



AUDIT AND ADVISORY SERVICES
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June 28, 2023

To: Erik Eyster, Department Chair
Joan Giovannone, Business Officer
Department of Economics

Re: **Department of Economics – Internal Control Review
Audit Report No. 08-23-0012**

We have completed a limited review of the Department of Economics internal controls as part of the 2022-23 annual audit services plan. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*. Enclosed is the report detailing the results of our work.

We sincerely appreciate the cooperation and assistance provided by the Department of Economics personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Ashley Andersen".

Ashley Andersen
Director
Audit and Advisory Services

Enclosure

cc:

Chancellor Henry Yang
David Marshall, Executive Vice Chancellor
Chuck Haines, Vice Chancellor, Chief Financial Officer
Charles Hale, Dean, Division of Social Sciences
Tilly Govender, Assistant Dean Budget and Administration
UCSB Audit Committee
Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

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UC **SANTA BARBARA**
Audit & Advisory Services

Audit Report

Department of Economics – Internal Control Review

June 28, 2023

Performed by:

Antonio Mañas Meléndez, Associate Audit Director
Irene Camargo, Senior Auditor

Approved by:

Ashley Andersen, Audit Director

Report No. 08-23-0012

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of the audit was to evaluate internal controls and procedures established by the Department of Economics to ensure best business practices are in place to support operational effectiveness and efficiency, including compliance with University policies and regulations.

The objective of our audit was to determine whether:

- Adequate financial oversight is in place to prevent overdrafts.
- Financial General Ledger (GL) reconciliations, including payroll were timely prepared, reviewed and approved by management.
- Flex card transactions included prior business need approvals, adequate purchasing support documentation, and were timely approved.
- Gift cards and other gift limits defined by University of California (UC) policy¹ were followed and properly tracked, acknowledgement of gift cards was obtained, and transactions were adequately posted to the general ledger.
- Salary Cost Transfers² (SCTs) were properly approved, justified, and documentation was maintained and processed in an appropriate amount of days from discovery of misclassification of funding.

CONCLUSION

Based on the results of the work performed within the scope of the audit, our review highlighted opportunities for improvement in the following areas:

- Improving the financial oversight to prevent overdrafts.
- Maintaining GL reconciliation support documentation such as summary balances with noted discrepancies by month.
- Providing periodical financial status reports to the Division of Social Sciences.
- Documenting and retaining appropriate justification to support the business need and approvals for FlexCard purchases. Ensuring adequate allocation prior to the 14-day posting period and properly classifying expenses in the GL.
- Reviewing and monitoring payroll administration to limit salary cost transfers.

¹ UC Policy Business and Finance Bulletin G-41: *Employee Non-Cash Awards and Other Gifts* (UC Policy G-41) and UC Policy Business and Finance Bulletin G-42: *Gifts Presented to Non-Employees on Behalf of the University* (UC Policy G-42).

² Payroll expenses that are transferred from one accounting string to another after the expenses were initially recorded in the financial accounting system. They are usually processed to reassign the payroll expense to the correct accounting string.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. FINANCIAL OVERSIGHT - OVERDRAFTS

OBSERVATION

Our work found opportunities to improve financial oversight to prevent overdrafts.

We identified and quantified the accounting strings in overdraft at the end of fiscal year 2021-22 and inquired about the causes of overdrafts and plans for addressing deficits. We found that the department had approximately \$808,000 in overdraft in fourteen department accounting strings³. See Table 1 for more details.

Table 1		Accounting Strings in Overdraft
Account String	Fund Title	Overdraft
403615-19900	State General Funds	(\$660,845)
404015-19924	Student Academic Prep Programs	(\$700)
404015-19958	Faculty Diversity Best Practice	(\$20,188)
404015-41283	VRS CNR-COL L&S-Aldrich Award	(\$216)
404015-45495	Earnest & Yong Accounting	(\$1,467)
404015-89996	UCPath ⁴ Edit Error Fund	(\$37,181)
404015-89998	UCPath Department Default Fund	(\$60,060)
581561-19900	State General Funds	(\$60)
784115-17011	M.J. Byron Fund	(\$6,948)
784115-19900	State General Funds – Student Aid	(\$13,968)
784115-19941	Non-Resident Tuition #2 – Student Aid	(\$1,880)
784115-20293	Summer Session UC Students – Student Aid	(\$519)
784115-41483	K. Wardy Scholarship Fund – Student Aid	(\$1,316)
784115-41486	UCSB Econ Scholars Endow Fund – Student Aid	(\$2,802)
Total Amount		(\$808,150)

Source: UCSB Department of Economics FY 2021-22.

