HOUSING & HOSPITALITY SERVICES

CONFERENCE SERVICES

AUDIT REPORT #17-2201

Audit & Advisory Services

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# Background

In accordance with the UCLA Administration fiscal year 2016-17 audit plan, Audit & Advisory Services (A&AS) has conducted a review of Conference Services. UCLA Conference Services is a self-supporting unit within Housing & Hospitality Services (H&HS), and specializes in coordinating summertime residential conferences on the campus. Conference Services staff plan and coordinate events, while the H&HS Accounting Services Office (ASO) handles the financial aspects of the operation.

The summertime conference season lasts from mid-June through mid-September, with groups from all over the world bringing 6,000 attendees to the campus annually. UCLA offers various levels of conference group housing accommodations to meet the assorted needs and budgets of clients: high-rise residence halls with community bathrooms; residential suites with private bathrooms; and deluxe rooms with private bathrooms. All accommodations are sold as “package plans,” consisting of a sleeping room, minimum of one daily meal, and complimentary access to UCLA’s recreational facilities.

H&HS uses two software applications, Delphi and OPERA, to manage conference activities. Delphi is a hospitality software package that facilitates Conference Services operations and is a tool that assists sales and event managers with every aspect of account management and group sales. All financial aspects of conferences are administered by the ASO, and recorded and monitored in OPERA. Using OPERA, residential hall front desk staff and H&HS are able to monitor room inventory, create group master accounts, manage reservations, and check guests in and out. Final bills are generated from OPERA.

During the 2016 conference season, 114 events generated approximately $18.6 million in revenue. External sundry debtor groups made up 61%, or $11.3 million, while UCLA-affiliated recharge groups contributed 39%, or $7.3 million, of total revenues.

Conference Services tracks groups by market segments. The Academic and Corporate Youth segments combined held 85 events at UCLA during the 2016 season, and contributed to 70% of total revenues.

An Assistant Director oversees the unit, which includes three sales managers, four event managers, three coordinators/interns, one revenue manager, and an office manager. The Director of Conferences, Catering and Marketing Services reports to the Assistant Vice Chancellor for H&HS.

Purpose and Scope

The primary purpose of the review was to ensure that Conference Services organizational structure and controls, and the related systems and procedures are conducive to accomplishing its business objectives. Where applicable, compliance with campus and University policies and procedures was also evaluated.

The scope of the engagement focused on the following areas:

* Event Arrangements
* Billing and Collections
* Revenue Recognition
* Monitoring and Reconciliations
* Information Systems

The review was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* and included such tests of records, interviews, and other auditing procedures considered necessary in achieving the audit purpose.

Summary Opinion

Based on the results of the work performed within the scope of the review, Conference Services overall organizational structure and controls are generally conducive to accomplishing its business objectives. However, internal controls in the following areas could be further strengthened by implementing the following:

* Insurance requirements should be verified prior to the conference start date, in accordance with the terms and conditions of the contract.
* Client pre-payments should be remitted in accordance with the terms and conditions of the contract.
* Management should ensure that refunds have appropriate prior approval before being processed.
* Data and related reports utilized in the revenue reconciliation process should be properly reviewed and approved on a timely basis.
* Access to the Delphi system should be canceled when an employee separates from the University or transfers to another department.

The audit results and corresponding recommendations are detailed in the following sections of this report.

Audit Results and Recommendations

Event Arrangements

Event Rates

Interviews were conducted with Conference Services management to obtain an overview of how contract rates for rooms and meals are established and approved. The 2017 residence halls summer conference season rate guide, De Neve / Sunset Village summer conference season rate guide, and a sample of the Conference Services rate book from 2013 to 2017, were evaluated to obtain an understanding of the rate structures and annual rate revision methodology utilized to meet proposed revenue objectives. The rate guides provide approved package rates (meal & room) for single and double occupancy, as well as individual room and meal rates. Conference Services rates are established and approved by Conference Services and Events Operations Management, the Director of Conferences, Catering and Marketing, and the Revenue Business Officer. The established rates are used in the estimated conference cost, which is presented in advance to the client on the conference contract.

