



UCSB Audit and Advisory Services
Internal Audit Report

Exercise and Sports Studies

April 9, 2012

Performed by:
Sam Hartline, Principal Auditor

Approved by:
Robert Tarsia, Acting Director

Report No. 08-11-0021

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AUDIT AND ADVISORY SERVICES
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April 9, 2012

To: Vice Chancellor Michael Young
Student Affairs

Dean Melvin Oliver
College of Letters and Science – Division of Social Sciences

Re: **Exercise and Sports Studies**
Audit Report No. 08-11-0021

As part of the prior year's (2010-11) annual audit plan, Audit and Advisory Services conducted an audit of the Exercise and Sports Studies Department. Enclosed is the audit report detailing the results of our review.

The primary purpose of the audit was to ensure that there are adequate processes and internal controls for segregating and allocating costs for the University of California, Santa Barbara (UCSB) Exercise and Sports Studies Department (ESS). The scope of the review of general fund (19900) expenditures was limited to ESS payroll and non-payroll disbursement activity during fiscal years 2009-10 and 2010-11.

Our review identified areas in which processes and internal controls for segregating and allocating costs could be strengthened. The more significant of these areas included implementing a practice for comparing the actual time or effort of ESS employees that is devoted to department operations with annual budgetary spending plans, implementing a methodology for allocating equipment costs between the ESS and Recreation departments based on annual usage, and improving documentation practices related to the appointment of academic personnel.

We have included a copy of our detailed observations and management corrective actions. The management corrective actions provided indicate that each recommendation was given thoughtful consideration and that positive measures have been planned to implement the corrective actions. The cooperation and assistance provided by Exercise and Sports Studies and Dean of Social Sciences staff during the review was sincerely appreciated. If you have any questions, please feel free to contact me.

Respectfully submitted,

A handwritten signature in black ink that reads "Robert Tarsia".

Robert Tarsia
Acting Director
Audit and Advisory Services

Vice Chancellor Michael Young
Dean Melvin Oliver
April 9, 2012

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Enclosure

cc: Chancellor Henry Yang
Executive Vice Chancellor Gene Lucas
Associate Vice Chancellor Ron Cortez
UCSB Audit Committee
Senior Vice President and Chief Compliance and Audit Officer Sheryl Vacca
Dean of Students Yonie Harris
ESS Chair and Director Jon Spaventa
ESS Business and Finance Director Andrea Carr
Assistant Dean Roberta Cook
Executive Assistant to the Dean Robin Rogers

**UCSB Audit and Advisory Services
Exercise and Sports Studies
Audit Report No. 08-11-0021**

PURPOSE

The primary purpose of the audit was to ensure that there are adequate processes and internal controls for segregating and allocating costs for the University of California, Santa Barbara (UCSB) Exercise and Sports Studies Department (ESS).

SCOPE, OBJECTIVES AND METHODOLOGY

The scope of the review was limited to ESS payroll and non-payroll expenses during fiscal years 2009-10 and 2010-11. Audit objectives were developed for review of:

- Accounting and Budgetary Control
- Academic and Staff Personnel Appointment and Payment Practices
- Non-Payroll Expenditure Documentation Practices
- Cost Allocation Methods
- Related Policies and Business Practices

The primary audit objectives included review of the practices and procedures in place to ensure that general funds (19900) are expended only for benefit of the ESS academic program, and that expenses identified as benefitting both the ESS and Recreation departments are allocated to each department using cost allocation methods that are reasonable and consistent with University of California (UC) and UCSB policies. The review included discussions with College of Letters and Science (L&S) Division of Social Sciences and Exercise and Sports Studies personnel, and limited testing in key areas.

To accomplish our objectives, we obtained an understanding of current University policies and procedures related to the authorization, appointment and payment of ESS academic and staff personnel positions. We selected samples of personnel who teach ESS upper division academic credit classes, staff personnel who teach lower division classes, and staff who provide administrative support, and reviewed the department's practices for determining the workload and calculating the appointment percentages for each employee. We also reviewed ESS authorization and documentation practices for a limited sample of goods, services, and equipment purchases, and the department's procedures for allocating shared costs between the ESS and Recreation departments.

BACKGROUND

The UCSB Department of Physical Activities was established by the UC Regents in early 1965 to provide an instructional curriculum of upper and lower division physical education courses and related certification programs. Over the next 20 years, the department went through several funding and organizational transformations. During fiscal year 1984-85, an administrative model that combined Physical Activities with the Recreation Department was implemented and remains in place today. In the mid-1990's, undergraduate minors were established by the department in Athletic Coaching, Fitness Instruction, Exercise and Health Science, and Sports Management, and the department name was changed to Exercise and Sports Studies (ESS) to better reflect the new emphasis on the minor program. In 2000, the College of Letters and Science formally approved L&S units for upper division courses associated with the minor in Exercise & Sport Studies. On August 1, 2010, the ESS minor was discontinued.

