**UC** **RIVERSIDE: AUDIT & ADVISORY SERVICES**

Date: July 31, 2019

To: Brian Haynes, Vice Chancellor of Students Affairs

Subject: Internal Audit of the Student Affairs Division

Ref: R2019-09

We have completed our internal audit of the Student Affairs Division in accordance with the UC Riverside Audit Plan. Our report is attached for your review.

We will perform audit follow-up procedures in the future to review the status of management action. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2019-09 will remain open until we have evaluated the actions taken.

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

Gregory Moore

Director

cc: Ethics & Compliance Risk and Audit Controls (ECRAC) Committee

Chief Financial & Administrative Officer Eckman

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

INTERNAL AUDIT REPORT R2019-09

STUDENT AFFAIRS DIVISION

July 2019

Approved by:

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Gregory Moore

Director

**UC RIVERSIDE**

**STUDENT AFFAIRS DIVISION**

**INTERNAL AUDIT REPORT R2019-09**

**July 2019**

1. **MANAGEMENT SUMMARY**

Based upon the results of work performed within the scope of the audit, it is our opinion that the system of internal controls over the Student Affairs Division (SA), with the exception of the issues noted in the Observations (Section III), is satisfactory and generally in compliance with applicable University policies and procedures.

However, we observed some areas noted below that need enhancement to strengthen internal controls and/or effect compliance with University Policy:

* Restricted Gift Funds (Observation III.A)
* Travel Expenditures (Observation III.B)
* Contracts and Grants (Observation III.C)
* Non-Capital Assets (Observation III.D)
* Monthly Expenditures (Observation III.E)
* Student Health Services Billing Process (Observation III.G)

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

1. **INTRODUCTION**
   1. **PURPOSE**

UC Riverside Audit & Advisory Services (A&AS), as part of its Audit Plan, performed a limited review of the SA to evaluate its system of internal controls and compliance with applicable University policies and procedures and communicate the results to the new Vice Chancellor of Student Affairs (VCSA), whose start date at UCR was on August 15, 2018.

Included in the review were the consideration and evaluation of significant processes and practices, specifically addressing the following components:

1. Management philosophy, operating style, and risk assessment practices;
2. Organizational structure, and delegations of authority and responsibility;
3. Positions of accountability for financial and programmatic results;
4. Process strengths (best practices), weaknesses, and mitigating or compensating controls; and
5. Information and communications systems, applications, databases, and electronic interfaces.
   1. **BACKGROUND**

. The VCSA is responsible for overseeing the Division of Student Affairs’ strategic plan and participating in several community-service programs.

The SA oversees the following student-related programs including Highlander Union, Recreation/Student Center, VCSA Student Fees, KUCR, Student Life, Health and Wellness/Case Management, Ethnic and Gender Programs, Student Health Services, Counseling and Psychological Services, Student Affairs Administration, Dean of Students, African Student Programs, Asian Pacific Student Programs, Chicano Student Programs, LGBT Resource Center, Native American Student Program, Student Disability Resource Center, Student Mental Health, Care Advocate, Graduate Student Association, Student Conduct Programs, Middle Eastern Student Center, Cultural Events, and Residential Life-VCSA.

* 1. **SCOPE**

We reviewed supporting documentation for transactions that occurred during Fiscal Years (FYs) 2017-2018 and 2018-2019.

The review included evaluating the adequacy and effectiveness of internal controls over various SA processes. The review was principally limited to the following areas:

1. **Preliminary Assessment**

Our preliminary assessment included an overview of the following areas:

* General Overview and Risk Assessment
* General Controls Environment
* Business Processes
* Information and Communication Systems.

1. **Analytic Review**

Performed an analytic review of expenditures and revenues by department, budget category, and fund type for FY 2017-2018 and FY 2018-2019.

1. **Procedures**
2. **Internal Controls**

We reviewed and evaluated the SA’s control environment, processes and procedures through interviews of appropriate personnel as well as our independent observations.

