RESIDENTIAL LIFE

AUDIT REPORT #21-4009

Audit & Advisory Services

August 2021

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Background

In accordance with the UCLA Administration fiscal year 2020-21 audit plan, Audit & Advisory Services (A&AS) conducted an audit of internal controls and associated business practices within the Residential Life department.

Residential Life, a department within the division of Student Affairs, is responsible for the student development program of University Housing residents. The mission of Residential Life is to create safe, supportive, and inclusive living-learning communities that engage residents in fostering their academic success, personal growth, leadership development, and social responsibility. There are currently 16 on-campus residence halls in which Residential Life provides administrative and management support.

Residential Life utilizes the campus systems and has also developed an intranet-based system called “MyResLife” which is used to track parking permits, meal tickets, non-cash awards, purchases, and vacation and sick leave accruals. It also hosts applications for the Residential Life student conduct database, room and equipment reservations, budget and human resource information, and other resources.

Residential Life is comprised of approximately 100 professional staff employees and 153 student staff employees. Departmental revenues include contracts and grants, a portion of student housing fees collected by Housing & Hospitality Services, other source funds, and University financial aid. Departmental expenditures include recharges, salaries and wages, employee benefits, internal services and supplies and other expenses. For fiscal year 2019-20, Residential Life had expenditures of approximately $26.6 million, including $13.7 million in employee compensation and benefits. Residential Life is headed by a Residential Education Director, who reports to the Assistant Vice Chancellor of Student Development.

Purpose and Scope

The primary purpose of the review was to ensure that Residential Life’s internal controls, and the related systems and procedures governing key accounting and administrative activities are conducive to accomplishing its business objectives. Where applicable, compliance with campus and University requirements was also evaluated.

The scope of the review focused on the following areas:

* Purchasing
* Information Technology
* Financial Management

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

Summary Opinion

Based on the results of the work performed within the scope of the audit, Residential Life’s internal controls and the related systems and procedures are generally conducive to accomplishing its business objectives. However, internal controls and certain business practices could be further strengthened by implementing the following:

*Purchasing*

* Management should review Post-Authorization Notification (PAN) audit logs on a periodic basis to help identify those reviewers who are not reading their PANs within the University-mandated timeframe. These individuals should be reminded to read their PANs in a timely manner, as this is a control point with regard to financial transactions, and a delay in reading PANs dilutes the control activity of monitoring transactions to ensure transactions are proper and appropriate.
* Management should consider utilizing “MyResLife” forms or a similar tracking mechanism for recurring monthly transactions to ensure transactions are appropriate, approved, and comply with University policy.
* Management should consult with UCLA Campus Purchasing to ensure that the proper method is used when procuring personal services and that the proper terms and conditions are applied to purchases and vendors. Further, management should spot check low-value orders (LVOs) on a periodic basis to determine whether they are consistently being used in compliance with University policies and procedures, and if additional training is warranted.

*Information Technology*

* Management should ensure that the effort to complete the documentation of backup procedures is finalized as soon as possible and that the procedures comply with all relevant University policies and procedures. A&AS supports management’s efforts to complete the documentation of backup procedures to comply with UC BFB-IS-3 - Electronic Information Security Policy.
* Management should ensure that Residential Life coordinates with H&HS Information Technology (IT) Services to complete all sections of the IT Disaster Recovery Plan (DRP), the DRP is maintained and kept current, and the plan is tested regularly. The Disaster Recovery Plan helps to ensure that key Residential Life applications, systems, and information are secure and less vulnerable to an attack; and that Residential Life can be more resilient in the aftermath of a catastrophic disaster or other extraordinary disruption.
* Management should ensure that Residential Life coordinates with the Student Affairs Information Technology unit to complete all sections of the Business Continuity Plan (BCP), the BCP is maintained and kept current, and the plan is tested regularly. The Business Continuity Plan helps to ensure that key Residential Life business operations are safeguarded against internal or external interruptions and that recovery times from such interruptions are minimized to the extent possible.