Based on the results of our review, we found that the department needs to better manage and project future costs in order to ensure that funds are transferred prior to the debt being incurred on accounting strings with low balances. Funding allocations at the accounting string level have not been properly overseen to prevent overdrafts. Specifically, we found:

- Two overdrafts were related to state general funds. One of them in the amount of \$660.845. The cause of this overdraft has not been identified by the department.
- Two were default accounting strings that had not been properly classified to the correct accounting string.

³ The accounting string is a combination of account number, fund source, sub-account, and object code.

⁴ UCPath: University of California systemwide payroll system.

- Five cases were associated with student aid accounting strings without adequate funding prior to the expense.
- Five overdrafts were related to donor funds that were not transferred to the expense account.

During the audit, we verified that the Department of Economics has cleared 13 of the 14 accounting strings in deficit in the amount of \$147,305. However, one state general fund remains in overdraft for approximately \$660,845.

Adequately managing accounting string balances and monitoring expenditures is imperative to limit accounting strings in overdraft. Projection of funds needed to cover costs should be determined prior to the expense being charged. Overdrafts should be resolved as quickly as possible by transferring funds to cover the cost.

RECOMMENDATION

We recommend that the Department of Economics:

- Formalize a plan with a timeline to guarantee the outstanding State General Fund accounting strings in overdraft will be cleared. The plan should be approved by the adequate control points of the Division of Social Sciences.
- Establish an adequate reporting process to periodically track low balances to help prevent overspending and avoid overdrafts as is recommended by sound accounting practices.

MANAGEMENT RESPONSE

The Department of Economics will:

- Formalize a plan with a timeline to guarantee the outstanding State General Fund accounting strings in overdraft will be cleared. The plan should be approved by the adequate control points of the Division of Social Sciences.
- Establish an adequate reporting process to periodically track low balances to help prevent overspending and avoid overdrafts as is recommended by sound accounting practices.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2023.

2. FINANCIAL REPORTING AND OTHER BUSINESS PROCESSES

OBSERVATION

Reconciliations

The department has addressed during the audit the areas of improvement we found related to the monthly GL reconciliation process. Specifically, the department has formally

documented the process and maintains evidence to support that monthly reconciliations are properly documented, timely performed, and reviewed by management.

We inquired about the current GL reconciliation process, including the reconciliation of payroll transactions with annual payroll allocations. We found the department reviews and compares procurement and travel expenses by accounting string, that are manually added to an Excel spreadsheet, to the expenses reported in the GL monthly. A GL summary sheet is created in the spreadsheet that includes balances and noted discrepancies to track funds. At the beginning of the next reconciliation, prior discrepancy action items are reviewed to ensure they are addressed.

The department also maintains a payroll spreadsheet that includes monthly payroll expenditures that is compared to the Distribution of Payroll Expense (DOPE)⁵ report. The payroll spreadsheet includes the accounting string, position, employee, and a cumulative expense summary to monitor appropriations, monthly payroll expenses, and total expense balances.

However, we found there was not a documented reconciliation procedure in place to support the steps and the workflow process described above. In addition, we found there is no evidence maintained to support the review of expenses and management's timely approval. Specifically, the GL summary spreadsheet is a continuous document and they have not retained fund expenses and balances by month. Lastly, we found that the Department of Economics does not periodically provide financial status reports to the Division of Social Sciences.

During our audit, the Business Officer documented their monthly GL reconciliation process, including payroll reconciliation. We concluded that the documentation provided a financial workflow process by personnel tasked with performing these reconciliations. Processes included payroll and GL reconciliation steps and the maintenance of evidence to support the preparation, review, and approval of reconciled GL balances.

Furthermore, we reviewed February 2023 reconciliation⁶ and verified that evidence is captured to support the preparation, review, and approval of reconciled GL balances and that the reconciliations were timely performed and reviewed by management.

FlexCard Transactions

FlexCard transactions have been processed and approved following separation of duties principles with overall adequate support documentation. However, we found opportunities to guarantee all FlexCard transactions are properly classified and timely approved and justification of the business need is included as part of the support documentation.

