewing transactions impacting their areas of oversight. Additionally, each account and cost center also has at least two non-mandatory reviewers, including BFS staff, assigned to support each department, who receive e-mail notifications of the transaction for information purposes. This process helps ensure that multiple individuals are notified of all purchasing transactions. Audit work included the following:* Discussion with management to gain an understanding of purchasing processes and controls.
* Review of purchasing related policies and procedures.
* Sample testing of 20 judgmentally selected purchasing activities from the general ledger of FY21-22. Samples were selected from professional services, meals, real estate projects, relocation projects, and office supplies and covered eight different order classes (e.g., A-Agreement, P-Purchase Order, LVO, Pcard, and etc.).
* Examination of relevant supporting documentation to determine if the purchases of goods/services were appropriately and timely approved (Post Authorization Notification (PAN) review), allowable, created timely, received/inspected for acceptance, assigned the appropriate object code, and if the invoices were appropriately approved for payment.
* As applicable, verified compliance with: UC Policy BFB BUS-43, Purchasing Goods and Services, Supply Chain Management; UCLA Policy 740, Purchasing Goods & Services; UCLA Policy 741, Low-Value Purchases; BUS-79, Expenditures for Business Meetings, Entertainment and Other Occasions; and Pcard User Guide.
* Data analytics review of Post Authorization Notification (PAN) system records to ensure that PANs are read in a timely manner by mandatory reviewers.
* Data analytics review of general ledger data to ensure that Pcard transactions are within approved purchase limits.
* Review of Hold & Incomplete (H&I) Invoice Status report as of February 6, 2023 and April 3, 2023 to determine (1) risk of crucial services being disconnected due to aged invoices not paid to key vendors (2) key reason(s) for invoices being flagged as H&I and (3) progress of resolving large aged invoices with H&I status.

Issues noted are summarized below. |
|  | Management Approval of Expenditures Two of 20 sampled transactions tested did not have the appropriate level of written management approval in accordance with University policy. Specifically: * One transaction was related to a $2,000 morale building activity (virtual magic show) for instructors. Under UC BUS Policy 79, entertainment expenses for employee morale-building and recognition require written approval by high-level designee; however, the department did not obtain written management approval for this expenditure.
* The second transaction was related to a $12,437 facility expense for off-campus construction, which requires prior approval from the Director, Administration, and Real Estate management under Policy 740 & 741 Attachment B. The Assistant Director of UCLA Real Estate signed the reimbursement agreement on November 3, 2021; however, the actual vendor invoice was dated October 20, 2021. UNEX informed the vendor of the approval of the project on September 30, 2021. There was no written approval from the Real Estate Management prior to the commitment of the project or the invoice date.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:Policy BUS 79 Expenditures for Business Meetings, Entertainment, and Other Occasions / Approving Authority – “If entertainment expenses… are of the following types, they must be approved by high-level designees who have been granted authority in writing: …employ morale-building and recognition (see Section IV (Approval Authority Table) and …).Per Approval Authority Table, “Expenses requiring either additional approval or exceptions to this Bulletin may be approved by the President, the Provost and Executive Vice President, the Executive Vice President and Chief Operating Officer, the Chancellors, or the Principal Officer of The Regents for employees within their jurisdiction, ...”UCLA Policies 740 & 741 Attachment B Goods & Services Requiring Special Approval – Designated Campus Officer Must Approve Before Funds Can Be Committed: [Item or Service] Construction – Off-Campus construction activity, in leased space occupied by UCLA [Approval Required] Director, Administration, Real Estate Asset Management (if landlord will not contract for services and bill tenant). | Management should ensure that written approval is obtained for expenses where required by University policy. This approval should occur before commitment is made to the vendor.  | We concur. Staff will ensure that there is written approval for expenses before committing to vendors. We will provide training for approval retention requirements. We will work with Accounts Payable (AP) to determine the appropriate training to provide to meet the new system requirements. |

