University of California, Santa Barbara

AUDIT AND ADVISORY SERVICES
SANTA BARBARA, CALIFORNIA 93106-5140
Tel: (805) 893-2829
Fax: (805) 893-5423

July 13, 2023

To: Celesta M. Billeci, Miller McCune Executive Director

Re: **Limited Internal Control Review - UCSB Arts & Lectures
        Audit Report No. 08-23-0015**

We have completed a limited review of the UCSB Arts & Lectures 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 Arts & Lectures personnel during the review. If you have any questions, please contact me.

Respectfully submitted,

Ashley Andersen
Director
Audit and Advisory Services

cc:
        Chancellor Henry Yang
        David Marshall, Executive Vice Chancellor
        Chuck Haines, Vice Chancellor, Chief Financial Officer
        Christian Villaseñor, Executive Director Academic Affairs
        UCSB Audit Committee
        Alexander Bustamante, Senior Vice President and Chief Compliance and Audit Officer

This page intentionally left blank.

UC SANTA BARBARA
Audit & Advisory Services

Audit Report

Limited Internal Control Review – UCSB Arts & Lectures

July 13, 2023

Performed by:
Antonio Mañas Meléndez, Associate Audit Director
Gifty Mensah, Principal Auditor

Approved by:
Ashley Andersen, Audit Director

Report No. 08-23-0015

EXECUTIVE SUMMARY

OBJECTIVE

The primary purpose of the audit was to evaluate selected internal controls and procedures established by the UC Santa Barbara Arts & Lectures (Arts & Lectures) 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.

- Performance artist agreements are properly executed and within the department's delegated authority as well as having adequate insurance coverage.

- Transactions related to the purchase of covered services[1] are pre-approved by Employee Labor Relations' (ELR) as required. Specifically,

  o FlexCard[2] transactions that include covered services have ELR's approval, and have business need documented and timely approved.

  o Reimbursements and direct payments associated with covered services are pre-approved by ELR and are appropriately supported, reviewed and approved by appropriate individuals.

- Adequate revenue and cash management process are in place to guarantee accurate reporting.

- Financial general ledger reconciliations, including ticketing sales, are timely prepared, reviewed and approved by management.

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.

- Evaluating the risk and option of ceasing ticket sales received over the phone, or adopting

---

[1] For the purposes of this audit, we will define covered services as described in Article 5 of the AFSCME (American Federation of State, County, and Municipal Employees is a labor union that represents two University bargaining units, the Service (SX) unit, and the Patient Care Technical (EX) unit.) collective bargaining agreements. This is work customarily performed by bargaining unit employees at the University, whether in whole or in part, including but not necessarily limited to the following services: cleaning, custodial, janitorial, or housekeeping services; food services; laundry services; grounds keeping; building maintenance (excluding skilled crafts); transportation and parking services; security services, billing and coding services, sterile processing, hospital or nursing assistant services, and medical imaging or other medical technician services.

2 FlexCard is a Visa procurement card issued by U.S. Bank to UCSB employees who have authority to buy goods and services on behalf of their departments.

the recommendation of requiring cell phones as the solution to avoid further non-compliance issues with PCI[3] standards.

- Guaranteeing that all FlexCard transactions that include covered services are reviewed and pre-approved by ELR as required.

- Enhancing the support documentation for FlexCard transactions to ensure transactions obtain prior approval and the business purpose of the expense is included.

- Adhering to the requirement of obtaining UCSB catering permit for all catered events in conformance with UCSB catering policy.

- Ensuring that alcohol purchases obtain exceptional approval to prevent the purchase of unallowable expenses under University policy.

- Ensuring that general ledger monthly reconciliations and daily sign-offs are performed on time.

---

[3] The Payment Card Industry Data Security Standard (PCI DSS) is a set of security standards designed to ensure that all companies that accept, process, store or transmit credit card information maintain a secure environment.

OBSERVATIONS, RECOMMENDATIONS, AND RESPONSES

1. FINANCIAL OVERSIGHT – BUDGET AND OVERDRAFTS

OBSERVATION

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

We identified and quantified the account strings in overdraft for the last five[4] fiscal years (FY) and inquired about the causes of the overdrafts and plans for addressing the deficits. We found that the department's total overdraft in one or more account strings[5] consistently increased from year to year reaching approximately $29,848 in FY 2021-22. See Table 1 for more details.

