RIVERSIDE: AUDIT & ADVISORY SERVICES

December 18, 2015

To: Audit Committee

Subject: Financial Analytical Review

Ref: R2015-16

We have completed our Financial Analytical Review in accordance with the University of California, Riverside Internal Audit Plan. Our report is attached for your review. We will perform 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. R2015-16 will remain open until we have evaluated the actions taken.

Gregory Moore
Director

cc: Assistant Controller Librenjak
Payroll Director Nwandu

UNIVERSITY OF CALIFORNIA AT RIVERSIDE

AUDIT & ADVISORY SERVICES

MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

REPORT R2015-16

FINANCIAL ANALYTICAL REVIEW

DECEMBER 2015

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UC RIVERSIDE
FINANCIAL ANALYTICAL REVIEW
REPORT R2015-16
DECEMBER 2015

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the scope of the review, we did not detect any significant variances or unusual trends in revenues and expenditures that could not be explained. We reviewed selected transactions in the payroll, disbursements, and other agreed upon areas.

However, we observed two areas that need enhancement to improve efficiency/effectiveness, strengthen internal controls, and/or effect compliance with University policy:

- Timely Processing of Travel Expenditure Vouchers (Observation III.G)
- Ongoing Carryforward Deficits (Observation III.L)

Minor items not of the magnitude to warrant inclusion in this report were discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

University of California, Riverside (UCR) Audit & Advisory Services (A&AS), as part of its Audit Plan, performed an analysis and evaluation of the UCR campus financial data. This Financial Analytical Review included procedures to study and compare relationships among data on a campus-wide basis in order to identify unexpected fluctuations, trends, discrepancies or activities, the absence of expected fluctuations, trends or activities, and other unusual items.

Our objective was to broadly examine campus financial data to determine if activities in selected areas included significant errors or questionable transactions that warranted further review. General ledger, accounts payable (AP), and payroll data were extracted to evaluate high-risk transactions involving liquid resources. This review also evaluated campus department revenues and expenditures.

B. BACKGROUND

The specific review objectives were to:

- Identify and investigate unusual relationships in the UCR campus financial data;

- Detect, within the scope of the review, irregularities or significant variances in financial reports and source documentation;
- Provide A&AS management with information for the campus risk assessment to assist in developing future audit plans;
- Identify opportunities for improving internal controls.

C. SCOPE

This review analyzed selected data from Fiscal Years (FY) 2013-2014 and in some cases FY 2012-2013 and FY 2011-2012. We designed the methodology to provide sufficient, competent, and relevant evidence to achieve the objectives of the review. Due to the extensive range of financial activities and the vast volume of financial data, not all identifiable activities were reviewed. Further, because of the nature of this review's global perspective and other limitations, the review procedures could not ensure that errors and irregularities were detected, especially minor or isolated incidents.

The review included, but was not limited to the following areas:

1. General Ledger

a) Prepared spreadsheets to compare FY 2012-2013 and FY 2013-2014 revenues and expenditures by department. Reviewed activities over $750,000 and with at least a 20 percent change from FY 2012-2013 to FY 2013-2014. Obtained explanations for increases or decreases and determined the reasonableness of explanations with independent analyses and additional inquiries.
b) Identified organizations with net deficits as of June 30, 2014 and evaluated the July 1, 2014 carryforward by fund and unit for negative carryforward amounts (excluding contracts and grant funds).

2. Cash Disbursements

a) Reviewed travel transactions (i.e. trends by travel vendors and employees, analysis of days to pay).
b) Reviewed campus cell phone usage for unusual fluctuations over the prior year.
c) Reviewed top 25 cumulative vendor payments from FY 2012-2013 to FY 2013-2014.
d) Reviewed duplicate vendor addresses within AP.
e) Evaluated different addresses for the same vendor.
f) Evaluated multiple vendor identification (ID) for the same vendor name and vice versa.
g) Searched for duplicate vendor invoices.

h) Analyzed vendor invoices entered/modified by transactor for any unusual activity including UCR's Online Payment Request Application (ePay) check requests.
i) Reviewed for payments to different vendors on the same Purchase Order (PO).
j) Reviewed vouchers/invoices for invoice splitting (Benford Law).
k) Reviewed voucher and payment trends (count and amount).
l) Reviewed changes to the vendor master file and procedures.
m) Reviewed for different vendors using the same direct deposit account in and across AP, and payroll.
n) Examined Purchasing Procurement Card (ProCard) payments for unusual trends and transactions (Benford Law).
o) Reviewed one month shipping data for unusual delivery locations and pickups.
p) Reviewed iTravel (UCR's online travel planning and expense reporting system) and ePay data files for unusual items and processing efficiency.