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|  | Receiving Goods/Services and Approving InvoicesFor 18 of the 20 sampled transactions, documentation was not maintained to evidence that goods and services were inspected and accepted upon receipt or performance. Per BFS Management, due to resource constraints, there is no requirement to maintain documentation of receiving goods/services. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria:**Policy BUS-43, Purchases of Goods and Services; Supply Chain Management, “End user department is responsible for inspection of goods and services that should be conducted immediately upon receipt or performance (when practical) and reconciling discrepancies promptly.”Receiving and inspection by the end user department helps verify that goods and services are received as ordered, in good condition, and accurate. Thus, it helps ensure university funds are only disbursed for goods and service received. UCLA Policies 741 V.B. “Department (Individual who did not place order)” is to “receives goods or services and notes receipt online.” | Management should ensure that receipt of purchased goods and services is appropriately conducted and documented on a timely basis. The receipt of goods and services should be documented with the dated signature of the responsible staff on the invoice or an equivalent document. Doing so will maintain accountability and support an adequate audit trail.  | We concur. Staff will ensure documenting receipt of goods and services with staff signatures. Specifically, BruinBuy preparers will be reminded that they cannot be the preparing and receiving party. The receiving party will be asked to confirm via e-mail to the department BruinBuy preparer indicating the product/service was received. For invoices received by UNEX, a dated signature will be supplied and the original document will be processed. UNEX will document receiving on hard-copy invoices received.  |
|  | Low-Value Orders (LVO)Seven of the 10 LVO sampled selections should not have been processed as LVOs, in accordance with University policy:* Four sampled items totaling $12,957 exceeded the LVO daily cap of $5,000, were paid to the same vendor (CPM One Source) for relocation services received within two consecutive days, for two moving projects. Upon further review of the FY21-22 UNEX expenditure data, A&AS noted UNEX issued 20 POs with approximately $30,000 to this vendor in FY21-22. All 20 POs were created using Order Class "N" when they all should have been processed through Order Class A “Agreement due to the established business relationship with the supplier”
* Two samples were related to two invoices totaling $9,000, which exceeded the LVO daily cap, for translation services received on the same day from Ko & Martin. In addition, these professional services are required to be ordered by requisition instead of using the LVO procurement process.

According to UCLA Purchasing guidelines, "LVOs are intended to streamline the process for smaller, low-risk purchases, where the involvement of Purchasing is unlikely to net a better deal. Departments are authorized to place low-value, N-class orders for up to $5,000 per vendor per account per day in BruinBuy, UCLA’s online purchasing application." * One of the sampled transactions was for a $2,000 invoice for professional services. Items that may not be purchased with LVOs include legal services and services of an individual, unless there are applicable exceptions as detailed in UCLA Policy 741, Low-Value Purchases.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:UCLA Policies 740 & 741 – Attachment A, Purchase Restrictions, “Items That May Not Be Purchased With Low-Value Orders…:General Use/Description: Personal or Professional Services. Not on LVOs if any of the exceptions apply.Requisition Required: XCategories: …Services of an individualExamples (not all-inclusive): …Law firms/legal services”UCLA Policy 741, Low-Value Purchases, Section III, “Low-Value Purchase (LVO) consists of supplies and services that do not exceed a cost of $5,000 per vendor, per day, per account-code, excluding transportation costs and excluding sales and/or use tax.”UCLA Policy 741, Low-Value Purchases, Section IV.B.2, “Multiple LVOs: The issuance of multiple LVOs on the same day or repeat orders on consecutive days to a vendor for the same or related material, or the issuance of multiple invoices by a vendor in order to circumvent policy, are prohibited and shall be cause for the withdrawal of LVO authorization.” | Management should periodically remind staff on the proper uses of LVOs. Such reminders should provide an overall review of topics, but could emphasize allowable purchases versus restricted and prohibited items. In addition, management should spot check LVOs periodically to determine whether they are in compliance with University policies and procedures, and whether additional training is warranted. | We concur. Management will periodically remind staff about the proper use of Low Value Orders (LVOs) while conducting spot checks for compliance. |

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|  | BruinBuy Order Input DelayOrders for four sampled transactions were created in BruinBuy one to eight calendar days after the invoice date, indicating goods and services were provided prior to the PO creation. Three of these late entry items were LVO transactions. According to UCLA Financial Policy 741 Section IV.B.1, LVOs may not be issued to pay invoices after-the-fact for goods or services already received.Orders should be established prior to the receipt of goods or delivery of services, to confirm the scope of work or exchange of value, and also to record the obligation as an encumbrance on the University’s financial books.  University terms and conditions should be presented to the vendor when the order is placed. Otherwise, the vendor’s terms and conditions may govern the transaction.  Vendor terms and conditions may violate UC policies and/or impose onerous obligations. Inputting orders into BruinBuy after the invoice date could also cause payment delays to the vendor.  | Management should regularly remind faculty and staff to create orders in BruinBuy at the time of commitment, and prior to the event taking place, the service being provided, or the goods delivered, using an estimate or quote from the vendor. This timing will help ensure that the proper terms and conditions are in place, timely payments are made to vendors, and budgeting data is accurate. In addition, management should perform periodic reviews of purchase transactions to verify that orders have been properly created in BruinBuy. | We concur. We will send e-mail reminders to departments to reinforce compliance. In addition, management will perform periodic spot checks of purchasing transactions selected from the general ledger. UNEX will perform a spot check between a sample of general ledger items and BruinBuy detail (compare order date and invoice date in BruinBuy). |
|  | H&I Invoice StatusThe Hold & Incomplete (H&I) Invoice Status report for Sub Division 8425 Dean, UNEX as of February 6, 2023 and April 3, 2023 included the following:

