

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

**UCSF Campus  
Departmental General Ledger Review  
Project #13-017**

**June 2013**

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**UCSF Campus  
Departmental General Ledger Review  
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**MANAGEMENT SUMMARY**

As a planned audit for fiscal year 2012-13, Audit Services conducted a review of departmental general ledger (GL) account verification policies, procedures and practices within the University of California, San Francisco (UCSF) campus. The objectives of this review were to assess if GL verification procedures and practices are functioning properly, effectively and in compliance with campus policies. Additionally, we reviewed department procedures and practices for performing GL verifications to identify best practices that could be shared across the campus to improve the effectiveness and efficiency of this function.

Departments reviewed were found to have established appropriate procedures to comply with GL verification requirements and provide reasonable assurance that financial transactions are valid and properly classified. Department management demonstrated that they have an understanding of their responsibilities for completing the GL verifications as we found that GL Verification Check Lists were signed and dated by approvers and acknowledgers and had appropriate supporting documentation. The separation of duties appeared to be appropriate.

We did note that the efficiency of GL verification could be improved as the current process is labor intensive and heavily paper based. Although all the GL verifications were performed, an analysis of the number of days taken to complete the verifications showed that only 57% of them were completed within 45 days from the end of the period. Another efficiency measure for GL verification work on accounts for federal funds was the percentage completed within 90 days so that any necessary cost transfers could be processed timely. From our sample, 83% of the GL verifications were completed within 90 days.

More detailed information can be found in the body of this report.

**I. BACKGROUND**

As a planned audit for fiscal year 2012-13, Audit Services conducted a review of departmental GL account verification policies, procedures and practices within the University of California, San Francisco (UCSF) campus. UCSF has designated GL verification as a key financial control that, if designed and carried out effectively, promotes accuracy of financial reporting and reduces the likelihood of incurring a material misstatement due to error or fraud.

At UCSF, the GL verification control requires departments to perform verification and review of expenditures on all funds and to document evidence of review attesting that expenditures were incurred in accordance with University policies and terms of the fund.

UCSF Administrative policies related to GL Verification include:

- 300-19 – Expenditures of Extramural Funds: General ledgers must be reviewed regularly to ensure budgetary control and appropriate recording of expenditures. For federally funded projects, ledgers must be reviewed monthly.
- 300-27 – General Ledger: It is the responsibility of the department to verify that the expenditures incurred are in accordance with University regulation, and that expenditures incurred against restricted funds are consistent with the terms of the fund.

In addition to the above policies, the Controller's Office has published GL verification and review guidelines for all departments.

**II. AUDIT PURPOSE AND SCOPE**

The objectives of this review were to assess if GL verification procedures and practices are functioning properly, effectively and in compliance with campus policies. Additionally, we reviewed department procedures and practices for performing GL verifications to identify best practices that could be shared across the campus to improve the effectiveness and efficiency of this function.

The selection of departments for this review was based on analyses of number and amount of transactions and number of cost transfers that were processed between September 2011 and August 2012 on federal awards.

From the analyses, a total of 15 departments encompassing all four schools were selected:

School	Departments
Medicine	Cardiovascular Research Institute Clinical & Translational Science Helen Diller Family Cancer Center Immune Tolerance Network Experimental Medicine SFGH Neurological Surgery Obstetrics, Gynecology, and Reproductive Medicine Otolaryngology Radiology
Nursing	Institute for Health & Aging Community Health Systems
Dentistry	Orofacial Sciences Preventative & Restorative Dental Sciences
Pharmacy	Bioengineering & Therapeutic Science Pharmaceutical Chemistry

Fieldwork was completed between December 2012 and March 2013.

To complete the assessment, the following procedures were performed:

- Questionnaires were sent to department managers to document their GL verification and review processes.
- Interviews with administrative personnel were conducted to gain an understanding of departmental procedures and practices implemented for the verification and review of GLs and the training provided to personnel who perform this function.
- A judgmental sample of 35 federal funds from the 15 departments were selected for testing to:
  - Verify that the GL Verification Checklist (or internally developed form) is prepared and completed timely;
  - Determine that there is evidence that GLs were verified, reviewed and acknowledged;
  - Verify that personnel performing GL verification and review do not initiate, process or approve transactions (i.e. appropriate separation of duties);
  - Verify that appropriate supporting documentation is reviewed as part of the GL verification and review; and
  - Verify that identified exceptions are resolved in a timely manner.

**III. CONCLUSION**

Departments reviewed were found to have established appropriate procedures to comply with GL verification requirements and provide reasonable assurance that financial transactions are valid and properly classified. Department management demonstrated that they have an understanding of their responsibilities for completing the GL verifications as we found that GL Verification Check Lists were signed and dated by

approvers and acknowledgers and had appropriate supporting documentation. The separation of duties appeared to be appropriate

We did note that the efficiency of GL verification could be improved as the current process is labor intensive and heavily paper based. Although all the GL verifications were performed, an analysis of the number of days taken to complete the verifications showed that only 57% of them were completed within 45 days from the end of the period. Another efficiency measure for GL verification work on accounts for federal funds was the percentage completed within 90 days so that any necessary cost transfers could be processed timely. From our sample, 83% of the GL verifications were completed within 90 days (see table below).

Range (in days)	Count	Percent of Total	Cumulative Percentage
0 – 45	37	57%	57%
46 – 90	17	26%	83%
+ 90	11	17%	100%
Total	65	100%	

Campus leadership recognizes that the optimal solution is an automated GL review system and plans to implement a system in the next three years. Currently, management is undertaking an initiative, Finance3, to implement a new chart of accounts as well as new planning and reporting tools across the campus. Management feels that successful implementation of these projects will provide the building blocks to support such an automated GL review system.

**IV. OBSERVATIONS AND MANAGEMENT CORRECTIVE ACTIONS**

**Departmental GL verifications are not completed in an efficient manner that would allow for timely identification and correction of erroneous expenses to meet University and Federal requirements.**

Of the 65 GL verifications reviewed, 28 were completed more than 45 days after the month end close. UCSF policy requires that federal funds should be verified on a regular monthly basis; therefore, these reviews should be performed within 45 days of the month end close. This condition was noted in departments across schools and not isolated to particular schools or departments.

Departments cited the following challenges in complying with GL Verification policies:

- The verification process is labor intensive;
- Extraordinary time is needed to locate missing documents;
- The storage and retention of paper documents is required; and
- The use of several different systems is required to complete the verification process.

The GL verification is an essential control that promotes the appropriate recording of expenditures and integrity of financial records. The verifications must be completed and performed timely to make certain this control is effective. Not completing these reviews may result in erroneous expenses charged to these funds and inaccurate financial reporting.

**Management Corrective Actions**

With the planned implementation of an automated GL verification system as a long-term solution, the Controller's Office will take some interim actions to improve the existing process by: a) revising the GL verification guidelines and procedures to clarify verification requirements and expectations in respect to verified transactions, sampling, system of records and document retention; and b) providing training to communicate these guidelines and best practices. These actions will be completed by March 31, 2014.

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