*Financial Management*

* Management should implement a process that provides documentary evidence that all financial transactions have been reviewed for accuracy, appropriateness, and compliance with University policies and procedures as soon as possible. A&AS supports management's efforts to incorporate Oracle Hyperion reconciliations into their budget team’s work procedures upon successful filling of vacant positions.

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

Audit Results and Recommendations

Purchasing

A&AS conducted audit fieldwork that included discussions with Residential Life management and Campus Purchasing personnel, utilization of TeamMate Data Analytics and Purchasing and Accounts Payable Query Data Base (PAC QDB) data and a review of a judgmental sample of 20 transactions that included special items, most used vendors, and LVO transactions selected from the general ledger for fiscal year 2019-20. The total dollar amount of the sample transactions tested was $150,356, and the average amount was $7,518 per transaction. Audit test work was performed to determine the following:

* The purchase was authorized by the appropriate personnel.
* Receiving was properly performed and documented, if applicable.
* The invoice was reviewed and approved by management, if applicable.
* The purchase was an appropriate University expenditure and complied with University policies and procedures.
* Post Authorization Notifications were read by all mandatory reviewers in accordance with the UCLA Financial Policy.

Where applicable, BruinBuy data, invoices, PANs, related supporting documentation, and campus and University policies were also reviewed. Based on the audit test work performed, A&AS determined that internal controls relating to purchasing activity appeared to be adequate. However, the following were noted:

1. Post Authorization Notification Review

Audit testing disclosed that PANs were not always read in a timely manner and in compliance with the UCLA Financial Policy. All 20 test items were not read timely. PANs went unread by a mandatory reviewer ranging from 6 to 566 days. This includes one PAN that has not been read for more than 566 days, as of the audit test date. The following table is a summary of PANs that were unread for more than five days:

|  |  |
| --- | --- |
| **# of PANs Unread More Than**  **Five Days** | **Days Unread**  **(Calendar Days)** |
| 13 | 6 to 9 |
| 4 | 10 to 20 |
| 1 | 20 to 30 |
| 2 | > 30 |

According to the UCLA Financial Policy, Principles of Financial Accountability, Part III, Section 2.1, “A reviewer must review all transactions within two working days of receipt.” Timely review of PANs are an important internal control for management by helping to ensure that all related financial activities are appropriate expenditures and adhere to University policies and procedures.

Recommendation: Management should review Post-Authorization Notification audit logs on a periodic basis to help identify those reviewers who are not reading their PANs within the University-mandated timeframe. These individuals should be reminded to read their PANs in a timely manner, as this is a control point with regard to financial transactions, and a delay in reading PANs dilutes the control activity of monitoring transactions to ensure transactions are proper and appropriate.

Response: The finance team will run a weekly PAN report to identify reviewers with unread PANs within the University-mandated time frame. Any staff with unread PANs will be notified by email and given a deadline to review unread PANs. Supervisor of staff will be copied on notification and responsible for staff being in compliance.

1. Procurement Process Documentation

Based on audit testing to assess the adequacy of supporting documentation for procurement transactions, A&AS determined that evidence of authorization, approval, receiving, or review was not documented, maintained, or stored for seven of the 20 transactions reviewed. This was due in large part because the transactions were part of a recurring monthly purchase order in which a manual process was utilized and documentation was not retained by the department.

Recommendation: Management should consider utilizing “MyResLife” forms or a similar tracking mechanism for recurring monthly transactions to ensure transactions are appropriate, approved, and comply with University policy.

Response: Finance team will ensure that all transactions will be routed through MyResLife in order to comply with the documentation process.

