

**UNIVERSITY OF CALIFORNIA, SAN FRANCISCO  
AUDIT AND ADVISORY SERVICES**

**Global Programs Kenya Office Review  
Project #19-077**

**July 2019**



University of California  
San Francisco

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**SUBJECT: Global Programs Kenya Office Review, Project #19-077**

As a planned audit for Fiscal Year 2019, UCSF Audit and Advisory Services (A&AS) performed a review of the internal controls over the financial and administrative practices at UCSF's Global Programs Office in Kenya. The objective of our review was to ensure that appropriate internal controls and related processes that adhere to UCSF's policies and procedures have been implemented at the local program office.

Our services were performed in accordance with the applicable International Standards for the Professional Practice of Internal Auditing as prescribed by the Institute of Internal Auditors (the "IIA Standards").

Our review was completed and the preliminary draft report was provided to department management in June 2019. Management provided their final comments and responses to our observations in July 2019. The observations and corrective actions have been discussed and agreed upon with department management and it is management's responsibility to implement the corrective actions stated in the report. A&AS will periodically follow up to confirm that the agreed upon management corrective actions are completed within the dates specified in the final report.

This report is intended solely for the information and internal use of UCSF management and the Ethics, Compliance and Audit Board, and is not intended to be and should not be used by any other person or entity.

Sincerely,

Irene McGlynn  
Chief Audit Officer



## EXECUTIVE SUMMARY

### I. BACKGROUND

As a planned audit for Fiscal Year 2019, UCSF Audit and Advisory Services (A&AS) performed a review of the internal controls over the financial and administrative practices at UCSF's Global Programs Office in Kenya. The objective of our review was to ensure appropriate internal controls and related processes that adhere to UCSF's policies and procedures have been implemented at the local program office.

UCSF Institute for Global Health Sciences (IGHS) established registered offices in Kenya, Mozambique, Namibia, Tanzania and Uganda to support UCSF global research projects, as well as researchers from other University of California campuses, working in these countries. Global Programs for Research and Training (Global Programs) is a not-for-profit entity of UC and provides administrative support for international projects, including:

- Host-country operational administration (e.g. finance and reporting)
- Employment and compensation for expatriates and host country nationals working on UCSF projects
- Leasing of office space
- Management of local procurement and vendor contracts

Oversight for the Global Programs offices is provided by a Board of Directors consisting of UCSF faculty and staff and in-country academics and researchers. IGHS staff in San Francisco provide support to the Global Programs offices.

A&AS in collaboration with IGHS developed an internal audit program framework for its foreign offices. The Kenya office has been selected as a pilot for this review. The Kenya office was established in February 2014. As of January 2019 there were 71 employees. However, the number of employees fluctuates as temporary employees are hired for programmatic purposes. Grants received by the Kenya office for the year ending 6/30/2018 were 744,387,638 Kshs (approximately \$7,366,527 USD). For the year ending 6/30/2017 grants received for the office were 432,116,248 Kshs (\$4,166,180 USD).<sup>1</sup> There was a significant increase in grants received in 2018, primarily as a result of Global Programs taking over most UCSF activities initially handled by a local non-governmental organization, Research Care and Treatment Program-FACES (RCTP-FACES).

Key risks for international activities include:

- Financial Risk: Funds may not be spent in accordance with university priorities or grant awards.
- Governance Risk: Inadequate governance may result in activities that do not align with university priorities.
- Compliance Risk: Practices may not comply with host country's regulations or university policies. Unallowable expenditures being posted to federal awards.

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<sup>1</sup> At an exchange rate of 1 USD:101.05 Kshs and 1:103.72 Kshs respectively

## II. AUDIT PURPOSE AND SCOPE

The purpose of this review was to determine if the Kenya local Global Programs office has implemented appropriate internal controls and related processes that adhere to UCSF's policies and procedures.

The scope of the review covered transactions and activities for July 2018 to January 2019 at the Kenya office.