We reviewed the FlexCard approval process for all transactions during fiscal year 2021-22 and found they were processed by cardholders and approved by someone other than the cardholder who processed them. However, we found that 33 of the 317 FlexCard transactions were not timely reviewed and approved within the 14-day posting period. FlexCard transaction reviews should be performed and completed prior to the posting date to avoid additional processing corrections to the accounting string or use tax journal adjustments.

⁵ Report that categorizes payroll by accounting string, employee, and pay classifications.

⁶ First monthly reconciliation performed by the department following the new reconciliation process.

Additionally, we selected a sample of 15 FlexCard transactions with the highest dollar amounts. Our review of the support documentation found that all cases included purchase receipts and authorizations with the exception of two purchases. In addition, we found that pre-approvals were supported on emails located in one employee's email account. Management of pre-approvals and justification of the business need should be maintained accessible to all authorized personnel.

Furthermore, we verified whether an adequate justification was retained for all FlexCard transactions using restricted Merchant Category Codes⁷ (MCC) during fiscal year 2021-22. We verified that the four transactions we found were properly justified, documented, and authorized by Business & Financial Services (BFS). BFS temporarily allowed the department to process restricted MCC after an exception request was sent by email.

During our audit, the Business Officer improved an Excel worksheet to track FlexCard transactions with links to the support documentation. Additionally, a FlexCard pre-approval form was developed to provide justification of the business need and accounting string classification approval as support documentation to be maintained in a shared drive.

RECOMMENDATION

We recommend that the Department of Economics:

- Update the reconciliation process to document the reconciliation of expenses and balances by accounting string.
- Periodically provide financial reports to the Division of Social Sciences to ensure management is aware of the department's financial status.
- Timely review FlexCard transactions and ensure that accounting strings are properly classified.

MANAGEMENT RESPONSE

The Department of Economics will:

- Update the reconciliation process to document the reconciliation of expenses and balances by accounting string.
- Periodically provide financial reports to the Division of Social Sciences to ensure management is aware of the department's financial status.
- Timely review FlexCard transactions and ensure that accounting strings are properly classified.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2023.

⁷ Merchant category codes: a four-digit number that classifies the type of goods or services a business offers. Restricted MCC codes prohibit purchases from being processed.

3. GIFT CARD DISTRIBUTION AND OTHER GIFTS

OBSERVATION

The administration of gift cards and other gifts lacked appropriate internal controls to ensure the distribution of gifts to employees and non-employees complied with UC policies and best practices. Specifically, distribution of gift cards and other gifts were not adequately tracked and did not require dual signatures. Additionally, an official UCSB transmittal letter did not accompany non-employee gift cards and other gifts. Finally, gifts were not properly classified in the GL as defined by Business and Financial Services guidelines.

Support Documentation

We reviewed and tested purchases and distributions of gift cards during fiscal year 2021-22 to determine whether the department retained the adequate support documentation. We found that:

- All gifts purchased by the department, including gift cards, were procured using FlexCard and the support documentation of these purchases included FlexCard authorization forms and receipts. This form includes the description of the expense, justification for the purchase, total amount requested, the accounting string to be charged, and authorization approval. Both documents are required by the FlexCard program as support documentation.
- We reviewed all gifts distributed to employees and non-employees during fiscal year 2021-22. In particular, we reviewed whether:
 - Evidence of distribution was retained to prove compliance with gift limits defined by UC Policy G-41 and UC Policy G-42. We found that the majority of gift cards were electronic gift cards. Gift cards sent electronically were confirmed through an email receipt. The department documented a list of gift card recipient's email address and amount given. No receipts were documented for physical gift cards distributed on five occasions.
 - Dual-signature attestations or electronic receipts were obtained to comply with cash management best practices. We found that in five opportunity drawings⁸, the signature of the distributor and the signature of the recipients (dual-signatures) were not captured. We were informed that the Business Officer is implementing a form requiring dual signatures to be used as the receipt.
 - For non-employees, an official UCSB transmittal letter was presented to the recipient on behalf of the University required by UC Policy G-42. We found that the official UCSB transmittal letter on behalf of the University was not provided to the Non-employees who received gifts. We verified that the Department of Economics has developed an official UCSB transmittal letter for non-employees to accompany gifts on behalf of the University.