Conference Services focuses on “the venue” for only the summer session which includes overnight meeting space with meal packages. Audit review included obtaining an understanding of the methodology for calculating rates for meeting/event/conference space.

There were no significant control weaknesses found in this area.

Pre-Conference Details

A&AS selected a judgmental sample of 20 events from the 2016 conference season, consisting of ten recharge and ten sundry debtor events. Supporting documentation for each event was reviewed to verify the following attributes:

* A counter-signature on the contract was submitted to Conference Services by the due date.
* Deviations from the original contract were documented and approved.
* The deposit was submitted to H&HS by the due date stated in the contract (for sundry debtors only).
* A certificate of insurance meeting the minimum coverage requirements was submitted to Conference Services by the due date (for sundry debtors only).
* An event resume was developed and provided to the client in accordance with the terms of the contract.
* The prepayment for 100% of the estimated charges was received by H&HS by the due date (for sundry debtors only).
* The final housing list was properly provided to Conference Services or residence hall management.
* The list of authorized master account signors was properly provided to Conference Services.

Prepayment date extensions, if any, were assessed for proper dates and appropriate approval. Specific insurance reduction approvals, if applicable, were also assessed for appropriate approval.

The required contract counter-signature was cross-referenced to the contract signature page and approved contract extension, if any. Any revisions to the contract were confirmed by identifying the properly executed addendum. Supporting documentation for the deposit(s) was cross-referenced to the contract deposit date and/or the approved deposit extensions, if applicable. Each contract’s seven specific line item insurance requirement coverage limits were cross-referenced to the insurance certificate(s) provided by the client and Conference Services management approved insurance reductions, if any. The insurance certificates provided by the client were also inspected to verify that The UC Regents were “Endorsed” as the “Additional Insured.” The event resume was reviewed to verify the authorized master account signors are listed. Supporting documentation for the prepayment(s) was cross-referenced to the contract prepayment date(s) and/or the approved prepayment extensions, if applicable. The final housing/rooming list that is required to be provided by the client five days prior to the event was assessed for adequacy. The following were noted:

A. Pre-Conference Requirements - Insurance

Nine of ten (90%) sundry debtor clients tested did not meet the insurance requirement for minimum coverage limits and/or did not have The UC Regents endorsed as the “additional insured” as required by the contract between the UC Regents and the sundry debtor. The contract provides that 15 days prior to the event start date, the certificate of insurance along with the “additional insured endorsement” naming the UC Regents as additional insured, must be submitted to Conference Services.

The required certificate of insurance clarifies and summarizes essential insurance policy information such as coverage types, policy numbers, insurance limits, and effective and expiration dates. Timely verification of required insurance information will allow both the client and Conference Services to conduct business with increased effectiveness and control potential losses.

Recommendation: Management should provide its Sales & Event Managers enhanced training to help ensure that all insurance requirements are verified prior to the conference start date in accordance with the contract. Also, management should consider performing periodic spot checks of contracts to verify that required coverage limits and appropriate endorsements were obtained.

Response: Agreed. Effective immediately, Conference Services will work with the Office of Insurance and Risk Management on training for Sales & Event Managers to ensure a better understanding of the insurance requirements. Acceptable insurance requirements will fluctuate based on the level of activity and rental of space for each contracted group. Senior Management will also conduct independent reviews and spot checks of signed contracts to ensure that coverage limits and appropriate endorsements are obtained.

B. Pre-Conference Requirements - Prepayments

One of ten (10%) sundry debtor clients did not prepay 100% of the pre-conference estimated charges by the due date, as contractually required. Further review indicated Conference Services Management did not approve a prepayment extension. Conference Services management subsequently followed-up with the client and received amounts due after the required prepayment date. The contract provides that five days prior to the event start date, prepayment of 100% of the estimated charges are due, even if the conference group has multiple sessions.

Recommendation: Management should provide enhanced training to its Sales & Event Managers to help ensure that all estimated conference charges are paid in accordance with the terms and conditions of the contract.