3. <u>Payroll/Time and Attendance</u>

a) Evaluated employees with over $210,000 annual gross pay and/or over $100/hour rate of pay.
b) Reviewed employees with high payout or number of hours by Description of Service (DOS) code (i.e. overtime, compensatory time, by agreement, etc.).
c) Reviewed duplicate direct deposit accounts across employees. Reviewed duplicate addresses within payroll and against AP.
d) Reviewed payroll check analytics (i.e. number and amount of transfers, cancellations, hand drawn checks) from FY 2012-2013 to FY 2013-2014.
e) Performed National Institute of Health (NIH) Salary Cap review for July 2013 – January 2014 for selected individuals.
f) Performed data analytic procedures on Time and Attendance Reporting System (TARS) for one bi-weekly (for non-exempt employees) and one month (for exempt employees) data in December 2014.

III. OBSERVATIONS, COMMENTS, AND RECOMMENDATIONS

A. Voucher/Payment Trends-Analytics

1. **Physical Checks to Employees** - We noted that 3,185 physical checks (6% of total volume of payments) were paid to UCR employees from AP in FY 2013-2014. Breakdown by category is as follows:

Category	Count
Payroll	1,547
Travel	630
Petty cash	388
Reimbursement	364
Entertainment	185
Other	71
Grand Total	3,185

It is our understanding that the payroll checks above primarily pertain to final checks that, in the past, were physical checks separated for distribution from other AP checks due to an internal policy. However, we understand that with the recent move of the Accounting Office to a location further away from the main UCR campus, final payroll checks will be direct deposited when possible or mailed via US mail.

Payments for travel, entertainment, reimbursements and other should generally be paid through employee direct deposit if the employee is established for such. Of the 1,250 employee payments using physical checks in these categories, 978 (78%) had payroll direct deposit. It is possible that the timing of the establishment of the payroll direct deposit was not aligned with the generation of these AP checks. We examined one such payment and the department transactor could not explain why the payment created a physical check instead of a direct deposit. The understanding is that the system defaults to direct deposit.

Although only 6% of the total volume, the cost and risk to UCR increase when physical checks are issued versus via direct deposit/EFT. Changes have been made in the area of the final payroll checks which should reduce the number of physical checks issued. This information was provided to the Accounting Office for further consideration on how to reduce the number of physical checks.

2. **Aged Invoices** – For FY 2013-2014 payments, it appears that on average, 5.6% of invoices are paid over two months after the invoice date.

Additional details follow:

Payment Date – Invoice Date	Number of Invoices Paid	Gross Invoice Amount (rounded in thousands)
> 180 days	889	$783,000
> 365 days	249	89,000
> 2 years	61	16,000

The aged payments that pertain to iTravel and ePay are addressed in Observations III.G and H.

We noted that a large number of the aged invoices were credits and many of those pertained to the campus Bookstore. Upon further review, the credits were not being offset against invoices because the credits were on different payment addresses. Maintaining aged credits in AP is not a best practice cash management strategy. The risk of not actively managing credits and failing to make these offsets is that the credits may become uncollectible due to vendor insolvency and difficulties in substantiating and collecting the credits as time passes. Enhanced efforts need to be done to take advantage of credits in a timely manner by offsetting credits against other payments to the vendors or requesting check reimbursements from the vendors. Since the Bookstore was outsourced to a third party in July 2014, this should no longer be an issue going forward.

B. <u>Same Purchase Order (PO) for Multiple Vendors</u>

We noted that payments were made to Riverside County Information Technology (RCIT) starting with February 2014 invoices on Acorn Technology Corporation's (Acorn) PO #10173477. These are distinct companies. As of June 2015, although there was no signed contract or License Agreement with RCIT, payments continued to be made on the Acorn PO.