The mission of ESS is to provide innovative, scientifically-based knowledge that enables students to model healthy lifestyles, to prepare for advanced study, and to be future leaders in

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the disciplines of sport, wellness, fitness and recreation.¹ The Recreation Department offers a wide variety of fee-based, non-credit fitness and general interest classes, programs, and activities for students, faculty/staff, and the community.

ESS and Recreation are administered under one director and the departments share a business administration office. ESS is organized within the College of Letters and Science, and annual funding is provided through the L&S Dean of Social Sciences. The Recreation Department, organized within the Student Affairs division, is primarily supported through student fees, facilities usage fees, and program participant charges. Table 1 details ESS appropriations over the last five years. Although the ESS minor has been discontinued, reduced funding for ESS has been extended by the Dean of Social Sciences through fiscal year 2011-12.

Table 1 ESS Appropriations Over the Last Five Years: Account 407606-19900					
	FY2011-12	FY2010-11	FY2009-10	FY2008-09	FY2007-08
Payroll/Benefits ¹	\$645,479	\$1,176,200	\$1,136,283	\$1,153,889	\$1,041,397
Non-Payroll ²	8,003	33,516	234,355	176,981	113,350
Totals	\$653,482	\$1,209,716	\$1,370,638	\$1,330,870	\$1,154,747

Source: Auditor Analysis of UCSB Financial Data Appropriations for FY2007-08 through FY2010-11 is at June 30; appropriations for FY2011-12 are at September 30.

¹ Subobjects 0, 1, 2, 6

² Subobjects 3, 4, 5, 7

Lecturers, an academic personnel title, instruct ESS upper-division and lower-division classes; ESS one-half unit classes are instructed by employees in staff personnel titles. Additional staff personnel perform administrative tasks for the ESS Department, including the business officer, an administrative assistant, and storekeepers who maintain the athletic fields and manage the equipment rooms that serve ESS and Recreation students. Table 2 details current ESS personnel positions and the associated appointment percentages used for payroll purposes.

There are various indoor and outdoor facilities that serve the instructional purposes of ESS; older facilities (built in the 1950's) and several modern multi-purpose buildings, pools, and play fields (built since the early 1980's) accommodate classroom and laboratory instruction. The older facilities were funded by the State of California as a part of the original campus physical plant, and most of the newer facilities were funded through the Recreation Department. Sailing facilities located at the Santa Barbara Harbor are also utilized for ESS instructional purposes. Inventorial equipment that is used by the ESS department for instructional and business purposes (e.g., physical fitness equipment) was purchased from Recreation Department funds.

¹ ESS historical information and mission is based on a department informational binder prepared in November 2007.

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Table 2 ESS Personnel Positions and Appointments for FY11-12		
Position Title ¹	Title Code	Payroll Appointment (FTE)
Academic Personnel		
Lecturer (AY – Continuing)	1631	80%
Lecturer (AY – Continuing)	1631	60%
Lecturer (AY – Continuing)	1631	100%
Senior Lecturer/ ESS Chair (AY – Continuing)	1641	50%
Staff Personnel		
Business & Finance Director	0280	50%
Sr. Recreation Supervisor (Contract)	4002	7%
Sr. Recreation Supervisor (Contract)	4002	20%
Sr. Recreation Supervisor (Contract)	4002	10%
Sr. Recreation Supervisor (Contract)	4002	50%
Administrative Assistant II	4723	100%
Storekeeper	5062	100%
Sr. Storekeeper - Supervisor	5068	100%

Source: Auditor Analysis of UCSB Financial Data; ESS Staffing List as of October 31, 2011.

AY = Academic Year

¹ ESS staff employee positions paid from subobject 2 funds (general assistance payroll) are not included in this table.

SUMMARY OPINION

Our review identified areas in which processes and internal controls for segregating and allocating costs could be strengthened. The more significant of these areas included implementing a practice for comparing the actual time or effort of ESS employees that is devoted to department operations with annual budgetary spending plans, implementing a methodology for allocating equipment costs between the ESS and Recreation departments based on annual usage, and improving documentation practices related to the appointment of academic personnel.

Audit observations and management corrective actions are detailed in the remainder of the audit report.

DETAILED OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS

A. Tracking Actual Personnel Effort or Time

The audit found that there are insufficient processes in place to document that actual ESS non-academic personnel costs are properly allocated between the ESS and Recreation departments. Costs are allocated based on personnel appointment percentages that are typically agreed to in advance. However, there is no process for tracking and documenting *actual* effort or time devoted to each department, and to make any necessary adjustments during the course of each fiscal year.