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| Report Date | Unpaid Invoice Count | Unpaid Invoice Amount |
| 2/6/2023 | 55 | $248K |
| 4/3/2023 | 72 | $635K |

The main reason for the invoices in the H&I status at both report dates was VL - Vendor Location on the invoice not matching with the vendor address in BruinBuy ($130K as of February 6, 2023 & $555K as of April 3, 2023). See [Appendix 1](#Appendix1). | Management should track, monitor and resolve on a timely basis invoices that are posted on the UNEX’s Accounts Payable/BruinBuy H&I report to identify the main reason(s) for the H&I invoice status and address the root causes for the AP processing edit check exceptions. For example, to help avoid further delays in payment processing, management should ensure vendor addresses on invoices match the vendor addresses in BruinBuy, prior to submitting the invoice to AP. | We concur. We have made improvements to the regular review of H&I and will be working with department BruinBuy preparers with greater regularity to resolve any outstanding issues. We will be working with them to connect vendors with Vendor Management to resolve record discrepancies. We will also work with AP to expedite resolutions. |
|  | Post Authorization Notifications (PAN) – Not Read TimelyMandatory reviewers are not always reading their PAN notifications within two working days of receipt, in accordance with the UCLA Financial Policy. Although there seemed to be an improvement in the timeliness of mandatory reviewers reading the PANs from 2021 to 2022, review of the days unread in the PAN system for UNEX indicated that 174 PANs associated with 18 mandatory reviewers with transaction dates in FY21-22 were unread for eight calendar days or longer. Three of these reviewers were responsible for 131 (75%) of these PANs while the other 15 reviewers were responsible for remaining 43 PANs. 59% of these 174 PANs were read between 11-29 days after receipt. See [Appendix 2](#Appendix2).Untimely PAN reviews could result in the University entering into unfavorable terms and conditions with vendors, processing unallowable transactions, or unauthorized purchases of goods/services.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria**:UCLA Financial Policy, Principles of Financial Accountability, Section III.2, "A reviewer must review all transactions within two working days of receipt." | Management should review Post Authorization Notification (PAN) audit logs on a periodic basis to help identify those reviewers who are not reading their PANs in a timely manner. Those individuals should be reminded to timely read their PANs because a delay in reading PANs dilutes the control activity of monitoring transactions to ensure that the expenses are proper and appropriate. | We concur. We will prepare a PAN review audit each week and e-mail notifications to those out of compliance to prioritize catching up on PAN reviews. |
| EMERGENCY RESPONSE PREPAREDNESS  |
| Emergency action plans (EAPs) are maintained by Campus departments to plan and prepare for emergencies at the workspace so employees know what to do in the event of an emergency. Campus departments have designated Area/Floor Wardens, which play an integral part in preparing and responding to emergencies on Campus. Wardens assist in developing and updating EAPs, help lead evacuations, account for personnel, and relay critical information to first responders. Audit work included the following:* Discussions with the Director of UNEX Facilities Management and the Office of Emergency Management (OEM) regarding emergency planning processes and safety procedures.
* Examination of the existing UNEX Emergency Action Plan and related information, including organization charts and floor warden rosters.
* Review of UNEX Policy FA 600, Security and Emergency Action Planning.
* Review of UCLA Policy 811, Environmental, Health, and Safety.