Upon further review, the services provided by RCIT include housing UCR servers in their data center. It appears that those servers may contain medical health information. The License Agreements dated November 1, 2014 were signed by the vendor on July 29, 2015. Signed Health Insurance Portability and Accountability Act (HIPAA) Business Associate Agreements (BAA) were attached to the License Agreements.

C. <u>Payments for Same Vendor with Different Vendor ID</u>

We noted 96 vendors with identical vendor names that were paid on multiple vendor IDs during FY 2013-2014. In some of these cases the vendor name was common (i.e. John Smith) so it is possible that the multiple vendor IDs pertained to distinct vendors. Our review of six samples disclosed that the multiple vendor IDs pertained to the same vendor and all were still active vendors at the time of our examination.

In five of the samples, the vendor was paid on both an employee vendor ID (starting with 'E') and a supplier vendor ID (generally starting with 'V'). Possible explanations on why employees can have both an employee and supplier vendor ID include:

- A prospective recruit needs to be reimbursed for expenditures before they are hired, and a non-employee vendor ID (generally starting with a 'V') is established for reimbursement. If the recruit is hired and requires reimbursements as an employee, he/she receives another vendor ID starting with an 'E'.

- An employee established as a vendor for reimbursement purposes on a vendor ID starting with an 'E' submits a reimbursement request after separation. This requires establishment and payment on a non-employee vendor ID starting with a 'V'.

In these and other cases, there is not a systematic way to disable the non-employee vendor so as to prevent selection of that vendor when making a payment request to that individual while an employee. Moreover, the situations where there are long delays in processing travel and other ePay reimbursements create problems to inactivate the non-employee vendor ID (delays in processing travel and ePay is addressed at Observations III.G and H), and leave the department to select the appropriate vendor ID for reimbursement. In all five cases, it was not clear why payments were made to non-employee vendor IDs because it appears that the employees were active when the non-employee vendor IDs were used to process the reimbursements.

In the sixth case, it was a third party vendor with the same Federal Tax Identification Number that had the two vendor IDs. The Accounting Office is reviewing to determine whether the vendors should be merged.

The list of 96 vendors was provided to the Accounting Office for follow-up. In the past, the Accounting Office, as deemed appropriate, inactivated vendors and communicated with departments and advised them to use the appropriate vendor IDs.

While this does not appear to be a policy violation, it is considered a best-practice to control the vendor master file such that there are no multiple vendor IDs for the same vendor. The implications of having multiple active vendor IDs for vendors are:

- When an employee reimbursement is established on a non-employee vendor ID, it precludes the employee from receiving the payment on direct deposit. Instead, a physical check is issued, which increases cost and risk to the University, delays receipt of payment, and creates inconvenience to the employee.

- It can create additional payments to be issued when payments could have been consolidated to one vendor. This also increases cost and creates inconvenience to the vendor or employee.
- It complicates queries as payments are made across multiple vendor IDs that, in some cases, need to be consolidated.

D. Control over Vendor Master File and Segregation of Duties

The following individuals had access to modify the invoices and vendor master files for invoices paid in FY 2013-2014:

Name, Title and Department	Vendor Master	Invoices (excluding interfaces)
AP/Travel Supervisor	4 adds, 73 modifications	14
Past Director, Financial Control & Accountability	20 modifications	26

This situation created an inadequate segregation of duties issue. Although it is possible that such access is required for the size of the Accounting Office, a review process should be put in place to ensure that changes, when there is a segregation of duties issue, are appropriate. Also, although a report of the changes is available, the report format and Accounting Office workload issues make an adequate review difficult. The Campus Controller suggested that report revisions to facilitate a review of instances when an individual modified both the vendor master file and an invoice for the same vendor would be more effective in identifying higher risk items reducing the volume of review items.

There is no review process for manual changes to the vendor master file. We noted 7,486 adds and 4,181 changes to the vendor master file in FY 2013-14. Majority of these are initiated by department transactors in other source systems (i.e. eBuy, PPS, and ePay), reviewed and approved by their respective department reviewers, then the Accounting Office completes the establishment of the vendor. Some changes to the vendor master file in FY 2013-2014 were made manually by four individuals in Accounts Payable (49 adds and 1,955 changes). Majority of the changes were made to the vendor addresses as supported by W-9s. The Accounting Office has indicated that sufficient controls are in place to detect errors or irregularities when the check is issued. Although it is not a policy violation that changes to the vendor master are not reviewed, it is a best practice to ensure reviews are done. The Accounting Office will look into activating the PeopleSoft audit trail feature that tracks changes to the vendor master file as part of the PeopleSoft upgrade to version 9.2.