Table 1	Account Strings in Overdraft				
Account String	**FY 2017-18**	**FY 2018-19**	**FY 2019-20**	**FY 2020-21**	**FY 2021-22**
620120-18210	$0.10	-	-	-	-
620110-20000	-	$4,334	$1,227	$11,788	-
620110-41352	-	$1,772	-	-	-
620145-20155	-	-	$5,842	-	-
620110-89998	-	-	$1,149	$4,161	-
620110 42261	-	-	-	-	$8,222
620110-60010	-	-	-	-	$21,626
Total	**$0**	**$6,106**	**$8,218**	**$15,949**	**$29,848**

Source: UCSB Arts & Lectures.

Based on the results of our review, we found that the overall cause of these overdrafts were timing issues either through a late processing of direct retro or a delay in expected funds which are sometimes beyond the department's control. These overdrafts were cleared in July of each year except one of the gift funds that was not cleared until the endowment earnings were received in September, which is the usual way those funds are increased. Specifically, we noted the following for these overdrafts:

- The account string 620110-20000 (Events Student Service Fee) ended in deficit for three consistent fiscal years (since FY 2018-19 to FY 2020-21) because of overspent salaries. This account has permanent funding of $275,000 annually. The department could not process a direct retro to fix the overdraft before the year ended. On July 1, the deficit was cleared with the new fiscal year permanent appropriations.

- The default account string 620110-89998 is treated like a suspense account and it is used when a position in UCPath does not have the proper funding attached to it. The delay in approving the funding for the position and getting the late direct retro processed caused the overdrafts at the end of two fiscal years.

---

[4] Since fiscal year 2017-18 to fiscal year 2021-22.
[5] Accounting string is a combination of account number, fund source, sub-account, and object code.

- The department's primary sales and services account string 620110-60010 is used for ticketing income. This account was affected during the pandemic due to loss of ticket sales. The department expected ticket income to come in to offset this balance but did not happen as expected. In July 2022, the deficit was offset with revenue that was received.

- The account strings 620110-41352 and 620110-42261 (an Educational & Outreach Fund and Arnold Arts & Lectures Educational Initiative fund) are used to receive gift funds. These funds support extended opportunities for arts and cultural education, support of artists events and UCSB residencies and enrichment programs for learners of all ages at UCSB and communities. The department does not have control over when the funds are released by the donors and this could generate deficits if donations arrive after the end of the fiscal year. For example, for the deficit in FY 2021-22, the department knew they had received $750,000 commitment (fund number 42261), but this did not get transferred to the GL before fiscal year end.

- The account string 620145-20155 is a student lock-in-fund. The account was in overdraft at the beginning of Covid-19. This account is used to cover a percentage of the cost of events for students. Knowing this is a campus reaffirmation account—the department was expecting that they would receive future funds that would offset the overdraft.

The department needs to enhance financial monitoring in order to ensure that direct retros and funding allocations at the account string level are timely processed and properly overseen to prevent overdrafts. Projection of funds to cover costs should be determined prior to the expense being charged. We noted the following:

- The Finance Manager maintains a spreadsheet report (tracked monthly for the entire fiscal year) that tracks account string balances to help identify overdrafts. The report is reviewed with the Chief Finance Officer (CFO) and any major red flags are discussed with the Executive Director.

- The department informed us that they track each program in GUS[6] to determine whether they have a gain or loss. They have cost types associated with every single event. Some events lose money because many events are offered for free and for this reason, they have an annual fundraising goal of about $3.5 million annually to support their operations.

- CFO oversees the financial monitoring of the department. A position which has been recently filled. The CFO's strategy to reduce future overdrafts in account strings includes monitoring financials to ensure funding aligns with the intent of the budget.

Adequately managing account string balances and monitoring expenditures is imperative to limit accounts in overdraft. Overdrafts should be resolved as quickly as possible by transferring funds to cover expenses before the year ends.