It should be noted that OEM is in the process of re-designing its emergency preparedness training program and has not offered training classes (e.g., Active Shooter, Floor/Area Warden training) to Campus departments since the beginning of the pandemic due to high employee turnover at all levels within the unit. Issues noted are summarized below. |
|  | Emergency Action Plan UNEX has a documented Emergency Action Plan (EAP) that outlines key emergency response information for the organization, including but not limited to staff responsibilities, evacuation routes and assembly areas, shelter-in-place/lockdown procedures, and emergency supply kit information. However, the EAP is outdated and has not been updated since January 2020 (pre-Covid) to reflect the current business environment. Maintaining a current and robust EAP helps assure that UNEX will be able to effectively respond to emergencies and decrease the risk of loss and injury to the Campus community. \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria**:* UCLA Policy 811, Environment, Health & Safety, states that departmental designees will be responsible for maintaining EAPs and supporting equipment for personnel.
* California Code of Regulations, Title 8, Section 3220 requires organizations to develop emergency action plans.
 | Management should update and enhance its EAP to help ensure the safety and preparedness of the workplace. The updated EAP should be distributed to employees and a formal periodic review process should also be established to ensure that EAPs are kept current and up-to-date.In conjunction with OEM, management should provide regular updates to employees regarding available training classes and resources to raise awareness of emergency preparedness procedures.  | **Updates**: The EAP will be enhanced, in part, by conducting a review of templates and published EAPs from sources such as UCLA, UCOP, and other UC campuses. **Annual Review**: The EAP will be reviewed in conjunction with the FA600 policy and IIPP annual updates. The review will be completed no later than March 31 of each calendar year. **Distribution**: Following completion of the annual updates, the EAP, FA600, and Injury and Illness Prevention (IPP) program will be published on the UNEX intranet site and a notification e-mail with links to the documents will be sent to all UNEX staff.**Training & Resources**: In conjunction with campus, UNEX will e-mail staff and/or forward related messages no less than semi-annually regarding available training classes, events, and resources related to emergency preparedness procedures. |
|  | Floor Warden ProgramUNEX is currently re-evaluating how to improve its floor warden program due to the current remote/hybrid workplace model and recent organization changes (e.g., reorganization of departments, reassignment of workspaces).Management has reached out OEM for guidance and feedback. Also, management indicated that most staff work remotely or have hybrid work schedules, which vary by department scheduling preferences. This model has contributed to challenges in always having trained floor wardens on-site to lead evacuations and maintaining an accurate staff roster to ensure that all employees are accounted for during an emergency evacuation. New concepts and methods are being considered such as having more wardens (or evacuation leaders) with less training/time commitment or having all staff mandated to attend training. Management is also investigating the feasibility of implementing a new application/system that will have an online “in or out” board to identify which employees are on-site or working from home on any given day.  | Management should continue to work with OEM to redesign its floor warden program and evacuation procedures, based on the current remote/hybrid workplace model. This process should include enhancing procedures and tools to help ensure that trained resources are available to manage and assist in the safe evacuation of employees in the event of an emergency.  | UNEX will amend the Floor Warden Program to better fit lower on-site occupancy levels and future unassigned “hotdesk” offices and workspaces with an ongoing review in conjunction with OEM. As an initial step, Facilities Management (FM) staff will act as primary Floor Wardens each day since team members are always on site. Recruitment of new and verification of existing Wardens and Safety Coordinators including backup positions with representation from each UNEX department will be completed by the next EAP/IIPP/BCP review due date, March 31, 2024. |
| BUSINESS CONTINUITY PLANNING  |
| Business continuity plans (BCPs) are documented procedures that help guide departments on how to respond, recover, resume, and restore their essential functions in the event of an emergency or business disruption. UNEX works with the Insurance & Risk Management (IRM) Business Continuity Planner to develop, update, and maintain its BCPs in the system-wide UC Ready tool. Automated annual e-mail reminders are sent via UC Ready to departments to review and update their BCPs to ensure that information is current and up-to-date. UC Ready also has a planning module available that allows Campus departments to store information related to Information Technology (IT) Disaster Recovery plans. Audit work included the following:* Discussions with the Director of UNEX Facilities Management to gain an understanding of the business continuity planning process.
* Examination of 15 UNEX departmental BCPs maintained in UC Ready, along with the annual gap analysis review performed by the IRM Business Continuity Planner to ensure that BCPs conform with Campus requirements and include key BCP elements.
* Review of UNEX’s IT Disaster Recovery plan and Incident Response procedures.
* Review of the UC Ready Manual and UCLA IS-12 IT Recovery Policy.