E. Cell Phone Analysis

We reviewed campus cell phone usage by department for any unusual fluctuations over the prior year. We did not detect any significant variances or unusual trends that could not be explained. However, we noted in the School of Business and Administration (SOBA) that cell phone expenditures increased from $4,898 to $8,338 in FY 2013-2014, a 70% increase over the prior fiscal year. SOBA management explained that the traveler went to a foreign country and incurred roaming charges and the cell phone plan had not been adjusted to reduce that cost. Several months passed by the time this was noted and resolved by SOBA management. Centralized responsibility and monitoring of cellular phone contracts could enhance efficiency and reduce overall cost to the University rather than having each department coordinate with vendors for the best plans.

F. Travel Analysis

We reviewed travel expenditures by department for unusual fluctuations over the prior year. We did not detect any significant variances or unusual trends that could not be explained, except for a $37,000 deposit by the Anthropology Department for a gift credited to travel expenditures instead of a gift revenue account. As a result, no gift fee was initially collected. This was subsequently noted and corrected. The new in-house developed Cash Recollection Reporting & Reconciliation System (CCRRS) system will ensure that gifts are coded as revenue.

G. Timely Processing of Travel Expenditure Vouchers – iTravel Data Analytics

In our review of travel expenditure vouchers (TEV) approved by the Accounting Office in FY 2013-2014, we noted that a number of departments on average take over 60 days from trip end date to submit TEVs to the Accounting Office. These departments generally have more TEV rejects (due to travel policy non-compliance), and a lower Travel Coordinator to processed TEV ratio (i.e. fewer specialized functions).

University of California Travel Policy – (G-28) stated at the time: *"The Travel Expense Voucher (TEV) must be submitted to the campus Accounting Office within a reasonable amount of time not to exceed 60 days after the end of a trip."*

The policy changed in FY 2014-2015 and the days have been reduced from 60 to 45. Although the campus average days to submit TEVs to the Accounting Office was 34 days, the chart below summarizes departments that processed TEVs (to final approval) in FY 2013–2014 that took over 60 days from the trip end date to submit to the Accounting Office ('Total Days to Process TEV from Trip End Date' in table below).

Unit	Department	Count TEVs Processed in FY 2013-2014	Department Average Days to enter into iTravel	Department Average Days to Process once in iTravel	Accounting Office Average Days to Process once in iTravel	Total Days to Process TEV from Trip End Date
SOM	Department of Family Medicine	4	145	58	6	209
SOM	Clinical Affairs	1	192	5	4	201
CHASS	Media & Cultural Studies	8	105	23	5	132
CHASS	Creative Writing	12	51	70	3	124
SOBA	INACTIVE Anderson Graduate School of Management-Finance & Mgmt Sciences	4	44	69	5	118
BCOE	Center for Research in Intelligent Systems	42	97	11	4	112
CEVC/P	Associate Vice Chancellor - Diversity, Excellence and Equity	14	81	15	4	100
VCSA	Counseling Center	25	92	3	3	98
CHASS	Art	5	41	51	1	94
CHASS	Liberal Studies & Interdisciplinary Programs	16	77	10	4	91
VCSA	Women's Resource Center	1	83	1	0	84
CHASS	Religious Studies	39	75	7	4	87
VCSA	Recreation/Student Recreation Center	44	44	35	4	83
CHASS	Philosophy	110	55	20	4	79
BCOE	Center for Nano Sciences & Engineering	11	50	23	4	77
VCSA	Associate Vice Chancellor - Enrollment	21	10	61	2	73
UE	University Writing Program	18	53	15	4	72
BCOE	Electrical & Computer Engineering	213	60	8	4	72
UNEX	Education	103	40	27	3	70
SOPP	Center Administrative Support Unit	1	61	5	3	69
CHASS	Ethnic Studies	88	51	14	4	69
CHASS	English	131	48	14	5	67
CHASS	Art/Art History Administration	1	9	52	0	61
CEVC/P	Ombudsman	10	30	30	2	62
	UCR Total/Averages	10,134	24	10	4	37

Excludes trips lasting more than 90 days where traveler may submit more TEVs for one trip.