1. Low-Value Order (LVO) Transactions

As part of the 20 sample purchase transactions tested and described earlier in this report, A&AS examined whether Residential Life appropriately utilized the LVO purchase method when procuring goods and services. Audit testing identified two LVO transactions improperly used for procuring personal services that are required to be obtained through a requisition. Items that may not be purchased with LVOs include performing arts services and services of an individual, unless there are applicable exceptions as detailed in UCLA Policy 741, Low-Value Purchases. A delegation to process these two transactions as LVOs was not on file with UCLA Campus Purchasing.

Recommendation: Management should consult with UCLA Campus Purchasing to ensure that the proper method is used when procuring personal services and that the proper terms and conditions are applied to purchases and vendors. Further, management should spot check low-value orders (LVOs) on a periodic basis to determine whether they are consistently being used in compliance with University policies and procedures, and if additional training is warranted.

Response: When using personal services, the finance team will consult with UCLA Campus Purchasing to ensure that the proper method is used when procuring personal services. Management will additionally spot check LVOs on a quarterly basis to ensure that policies and procedures are in compliance.

Information Technology

A&AS held discussions with Residential Life management, personnel from Student Affairs Information Technology (SAIT), and UCLA Insurance & Risk Management staff and both the UCLA H&HS Information Technology Enterprise Disaster Recovery plan and Residential Life Business Continuity plan were reviewed. Also reviewed were Information Technology asset listings and applicable campus and University policies. Audit test work was conducted to determine the following:

* Whether IT access controls are adequate over key systems and applications and if back-up procedures are adequate, current, and regularly tested.
* Whether disaster recovery and business continuity plans have been established, are current and adequately documented, and that plans are tested regularly.

A&AS determined that access controls relating to information technology that supports Residential Life appear to be adequate; however, the following were noted regarding other IT-related areas:

1. Data Backup Procedures

Audit testing disclosed that data backup procedures are not formally documented, maintained, or current for systems managed by the SAIT unit. Through discussions with Residential Life personnel, A&AS was advised that the task to complete documentation of backup procedures will be completed at a later date.

According to UC BFB-IS-3 Electronic Information Security Policy, Part III, Section 12.3, “Units must document and execute a plan to test restoration of Institutional Information from backups.” Documented backup procedures help to ensure the continuity of key business functions, operational security, and the safeguarding of institutional information and IT resources.

Recommendation: Management should ensure that the effort to complete the documentation of backup procedures is finalized as soon as possible and that the procedures comply with all relevant University policies and procedures. A&AS supports management’s efforts to complete the documentation of backup procedures to comply with UC BFB-IS-3 - Electronic Information Security Policy.

Response: SAIT is in the process of documenting the backup procedure with an expected completion date by Fall 2021.

1. Disaster Recovery Plan

Based on A&AS review of the UCLA H&HS Information Technology Enterprise Disaster Recovery Plan, it was determined that the plan is not current or adequately documented. The Residential Life Disaster Recovery Plan (RL DRP) is managed by UCLA H&HS IT. Our review of the RL DRP and consultation with UCLA Insurance & Risk Management staff concluded that the RL DRP does not contain the following key areas which are vital elements needed to complete the plan:

* IT applications and services supported or provided by the unit.
* Name of data center(s) and location(s)
* Important vendors and key contacts
* Current recovery teams and team members

According to UC BFB-IS-3 Electronic Information Security Policy, Part III, Section 17.1, “Units must plan, implement, test and review the continuity of information security as an integral part of the Unit’s business continuity and disaster recovery plans.” Units should maintain information security during adverse situations and ensure that information security is embedded in UC's business continuity and/or disaster recovery process.

Recommendation: Management should ensure that Residential Life coordinates with H&HS Information Technology (IT) Services to complete all sections of the IT Disaster Recovery Plan (DRP), the DRP is maintained and kept current, and the plan is tested regularly. The Disaster Recovery Plan helps to ensure that key Residential Life applications, systems, and information are secure and less vulnerable to an attack and that Residential Life can be more resilient in the aftermath of a catastrophic disaster or other extraordinary disruption.

