HOUSING & HOSPITALITY SERVICES

UNIVERSITY GUEST HOUSE

AUDIT REPORT #18-2205

Audit & Advisory Services

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# Background

In accordance with the UCLA Administration fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) conducted a review of the University Guest House (Guest House).

The Guest House is a 61-room campus hotel serving the temporary housing needs for visiting scholars, guest speakers, medical patients and their families, parents of UCLA students, alumni, and other University affiliated visitors. Standard rates per night for fiscal year 2016-17 ranged from $199 to $309, depending on the anticipated demand, occupancy level, room configuration, the number of guests staying in the room, and the checkout time. The primary sources of income are from room reservations and parking permit sales. Average revenues approximated $3.66 million annually, with reported average occupancy rates of about 75%. The Guest House offers its guests various amenities, including a business center, 24-hour registration desk, complimentary continental breakfast, daily housekeeping, laundry room, and concierge services. OPERA, a property management software application, is used to facilitate and monitor the routine functions of hotel operations, including guest reservations, guest billing, night audit functions, and management reporting.

At the time of the audit, the Guest House employed a total of 23 staff members, including three managers, nine housekeeping staff, six career front desk employees, and five student front desk employees. The Assistant Manager and Housekeeping Manager report to the Guest House Manager. The Guest House Manager reports to the Luskin Conference Center (LCC) General Manager.

# Purpose and Scope

The primary purpose of the review was to ensure that the Guest House’s organizational structure and controls, and the related systems and procedures surrounding Guest House activities, are conducive to accomplishing its business objectives. The secondary purpose was to evaluate the adequacy and efficiency of internal controls. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the audit focused on controls surrounding the following activities:

* Accountability Review
* Room Status and Rates
* Key Management Systems
* Access Controls
* Training

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included tests and other procedures considered necessary to achieve the objective. Interviews were conducted with Guest House management and staff, and various other financial and administrative documents were examined.

# Summary Opinion

Based on the results of the work performed within the scope of the audit, the Guest House has established adequate internal controls and business practices to help ensure that its business objectives are met. The audit identified the following areas where internal controls could be further strengthened:

*Accountability Review*

* The Chief Administrative Officer (CAO) should monitor accountability delegations by reviewing quarterly Distributed Administrative Computing Security System (DACSS) reports to ensure that the accountability structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities.

*Room Status and Rates*

* Management should ensure that the LCC General Manager’s approval is formally documented when rate structures are revised. An effective approval process can further improve communication and collaboration among management.
* Tests should be performed when executing new room prices to identify any discrepancies between the rates in the property management software, and the approved rate structure. Updated source documents of tier requirements should be maintained, and recurring reconciliations of tier settings should be performed to confirm that guests are quoted and charged the intended rates. Management may also want to consider recording the dates when rate changes are implemented in the OPERA system.

*Key Management Systems*

* Management should ensure that user accounts to the SALTO and KeyWatcher systems that are no longer needed are removed in a timely manner to ensure that the user listing reflects access that is appropriate. Additionally, systems should include the employee’s official name per the Personnel Payroll System (PPS) and their employee University Identification (UID) to enhance the data integrity of the user listing.  The UID is a unique identifier and using the employee’s official name adds uniformity.

The results of the audit and corresponding recommendations follow.

# Audit Results and Recommendations

## Accountability Review

The Guest House accountability structure in DACSS in effect for August 2017 was evaluated for effective delegation of authority in initiating, processing, and reviewing transactions, and for adherence to the UCLA Financial Policy on “Principles of Financial Accountability.” According to the UCLA Financial Policy, maintaining and securing an effective accountability structure should provide for the routine update of DACSS to ensure that proper access is granted to inquire, prepare, and/or review transactions. The annual CAO Certification and Accountability Matrix was also reviewed.

The following were noted:

### Accountability Structure

Overall, the Guest House CAO has established an effective DACSS structure for the delegation of initiating, processing, and reviewing transactions. However, the following issues were noted:

* The Guest House Manager’s reviewer access for CashNet, Non-PEAR, On-Line Interdepartmental Recharge Request, and Purchasing transactions is set-up at the account level and the department level, creating a redundancy in access.
* Although the CAO Accountability Matrix lists the Guest House Manager and the Housing Accounting Service Manager as Transfer of Funds (TOF) reviewers, they are not set-up to review these types of transactions.
* A Front Desk employee is currently set-up with inappropriate access to various DACSS functions. Management stated that several years ago, the employee held the positions of a Housekeeping Manager, and afterwards a Front Desk Supervisor, but the access is no longer needed.