The majority of the time (average of 24 days) to process a TEV (63%) is the ‘Department Average Days to enter into iTravel’. The average days for the Accounting Office to process a TEV is four days. A check is generally paid within two business days of final or system approval in the Accounting Office.

RECOMMENDATIONS – Chief Financial Administrative Officers (CFAOs) of affected Units

We recommend that units determine the reasons for the delays in processing, suggest additional training and/or enhanced communication, and identify opportunities to improve processing efficiency and maintain compliance with G-28.

MANAGEMENT RESPONSE – CFAOs of affected Units

Delays in processing travel reimbursements in the organizations were primarily caused by delays in obtaining receipts from travelers and by Travel Coordinator staffing shortages/vacancies. Additionally, in the case of academic units, some delays have to do with faculty not inputting information directly into iTravel and or providing incomplete travel reimbursement receipts. This creates an additional delay in that staff have to request missing data and follow up with faculty numerous times to get all needed information to enter it into iTravel. In an attempt to minimize travel processing delays, units have initiated efforts to improve communications with travelers (before, during, and after trips) and improve travel tracking and follow up procedures. As the campus continues to strive for Organizational Excellence, it is critical that travel related business processes continue to be streamlined to create overall administrative efficiencies and consistency in review, processing, and implementation of travel policies and procedures campus wide. Additionally, many university campuses such as UC Berkeley have moved towards a “trust the traveler” philosophy which assists in placing the accountability on the traveler as well as removing some of the “waste” in the process. As part of the Lean Thinking book club, sponsored by the Vice Chancellor of Business and Administrative Services, a skill-building activity has been undertaken by a workgroup of several staff across many organizations focused particularly on travel and ePay reimbursements. This workgroup has completed the process of value stream mapping the processes to better identify the “waste” and identify opportunities to streamline travel related processes campus-wide using a LEAN methodology. As noted in a prior year, some suggestions for improving travel reimbursement processing and minimizing delays include:

- Improved notifications (i.e., email reminders if trips sit in a queue too long, similar to PAN reviews)
- Improved reporting (i.e., a quick view of open/pending TEVs that would include information on where they are in the process and how long they have been there, similar to other UCR applications
- Improved information as it relates to soft rejects from the Accounting Office. It would be beneficial to be able to access reports in iTravel which report the timing of transactions: from the initiation of a transaction through all approvals including the staff names of all involved and associated comments. It would be helpful to know what information final approvers overlooked when they erroneously approved a travel report but the Accounting Office has requested additional information prior to payment approval. When iTravel reports are soft-rejected, there is not an opportunity for a final approver to learn what additional information the Accounting Office requires and there is an assumption that the transaction is in payable condition but the clock continues to run and the payment is delayed.
- Continue to communicate travel training opportunities available via the campus and organization (for all stakeholders) as well as via Learning Management System (for the travel coordinator). Provide an online training

module with quick reference information for the traveler, travel coordinator, and approvals.

H. Timely Processing of ePay Reimbursements - Data Analytics

The ePay system is an in-house application developed to process certain reimbursements to employees, non-affiliates (i.e. prospective recruits), and vendors. In FY 2012-2013, ePay disbursements totaled around $13 Million on approximately 13,000 vouchers. This represents 8% of total disbursement dollars and 11% of total disbursement transactions. The ePay system has surpassed iTravel reimbursements in both dollars and volume. It is used to pay off-cycle payroll, entertainment, petty cash, and other reimbursements. It is similarly structured to iTravel in that there is a department transactor who enters the information in ePay that goes through departmental and AP routing for approvals.

January 2014 Analytics

We performed data analytics on final approved ePay vouchers in January 2014. There were 304 department transactors set up on ePay and three approvers in AP processing 1,348 ePay vouchers.

Once the voucher is entered into ePay, the overall campus average days to process the transaction is as follows:

- Department time was 7.2 days
- AP processing days was 4.3 days
- Total time to process in ePay was 11.5 days.