---

[6] GUS is a custom database system for managing and maintaining funding source, purchasing, lien, and other financial information for departments and research organizations across the UCSB campus.

RECOMMENDATION

We recommend the Chief Finance Officer establish and document a procedure and process to periodically track balances to help prevent overspending and avoid overdrafts as is recommended by sound accounting practices as well as ensuring that cost transfers are processed on time.

MANAGEMENT RESPONSE

The Chief Finance Officer will establish and document a procedure and process to periodically track balances to help prevent overspending and avoid overdrafts as is recommended by sound accounting practices as well as ensuring that cost transfers are processed on time.

Audit and Advisory Services will follow up on the status of these issues by December 31, 2023.

2. REVENUE AND CASH MANAGEMENT

OBSERVATION

Our inquiry about revenue and cash management processes[7] found that the department has documented revenue and cash management processes. However, the campus telephony refresh project would require modification of current department practice for processing ticket sales over the phone in order to continue following PCI DSS[8] requirements.

The department sold 20,608 tickets during fiscal year 2021-22 with a total sales value of approximately $908,841. Tickets sold over the phone represent 5.7% (1,183 tickets) of total tickets sold for the period, with a total sales value of approximately $59,740.

Due to aging telecommunications infrastructure, UCSB is in the process of upgrading the telephony capabilities campus wide by replacing the current legacy analog phone system with Zoom Phone, a Voice over Internet Protocol (VoIP) system. This mean that the current process using analog phones for selling tickets would not be available. VoIP introduces additional PCI compliance requirements. The use of softphones to capture payment card data brings the workstation and the network into PCI DSS scope. The department will need to implement a new PCI DSS compliance solution or cease selling tickets over the phone.

The Credit Card Coordinator in the Controller's Office, in coordination with Information Technology Services (ITS), is investigating solutions to the PCI challenges that the campus use of VoIP phones presents regarding telephone payments. Arts & Lectures was on the list of departments being monitored and included in plans for remediation. Some of the alternatives include evaluate third-party vendor solutions, as well as the option of requiring all telephone sales to be performed on mobile phones via cellular service (disconnected from any campus WIFI network). At the time of the audit, the proposed solution to the problem has not yet been communicated to departments.

---

[7] See the background section (Revenue, Cash management) for process details.

[8] The Payment Card Industry Data Security Standard (PCI DSS) is a set of security standards designed to ensure that ALL companies that accept, process, store, or transmit credit card information maintain a secure environment.

RECOMMENDATION

To eliminate any further non-compliance issues with PCI, we recommend that the department work with the Credit Card Coordinator to implement a PCI compliance solution to sell tickets over the phone.

MANAGEMENT RESPONSE

The Chief Finance Officer will work with the Credit Card Coordinator to implement a PCI compliance solution to sell tickets over the phone.

Audit and Advisory Services will follow up on the status of these issues by December 31, 2023.

3. **CONTRACTING OF SERVICES**

OBSERVATION

Our review found that performance artist contracts processed by the department are properly approved, and executed, as well as having adequate insurance coverage. However, this review has highlighted opportunities to:

- Guarantee that FlexCard transactions that include covered services are pre-approved by ELR as required. We found a case where the department did not obtain approval from ELR before engaging a covered service[9], putting the University out of compliance with contracting out for covered services under Article 5 of the AFSCME[10] Collective Bargaining Agreement (Article 5). Specifically, catering services are not paid with FlexCard or through the reimbursement or direct bill process without ELR's pre-approval.

- Enhance the documentation of the approval process for FlexCard transactions. We noted that prior approvals of transactions were not documented.

- Adhere to the requirement of obtaining UCSB catering permit for all catered events. We found an instance where the department failed to obtain UCSB catering permit as required.

- Ensure alcohol purchase is specifically indicated and approved on the exceptional request form. There was an instance where the department purchased alcohol without exceptional approval.

---

[9] This is work customarily performed by bargaining unit employees at the University, whether in whole or in part, including but not necessarily limited to the following services: cleaning, custodial, janitorial, or housekeeping services; food services; laundry services; grounds keeping; building maintenance (excluding skilled crafts); transportation and parking services; security services, billing and coding services, sterile processing, hospital or nursing assistant services, and medical imaging or other medical technician services.