Recommendation: The CAO should monitor accountability delegations by reviewing quarterly DACSS reports to ensure that the accountability structure reflects access that is appropriate and consistent with the department’s organizational structure and job responsibilities.

Response: Agreed. The CAO will monitor accountability delegations by reviewing quarterly DACSS reports starting on February 1, 2018.

### Post Authorization Notifications (PAN) Review

The PAN Aging Reports available on the online Document Direct system were queried to verify that Guest House employees who are set-up as mandatory reviewers do not have any unread PANs greater than 14 days. Additionally, the PAN Audit Review was queried for the 19 month period of January 5, 2016 - July 31, 2017, to verify that mandatory reviewers had read their PANs “within two business days of receipt” in accordance with the UCLA Financial Policy.

As of July 31, 2017, mandatory reviewers have read all their PANs in accordance with the UCLA Financial Policy.

There were no significant control weaknesses noted in this area.

## Room Status and Rates

### Housekeeping Discrepancy Reports

The Housekeeping Discrepancy reports are generated daily to identify when there is a conflict between the Front Desk and Housekeeping occupancy status of a room.  Housekeeping staff print the Housekeeping Detail report from OPERA and perform a check of each room to verify the occupancy status, they then prepare the Room Status Exception Report to describe any discrepancies, and how they were resolved.

Review of the June, July, and August 2017 daily Housekeeping Discrepancy reports showed that during the three month period there were no discrepancies noted. All of the Room Status Exception Reports reviewed were dated, signed by the Preparer, Front Desk, Housekeeping Manager, and Manager.

There were no significant control weaknesses noted in this area.

### Bucket Check

A walkthrough of the Bucket Check procedures was performed. Discussions were held with management, and written procedures and documentation were reviewed for adequacy of controls. The “Bucket” is a file case that has a divider with each room number and contains the registration cards for the rooms. If a room is occupied, there should be a registration card for that room.

The Guest House has adequate controls over the Bucket Check procedures. At the end of each shift, the Bucket is reviewed and compared to OPERA to ensure that:

* Each room that is occupied or vacant in the computer matches the Bucket. OPERA and the registration card should match. If a room is occupied, there should be a registration card.
* Information that is in OPERA is on the registration card and vice versa. The arrival date should match; there should be initials on the daily rate, departure date, agreement to vacate, terms of stay, and eligibility. The affiliation should be filled out, there should be a signature, and the last four numbers of the guest’s credit card should be on the registration card.
* The balance of each folio has an approved form of payment that covers their estimated balance at check out. The folio summarizes charges for the guest’s stay and gives an amount due.
* The balance of each occupied room is reviewed to ensure that either the credit card has been authorized for the extent of their stay; if paid by cash that the balance remains as a credit for the length of their stay; and if they have a recharge number that it covers the extent of their stay.

There were no significant control weaknesses noted in this area.

### Rate Approval

The Guest House Manager and the LCC Revenue Manager meet with the LCC General Manager at least twice a year to review the Guest House rate structure. Due to the transition made to a demand-based pricing strategy, the Guest House revised its rate structure three times (November 2016, January 2017, and March 2017) during fiscal year 2016-17. Out of the three structure revisions, only the November 2016 rate structure was emailed to the LCC General Manager for a final review prior to implementing the new rates.

Recommendation: To enhance the Guest House current business practices, management should ensure that the LCC General Manager’s approval is formally documented when rate structures are revised. An effective approval process can further improve communication and collaboration among management.

Response: Agreed. Effective immediately, all new rate structures and revisions will be approved and formally documented by the General Manager of the LCC/AVC and kept on file. Our newest rates, which will go into effect on January 1, 2018, were approved by the previous LCC General Manager and the AVC during the FY 2017-18 budget cycle.

### Rate Charges

In order to optimize profitability, the Guest House adopted a demand-based pricing strategy to determine the rates of the rooms. Prior to November 2016, rooms were priced based on a flat rate that varied only by the type of room being reserved. A tiered rate structure was then introduced so that prices would also depend on the number of occupied rooms. At the beginning of 2017, the Guest House Manager and the LCC Revenue Manager began to monitor consumer demand closely in order to adjust the daily minimum tiers used to determine room rates. The Revenue Maximization (RevMax) sheet, which is reviewed and revised several times a week, is a snapshot that looks ahead up to six months with the daily minimum accepted tier levels and lengths of stay. After revisions are made to the RevMax sheet, the changes are loaded into OPERA. However, to keep up with the ongoing fluctuation of room reservations and anticipated demand levels, tiers are regularly adjusted in OPERA before they are recorded in the RevMax sheet. Other factors that affect the prices are the number of guests staying in the room, and the checkout time.