The audit noted that the allocation methods used for academic personnel are consistent with UC and UCSB policies, and appear reasonable overall. However, for non-academic personnel, there appears to be the need for a reasonable practice to track, monitor, and compare actual time or effort devoted to ESS with the assumptions used to arrive at the personnel appointment percentages. Although time or effort reporting are typical processes used to track and monitor time and effort, there may be alternative methods that ESS could use to provide reasonable assurance that personnel costs are properly allocated and all funding is properly used.

A business practice, ratified through the Dean, of tracking and certifying actual employee effort spent on ESS tasks and responsibilities, and comparing results to annual budgetary plans for the successive academic year, could be implemented. Evaluation of the results should be approved by ESS management and the Dean, and used as the basis for determining the successive year's payroll appropriations in order to ensure that the annual budget for ESS personnel is based on actual operational requirements of the department.

Management Corrective Actions

The Dean's Office and ESS have agreed to a corrective action plan. In an effort to keep an open communication between Letters & Science and Exercise & Sport Studies, the Business Manager of ESS has agreed to meet with the Assistant Dean and relevant L&S staff at the onset of each fall quarter, and in ensuing quarters as necessary, to communicate any discussion items or concerns.

Before the start of each fiscal year, the Director of Exercise & Sport Studies and the department Business Manager will verify all Sub 0, Sub 1 and Sub 2 personnel allocations. The Sub 0 academic payroll is based on the curriculum plan that is reviewed and approved by the Dean before the start of the fiscal year, July 1.

During this calendar year (2012), L&S and ESS will begin meetings to determine the process by which employees will be hired and agree on tracking mechanisms relevant to each type of appointment (e.g., BYA, contract, lecturer, and/or WOS lecturer appointment). Annually in spring, ESS will submit a staffing plan for the next academic year to the Assistant Dean. The Department Manager and the Assistant Dean may meet to discuss the plan and address any concerns. This process will take place for the next three academic years. This process will be reevaluated in spring 2015.

Sub 1 personnel is verified by the periodic review of the "Staffing List Detail Report" sent to ESS by Letters & Science. ESS and the Assistant Dean will work together to clear up any discrepancies/changes appearing on the staffing list.

For career staff, consisting of .50 FTE Business Manager, 1.00 FTE Admin Assistant, 1.00 FTE Sr. Storekeeper Supervisor, and 1.00 FTE Sr. Storekeeper, the director and business manager will evaluate time spent on ESS tasks to assure that funding is properly used and report the findings to the Assistant Dean of Social Sciences by September 1, 2012.

Changes to Sub 1 employee status (e.g. temporary or permanent reduction in time or contract changes) should be brought to the attention of the Assistant Dean.

Audit and Advisory Services will follow up on these corrective actions by December 31, 2012, to ensure that they have been implemented.

B. Lecturer Appointment Practices

The L&S Dean of Social Sciences is the control point for approval of ESS lecturer appointments. Academic personnel policy² requires that lecturers be informed in writing of certain factors related to the position: the position title, department, supervisor, salary, appointment percentage, and other position details. The audit found that the Dean's Office was sending out the required information in annual/quarterly "Appointment Letters;" however, L&S practices for distribution of the letters to the employees have not always included the ESS Department as a recipient. As a result, ESS was not always able to confirm that lecturers had been officially notified of appointment approval, and to include a copy of the letter in the lecturer's departmental personnel file. Current L&S practices include sending a copy of each Appointment Letter to ESS for distribution to the employee, and a second copy for ESS personnel files.

In addition, our review indicated that letters were not always generated by the Dean's Office during the year to reflect changes in lecturers' appointments. ESS appeared to be sending, via campus mail, memos of lecturer appointment changes to the Dean's Office as required, but it did not appear that the employees were being formally notified by the Dean's Office of the appointment changes in all cases. It also appeared that the Dean's Office was not retaining copies of all Appointment Letters sent to ESS Lecturer employees; several letters requested for our audit sample of lecturer employees were not located in L&S personnel files. Additionally, discussions with Dean's Office personnel indicated that appointments for lecturers, in limited cases, were being entered to the Payroll Personnel System (PPS) prior to the Dean's approval of the lecturer Appointment Letters for the upcoming academic year, which is inconsistent with University policy requirements that personnel transactions be properly authorized before entry to PPS.

We recommend the following related to ESS lecturer appointments:

- ESS should ensure that a copy of each lecturer's Appointment Letter has been received from L&S and included in the lecturer's departmental personnel file.