Issues noted are summarized below. |

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|  | Department Business Continuity Plans (BCPs)UNEX Department BCPs are not always reviewed and timely updated in UC Ready. Of the 15 BCPs maintained by UNEX, A&AS identified eight instances in which the department’s annual review of the BCP was past due. The past due dates for the eight BCPs ranged from January 2021 to February 2022. Additionally, based on IRM’s gap analysis, all 15 BCPs had partially conforming and/or missing elements in their BCP. IRM provided comments and recommendations to the departments, including, but not limited to, topics such as incorporating lessons learned from the COVID-19 pandemic and including more information on communication strategies and detailed plans for restoring essential functions.  | Management should ensure that departmental BCPs are comprehensive and kept up-to-date in UC Ready. UNEX Academic and Administrative departments also should assess the comments and recommendations provided by IRM, and address missing or partially confirming BCP elements, where applicable.  | The Director of FM will coordinate annual UNEX departmental BCP reviews in conjunction with IRM’s recommendations and ensure that plans are up-to-date no later no later than March 31 of each calendar year.  |
| 10. | IT Disaster Recovery Plan At the time of the audit, UNEX IT Services was in the process of working with the IRM Business Continuity Planner to update and enhance its IT Disaster Recovery (ITDR) plan. UNEX’s draft ITDR as of January 2023 included information for staff to use to restore IT resources in the event of a business disruption, such as key business and IT contacts, critical systems classified by recovery time tiers, communication channels, backup and recovery procedures, detection/monitoring methods, among other areas.Management indicated that they also have documented Incident Response procedures in place for UNEX and certain components will be incorporated in the IT Disaster Recovery module within UC Ready.  | Management should continue efforts to work with the IRM Business Continuity Planner and appropriate stakeholders to ensure that UNEX’s ITDR is developed, approved, and tested in accordance with UC IT Recovery Policy requirements. The ITDR should align with UNEX’s business impact analysis and BCP objectives to determine in-scope processes for IT recovery planning.  | Extension IT Services is conducting a full review of its all UC Ready plans: Business Continuity, ITDR and Application Recovery plans in collaboration with the IRM Business Continuity Planner. We plan to have updated plans completed this fiscal year. |
| PERIODIC CERTIFICATE PROGRAM REVIEWS |
| Academic Department Directors (DDs) and Continuing Educators (CEs) are responsible for the governance and oversight of certificate programs in their portfolio. In accordance with UNEX policy, DDs and/or CEs perform a formal review of their certificate program every five years to assess its continued relevance and vitality, including preparing a written report with recommendations for the Dean. The UNEX Dean's Office coordinates and monitors the completion of the five-year certificate program reviews. During the period January 1, 2021 through December 31, 2022, there were 12 five-year program reviews completed. Audit work included the following:* Discussions with UNEX Dean’s Office regarding governance and oversight procedures for monitoring certificate programs, including the process for completing five-year reviews.
* Review of UNEX Policy AA150, Certificate Programs and Policy AA150.2, Procedure for Certificate Program Reviews.
* Review examples of reports and dashboards used to monitor the certificate program performance and enrollment/revenue trends.
* Review of master listing (tracking spreadsheet) used to monitor the scheduling and completion of five-year reviews.
* Examination of three five-year review reports to ensure that key required elements are included in the report, in accordance with UNEX policy.

The following issue was identified: |
| 11. | Five-Year Certificate Program ReviewsBased on review of the master listing schedule maintained by the UNEX’s Dean’s Office, there were 49 active certificate programs (out of 107) that had scheduled five-year review dates that were past due and had not yet been performed as of December 2022. The past due dates for the scheduled reviews ranged from 2014 to 2021. Management indicated that the backlog of past due reviews were primarily due to system data limitations/challenges with creating a tracking system (due to Destiny system replacing the prior homegrown system). This led to no five-year reviews being completed for over three years (January 2017 through July 2020). Without up-to-date five-year reviews, there is a risk that negative trends or issues impacting the relevance and viability of certificate programs may not be addressed timely. \_\_\_\_\_\_\_\_\_\_\_\_\_\_Criteria:UNEX Policy AA150, Certificate Programs, states that “each program will be periodically reviewed for its continuing relevance and vitality. DDs/CEs will employ the Procedure for 5-Year Reviews through which formal recommendations are made to the Dean about the relevancy, currency and disposition of each program.” | Management should strengthen efforts to ensure that five-year reviews are completed for past due certificate programs. Due to the large backlog of past due reviews, management should consider developing a multi-year risk-based approach to determine the prioritization of programs for review. This could include factors such as enrollment/revenue data, how long the program has been around, number of years past due, etc.  | There are currently 57 overdue certificates with due dates prior to July 1, 2023 (out of a current total of 110 certificates). Three certificates have been reviewed this year and 12 certificates are in the process of being reviewed and should be completed in the next couple of months. We will aim to initiate at least five additional certificate reviews in 2023. Certificate reviews are already being prioritized in terms of enrollment, last review date, and other considerations in consultation with program directors. |
| CERTIFICATE PROGRAM COURSE AND INSTRUCTOR APPROVAL |
| CEs and the UNEX Dean’s Office oversee UNEX instructors, courses, and programs. CEs create and propose new courses at various levels of instruction, assemble the dossiers of new and continuing instructors, and ensure that only approved instructors provide education. The Dean’s Office maintains approval records of UNEX’s courses, provides program department personnel with real-time reports, and provides training programs and manuals to acquaint new and continuing staff.Audit work included the following: * Discussions with the UNEX Dean's Office regarding relevant policies and procedures, the course and instructor approval process, and the systems used to document the approvals.
* Review of UNEX instructor, course, and certificate program policies and procedures.
* Review of ten judgmentally selected instructors in FY 21-22 across various courses, instruction levels, and employee types to verify that the instructor was adequately vetted, approved, and contracted in accordance with UNEX divisional policies.
* Review of five judgmentally selected courses, and two certificate programs in FY21-22 across various departments and instruction levels, to verify that the course and program were adequately approved in accordance with UNEX divisional policies.