A judgmental sample of 15 OPERA room transactions in April, May, and June 2017 was reviewed to verify that the guests were charged the correct rates. The sample test showed that all the guests were billed for their stay; however, there were eight instances where the transaction amounts did not agree with the documented rates or the daily minimum tier settings:

* Three transactions conflicted with the amounts reflected in the rate structure.
* Three transactions conflicted with the specified tier requirements recorded in the RevMax sheets.
* Two transactions did not agree with the rate structure and the documented tier settings.

Management explained that the minimum tier updates enacted in OPERA are not always recorded in the RevMax sheet due to the frequent number of changes. In addition, the discrepancy for one of the transactions may have been a result of the rate being loaded incorrectly into OPERA.

Review of the three rate structures showed that the period of time that the rates were in effect was not noted, nor did the rate structures contain the date the rates were implemented in OPERA.

Recommendation: Management should ensure that rates put into OPERA should first be listed in the approved rate structure. Reconciliation procedures and tests should be developed and performed to identify any discrepancies between the rates in OPERA, and the approved rate structure. Updated source documents of tier requirements should be maintained, and recurring reconciliations of tier settings should be performed to confirm that guests are quoted and charged the intended rates. The rate structure should be properly documented and include essential information, such as the effective period and the date the rates were implemented in OPERA. Proper tracking of changes can facilitate the reconciliation process and help in preventing errors.

Response: Agreed. The LCC General Manager and/or the AVC will approve all new rates before they are entered into the OPERA system. Additionally, RevMax sheets will be updated consistently each time the rate structure, tiers or LOS are modified. These sheets will include the date the change was made, by whom, the specific date the change(s) were made and the new rate/tier. At random, there will monthly spot- checks by the Guest House Hotel Manager and the LCC Revenue Manager to verify that the rates being quoted via OPERA match the rates/tiers that are listed on the RevMax sheets. All spot-checked reservations will be documented and any discrepancies will be researched and addressed with appropriate employees.

## Key Management Systems

### SALTO System

The SALTO electronic key & lock system is used to manage access to Guest House doors. Employees are provided with a SALTO contactless key fob that is used to open the doors they have authority to access. The key fobs have “rights” that expire after a certain amount of time after which they must be renewed by being placed by a SALTO wall reader. The wall readers will validate and synchronize the key data with any updates. There are three wall readers that are located in the Guest House. The key fobs of hourly employees expire daily and the three manager’s key fobs are programmed for approximately one year at a time.

Administrators set-up users and determine what rooms they are able to access. User are assigned access rights to the following zones, each zone has access to particular doors:

* Emergency
* Front Office
* Housekeeping
* Maintenance
* Management
* Vendor

The Guest House Manager and Assistant Guest House Manager have Front Desk Management access in order to manage access to the Guest House SALTO keys.  The Access Control Systems Administrator and three Housing Information Technology employees have administrator access.

Review of the listing of 26 users who have key access rights in the SALTO system indicated that 24 of the employees are current employees and SALTO key access rights appear to be appropriately granted based upon their job classification and responsibilities.  The following issues were noted:

* Two users should not have SALTO key access rights;
* One user separated from the University on September 17, 2017.
* One user retired on August 4, 2017.
* Two of the users' names were misspelled and did not match their name in the PPS.

On September 21, 2017, once notified by A&AS, the Guest House Assistant Manager removed the two users from the SALTO system; in addition, the two users with misspelled names had their names updated to match their name in PPS.

Recommendation: Management should ensure that key access within the SALTO system is updated in a timely manner to make certain that key access is appropriate. Additionally, the SALTO system should include the employee’s official name per PPS and their employee UID to enhance the data integrity of the user listing.  The UID is a unique identifier and using the employee’s official name adds uniformity.

Response: Agreed. Currently, all Guest House employee UIDs have been added in the ROM code field of the SALTO system. Additionally, all other employee UIDs from Housing Maintenance and Housing IT will be updated in the SALTO system by February 1, 2018. Guest House management will run a quarterly report to verify that only appropriate employees are registered and have correct key access to SALTO.

