

RIVERSIDE: AUDIT & ADVISORY SERVICES

May 29, 2013

To: Dr. Jay A. Farrell, Chair
Electrical Engineering

Subject: Internal Audit of Electrical Engineering

Ref: R2013-08

We have completed our Electrical Engineering audit in accordance with the UC Riverside Internal 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 R2013-08 will remain open until we have evaluated the actions taken.

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

Gregory Moore
Director

xc: Audit Committee
Assistant Dean Hartney
Financial & Administrative Officer Bingham

UNIVERSITY OF CALIFORNIA AT RIVERSIDE
AUDIT & ADVISORY SERVICES
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2013-08
ELECTRICAL ENGINEERING

MAY 2013

Approved by:

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Principal Auditor

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**UC RIVERSIDE
ELECTRICAL ENGINEERING
INTERNAL AUDIT REPORT R2013-08
MAY 2013**

I. MANAGEMENT SUMMARY

Based upon the results of work performed within the scope of the Electrical Engineering audit, it is our opinion that, overall, internal controls over the operations of Electrical Engineering are satisfactory and generally in compliance with applicable University policies and procedures. Specifically, existing procedures and practices related to monitoring, reviewing and approving purchases, travel vouchers, inventory management, and contracts and grant activities provide reasonable assurance of compliance with University policies and procedures.

We noted during our audit that the Electrical Engineering department's accounting functions appear to be effectively managed despite a small administrative staff size. While there were no other observations warranting inclusion in this report, there were three less significant items which were discussed verbally with management.

II. INTRODUCTION

A. PURPOSE

UC Riverside Audit & Advisory Services (A&AS), as part of its Audit Plan, performed an audit to evaluate compliance with University policies and procedures, efficiency and effectiveness of selected operations, and adequacy of internal controls.

B. BACKGROUND

The Electrical Engineering department was founded in the early 1990's and has grown rapidly in size and stature. The Department of Electrical Engineering has 23 faculty members: 8 Institute of Electrical and Electronic Engineers (IEEE) Fellows, 7 American Association for the Advancement of Science (AAAS) Fellows, 8 National Science Foundation (NSF) Career Awardees, 3 Army Research Office (ARO) or Office of Naval Research (ONR) Young Investigator Awardees, 1 Optical Society of America (OSA) and 2 American Physical Society (APS) Fellows. The latest National Research Council (NRS) S-Ranking placed the UCR Electrical Engineering department in the top quartile. The faculty research expertise covers:

- Communications and Signal Processing,
- Controls and Robotics,
- Integrated Circuits/Very Large Scale Integration (VLSI) System Design,
- Intelligent Systems, and
- Nanoscale Materials and Devices.

The related research funding provides many funded research positions for graduate and undergraduate students.

C. **SCOPE**

Audit & Advisory Services reviewed selected records supporting transactions that occurred during fiscal years 2010-2013 and examined procedural controls relating to the following major administrative areas:

1. **Internal Controls**

We evaluated administrative and accounting procedures and internal controls based on management responses to the internal control questionnaire and verification of selected areas.

2. **Financial Management**

We performed a financial analytical review of expenditures for fiscal years 2010-2011, 2011-2012, and 2012-2013 (through December 2012). This included identifying unusual trends or fluctuations including the reasons for any significant variances.

3. **Travel Vouchers**

We selected and reviewed a judgmental sample of 23 travel vouchers totaling \$57,528 (which was about 18% of travel expenditures during fiscal years 2010-2013) for policy compliance, adequate supporting documentation, and appropriate authorizations.

4. **Non-Payroll Expenditures**

We selected and reviewed a judgmental sample of 15 non-payroll expenditures totaling \$429,796 from October 2010 through November 2012 for proper approvals, correct vendor payments, and invoice/purchase order amount consistency. We also reviewed a random sample of two months' ledger reconciliations (November 2011 and May 2012) for timeliness and proper approvals.

5. Equipment Inventory Management

We tested a sample of Electrical Engineering's inventory listing as of March 22, 2013 to determine if the inventory listing is current and the items exist.

6. Contracts & Grants

We performed a limited review of three Electrical Engineering Contract & Grants funds in our audit scope period for large deficits and overdue balances.

7. Accountability Structure

We reviewed Electrical Engineering's accountability structures for eBay, eBay PC+, ePay, Storehouse, Travel, UCR Post Audit Notification (PAN), and UCR's Financial System (UCRFS) to determine if proper separation of duties exists.

D. 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

Our substantive audit procedures were performed from February to May 2013. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.