The issues noted are summarized below. |
| 12. | Course ApprovalA review of the five sampled course approval packets indicated that the course approval requests are not always properly completed and reviewed. Of the five sampled courses tested, A&AS noted that one course approval packet was incomplete and did not include all required documents in accordance with UNEX Policy. Specifically, the course outline did not contain items referenced in the UNEX policy, and the approval section in the course approval document was missing the date of approval from the appropriate UNEX personnel.\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria:**UNEX Policy AA123 section titled "The Course Proposal" states that "...The outline will identify texts to be used in the course, if any; a list of the topics to be covered in each course meeting, a statement regarding the techniques to be used in the evaluation of student work, (exams, papers, presentations, e.g.); notation regarding program meeting format and the number of hours outside of class to which students will typically be expected to commit; and the number of contact hours of instruction, and the value of academic credit the contact hours represent"." | Management should ensure that course approval packets are properly completed and reviewed prior to course approval, in accordance with UNEX policies. | The Academic Programs Coordinator will seek to ensure that approval packets are completed correctly in accordance with policy, and that UNEX staff are properly trained on the process. The pending addition of the Director of Program Operations role in the Dean’s Office will also help in ensuring proper staff training on these procedures. |

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| 13. | Instructor ApprovalA review of ten instructor approval packets and contracts sampled indicated that for all ten sampled items, the instructor approval requests were not properly completed and reviewed in Destiny, and adequate documentation for the instructor approval dossier was not maintained.Also, of the ten sampled instructor approval packets tested, the following were noted:* For four instructor samples, the instructor approval packet was incomplete. In two of the four impacted samples, UNEX did not maintain all the documents for the instructor dossier, as required by UNEX Policy, before an instructor was approved. In one of the four impacted samples, UNEX did not ensure that all fields in the approval request form were complete. In one of the four impacted samples, UNEX did not ensure that the appropriate Campus department chair signed the instructor approval document.
* For one instructor sample, documentation supporting the instructor's approval by the Academic Senate was not maintained. UNEX relied on the Academic Senate to document the Instructor Approval information and did not independently track instructor approvals.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_**Criteria:**UNEX Policy AA122 section titled "The Dossier" states that "…Whenever required for review by UCLA departments or Senate committees, dossiers of instructor-candidates proposed to teach credit-bearing courses through UCLA Extension will include the following elements: Biography, the course listings, the course outlines, Cumulative scores and reports of instructor and course evaluations from other institutions (if available), and a minimum of three letters of reference. | Management should ensure that instructor approval packets are properly completed and reviewed in Destiny. In addition, management should ensure that adequate documentation for the instructor approval dossier is maintained. | The Academic Programs Coordinator will seek to ensure that approval packets are completed correctly in accordance with policy, and that UNEX staff are properly trained on the process. The pending addition of the Director of Program Operations role in the Dean’s Office will also help in ensuring proper staff training on these procedures. UNEX does independently track all instructor approvals, including for undergraduate level courses which are sent to the Academic Senate. UNEX did previously rely on the Academic Senate to maintain the approval document PDFs for these undergraduate level courses, but we will begin keeping these records separately as well.  |
| 14. | Instructor Contract AgreementsFor all ten instructors tested, while A&AS obtained copies of employee contracts from the UNEX Dean’s Office, A&AS was unable to obtain the signed and dated copies of the contracts. Management indicated that there is no central repository to store signed instructor contracts, and the individual academic departments are responsible for maintaining instructor-related documents. As a result, A&AS could not verify that the instructors appropriately signed and dated these contracts to ensure acknowledgment of terms and conditions and course requirements. | Management should consider the feasibility of creating a centralized repository that could be shared with the academic departments, to store instructor-related documents and contracts.  | The Dean’s Office can consult with HR and ITS on a centralized repository for completed instructor contracts. |
| BUDGET & FINANCIAL MANAGEMENT |
| The UNEX Budget and Financial Services (BFS) team is responsible for coordinating the annual budget process. Each UNEX department submits a budget package to BFS, including an Excel budget summary, budget narrative, and supporting Hyperion Detail Reports. Budget presentations are held with BFS and organizational leadership and once budget decisions and adjustments are made, BFS submits the budget to the Campus Academic Planning & Budget office (APB) for review and inclusion in the UCLA Campus-wide budget. BFS distributes monthly financial statements to all budget owners and leadership, including budget versus actual statements. Since its sales cycle is in large part tied to academic quarters, budget owners are requested to review variances on a quarterly basis. Budget owners are responsible for analyzing significant variances and implementing corrective actions to reduce or eliminate the net impact of variances. Audit work included the following:* Discussion with BFS management to obtain an understanding of the budget preparation and monitoring processes.
* Review of budget guidelines provided to Academic and Administrative Departments for fiscal year 2022-23.
* Review sample of individual departmental budget packages, along with the organization-wide budget conference submission to APB, for fiscal year 2022-23.
* Review examples of quarterly budget vs actual reports for fiscal year 2021-22.