Procedures performed as part of the review included evaluation of financial management, human resources, payroll and information security and technology practices. Additionally, test samples of personnel records, purchase transactions, independent contractor payments, travel advances, and petty cash reconciliations were reviewed.

For more detailed steps on procedures performed, please refer to Appendix A.

Work performed was limited to the specific activities and procedures described above. As such, this report is not intended to, nor can it be relied upon to provide an assessment of compliance beyond those areas specifically reviewed. Fieldwork was completed in April 2019.

## III. SUMMARY

Based on work performed, controls regarding purchasing, petty cash and mobile phone-based payments were functioning effectively.

Opportunities for improvement exist in the areas of documenting background checks, terminating account access for employees that have separated, and management of travel advances.

The specific observations from this review are listed below and detailed in the body of the report:

1. There are insufficient controls to ensure that Travel Advance Payment Vouchers receive adequate approval.
2. Travel Advances are not settled timely.
3. Controls to ensure contractors receive appropriate pay were ineffective.
4. Procedures to document the background check for employees were not always followed.
5. Procedures to terminate electronic access for employees were not operating effectively.

**IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS (“MCA”)**

<b>No.</b>	<b>Observation</b>	<b>Risk/Effect</b>	<b>Recommendation</b>	<b>MCA</b>
1	<p><b><i>There are insufficient controls to ensure that Travel Advance Payment Vouchers receive adequate approval.</i></b></p> <p>Of the 8 Travel Advances and 8 Travel Payment Vouchers reviewed, we noted one Payment Voucher was approved by the traveler (Director of Finance &amp; Operations), although the Travel Authorization and the Travel Expense Reconciliation for this employee was approved by the Kenya Country Director.</p> <p>Segregation of duties is a key internal control intended to minimize the occurrence of errors or fraud by ensuring that no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties.</p>	<p>Without adequate separation in the expense approval process, there is a risk that unauthorized, erroneous or fraudulent reimbursements may be processed</p> <p>Having an employee included in the approval chain for their own Expense Report will create (at least) the appearance of a conflict of interest.</p>	<p>In the interest of maintaining appropriate segregation of duties and eliminating apparent conflict of interest employees should not be allowed to approve their own reimbursement claims.</p>	<p>Action Plan: No approver will be allowed to approve their own claim irrespective of the supporting documents being approved by others.</p> <p>Target Completion Date: July 2019</p> <p>Responsible Party: Kenya Country Director</p>
2	<p><b><i>Travel Advances are not settled timely.</i></b></p> <p>Of the 8 Travel Advances reviewed all 8 were settled more than 10 days after the end of travel. The average time to settle Travel Advances was 45 days after the date of travel.</p> <p>Per the Global Programs for Research and Training Travel Manual – Travel advances must be settled within 10 days from the date business travel concludes.</p>	<p>To ensure that travel expenses are appropriate and accounted for, the expense reconciliations should be submitted in a timely manner. Additionally, if travel expenses are not processed timely, they may be disallowed for on sponsored awards.</p>	<p>Management should work with employees and study team leads to reduce the time to liquidate outstanding travel advances and eliminate multiple outstanding advances for a single employee.</p> <p>Management should consider revising policy for travel advance</p>	<p>Action Plan: Travel Policy revised to provide 30 days to settle advances, which is consistent with UC procedures.</p> <p>Monthly tracking of outstanding travel advances and reaching out to staff and study team leads as necessary.</p>