The Department of Economics has documented the distribution process of gift card and other

⁸ A game of chance that results in awarding prize(s) to one or more winners. An opportunity drawing is not a raffle because with an opportunity drawing no payment is required to participate.

gifts for employees and non-employees in a procedure to have a more consistent process and improve compliance with University policies and best practices.

Gift Monitoring

We assessed whether the distribution of gift cards and other gifts to employees and non-employees was monitored by the department to avoid gifts exceeding the limits⁹ defined by UC Policy G-41 and UC Policy G-42. We found that the department did not track the distribution of gifts, including accumulated values. Specifically:

- As mentioned above, the department maintains a list of recipients and the electronic receipts with amounts as support documentation of gifts sent electronically. However, the department does not monitor if they have exceeded the authorized limits per gift recipient.
- We reviewed whether employee and non-employee recipients exceeded gift limits defined by UC Policy G-41 and UC Policy G-42. We found:
 - Employees did not receive more than three gifts per person and complied with gift value limits in calendar year 2021 and 2022¹⁰.
 - Gifts distributed to non-employees did not exceed limits and accumulated values were under \$600 in 2022 calendar year.

During our review, the Business Officer has implemented two spreadsheets to track employee and non-employee gifts in order to ensure that per-person, gift type amounts, and accumulated values have not exceeded limits set forth by UC Policy G-41 and UC Policy G-42.

Classification of Gifts

We reviewed whether all gift transactions for employees and non-employees during fiscal year 2021-22 were properly classified in the campus financial system. Specifically,

- We reviewed employee gifts in fiscal year 2021-22 and found that 12 of the 13 transactions classified as employee gifts were incorrectly classified because they were gifts presented to non-employees. During our audit, we were informed that the Business Officer will reclassify the 12 transactions. We identified that there was only one gift transaction processed during fiscal year 2021-22. This gift transaction included 33 non-negotiable gift cards in the amount of \$50 each, totaling \$1650. The purpose of these gift cards was adequate and consistent with policy based on Human Resources (HR).
- In addition, we reviewed non-employee gifts in fiscal year 2021-22 and found that transactions may not be adequately classified in five of the 12 transactions recorded. Three of the 12 gift distributions reviewed, based on the description of the transaction, were recorded as a Transfer of Funds (TOF) to the Office of Student Life for scholarships and banquet related costs. Based on the description, two of the

⁹ See background section for requirements.

¹⁰ No gifts were distributed to employees in calendar year 2022.

transactions referenced as scholarships may be more adequately classified under Financial Aid and Scholarships and the banquet expense appropriately classified as a Social and Entertainment expense.

RECOMMENDATION

We recommend that the Department of Economics:

- Contact Business and Financial Services to determine the appropriate classification for scholarships and banquet expenses.
- Identify if gift transactions have been incorrectly classified for current fiscal year and reclassify them.
- Document a procedure to verify consistency of gift classification with support documentation.
- Implement a cash management control sheet to capture physical gift receipt with dual signatures.

MANAGEMENT RESPONSE

The Department of Economics will:

- Contact Business and Financial Services to determine the appropriate classification for scholarships and banquet expenses.
- Identify if gift transactions have been incorrectly classified for current fiscal year and reclassify them.
- Document a procedure to verify consistency of gift classification with support documentation.
- Implement a cash management control sheet to capture physical gift receipt with dual signatures.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2023.

4. SALARY COST TRANSFERS

OBSERVATION

SCTs were properly approved, justification for the transfer of funds were provided, and the adequate documentation was retained by the department. However, controls over accounting string allocations need to be addressed to limit SCTs and the timely processing of payroll adjustments.

We found that there were 32 SCTs, totaling \$52,459, that were processed in fiscal year 2021-22 to reassign the payroll transactions to the correct funding sources. Seven of them were

posted to the default/suspense accounting string. We found 20 SCTs were processed over 90¹¹ days that ranged between 193 and 941 days from the original paycheck.

We selected a sample of six high dollar SCTs processed during fiscal year 2021-22. We found that the transactions were properly approved, justification for the transfer of funds were provided, and adequate documentation was retained by the department. However, we found that overall causes to prevent SCTs could have been avoided. The causes of these delays were the following:

- Two SCTs were for a bi-weekly staff member to correct 14 bi-weekly pay periods.
- Four were a result of a bargaining agreement for lecturers that was not correctly classified in the payroll system. These payroll transactions posted to the default/suspense accounting string.