There appears to be some significant delays in the amount of time the transaction takes to be entered into ePay (days on desk). While this system has a large volume of data, it lacks one key data element to calculate days on desk effectively, and the system does not store the transaction date for non-entertainment transactions. As a result, this calculation cannot be performed programmatically.

In a sampling of transactions, however, we have seen ePay transactions when days on desk was over one year.

Entertainment Vouchers Analysis

Because we lack days on desk information for non-entertainment transactions, we can only systematically determine days to pay from the transaction date for entertainment transactions. The following analysis of total days to pay is only related to entertainment transactions for January 2014. There were 533 entertainment vouchers totaling approximately $233,000.

While the campus average days to pay entertainment reimbursements was 46 days (44 days to final approval and 2 days on average to pay), there were 15 departments averaging over 60 days to submit the voucher to AP for final approval. These are listed below.

Unit	Unit of Accountability	Count	Days on Desk	Department Average Days in ePay	Accounting Average Days in ePay	Days to Final Approval
VCSA	Undergraduate Admissions	3	257	11	3	272
CHASS	CHA&SS Dean's Office	4	72	55	4	131
CEVC	Alpha Center	1	24	96	3	123
CNAS	Cell & Developmental Biology Program	2	56	49	3	108
CEVC	Academic Personnel	1	90	3	5	99
VCSA	Recreation/Student Recreation Center	2	52	38	2	93
UNEX	University Extension	42	67	19	6	92
VCR	Research & Economic Develop Office	7	34	50	7	91
CHASS	Art	1	85	0	4	90
CHASS	Ethnic Studies	2	76	5	6	87
CHASS	History	9	56	13	6	75
CEVC	Executive Searches Unit	6	59	9	2	71
CHASS	Music	2	21	44	2	68
CHASS	Political Science	3	50	16	2	67
VCSA	Associated Students UCR	3	32	29	3	64
UCR Total/Averages		533	25	13	5	44

Some of the reasons for the delays include:

- Numerous rejects at the department level.
- Additional layers of department Approvals.
- Delays entering the Voucher into ePay at the department. This can include delays in providing receipts and other support and/or departmental transactor delays entering the voucher to ePay.
- Days waiting in queue for department level processing and approval.

A&AS worked with the ePay Organizational Excellence workgroup as part of an effort to improve efficiency and provide better customer value. The group worked to understand the causes for the delays. A presentation was made by the workgroup in August 2015, to the campus. Efforts are ongoing to improve efficiency of the process and add value to the customer.

I. eBuy Shipping Address/Merchandise Pickup Analysis

The eBuy system is an internally developed application which manages purchase orders (PO) and requisitions, and interfaces primarily with the UCR Financial System (UCRFS) – PeopleSoft Financial/Supply Chain Management PO and AP modules. We analyzed eBuy data for July 2013 as follows:

- **UCR Receiving Addresses** – There were over 45 UCR related receiving locations. There was one main receiving and several satellite receiving locations (i.e. Chemistry department receives shipments of chemicals, etc.) on campus. The main receiving and certain other receiving locations are regarded as having proper controls (i.e. having an adequate segregation of duties and proper security/handling of items received). However, controls over many of the lower volume receiving locations are unknown. Multiple receiving locations increase the risk of misappropriation as it becomes more difficult to implement proper segregation of duties in small departments.

  Additionally, we reviewed shipments to 10 non-UCR addresses. No exceptions were noted.

- **Will Call/Pickup** – Approximately $84,000 on 246 POs were marked for Will Call/Pickup. Most of these pertain to the following departments:
  - Housing, Dining, & Residential Services - $21,000
  - Agricultural Operations - $7,000
  - Fleet and TRiO (federal outreach and student services programs) and other locations- $7,000
  - University Extension (UNEX) - $3,500

  Will Call/Pickup increases the risk of misappropriation. Additional work pertaining to Will Call/Pickups was reviewed for Agricultural Operations as part of R2015-05B Agricultural Operations Audit and will be reported separately as part of that review.

The College of Natural and Agricultural Sciences (CNAS) CFAO requested detailed information for their unit to internally review controls over receiving. A&AS received data from August 2013 - June 2015 and will perform this review in next year's Financial Analytic Review with this expanded data set. Information will be shared more broadly with units for their input and follow-up.