[10] AFSCME: American Federation of State, County, and Municipal Employees is a labor union that represents two University bargaining units, the Service (SX) unit, and the Patient Care Technical (EX) unit. AFSCME represented employees perform the majority of Covered Services.

Performance Artist Contracts

Performance artists' contracts were appropriately processed and within the department's delegated authority[11] and contracts had adequate insurance coverage when required.

During the review, we selected a sample of eight performance artist contracts for fiscal year 2021-22 and verified whether contracts were properly approved and executed, used the appropriate contract template, and included the appropriate version of the University of California Terms & Conditions of Purchase (UC T&C) and the insurance coverage for the events. We found the following:

- For all samples tested, both executed contract and requisition were approved by the Associate Director and within the delegated authority signature limit of $95,000.

- All contracts used the performance agreement template provided by UCSB Procurement Services. Procurement Services explained that the performance agreement template has incorporated the relevant clauses/provisions from the UC T&C that apply to the contract type.

- For four out of eight samples, the department obtained a certificate of insurance, and the Regent of the University of California was endorsed as an additional insured as required. For the remaining four samples, the events were classified as medium risk[12] and there is no need for a certificate of insurance.

FlexCard[2] Transactions

We found a FlexCard transaction was not reviewed and pre-approved by ELR as is required by Contracting Out requirements.

During the review, we selected a sample of 10 FlexCard transactions processed during fiscal year 2021-22 and potentially related to covered services based on dollar amount[13]. We determined if transactions met the criteria to be classified as covered services and whether the covered services transactions had pre-approval from ELR. We found the following:

- Nine out of 10 transactions did not meet the criteria to be considered covered services and these did not need ELR's pre-approval.

- For one transaction related to a valet parking service, the department did not submit the exception form for contracting out for covered services to ELR for review and approval prior to engaging the service. As a result, this transaction was not reviewed and pre-approved by ELR as required and was out of compliance. Total amount paid for the services was $1,225.

---

[11] The Chancellor and other UCSB officers may redelegate, where permitted, some of their authority through local policy or a campus-generated delegation of authority letter.
[12] Based on an agreement between A&L, Procurement Services, and Risk Management, medium risk events do not require a certificate of insurance.
[13] Selected the 10 transactions with higher dollar value that meet criteria of potential covered services transactions.

Additionally, we verified that the business need for the transactions were appropriately approved. We found that for all samples reviewed, the business purpose was documented. For nine out of 10 samples, we noted that the approval on these transactions occurred on the same date of the transaction and prior approval was not documented. The department explained that they usually obtain verbal approval prior to the actual transactions occurring. It could be necessary for FlexCard holders to document prior approval of transactions instead of verbal discussion.

Catering Services Reimbursement

During the audit, we reviewed a sample of 15 reimbursement and direct payment transactions to pay catering services or food from July 1, 2021 to April 30, 2023. We determined if transactions met the criteria to be classified as covered services and whether the covered services transactions were pre-approval from ELR. We found that none of these transactions in our sample were related covered services and ELR's approval was not applicable. Specifically,

- Four out of 15 transactions were catering services. However, the four events occurred in a non-UCSB owned or leased property. This requirement must be met to be considered as a covered service.

- The remaining 11 were related to purchases of food (e.g. food and pizza delivery or restaurant purchases) and no covered services were included with the purchase of food.

We noted that ELR, together with Procurement Services and Risk Management, have put together a workflow for catering expenses to help guide departments in deciding what could be classified as a covered service.

Additionally, we verified that transactions were appropriately supported, reviewed and approved by appropriate individuals. We found that overall, transactions were duly approved by the department's authorities. Specifically,

- Four of 15 sample were catered events and required to have UCSB catering permit. In one of the four sample, the department did not obtain the UCSB catering permit for the event. For the remaining 11 sample, the event did not include catering services and UCSB catering permit was not applicable.

- There were four samples that included the purchase of alcohol. For three out of four cases, the department obtained exceptional approval for the alcohol purchase from the Executive Vice Chancellor. In one case, the request form did not specifically indicate the purchase of alcohol.