Response: Agreed. Effective immediately, Management will reinforce processes regarding prepayment collection with the Sales & Event Managers. In the event that deviations or exceptions to the contractual due dates are necessary, approval from either the Director of Conferences, Catering & Marketing or Assistant Director will be obtained and documented.

Billing and Collections

For the same judgmental sample of 20 conference events noted above, A&AS reviewed supporting documentation contained in each Conference Services event file to verify the following attributes:

* On-Site Order Forms, if any, were completed and approved by authorized individuals.
* Additional charges incurred during the course of the event were entered into OPERA and reflected in the final bill.
* The final bill was accurately prepared and provided to the client in a timely manner.
* The final payment was received by H&HS by the due date.
* Outstanding balances were tracked, monitored, and collected.
* Refunds due to the client were approved, recorded, and issued in a timely manner.
* Recharges were processed and posted at the end of the event or monthly for multi-month conferences.

Conference Refunds

For the ten sundry debtor conferences tested, three had refunds, two of which were appropriately approved by the H&HS ASO Accounting Analyst based on established threshold amounts. The third Conference Services refund did not receive appropriate H&HS Financial Services management written approval. The $25,256.51 refund paid to the California Teachers Association (CTA), should have had written approval from the H&HS Assistant Director of Financial Services. H&HS procedures require refunds from $10,001 to $50,000 be approved by the Assistant Director of Financial Services or a higher position. Proper refund approval is a control that provides accountability over the University’s financial assets.

Recommendation: Management should ensure that refunds have appropriate prior approval before being processed. Maintaining proper control over refunds will ensure that each refund’s preparer has properly fulfilled their responsibilities, each refund transaction complies with departmental procedures and University policy, and any questions that arise from the proposed refund transaction will be resolved prior to the refund being processed.

Response: Agreed. Effective immediately, H&HS Accounting Services will ensure that staff is following the refund limit authorizations based on the total amount of the refund. Management will review the refund limits with all staff and provide them with a reference sheet of appropriate approval levels regarding refund amounts. In the absence of an Assistant Director of Financial Services, any refunds in the $10,000 - $50,000 range will require approval from either the Associate Director or Director of Housing Services.

Revenue Recognition

A judgmental sample of five conference events (three sundry debtors and two recharges) was selected as a sub-set of the initial judgmental sample of 20 events discussed above. During the life of the event, changes to the amount due are documented on an On-Site Order Form. Changes to the estimated amount due can occur for various reasons, such as a change in guest count, parking, equipment usage, change in arrival and/or departure dates, etc. ASO prepares the conference billing based on the documentation provided by Conference Services. ASO owns the processes surrounding the billing and posting of amounts to the General Ledger.

The revenue recognition validation process included accounting for advance deposits, On-Site Order Form charges or credits, and posting to the General Ledger. Supporting documentation reviewed included advance deposit receipts, cashiering reports, copies of the client checks, General Ledger excerpts, On-Site Order Forms, itemized client folios, Opera system documents, journal entry forms, and contracts.

The deposit and prepayment from a sundry debtor group are recorded to the Conference Programs advance deposit account (116713). After the completion of the conference, the deposit and prepayment are moved via journal entry to the Conference Services accounts receivable account (112758), which is also where the final payment is recorded. The revenue for each conference is then transferred via journal entry to the various revenue accounts belonging to the residence hall(s) that provided services to the group.

There were no significant control weaknesses found in this area.

Monitoring and Reconciliations

Monitoring

A&AS conducted interviews with Conference Services and H&HS ASO management to obtain an understanding of sundry debtor accounts receivable processes and controls, including monitoring, aging, and bad debt administration. Accounts receivable aging data from July 1, 2016, to October 31, 2016, for the selected sundry debtor test items was examined to determine if management monitors outstanding balances. Sundry debtor accounts receivable are regularly monitored by both Conference Services and H&HS ASO, and properly aged via information generated in the OPERA system. Collection efforts include contacting the client to provide courtesy reminders, as well as accommodating payment arrangements. H&HS ASO maintains a complete audit trail with appropriate supporting documentation for all collection activity.