Response: Combined with response in section C below.

1. Business Continuity Plan (BCP)

As with the RL DRP discussed earlier, A&AS performed an audit review on the BCP to assess its adequacy. Based on our review, it was determined that the Residential Life BCP is not current, adequately documented or tested regularly. The BCP is jointly maintained by Residential Life and the Student Affairs Information Technology unit. Our review of the BCP and consultation with SAIT personnel concluded that the Residential Life BCP has not been tested because critical departments within Student Affairs have taken priority in testing their plans. A&AS determined that there are future plans to include Residential Life in testing exercises although scheduling details have not yet been finalized. Moreover, the BCP does not contain the following key areas that are needed to complete the plan:

* Essential functions
* Strategies to continue essential business operations during disruptive events.
* List of other organizational units on whose performance each essential function depends.
* IT applications and services

According to UC BFB-IS-3 Electronic Information Security Policy, Part III, Section 17.1, “Units must plan, implement, test and review the continuity of information security as an integral part of the Unit’s business continuity and disaster recovery plans.” Units should maintain information security during adverse situations and ensure that information security is embedded in UC's business continuity and/or disaster recovery process.

Recommendation: Management should ensure that Residential Life coordinates with the Student Affairs Information Technology unit to complete all sections of the Business Continuity Plan, the BCP is maintained and kept current, and the plan is tested regularly. The Business Continuity Plan helps to ensure that key Residential Life business operations are safeguarded against internal or external interruptions and that recovery times from such interruptions are minimized to the extent possible.

Response: SAIT will coordinate a meeting with Res Life, SAIT, and IRM to run through an IT disaster recovery plan exercise. Tara Brown from IRM will run through a couple of scenarios to test our ability to continue operations: loss of building, loss of IT, and unavailability of staff. SAIT will coordinate this exercise in October and all sections of Residential Life’s Business Continuity Plan will be complete by end of Fall quarter.

Financial Management

A&AS conducted discussions with Residential Life management, and examined Oracle Hyperion financial reports and associated reconciliations. Audit test work was performed to determine whether adequate internal controls and oversight exist over financial information and transactions, that financial management controls are reasonable, and that financial reports appear relevant for monitoring activities. Where applicable, campus and University policies were reviewed. Based on our review, it was determined that internal controls related to financial management activities of Residential Life appeared to be adequate; however, the following was noted:

1. Financial Reports/Reconciliation Review

Audit fieldwork determined that Oracle Hyperion financial reports and reconciliations do not contain evidence of detailed review by Residential Life staff or management. The Assistant Vice Chancellor reviews financial reports and reconciliations at a high level basis; however, a detailed line-by-line review is not conducted by Residential Life staff as a current practice. Residential Life personnel indicated to A&AS during the audit that a formal line-by-line review of Hyperion monthly reconciliations will be incorporated into the department’s budget team’s workload upon successful filling of vacant positions.

According to UCLA Financial Policy, Principle of Financial Accountability, Part III, Section 2.5, “A second person shall be assigned to review each financial transaction to ensure that the preparer has properly fulfilled their function.” Documented evidence of review ensures that each transaction is for a legitimate business purpose, the preparer properly fulfilled their responsibilities, and the transaction complied with University policies and procedures.

Recommendation: Management should implement a process that provides documentary evidence that all financial transactions have been reviewed for accuracy, appropriateness, and compliance with University policies and procedures as soon as possible. A&AS supports Management's efforts to incorporate Oracle Hyperion reconciliations into their budget teams work procedures upon successful filling of vacant positions.

Response: Residential Life currently incorporates Oracle Hyperion reconciliations into their budget teams work procedures that provides documentary evidence that all financial transactions have been reviewed for accuracy, appropriateness, and compliance with University policies and procedures. Residential Life will have management level review of reconciliations on a quarterly basis beginning Fall quarter and will have the CFO for Student Development and Health also review on a quarterly basis.

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