RECOMMENDATION

We recommend the Chief Finance Officer to implement a process to:

- Verify that all FlexCard transactions that include covered services are pre-approved by ELR as required.

- Enhance the documentation of the business purpose and the pre-approval process for FlexCard transactions by ensuring that FlexCard holders document prior approval of transactions.

- Ensure the department meet the requirement of obtaining UCSB catering permits for all catered events consistent with policy.

- Ensure exceptional approval is obtained for alcohol purchases on the exception request form in conformance with University policy.

MANAGEMENT RESPONSE

The Chief Finance Officer will implement a process to:

- Verify that all FlexCard transactions that include covered services are pre-approved by ELR as required.

- Enhance the documentation of the business purpose and the pre-approval process for FlexCard transactions by ensuring that FlexCard holders document prior approval of transactions.

- Verify that all FlexCard transactions that include covered services are pre-approved by ELR as required.

- Enhance the documentation of the business purpose and the approval process for FlexCard transactions by ensuring that FlexCard holders obtain prior approval of transactions. The department should create a distinction between date/time of approval and date/time of transaction.

Audit and Advisory Services will follow up on the status of these issues by December 31, 2023.

4. RECONCILIATION AND REPORTING

OBSERVATION

We noted that the department utilizes several reporting tools to monitor operations and finances[14]. Additionally, they have a documented process for reconciling General Ledger (GL) expenses and income (tickets sales) and after each performance/program event. However, we found opportunities for the department to ensure timely monthly reconciliations and daily sign-offs are performed for accurate reporting and monitoring. Specifically,

- It could be convenient to incorporate digital signatures in the daily close-out reports for efficiency and convenience.

  During the audit, we were informed that before Covid-19 pandemic, all daily close-outs reports included wet[15] signatures as evidence to support they were reviewed by the

---

[14] See background section (Reporting) for details.
[15] A person physically marks a document with wet ink, usually by writing a name in a cursive format.

Ticketing Office Supervisor. After the pandemic, the Ticketing Office began using electronic reports and the Ticketing Operations Manager did not use digital signatures functionalities after close-out reports were reviewed. As a consequence, a significant number of the close-out reports for fiscal year 2022-23 have not been signed by the Manager. The manager anticipates completing the review and sign off before the end of the fiscal year.

- We found the departments needs to ensure monthly reconciliations are performed promptly. We reviewed a sample of three months' reconciliations and verified that evidence is captured to support the preparation, review, and approval of reconciled GL balances and that the reconciliations had adequate separation of duties, were timely performed and reviewed by management. The department usually does not perform the monthly reconciliations on time when the GL data is available in Data Warehouse (data is available anytime from the 10th to 15th of the following month). We found several days lapse between when GL data is available and when reconciliations are performed. See Table 2 for details.

Table 2	Reconciliation Days Lapse		
Sampled Month	Reconciliation Date	GL Data Availability Date*	Days Lapse before Reconciliation*
October 2021	March 2, 2022	November 15, 2021	107
December 2021	March 4, 2022	January 15, 2022	48
March 2022	May 10, 2022	April 15, 2022	25

Source: UCSB Arts & Lectures.
 * Assuming GL data was available on the15th of the following month.

The department performs reconciliations of GL income and expenses in GUS. GUS keeps track of dates of entries, reconciled dates, and the names of individuals who reconciled the data. We noted separation of duties between individuals who make the entries in GUS and the supervisor that performed the reconciliation.

- Ticket income reported in Tessitura[16] for one performance did not agree with ticket income recognized in the department's event tracking spreadsheet. No reconciliation was performed to compare both figures.

We verified for a sample of three performances that ticket revenue reported in Tessitura was reconciled with ticket revenue captured in the department's program tracking spreadsheet during the event close-out process. The department performs a reconciliation for each performance immediately after an event has ended and has a 5-day window to complete. We found the following:

  o For two of the three sampled, ticket sales revenue in Tessitura agreed with ticket revenue captured in the program tracking spreadsheet.