There were no significant control weaknesses found in this area.

Reconciliations

On a monthly basis, H&HS staff compares the OPERA balance for each conference to the corresponding General Ledger balance, and explains any variances. Revenue reconciliations are a combination of deposit reconciliations, accounts receivable reconciliations, and OPERA system to General Ledger reconciliations. The reconciliations account for both sundry debtors and recharge clients.

A&AS evaluated the revenue reconciliations for the 2015 and 2016 conference seasons (a total of six months) to verify that monthly reviews of the General Ledger and OPERA system were documented, approved, and performed in a timely manner. The supporting documentation provided by H&HS ASO for deposits, prepayments, accounts receivables, and revenue recognition was assessed for adequacy of preparation, completeness, timeliness, and descriptions. Testing was performed to verify that variances were identified, explained, and resolved. Each month’s reconciliations were evaluated using a 60-day period for preparation and approval. Timeliness was calculated using the last day of the month plus 60-days, to each reconciliation’s approved date.

Revenue Reconciliations

Eight of 18 (44%) Conference Services revenue reconciliation reports completed by

H&HS ASO for the 2015 and 2016 conference seasons were not approved in a timely manner, including two that were approved after the start of the audit. The days late are net of a 60-day preparation period after month-end. Timeliness of financial information, and its review and approval, provides more reliability, relevance and validity to its users, and assists employees in their stewardship role in achieving the department’s business objectives.

Recommendation: Management should ensure that all data and related reports that are utilized in the Conference Services revenue reconciliation process are reviewed and approved on a timely basis in order to strengthen the reliability, credibility, and integrity of the revenue reconciliation process. Reconciliations assist management in strengthening control procedures as necessary, and provides each department a tool to identify undetected errors or deviations from policies and procedures, safeguard University assets, and monitor financial activity.

Response: Agreed. Effective immediately, Management will ensure that reconciliations are complete when monthly ledgers close. When necessary, the Accounting Services Manager will take on the reconciliation task and have the Associate Director or Director of Housing Services approve closing ledgers in the absence of an Assistant Director of Financial Services.

Information Systems

Access rights granted to employees for the Delphi system were tested for appropriateness. Access rights are granted by H&HS Database Services management based on job responsibilities. The Delphi system active user list dated January 10, 2017, was obtained from H&HS Database Services management. For the 94 names on the list, A&AS queried the campus OASIS system to determine if the employees requiring Delphi system access have an active employment status. A&AS also verified inconsistencies due to spelling nuances, nicknames, and hyphenated names.

For each active employee with Delphi system access, A&AS compared their job title on the list for reasonableness relative to the work-based need for having such access. Those job titles included campus units such as Catering Sales, food service, Conference Services, custodian services, accounting services, property management, etc.

Delphi System – User Access

While the majority of employees have proper access, nine former Conference Services employees still have access to the Delphi System:

* + Eight employees had separated from the University at various times from June 29, 2016, to January 13, 2017.
  + One employee transferred to another department on February 6, 2017.

By not ensuring that access to the Delphi System is maintained on a current basis, unauthorized access to Conference Services event activity may occur.

Recommendation: Management should ensure that access to the Delphi System is canceled when an employee separates from the University or transfers to another department. When management becomes aware of an impending employee separation or transfer to another department, timely written notification of the personnel transaction should be provided to H&HS - Database Services Management to effectively control access to the Delphi System. Additionally, management should perform a timely follow-up to the notification to verify that access has been canceled.

Response: Agreed. Effective immediately, when an employee separates from the University, management should fill out a Systems Access Request (SAR) form and send it via email to the H&HS Helpdesk. H&HS Database Services Management will continue to use the daily file sent by H&HS Human Resources to ensure that access is promptly removed in case the request to remove access is not forwarded by the Helpdesk. To enhance this process, H&HS Database Services will add the user’s University ID to their access-tracking database so they can better match the former employee to the access lists. Upon research, some past employees had a different name on the separation file vs. the name entered in Delphi and the access database (e.g., the user went by a nickname).

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