² UCSB Campus Policies for Academic Personnel (Red Binder) Section II-1: Unit 18, Non-Senate Faculty.

- ESS should send lecturer appointment and appointment change memos via email to the Dean's Office, copying all necessary parties, to provide a record of the department's compliance with notification requirements related to lecturer appointments.
- Appointment Letters, or similar written notifications, should be prepared by the Dean's Office for each change to a lecturer's appointment and distributed to the employee and ESS.
- Copies of all lecturer Appointment Letters should be retained in L&S and ESS files, in accordance with academic personnel records retention practices.
- ESS should not enter academic year/quarter appointments for lecturers to the PPS system until the Dean has approved the associated employee Appointment Letters.

Management Corrective Actions

Based on an approved curriculum plan, ESS will submit the required paperwork for L&S review and approval. ESS will make sure that all lecturer appointment letters have been received from L&S and that a copy is put in the corresponding file.

If there are any changes to the lecturer's appointment, ESS will send the proposed changes via email to L&S for review. ESS will be notified of approval.

All lecturer appointment letters will be kept in employees' files.

No appointments or appointment changes will be entered into PPS until approval is received from L&S.

Audit and Advisory Services will follow up on these corrective actions by December 31, 2012, to ensure that they have been implemented.

C. Justification for Large Purchases

Our review of equipment purchases from ESS 19900 funds over the last 11 years found that only one piece of inventoried equipment that appeared to benefit both the ESS and Recreation departments had been purchased using 19900 funds. The level of benefit expected to be received by each department through use of the equipment item was not clear from review of the purchase documentation.

Similarly, our review of purchases of goods and services from 19900 funds indicated that written justifications included in the documentation for large dollar purchases did not always clearly indicate the benefit to the ESS department. Requiring this documentation would help ensure that the use of 19900 funds is properly documented, and would help avoid any misunderstandings or misconceptions in this area.

We recommend that ESS management improve documentation practices for future large dollar purchases from 19900 funds by establishing a dollar threshold over which a written justification would be provided as part of the documented support for the expenditure. The justification should provide the details necessary to explain how the purchase benefits ESS. In those cases in which a benefit to the Recreation Department is also to be derived from the purchase, a reasonable estimate of the percentage of use by each department should be included as a part of the documentation to serve as a basis for cost allocation.

We suggest the dollar threshold match the high-value purchase and inventorial equipment thresholds of \$5,000; however, management can establish a lower dollar threshold at its discretion.

Management Corrective Actions

Any item over \$5,000 will have documentation justifying the purchase and how it will benefit academic courses and programs in ESS. This justification will appear on the purchasing agreement. If necessary, review of purchases and their justification will be addressed at quarterly meetings.

Audit and Advisory Services will follow up on this corrective action by December 31, 2012, to ensure that it has been implemented.

D. Equipment Cost Allocation

The audit reviewed a limited sample of ESS/Recreation inventorial equipment items.³ We found that a large majority of the equipment items used by both ESS and Recreation were purchased using Recreation Department funds. Although it appeared certain equipment maintenance costs were being periodically charged or allocated to ESS, far greater benefit appears to be derived by the ESS Department from inventorial equipment purchased using Recreation Department funds, than benefit received by the Recreation program from inventorial equipment purchased from 19900 funds.

For all future purchases of inventorial equipment, ESS management and the Dean's Office should come to an agreement on a methodology for reasonably allocating equipment costs (acquisition and maintenance) between the two departments based on each department's anticipated usage over the life of the equipment item. L&S fiscal year appropriations to ESS should include an allowance for the annual equipment costs incurred by the ESS academic program, as determined by the accepted methodology. This practice will improve adherence to University policy by ensuring that funds intended to support the Recreation Department and facilities are not used in support of the ESS Department.

Management Corrective Actions

The ESS director will evaluate ESS equipment needs at the beginning of each fiscal year and, if determined necessary, formally request an equipment allowance. If funds are granted for the acquisition of ESS equipment, the department will justify the use for ESS academic courses and programs on the purchase order.

ESS and L&S will discuss and come to an agreement on a methodology for reasonably allocating equipment costs for approved purchases of inventorial equipment supporting academic courses.

³ ESS and Recreation inventorial equipment items are included under one custody code (3475) in the Capital Assets Tracking System. No distinctions are included in the system data to indicate equipment items used exclusively by one department, or items that are shared by both departments.

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ESS will track equipment costs related to “one dash” (1-) physical activity courses using cost centers (or similar accounting mechanisms), beginning July 1, 2012.

Audit and Advisory Services will follow up on these corrective actions by December 31, 2012, to ensure that they have been implemented.