---

[16] Departments' POS system to receive the revenue.

o In one sample, the ticket revenue figures did not agree, and the department did not perform a reconciliation to compare both figures. The spreadsheet figure was overstated by $4,146 for the performance.

RECOMMENDATION

We recommend the Chief Finance Officer implement a process to ensure that GL monthly reconciliations and daily close-out reports are promptly performed and signed off to guarantee efficient monitoring and reporting. Additionally, ensure that ticket revenue reported in Tessitura is reconciled with other sources to provide accurate reporting and assessment of performances/programs.

MANAGEMENT RESPONSE

The Chief Finance Officer will implement a process to ensure that GL monthly reconciliations and daily close-outs reports are promptly performed and signed off to guarantee efficient monitoring and reporting. Additionally, ensure that ticket revenue reported in Tessitura is reconciled with other sources to provide accurate reporting and assessment of performances/programs.

Audit and Advisory Services will follow up on the status of these issues by December 31, 2023.

GENERAL INFORMATION

BACKGROUND[17]

Arts & Lectures annually presents more than a hundred public events. The department also oversees an outreach program that brings visiting artists and speakers into local classrooms and other venues for master classes, open rehearsals, discussions and more, serving K-12 students, college students and the general public.

UCSB students support Arts & Lectures through activity fees. These funds directly support reduced UCSB student ticket prices and educational sessions with Arts & Lectures artists and thought-leaders. Arts & Lectures connect the community for life through public workshops, book signings, salon-style discussions and collaborations with local partners.

1. Revenue

The department has the following sources of revenue:

Fees (Service Fees, Facility Fees, & Ticket Sales)

The department charges for many of its programs. Monies are collected by cash, check, online payments, credit cards, and recharge or transfer of funds from other departments on campus. Arts & Lectures publishes the charging fees on the Arts & Lectures website's - Patron Information & Ticket Policies page and in quarterly event brochures. The amount is included

---

[17] Source: Arts & Lectures website, department documented procedures, and interviews with department personnel.

on the subscription order form and on the web purchase path. Additional fee information is provided upon request by the patron. Ticket amount may vary based on subscription status.

There are tickets discounted for programs. However, service and facility fees are not typically discounted. Some discounts are standard (ex. UCSB student discount on all shows, determined by budget/programming team), some are programming-based (ex. Youth ticket price for family friendly shows, set by marketing/programming), and some are promotional offers (based on sales trend, available inventory, etc.) The events and amount of discounted tickets are based on budgets and inventory available.

Department policy is if an event is canceled, tickets are refundable, and the patron has the option to also donate the ticket balance in lieu of refund or exchange for a different event. The ticket office reaches out to the patrons to process whichever option they choose. If no response by the deadline, the balance is placed on account and expires at the end of the season.

Gifts/Contributions/Donations/Endowments/Grants

Arts & Lectures is heavily reliant on annual fundraising campaigns where the target is typically $3.5 to $4 million annually, which makes up nearly 50% of their annual operating budget. The departmental reliance on sales and service revenue (IE tickets sales) have been seriously impacted by the pandemic making the fundraising support necessary for departmental operations.

Larger gifts, contracts, grants and endowments are handled directly by the development officer and managed and tracked in the DIA database. Some gifts are accepted as credit card donations through the Arts & Lectures POS system called TESSITURA (discussed in detail later), and then transferred over to the DIA database. Ultimately, both the departmental POS database and the DIA database are reconciled to ensure all gifts are captured and recorded correctly.

State and Campus Appropriations

Arts & Lectures has permanent funds, permanent student services fees, student lock–in fees, temporal funds, annual chancellor gift funds, transfers from the Office of the Executive Vice Chancellor, etc. All these sources add up to about $3 million and the rest is sales and service revenue and contributed income.

2. Cash Management

Ticket Office cash management is handled by completing daily closeouts, processing daily deposit forms in the Cashier's Office on campus, and recording the deposits in a cash collection form. The deposits are then confirmed by receiving a receipt from the Cashier's Office. When the department receives checks in the mail as donations, they channel then through Development.