No.	Observation	Risk/Effect	Recommendation	MCA
			settlement to be extended to 30 days to provide a reasonable timeframe for employees to settle their advances.	Withholding additional advances for staff with outstanding travel advances of more than 30 days  Target Completion Date: July 2019  Responsible Party: Kenya Country Director
3	<p><b>Controls to ensure contractors receive appropriate pay were ineffective.</b></p> <p>Of the 10 contractor payments reviewed, we noted one contractor was overpaid a total of 6,500 Kenya Shilling (Kshs) (equivalent to \$66.27 USD) for five days in July 2018 (23, 26, 27, 30 and 31) due to overlapping in contract agreements.<sup>2</sup></p>	Overpayment of contractors may be disallowed on a sponsored award.	<p>Management should work with the contractor to recover the overpayment.</p> <p>Current review and verification procedures for payments to contractors should be strengthened to ensure accuracy of payments; and root cause analysis should be performed to understand why the error was made and how to prevent them in the future.</p>	<p>Action Plan: Refund of Kshs. 6,500 was banked on 15 April 2019 as soon as the discrepancy was noted. Before a new contract is issued to an independent contractor, all invoices for prior contracts must have been submitted.</p> <p>Target Completion Date: July 2019</p> <p>Responsible Party: Kenya Country Director</p>

<sup>2</sup> Agreement #1 covered the period 10/2/2017- 9/28/2018 at 1,200 Kshs/Day. A subsequent Agreement #2 was put into effect 8/1/2018-9/28/2018 at 2,500 Kshs/Day to reflect the amendment to payment rate for all VMMC surgeons and assistant surgeons effective 8/1/2018 to Kshs 2,500 per day.

No.	Observation	Risk/Effect	Recommendation	MCA
4	<p><b><i>Procedures to document the background check for employees were not always followed.</i></b></p> <p>Of the 5 employee personnel files that were reviewed, we noted one employee (a Procurement Assistant hired in February 2017) did not have reference or background checks documented in her personnel file.</p> <p>According to the Director of Finance and Operations, this employee was a temporary hire initially when the transition commenced and personally called her referees over the phone. These conversations should have been documented. No background check appeared to be performed.</p>	<p>Documenting background checks is required to help ensure that personnel hired have been appropriately vetted and has the relevant skills and experience for their position.</p>	<p>Management should work with Human Resources in developing a process to ensure that background checks for employees performed and that this is documented.</p>	<p>Action Plan: All hiring managers have been reminded about the existing process for documenting background checks. Documentation of the reference checks completed for said employee. A review confirmed all regular employees have documented reference checks.</p> <p>Target Completion Date: July 2019</p> <p>Responsible Party: Kenya Country Director</p>
5	<p><b><i>Procedures to terminate electronic access for employees are not effective.</i></b></p> <p>Of the 5 former employees we reviewed, we noted that user account access for one was still active. As of 4/17/19 UCSF network account access for a former Lead Statistician (separated 8/24/2018) was still active.</p> <p>Users are provided access to Microsoft Office 365 applications (which includes Office 2016 desktop versions of Outlook, Word, and Excel). They are also provided Guest Access accounts to access other</p>	<p>Inadequate processes and procedures for removing accounts from terminated employees may lead to unauthorized access of UCSF data and systems.</p>	<p>Management should review and revise their processes to ensure that access for separated employees is terminated timely.</p>	<p>Action Plan: Work closely with UCSF Global Operations to document that access to UC systems is terminated on the UCSF side.</p> <p>Global Programs terminates access to email on the last date of employment and sends a communication to Global Operations to coordinate with UCSF IT for removal.</p>

No.	Observation	Risk/Effect	Recommendation	MCA
	applications through MyAccess (i.e. DocuSign, Learning Management System, PeopleSoft (limited to finance staff only in NA and KE at present), UCSF Box and Zoom).			Target Completion Date: July 2019  Responsible Party: Kenya Country Director

## **APPENDIX A**

To conduct our review the following procedures were performed for the areas in scope:

- Developed an Internal Control Questionnaire and Separation of Duties Matrix and obtained responses to them from the Kenya office management.
- Discussed procedures with key IGHS personnel.
- Reviewed the personnel file for a sample of active employees and a sample of employees that separated during the scope period.
- Reviewed payroll management process to determine payroll is processed accurately and timely.
- Reviewed a sample of purchase transactions and payments for independent contractors.
- Reviewed a sample of travel advances
- Reviewed a sample of petty cash replenishments and reconciliations
- Reviewed the process for new account provisioning and de-provisioning accounts of terminated employees.