J. NIH Salary Cap

We re-performed a NIH Salary Cap Analysis that was performed by the Accounting Office and confirmed the amounts that they noted were over the cap. The Accounting Office notified the respective departments of the errors and were requested to make adjustments. We verified that the adjustments were made correctly. This analysis covered six months ended December 31, 2014. We will extend this analysis in our FY 2014-2015 review.

K. Summer Salary over 300% of Academic Year Salary

As part of the analysis of the NIH salary cap, we noted an instance wherein the summer salary exceeded 300% of a faculty member's academic year salary. This occurred because of a split appointment between CNAS and the School of

Medicine and a breakdown in communication. The CNAS CFAO and the CNAS Payroll/Human Resources Service Center implemented a process to prevent and detect this issue going forward and made correcting entries.

L. Carryforward Analysis

We reviewed carryforward deficits over $500,000 by fund and organization as of July 1, 2014 that increased compared to the July 1, 2013 deficit balance.

Organization	Fund	Fund Description	7-1-2013	7-1-2014	7-1-2015
Computing & Communications	66080	Telecommunications	(6,110,413)	(8,112,783)	(10,166,131)
Vice Chancellor Student Affairs*	70040	Children's Center	(1,269,897)	(2,182,731)	(2,799,876)
Business & Administrative Services (BAS)	66011	Printing & Reprographics- Asset Acquisition	(1,895,144)	(2,068,914)	(1,998,323)
Vice Chancellor Student Affairs*	70050	Bookstore	(1,098,240)	(1,433,110)	(1,658,912)
Vice Chancellor - University Advancement (VCUA)	19900	General Funds	(76,037)	(651,624)	**(1,159,933)
University Extension	70065	UNEX Parking Operations	(359,991)	(639,997)	0
Business & Administrative Services	70060	Parking Operations	466,157	(603,668)	(414,202)

**Fund/operations were transferred to BAS in FY 2014-2015.*
***Corrected*

We were able to obtain the unit's deficit reduction plans, verified availability of appropriate offsetting surplus funds, and/or noted that the deficit significantly decreased as of July 1, 2015, except as follows:

- Children's Center
- Printing & Reprographics - Asset Acquisition
- Vice Chancellor-University Advancement – General Funds

RECOMMENDATION – Business and Administrative Services & Vice Chancellor – University Advancement

Unit management should determine a plan for reducing the deficit which can include working with the campus to obtain a one-time or ongoing funding commitments. In addition, they should also establish the timeframe for planned elimination of the deficit.

MANAGEMENT RESPONSE – Business & Administrative Services

Children's Center –

Since assuming responsibility for the unit in September 2015, BAS has engaged CDC management in operational and financial planning activities, including a thorough examination of the services provided by the unit and the related funding model. A "Time-Driven Activity Based Costing" approach was used to determine the relative costs of the various service offerings/programs and to inform planning with an understanding of the impacts given possible adjustments to various elements of the model e.g., program offerings, program volume/number of client's served, staffing infrastructure/salaries & benefits costs, rates paid by customers, subsidies, etc.

With this information available, management is in the process of evaluating implementable options to curtail any year-over-year increase in the deficit, address the accumulated deficit and increase efficiency with regard to resource utilization. Some campus support, either one-time or ongoing, may be required to continue to offer an affordable/sustainable child care program to the campus community

Final recommendations will be presented to the Chancellor before December 31, 2015. We anticipate implementing programmatic changes during the Winter 2016 quarter.

Printing and Reprographics – Asset Acquisition Fund

The unit utilizes the Asset Acquisition Fund (AAF) to record internal debt to the campus, for costs of equipment purchased in connection with the delivery of copier and printing/reproduction services. Annual debt payments should be made (via depreciation expense funded from revenue generated by operations) and applied to the AAF, in amounts that fully recover acquisition costs by the end of the depreciable life of the assets.

Due to a variety of factors, the unit has been unable to remain current on its debt obligation and the year-over-year deficit has grown significantly over the past 10 years. BAS has determined that the majority of the deficit relates to debt on assets purchased for the campus Copier Program. We are exploring alternative and financially sustainable methods of providing copier services, as well as printing and reprographics services, including the possible implementation of a "Managed Print" program through a third party vendor.