Upon receipt, checks must be immediately endorsed with a "U.C. Regents" stamp to safeguard assets. All checks and cash are on a strict 48-hour window for processing and depositing to the Cashier's Office and are transported via blue bank bags that are locked during transport for security purposes. Daily operational cash is kept at a low amount ($300) in a locked cabinet when not in use. The rest and majority of cash is held in a locked safe

bolted to the floor and protected by a security system. Traditionally all deposits go through the ticket office.

3. Tessitura System

Arts & Lectures has only one POS system called Tessitura to receive the revenue. The ticket office handles most cash, credit cards, online payments, checks, wires, stock gifts, in-kind gifts, and transfers from donors. Most transactions are done online and through the Tessitura system. The system includes in-person over-the-phone and web sales. VANTIV is the daily reconciling website for the department. All credit card sales show up and are reconciled in VANTIV. There are two separate merchant points (In-person & Web). VANTIV generates two reports for each merchant point.

4. Reconciliation

Arts & Lectures has a process to perform reconciliation of tickets and revenue, including daily reconciliation of ticket sales and event closeouts. The Ticket Office handles income and provides reports from the POS system to the department's finance team for reconciliation with the GL. This includes ticket income and gift income (payments via cash, online system, credit cards and checks). The Ticket Office performs daily closeouts that reconcile gift and ticket revenue reports from POS and credit card processor. The department reconciles Master Card and Visa total on posting report with VANTIV to ensure accuracy. Once deposits are made, the Ticket Office then reconciles receipts with the deposits once received. The department also reconciles income/revenue from source (ticket income / contributions/grants) to the GL and GUS.

The department reconciles GL expenses to actual expense which would have been input (via daily data entry) into GUS. The actual expense, are input (after completion of expense approvals process) by student employees directly from the source and reconciled by the Finance Analyst and/or the Finance Manager. All documentation is retained in a virtual file sharing. Final review is completed by CFO.

There is a reconciliation performed for each performance or program. This process begins immediately after an event has ended and has a 5-day window to complete. Reconciliation includes box office statements showing revenue and complimentary tickets, partner box office statements if the performance was at an off-site venue, tracking complimentary ticket form, and an accompanying Form-802[18].

5. Reporting

The department utilizes the following reporting systems that can generate reports to monitor operations and finances. Gateway (procurement), Tessitura (ticket sales, transaction posting, and daily contribution), UCPath (payroll reports), Kronos (payroll reports), COGNOS (multiple purposes), Concur (travel and entertainment), Espresso (payments), FlexCard (campus credit card), and Data Warehouse.

The department runs GUS reports for budgeting purposes and reconciliation purposes. They also create internal Microsoft Excel spreadsheets. The frequencies in which reports are

---

[18] The Form 802 is used by state and local government agencies to identify persons who receive tickets or passes to events, as well as the public purpose for the event.

generated on many are monthly, weekly or bi weekly. Most of the financial reports are shared with management.

SCOPE

The scope of our review was focused on Arts & Lectures' business processes and internal controls. To accomplish our objectives, our work included interviews, observations, review of support documentation, testing, and other steps. Specifically, we:

- Quantified the account strings and the amounts in overdraft and determined through interviews the justified cause for the overdraft and the adequacy of financial monitoring and oversite.

- Documented the revenue and cash management process and identified opportunities for improvements.

- Reviewed a sample of contracts signed by Arts & Lectures and verified that contracts were properly approved and executed, used the appropriate template, and had adequate insurance coverage.

- Determined whether a sample of FlexCard, reimbursement, and direct payment transactions were appropriately supported, reviewed and approved by appropriate individuals. For the transactions that met covered services criteria based on Article 5 we verified whether they were preapproved by ELR.

- Documented the reporting and reconciliation process and identify opportunities for improvements.

- Obtained and reviewed reconciliations performed by the department.

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 BUS-49: *Policy for Cash and Cash Equivalents Received.* (UC Policy BUS-49)
- UCSB FlexCard Management Procedures
- UCSB Credit Card Merchant Handbook
- UCSB PCI Compliance Requirement Guidance

AUDIT TEAM

Ashley Andersen, Audit Director
Antonio Mañas Meléndez, Associate Audit Director
Gifty Mensah, Principal Auditor