### KeyWatcher System

The KeyWatcher system is used to maintain physical security and accountability over Guest House hard keys (front desk banks, cabinets in breakfast area, storage in the garage) as well as any master keys, such as the SALTO master keys that the Housekeepers would sign out to perform their assigned sections. The keys are in an electronic KeyWatcher cabinet. The KeyWatcher cabinet is a sophisticated, computerized steel cabinet that provides the ability to control access to authorized users by a biometric finger scanner to the cabinet itself and individual keys within the cabinet.

The KeyWatcher system tracks the removal of all keys.  On a daily basis at 4:30 PM, a report is sent to the Guest House Manager and Assistant Guest House Manager listing all keys that are not in the KeyWatcher cabinet. The report is reviewed to ensure that all keys are returned.

System administrator level access to KeyWatcher is restricted to authorized personnel. The Access Control Systems Administrator and four employees of the Access Control unit have administrator access.

Access to the key rings stored inside the KeyWatcher touch cabinets was reviewed to ensure that only appropriate staff have access to remove keys based on their job responsibilities. The scope of the review included all Guest House employees and users that have access to all keys in the Guest House KeyWatcher cabinet.

The total number of users reviewed 34:

* Guest House employees with all access: 3
* Front Desk Security Group: 15
* Housekeeping Security Group: 9
* Housing Information Technology with all access: 7

Thirty of the 34 employees who have been assigned access to the KeyWatcher are current employees and based on review and discussions with management, access rights appear to be appropriately granted based upon their job classification and responsibilities. The following issues were noted:

* Four users should not have access to the KeyWatcher.
* Two users separated. One user separated from the University on March 22, 2017, and the other on September 17, 2017.
* One user transferred to another UCLA department. The user's last day at the Guest House was May 22, 2017.
* One user retired on August 4, 2017.
* Four users’ names were misspelled and did not match their name in the PPS.

Once notified by A&AS, the Guest House Manager contacted the Access Control System Administrator who removed the four users from the KeyWatcher system; in addition, the users with misspelled names had their names updated to match their name in PPS.

Recommendation: Management should ensure that access to the KeyWatcher system is continuously reviewed and access is removed on a timely basis. Additionally, the KeyWatcher system should include the employee’s official name per PPS and their employee UID to enhance the data integrity of the user listing.  The UID is a unique identifier and using the employee’s official name adds uniformity.

Response: Agreed. KeyWatcher access will be reviewed on a quarterly basis by Guest House management to verify that only the appropriate employees are registered and have the correct key access to the KeyWatcher system. The KeyWatcher system already includes the employee’s official name per PPS and UID in a detailed report. This data is inputted for all employees when they are initially programmed into the KeyWatcher system.

## Access Controls

OPERA is used to facilitate and monitor the routine functions of operations, including guest reservations, guest billing, night audit functions, and management reporting. Each user has their own unique login and password to OPERA.

The adequacy of OPERA software controls were evaluated through interviews with management and examination of user listing reports. Controls over systems access to OPERA were reviewed to verify that access has been granted based upon job classification, responsibilities, and that users are current employees.

Audit test work indicated that access to OPERA is limited to appropriate staff. Review of the OPERA user listing showed that there are 13 users who have access to the OPERA application; all 13 users are active Guest House employees.  System administrator level access to OPERA is appropriately restricted to the Guest House Manager and Assistant Guest House Manager.

There were no significant control weaknesses noted in this area.

## Training

### Sexual Violence and Sexual Harassment Prevention Training

The University mandates annual sexual violence and sexual harassment prevention training and education. The training program helps employees learn about and understand their role in ensuring that the University community remains free of all forms of discrimination and harassment, including sexual harassment and violence, which is prohibited by law and University of California (UC) Policy.

A&AS reviewed compliance with UC sexual violence and sexual harassment prevention training as of August 2017. The review showed that all Guest House employees received the sexual violence and sexual harassment prevention training within the past two years in accordance with California State laws.

There were no significant control weaknesses noted in this area.

### Cybersecurity Training

Cybersecurity training is mandated by the Office of the President. The training covers basic information regarding security, email, passwords, and social engineering, in addition to introducing contemporary threats and teaching good behaviors that protect information. A&AS reviewed Guest House compliance with Cybersecurity Awareness Training as of August 2017. The review showed that all the required Guest House staff members have completed the mandatory cybersecurity training.

There were no significant control weaknesses noted in this area.

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