The following issue was identified: |
| 15. | Budget Variance ReviewWhile budget variance reports are prepared and distributed to budget owners for review, there is no formal process in place to document explanations for significant budget variances occurred and/or corrective actions taken to address variances. Management indicated that a quarterly variance review process was piloted during Fall 2021, which tasked budget owners with analyzing any variance that exceeded $5,000 or 5% of the original budget, including providing written explanations and action plans for the variance. However, this process was subsequently suspended for two primary reasons: (1) tools needed to allow the user to drill down from summary to detailed information were unreliable due to data loading issues, and (2) absence of a full-time Associate Dean for Academic and Faculty affairs, limiting the ability to establish a robust and formal review process.  | Management should continue to work on developing standards and reporting tools that would help enable departments to perform a more robust review of budget variances. Consideration should also be given to establishing formal procedures that would require departments to investigate and provide written explanations for significant budget variances (e.g., 5-10%).  | We concur. We have developed a pilot andwill be working to fully integrate the formalprocess and review in the upcoming year. |
| ACCOUNTS RECEIVABLE  |
| Tuition and fees for UNEX courses are due when the students register for the courses, except when the tuition will be paid by financial aid or by organizations with specific pre-approved agreements with UNEX. Course registration, payments, and account receivables are tracked in Destiny. The BFS team follows up with the Financial Aid office and various customers/organizations regarding outstanding accounts receivable balances. BFS Management reviews accounts receivables aging on a monthly basis. As of June 30, 2022, accounts receivable balances totaled approximately $2.2 million, of which $591,000 was over 90 days outstanding. No amounts were written off during fiscal year 2021-22. Audit work included the following:* Discussions with BFS Management to understand the processes and controls for the collection of outstanding accounts receivable balances and writing-off uncollectible balances.
* Review of UNEX accounts receivable policies and procedures.
* Review of five overdue invoices/customers judgmentally selected from Accounts Receivable (A/R) Aging report as of June 30, 2022 to confirm that receivables were pre-approved and adequate follow-up activities were performed for aged A/R.

Issues noted are summarized below. |
| 16. | Policies and ProceduresUNEX internal Accounts Receivable policies and procedures have not been updated since March 2013 and do not fully reflect current practices established by UNEX. A&AS noted that certain areas have not been formally documented such as: * Roles and responsibilities for processing of accounts receivable.
* Guidelines, protocols, and documentation requirements for collection activities using the Collections (MS Access) database.
* Process and guidance for the determination of uncollectible accounts and approving accounts receivable write-offs.
* Recording and reconciling accounts receivable balances to the general ledger.

