

RIVERSIDE: AUDIT & ADVISORY SERVICES

April 30, 2012

To: Bobbi McCracken, Associate Vice Chancellor
Financial Services

Subject: Review of Senior Management Group (SMG) Members' and Deans'
Travel and Entertainment Expenses

Ref: R2012-13

We have completed our review of the UCR Senior Management Group Members' and Deans' Travel and Entertainment Expenses. Our report is attached for your review.

We appreciate the cooperation and assistance provided by you, as well as your staff. Should you have any questions concerning the report, please do not hesitate to contact me.

Michael R. Jenson
Director

xc: Audit Committee
Executive Officer Zahedi
Director Guerra

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2012-13
REVIEW OF SMG MEMBERS' AND DEANS'
TRAVEL AND ENTERTAINMENT EXPENSES

APRIL 2012

Approved by:

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Principal Auditor

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**UC RIVERSIDE
REVIEW OF SMG MEMBERS' AND DEANS'
TRAVEL AND ENTERTAINMENT EXPENSES
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I. MANAGEMENT SUMMARY

Based upon the results of our limited review, it is our opinion that, overall, internal controls over the travel and entertainment expenses incurred by Senior Management Group (SMG) members and Deans are generally in compliance with applicable University policies and procedures.

Positive observations include:

- iTravel, the Travel Planning and Expense Reporting System, is fully implemented on campus. This system is a comprehensive and flexible web-based system designed and developed by UCR Financial Services and Computing & Communications to meet the diverse needs of campus departments as well as increase compliance with University travel policy, especially regarding required authorizations.
- ePay, the Online Payment Request System, was successfully deployed campus-wide in July 2011 and has replaced the manual check payment request process that involved the use of paper check request forms. ePay is a tool for campus departments to initiate payment requests for petty cash reimbursements, refunds, business meeting expenses, and entertainment events. It also facilitates authorized payments of accounts not otherwise paid through campus procurement or payroll systems.

In 4 out of 21 separate travel cases reviewed, the Travel Expense Vouchers were approved by persons who report directly to the SMG member or Dean. Subsequently, in all 4 cases, a person who does not report directly to the SMG member or Dean was appointed to review and approve the travelers' Travel Expense Vouchers.

This item is discussed below. Minor items that were not of a magnitude to warrant inclusion in the report were discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services (A&AS) performed a limited review of UCR SMG members' and Deans' travel and entertainment expenses to ensure that internal controls over the expenditures are in compliance with applicable University policies and procedures.

B. BACKGROUND

As part of a systemwide effort, and at the direction of the University Auditor's Office, UCR A&AS reviewed travel and entertainment expenditures of SMG members and Deans.

During the Calendar Year (CY) 2011, the UCR SMG and Deans consist of the following officers:

- Chancellor
- Executive Vice Chancellor & Provost
- Vice Chancellor for Finance & Business Operations
- Vice Chancellor for Health Affairs & Dean of School of Medicine
- Vice Chancellor for Research
- Vice Chancellor for Student Affairs
- Vice Chancellor for University Advancement
- Campus Counsel
- University Librarian
- Dean of Biomedical Sciences
- Dean of Bourns College of Engineering
- Dean of College of Humanities and Social Sciences
- Dean of College of Natural Sciences
- Dean of Graduate Division
- Dean of Graduate School of Education
- Interim Dean of Graduate School of Education
- Dean of School of Business Administration
- Interim Dean of School of Business Administration
- Dean of University Extension
- Chair of the Academic Senate

During CY 2011, travel and entertainment expenditures for these 20 individuals totaled approximately \$163,000.

C. SCOPE

Audit & Advisory Services reviewed business processes and selected records supporting the SMG members' and Deans' travel and entertainment expenditures during CY 2010. Limited review procedures include the following:

- Met with the Associate Vice Chancellor for Financial Services and the Director for Accounts Payable & Travel and discussed potential areas of concern.
- Reviewed existing campus policies, procedures, and control activities for travel and entertainment transactions processes to evaluate the adequacy of internal controls as well as overall compliance with UC Business and Finance Bulletins G-28 (*Policy and Regulations Governing Travel*), G-45 (*Implementing Requirements on Expenses Incurred in Support of Official Responsibilities of the President and Chancellors*), and BUS-79 (*Expenditures for Business Meetings, Entertainment and Other Occasions*).
- Judgmentally selected and reviewed payment vouchers and records supporting 21 travel and 20 entertainment expenditure transactions totaling \$46,293 or about 28 % of all SMG members' and Deans' travel and entertainment expenditures combined during CY 2010.
- Reviewed the latest available US Bank Account Delinquency Report to ascertain that SMG members' and Deans' travel credit card accounts are not delinquent.

D. INTERNAL CONTROLS AND COMPLIANCE

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- * effectiveness and efficiency of operations
- * reliability of financial reporting
- * compliance with applicable laws and regulations

Substantive audit procedures were performed during January through April 2012. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

III. OBSERVATIONS

Approval of Travel Expense Vouchers

In 4 out of 21 separate travel cases reviewed, the Travel Expense Vouchers were approved by persons who report directly to the SMG member or Dean.

The travel expenditures incurred in these isolated cases were valid and reasonable, but the Travel Expense Vouchers did not bear evidence of review and approval by a Vice Chancellor designated by the Chancellor as required by University policy and procedures.

UC Business and Finance Bulletin (BFB) G-28 in part states that *“The Travel Expense Voucher should not be approved by a person who reports directly or indirectly to the traveler.”* BFB G-28 further states that *“In lieu of reviewing and approving each Travel Expense Voucher, the designated Vice Chancellor may appoint a high-level individual on his or her staff who is knowledgeable about the travel regulations to review and approve the Travel Expense Voucher for policy compliance.”*

We noted that as of the date of this report, in all of the 4 cases mentioned, the departments took corrective action by modifying their respective accountability structures, designating a high-level individual on the Chancellor/EVC’s staff to review and approve the Travel Expense Vouchers of the SMG member or Dean.