1. **Restricted Gift Funds**

We obtained a list of Restricted Gift Funds during FY 2017-18 and judgmentally selected a sample to review and determine if selected funds have been utilized for the intended purpose. We also performed further testing to determine if these funds have any significant deficit or surplus balances.

1. **Travel Expenditures**

We obtained travel expenditures for FY 2017-2018 and selected a judgmental sample to review and determine if the expenditures are allowable, reasonable and processed in a timely manner (45 days) in accordance with University policies and procedures (BFB G-28).

1. **Contracts and Grants**

We identified the various SA departments’ contracts and grants (C&G) funds. We then extracted the C&G selected fund balances, and conducted an analysis by comparing budget versus actual amounts for all expenses during FY 2017-2018 to determine that fund deficit balances, if any were promptly and appropriately addressed.

1. **Non-Capital Assets**

We interviewed various SA departmental management to determine if internal controls were adequate and effective over theft sensitive non-capitalized inventory items under $5,000.

1. **Monthly Expenditures**

We obtained and reviewed the Financial Transaction Detail Reports from the UCRFS Ledger Reconciliation system. Specifically, we selected a judgmental sample of six monthly reports from various SA departments to review and determine if the expenditure reports were reviewed and reconciled appropriately and timely.

1. **Procurement Card (ProCard)**

We selected a judgmental sample of 15 ProCard purchases and determined if purchases were allowable and reasonable. We also reviewed transactors for the selected samples to determine if the individuals who utilized the cards to make purchases are the same authorized individuals stated in the ProCard list provided by the departments.

1. **Student Health Services Billing Process**

We reviewed the Student Health Services (SHS) billing process to determine if internal controls were adequate and effective. Specifically, we determined if monitoring controls were in place over the billing and recording processes.

* 1. **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 from September to December 2018.

Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.

1. **OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTION PLANS**
   1. **Restricted Gift Funds**

Restricted Gift Funds are comprised of resources restricted by donors to be utilized for particular entities or programs for specified purposes. Endowment funds represent funds that are subject to restrictions of gift instruments requiring that the principal balance be invested in perpetuity and that only income be utilized.

We obtained a list of Restricted Gift Funds during FY 2017-18 and selected a judgmental sample of six funds to review and determine if these funds have been utilized for the intended purpose, and if they have any deficit or surplus balances.

We observed that the funds have been utilized for the intended purpose. However, we noted that the two out of six funds have surplus balances as follows (See Table A).

**Table A**

|  |  |  |
| --- | --- | --- |
| **Fund Group Descr** | **Restricted Gifts** | **Surplus Balance** |
| Counseling & Psychological Svc | 53407 | $ 10,017 |
| Cultural Events | 50114 | $ 95,698 |

**Management Corrective Action Plan**

We have a committee formed to review proposal to use this funding. We expect to exhaust it over the next two years.

The CFAO has quarterly meetings with the departments (department head or Unit Head along with their financial manager) to ensure review of these funds. Any unspent funds are reviewed as well as any over-spending.

**Expected Implementation Date**

Implemented

* 1. **Travel Expenditures**

Based on the results of this audit, we determined that the travel-related transactions reviewed were generally in compliance with the University policies and procedures BFB G-28. However, internal controls need improvements in some areas.

We reviewed a judgmental sample of ten travel vouchers for various SA departments and observed the following:

* Two (Trip ID #: T220627 and T230439) of ten travel vouchers were not supported properly as no agenda for the trips were included.
* Three (Trip ID #: T220627, T234087 and T233503) of ten travel vouchers were not processed timely (within 45 days in accordance with the G-28 policy).

**Management Corrective Action Plan**

The action plan would be as follows:

1. Keep a folder during travel to collect documents and even tape them to paper with descriptions as travel progresses versus waiting until return.
2. Be sure to check-in every two business days to make sure travelers’ vouchers are being processed.
3. Involve immediate supervisor if it is taking longer to process travel reimbursements.

**Expected Implementation Date**

Implemented.

* 1. **Contracts and Grants**

We noted no deficit balances in C&G funds in FY 2017-2018. However, we observed that $46,795 in Federal Grant (SAMSHA) Fund #29000, Function code 44 was inaccurately recorded.