BAS anticipates viable go-forward option/s will be identified and presented to the Chancellor by the end of the first quarter of 2016, with phased implementation beginning shortly thereafter. The service delivery model ultimately implemented will curtail any year-over-year increase in the deficit, address the accumulated deficit and increase efficiency with regard to resource utilization. Some campus support may be required to address the accumulated deficit, if the full amount cannot be recovered over a reasonable period of time through revenue generation.

MANAGEMENT RESPONSE - Vice Chancellor – University Advancement

University Advancement is working to reduce the deficit in General funds to zero by the end of FY 2015-2016 by spending less whenever possible, reviewing Development-related expenses for appropriate reclassification to

67000 funds, and moving expenses charged against 19900 funds to other available funding sources. (Note: Cumulative deficit as of July 1, 2015 is $504,758.)

M. General Ledger Fluctuation Analysis

We reviewed revenues and expenditures by department for unusual fluctuations over the prior year. We did not detect any significant variances or unusual trends that could not be explained. However, we noted that Barn revenues decreased in FY 2013-2014 over the prior year by $618,000 while expenditures remained constant. Based on further reviews, we noted an entry in FY 2013-2014, period 12 that transferred approximately $500,000 in revenue from another department. The description for the journal entry was to record deferred revenue. Upon further inquiry, it appears that it was past practice to "share revenue" across Activity Codes (referred to as 'venues' by Housing, Dining and Residential Services) to "even out the bottom line". Management has indicated that they have discontinued this practice because it is important that each venue has transparency over their respective financial operations.

N. PeopleSoft Effective Dating of Chartfields and Trees

UCRFS is PeopleSoft's Financials and Supply Chain Management (FSCM) system and was implemented in 1999 in response to Y2K.

PeopleSoft is commonly considered a top three Tier 1 Enterprise Resource Planning (ERP) solution, that is, systems primarily used by Fortune 1000 companies. However, UCR does not currently utilize all delivered PeopleSoft functionality.

Chartfields are fields that store the financial chart of accounts, referred to as the UCR Full Accounting Unit (FAU). Trees are the hierarchical structure (generally of the Chartfields). Effective dating enables storage of Chartfields and Trees on a historical, current and future basis and can, for example, make a Chartfield active or inactive at any date, even in the future.

Effective dated Trees would enable a company to, among other things, run current financial reports with comparisons to historical financial information but using the rollups/hierarchies in effect as of a specific date. Not utilizing effective dating also makes it difficult to make organizational rollup changes as the time frame when changes can be made is usually limited and often occur during the busiest time of the fiscal year (during fiscal year end close).

While UCR has a financial data warehouse (Totals), this is based more on a flat file than a pure relational database structure. In other words, the organizational hierarchy/rollup is recorded as of the point in time the transactions are posted and makes historical comparisons more difficult when there have been reorganizations. After a reorganization when, for example, departments move from one Organization to another, running information from Totals on a target

Organization will not dynamically pull in the historical financial information for departments that were formerly outside that unit or exclude activity for departments that have been moved to other units.

PeopleSoft effective dating of Trees allows us to disassociate the lowest level department or activity code value from the organizational hierarchy and dynamically roll it up for reporting purposes based on a historical, current, or even future dated organizational structure (i.e. for what-if-scenarios). Effective dating is a functionality that could be used to improve reporting capabilities.

While it is a best practice to use effective dated Chartfields and Trees, we note that upstream/downstream systems would need to be remediated due to the fact that they rely on a non-effective dated Tree structure.

This is something that should be revisited as part of the PeopleSoft upgrade to version 9.2 and rollout of Cognos (a Business Intelligence and Performance Management Software). Appropriate management should determine the appropriate place to maintain effective dating of Chartfields, organizational and other hierarchies.

O. Cash Receipts

The Cash Collection Reporting & Reconciliation System (CCRSS) is a new in-house developed system to replace the legacy CASH system, which was running on the campus mainframe computer. Access to CCRSS for specific accountability structures (i.e. Athletics) was obtained and reviewed as part of another review R2015-M (FY 2014-2015). For the FY 2015-2016 Financial Analytic Review, we have requested and received broader access to CCRSS, so a more detailed review can be performed.