It is imperative that expenses be processed timely and properly classified. Corrections need to be identified and processed immediately. Frequent SCTs can indicate a lack of appropriate oversight and raise questions regarding adequate internal controls over financial transactions.

RECOMMENDATION

We recommend that the Department of Economics:

- Document a procedure or guideline to describe the steps to assign and timely verify that the correct accounting strings are used in UCPath.
- Communicate the procedure to all personnel responsible for the process in the department.

MANAGEMENT RESPONSE

The Department of Economics will:

- Document a procedure or guideline to describe the steps to assign and timely verify that the correct accounting strings are used in UCPath.
- Communicate the procedure to all personnel responsible for the process in the department.

Audit and Advisory Services will follow up on the status of these issues by September 30, 2023.

¹¹ As a good business practice, inaccurate funding sources should be addressed in less than 90 days from the discovery.

GENERAL INFORMATION

BACKGROUND¹²

The Department of Economics' vision is to lead the integration of natural, social, and information sciences to solve problems of people and the environment. The Department of Economics offers two programs at the University of California Santa Barbara (UCSB); the Ph.D. and Undergraduate Program. The department includes 74 graduate students, 28.5 ladder faculty, seven continuing lecturers, and one researcher.

The Department of Economics is home to over 2,000 undergraduate students and offers two majors: Economics (BA) and Economics & Accounting (BA). The Economics & Accounting Major additionally provides accounting and financial management courses to prepare students for the CPA exam. There are three areas of research; Consortium for Applied Research in Economics, Theory and Experiment Consortium, and the Aggregate Economics Consortium. Additionally, UCSB houses two laboratory centers, the Experimental and Behavioral Economics Laboratory and the Laboratory for the Integration of Theory and Experimentation.

UC Procurement Card Program (FlexCard)¹³

A procurement card is a credit card authorized by the University of California to designated employees to enable the timely purchase of low-value goods or services. The card is routinely accepted by merchants who accept VISA or MasterCard for payment. The card is a corporate liability card, issued to an employee only for University purposes. Its use is subject to strict cardholder purchasing controls which cannot be exceeded without authorization. A settlement is executed electronically on the settlement date providing the opportunity for the University to eliminate costs for processing purchase orders, supplier invoices and for issuing checks, for each supplier.

There is only one type of procurement card at UCSB, which is referred to as a FlexCard. The FlexCard is issued to an individual, not to a department, and the card and account number cannot be used by anyone other than the cardholder. Separation of duties is critical in order to reduce the risk of errors, intentional or unintentional, that cannot be made by separating functional responsibilities. Payment liability rests with the University, not the cardholder.

FlexCard allocators are responsible for ensuring that FlexCard transactions are charged to the appropriate accounting string within a 14-day posting period and usage tax is omitted for specific purchases that does not incur taxes. Adequately monitoring and verifying expenses provides assurance that financial transactions are complete and accurate.

Gift Cards and Other Gifts¹⁴

UC policy restricts the types, amounts, and recipients of gifts for employee and non-employee gifts to ensure compliance with UC policy and IRS regulations.

¹² UCSB Department of Economics website.

¹³ UC Policy BFB- BUS-43: *Purchases of Goods and Services*.

¹⁴ UC Policy BFB-G-41 *Employee Non-Cash Awards and Other Gifts* and BFB-G-42 *Gifts presented to Non-Employee on Behalf of the University*: UC policy on accepting gifts.

Employee Gifts

Employee gifts must follow UC Policy BFB G-41: *Employee Non-Cash Awards and Other Gifts*. Generally, gifts may be presented to University employees for the following work-related reasons and limits:

- Employee Recognition - Spot Awards (\$10 - \$75)
- Sympathy Gift - Tangible Personal Property (limited to \$10 - \$75)
- Prizes and Other Gifts - Incentive for employees to participate in an event, survey, or questionnaire (\$10 - \$75)
- Employee Length of Service (\$10 - \$400)
- Employee Retirement (\$10 - \$400)

Gifts presented to employees as recognition awards must be given as part of an established recognition program. Awards should be presented to employees occasionally on an infrequent basis to avoid being reported as taxable income to the employee. An employee may not receive more than three employee recognition awards in a calendar year.