Management indicated that the collections process is currently under review and modification. Historically, UNEX has focused on outstanding balances over 180 days old due to lack of staff capacity; however, a new staff member was recently hired and management is discussing the possibility of beginning its collection efforts at 30, 60, or 90 days, depending on the particular customer and their payment history. | Policies and procedures should be enhanced and updated to reflect current processes for the recording and collection of accounts receivable balances. Maintaining comprehensive desktop procedures would help to ensure that roles/responsibilities are well understood and provide guidance on method/frequency of follow-up, documentation of collection efforts, and determination of uncollectible accounts and A/R write-offs, among other areas.  | We concur. We will review and update ourcurrent procedures. |
| 17. | Accounts Receivables Review and Approval A&AS reviewed a sample of five past due accounts as of June 30, 2022 and identified the following:* One foreign entity customer had a $75K outstanding balance of which approximately $64K was over 90 days past due; however, students related to the foreign entity were still allowed to register for courses without paying tuition and fees upfront based on a financial guarantee letter from the entity.
* One student had a receivable balance (over 120 days past due) that was not removed timely, resulting in an $11,995 overstatement as of June 30, 2022. The overstatement was due to a course registered but not taken by the student, and was not removed when UNEX was informed by Financial Aid to do so in April 2022. Management removed the receivable in January 2023 after A&AS selected this receivable for testing.
 | Formal procedures/guidelines should be established for reviewing and approving the registration of students from organizations with outstanding past due A/R balances (e.g., over 90 days) to help reduce delinquency rates.  In addition, management should enhance the review process over the A/R aging report to ensure that receivables are valid and potential errors are identified in a timely manner. | We concur. We will formalize the procedures for approving student registrations from those with outstanding A/R balances. We will improve our regular A/R aging review to ensure the validity of A/R activity. |
| INFORMATION TECHNOLOGY  |
| The UNEX Information Technology Services (ITS) Department manages and operates the technology infrastructure for the organization, including but not limited to providing support for classroom technology, development of technology solutions for business and instructional needs, and administering user accounts. Audit work included the following:* Discussions with UNEX ITS to obtain an understanding of user access management, super-user activity and monitoring, and logon/password security procedures.
* Review of UNEX Information Security Policy CC260.
* Data analytics review to compare the Destiny user access listing as of January 2023 to UC Path payroll records to determine whether active users were current UNEX employees.
* Review of a sample of 20 users with access to the Destiny system to determine the appropriateness of each user’s access, based on their job responsibilities.

The following issue was noted.  |
| 18. | Destiny System Access – Separated EmployeesEight former employees who were no longer UNEX employees maintained access to the Destiny system as of January 2023. The separation dates for the eight users ranged from April 2022 to December 2022. User access to system applications should be disabled or removed in a timely manner to help prevent unauthorized access or inappropriate changes to system data. | Management should ensure that access to system applications are removed in a timely manner when an employee separates from UNEX or transfers to another Campus department.  | Extension IT Services is redesigning the employee onboarding/offboarding process to provide more visibility into the systems staff are assigned and provide checklists to help ensure that all necessary steps are taken to provision/deprovision accounts in a timely manner and remove access upon departure from various systems.Destiny logins require an external authentication server to be effective. Our Active Directory authentication server runs a service called Netwrix which automatically disables inactive accounts and provides an audit log of account changes. We are working to bring UCLA Logon for all our core systems so that there is a sole source for logins that is centrally controlled. Destiny will still require that external authentication to be effective.In the short term, Extension IT Services is developing an exception report to highlight active Destiny user accounts that have a corresponding Active Directory logon to highlight potential accounts in that application that should be deactivated. This report will be scheduled and run daily to the helpdesk team who manages systems access. |
| MANDATORY TRAINING |
| Audit work included the following:* Review of mandatory training compliance data and statistics related to cybersecurity, UC Ethical Values and Conduct, and Sexual Violence and Sexual Harassment as of May 8, 2023.
* Discussions with UNEX Human Resources regarding the follow-up process for overdue compliance mandatory trainings.

The following issue was noted.  |
| 19. | Mandatory Training Completion Rates Faculty and staff are required to complete mandatory trainings related to cybersecurity, ethics, and sexual violence/sexual harassment (SVSH). Department Directors and Continuing Educators are responsible for following up with their staff or instructors who are past due on their trainings based on quarterly compliance reports provided by the UNEX Human Resources team.UNEX’s average completion rates for mandatory training courses as of May 8, 2023 were as follows:

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| Training Area | Total Employee Records | Completion Rate |
| Cybersecurity | 1,922 | 63% |
| Ethics | 1,937 | 87% |
| SVSH (staff) | 289 | 84% |
| SVSH (faculty) | 1,629 | 62% |

Consequently, UNEX staff and faculty trainings warrant improvement. | Management should remind faculty and staff of the mandatory training requirements. Management should e-mail periodic reminders to faculty and staff to complete mandatory training courses and to reinforce the importance of maintaining compliance with training requirements. This is an opportunity to improve compliance rates, increase cooperation, and share essential training information.  | Extension Human Resources developed a compliance audit and follow-up process in collaboration with UCLA Compliance. We started with a quarterly compliance audit, moved to monthly audits earlier this year, and have now requested to receive weekly rosters. Extension Human Resources receives data from UCLA Compliance, separated by department, and disseminates it to the departments, who follow up with their staff and, most importantly, with their instructors. |

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REP

[Appendix 1](#HnI)



[Appendix 2](#PAN_Review)

PAN Aging – Transactions in FY21-22 that were read eight days or longer after receipt:

The PAN mandatory reviewer information is hidden on the audit report for confidentiality purposes. The number shown in the graph below represent the count of PANs. The average days unread in queue is reflected by the different shades of blue.