**Management Corrective Action Plan**

During FY 2017/18 fiscal closing, the SAMSHA grant was cleared improperly using Function 44 instead of Function 68. This was corrected in FY 2018/19 as it appeared that the grant was in deficit. The error was due to the improper Function being assigned to year 1 of 3 as grants should not be Function 68. Going forward the department will make every effort to assure that funding sources are properly assigned and if not clear activity accordingly.

**Expected Implementation Date**

Implemented.

* 1. **Non-Capital Assets**

According to Policy #750-12, “Guidelines governing the control of theft-sensitive items (valued at less than $5,000) may be established at the department level for managing theft- sensitive items valued at less than $5,000. Examples of the theft sensitive items include computers, PDA, computer printers, computer terminals.”

As a best practice, the various SA departments maintain equipment usage forms for those employees who take equipment (such as laptops, cell phones) with them when they go home or on travel. However, various SA departments do not have a tracking system (periodic inventory) in place to determine if theft-sensitive inventory items less than $5,000 exist.

The absence of a tracking system can increase the risk of loss or theft of sensitive inventory items including sensitive information that are stored in these devices. Failure to protect confidential information could result in damaged reputation and potential loss of significant information as well as fines, litigation and penalties.

**Management Corrective Action Plan**

Various department will maintain an inventory list that tracks low dollar items that are important, and they will work with the IT team and other departments to set up a tracking mechanism going forward. In addition, during the upcoming meeting with our business office managers scheduled, this will be an agenda item as a reminder to review with their staff and have each staff member sign for the current/upcoming year.

**Expected Implementation Date**

January 31, 2020

* 1. **Monthly Expenditures**

We were unable to verify if the following ledger reconciliations were reviewed and reconciled appropriately due to lack of evidence (See Table B).

Table B

|  |  |
| --- | --- |
| **Department** | **Selected Months** |
| Student Health Services (SHS) | Sep-17 |
| Student Health Services (SHS) | Oct-17 |
| Student Health Services (SHS) | Feb-18 |
| Student Health Services (SHS) | Apr-18 |
| LGBT | Aug-17 |
| LGBT | Dec-17 |

UCR Policy & Procedure 200-97 states, “Financial Transaction Detail Reports (FTD) must be reconciled by the end of the subsequent month and certified by the 15th of the following month or by the applicable year-end closing schedule, and the review and certification must be evidenced with a signature and date that may be electronic.” In addition, it also states that “all transactions over $5K must be validated against supporting matter such as outside source documents, system queries and any other relevant documentation. Also, all salary transactions must be reviewed against the Distribution of Payroll Expenses (DOPE).”

**Management Corrective Action Plan**

* SHS enhanced ledger reconciliation process to ensure that adequate documentation is readily available.
* There is a system in place where the department reviews ledgers for accuracy and uploads as per policy to the Ledger Reconciliation System. However, the department failed to document in LRSS for these two instances inadvertently. The department will review to ensure that supporting documentation uploaded in LRSS appropriately.

**Expected Implementation Date**

Implemented.

* 1. **ProCard**

Our review of a judgmentally selected sample of 15 ProCard purchases noted no exceptions. In addition, we determined that the individuals who utilized the cards to make purchases are the same authorized individuals stated in the ProCard list provided by the departments.

* 1. **Student Health Services Billing Process**

We observed the following observations related to our SHS billing process review:

* The Billing Aging report was not prepared accurately.
* Although payments received for services rendered were recorded in the Cash Collection Reconciliation System (CCRS), no periodic reconciliation was done between UCRFS Totals and the SHS Billing System Point and Click Solutions (PNC) to verify if revenues received were recorded properly in the UCR Financial System.

**Management Corrective Action Plan**

* SHS works with the future hired PNC Clinical Analyst to ensure that aging reports are performed accurately and consistently. This new position has already been filled by SHS.
* A reconciliation process has been implemented between PNC and UCRFS Totals to ensure that revenue received are recorded appropriately in UCRFS Totals.

**Expected Implementation Date**

Implemented.