Non-Employee Gifts

Non-employee gifts are used as an incentive to participate in a research related survey/questionnaire, recognition of a noteworthy academic achievement, or to promote goodwill or customer relations.

Moderately-priced gifts made on behalf of the University to non-employees, students, or outside organizations are allowed when the gift benefits the University, is in furtherance of a University business purpose, and is clearly necessary to the University's fulfillment of its role as a good community citizen. The business reason for making the gift or the nature of the business benefit the University derives or expects to derive must be documented in writing. In most cases, the promotion of goodwill in the University community is an acceptable business purpose. The cost of such gifts must be reasonable in relation to the actual or expected benefits.

The University must comply with UC Policy BFB G-42: *Gifts Presented to Non-Employees on Behalf of the University*. Gifts in the amount of \$10 - \$599 may be presented on behalf of the University to non-employees for the following business-related purposes:

- Appreciation or Recognition - Student awards for noteworthy academic achievements or for participation in a University-sponsored activity.
- Incentive - Student or volunteer awards as an incentive to complete a research study or as an incentive to complete a survey or questionnaire.
- Incentive - Door prizes provided to non-employees to encourage participation in a University-sponsored event.

In addition, the policy allows for Promotional Items in the amount of \$75 or less and Sympathy Gifts in the amount of \$200 or less.

*Salary Cost Transfers*¹⁵

The University is committed to the accurate and timely maintenance of its financial records. Situations require that transfer of recorded cost are identified and processed expeditiously. Additionally, special considerations must be given to transfers onto federal funds to ensure that the University action meets the administrative standards established by the federal regulations.

If the expense is being transferred to a federal or federal flow-through accounting string, it must be recorded in the general ledger within 120 days from the close of the month in which the original charge posts to the ledger. If because of unavoidable circumstances an adjustment must be made beyond the 120-day period, a full explanation, including a well-documented account of all the events leading to the tardy adjustment, must be provided.

Cost Transfers which occur after 120 days (four general ledger cycles) from the date of submittal are considered excessively late. Transfers made after the 120-day period may be considered non-compliant with University policy and industry standards.

SCOPE

The scope of our review was focused on the Department of Economics' business processes and internal controls during fiscal year 2021-22. To accomplish our objectives, our work included interviews, observations, review of support documentation, testing, and other steps. Specifically, we:

- Researched UC and UCSB policies, best practices, and other guidance relevant to the Department of Economics.
- Conducted interviews with Department of Economics personnel to gain an understanding of core business processes, policies, and procedures for administering and managing University assets.
- Performed a risk analysis that considered business related policy and procedures, financial reporting, gift administration, procurement, and SCTs.
- Evaluated the Department of Economics' business best practices and procedures to determine whether they incorporated adequate internal controls and reviewed opportunities to enhance and improve operational efficiency.
- Reviewed and analyzed financial administration of overdrafts in the department and plans to reduce deficits in fiscal year 2021-22.
- Assessed the financial reconciliations process for accuracy, timeliness, and completeness between the campus general ledger and the department shadow system.
- Tested FlexCard procurement transactions to determine if purchases were approved by someone other than the cardholder, support documentation was maintained, and approvals were timely reviewed.

¹⁵ Business & Financial Services Extramural Funds website.

- Inquired and tested internal controls related to the acquisition and distribution of gift cards and other gifts to comply with distribution limits defined by UC Policy G-41 and UC Policy G-42.
- Tested SCTs to determine whether the transfer of payroll was approved, justified, and documentation was maintained by the department, and verified whether transfers were timely processed.

CRITERIA

Our audit was based upon standards as set forth in UC and UCSB policies, best practices, and other guidance relevant to the scope of the audit. This audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing*.

This review emphasized, but was not limited to, compliance with:

- UC Policy Business and Finance Bulletin G-41: *Employee Non-Cash Awards and Other Gifts* (UC Policy G-41)
- UC Policy Business and Finance Bulletin G-42: *Gifts Presented to Non-Employees on Behalf of the University* (UC Policy G-42)
- UC Business and Finance Bulletin BUS-43, *Purchases of Goods and Services* (UC Policy BUS-43)
- UC Policy *Business and Finance Bulletin BUS-49: Policy for Cash and Cash Equivalents Received* (UC Policy BUS-49)
- Business and Financial Services (BFS) FlexCard management guidelines

AUDIT TEAM

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