

**UNIVERSITY OF CALIFORNIA, DAVIS
AUDIT AND MANAGEMENT ADVISORY SERVICES**

**UC Davis
Department of Chemistry
Audit & Management Advisory Services Project #20-02**

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**Department of Chemistry
AMAS Project #20-02**

MANAGEMENT SUMMARY

Background

As part of the fiscal year (FY) 2020 audit plan, Audit and Management Advisory Services (AMAS) reviewed Travel and Entertainment (T&E) and purchasing fraud risk within the Department of Chemistry ("Chemistry Department"). This review was placed on AMAS' annual audit plan as a result of travel fraud that was identified in FY 2018 and a reimbursement fraud that was investigated in FY 2019.

Purpose and Scope

The purposes of this audit were to assess policies, procedures, and internal controls at the Chemistry Department. Additionally, we examined the overall status of the department's finances.

In order to accomplish these objectives we performed a five-year financial analysis, interviewed Business and Operations staff including the Chief Administrative Officer (CAO), and performed a fraud risk assessment of purchasing and T&E that included an analysis of:

- Total T&E expenses and personal expenses per individual;
- Total spend on flights, including first or business class travel;
- Total spend on lodging, including bookings at foreign locations for extended periods of time and large group bookings;
- Cash withdrawals;
- Mileage reimbursements;
- Purchases made on cancelled Procurement Cards (P-Cards); and
- Purchases made from the most high-risk vendors.

The timeframe under review was FY 2015 through FY 2019.

Conclusion

Our review of T&E did not reveal any additional or new concerns separate from those identified in the FY 2018 and FY 2019 investigations of travel and reimbursement fraud.

Our review of purchasing did not reveal any additional or new concerns separate from those identified and resolved by Chemistry staff and personnel. We note the important role played by the current CAO in finding opportunities for improvement and implementing a series of changes that have improved the Chemistry Department's processes and overall financial health of its self-supporting units. These changes include:

- A restructuring agreement with Supply Chain Management (SCM) that transfers Storeroom operations to SCM. The Storeroom will remain on-site at the Chemistry Department, but the Memorandum of Understanding shifts management responsibility to SCM, including transfer of half of the total Storeroom debt of \$400K. The Chemistry Department will pay off the other half of its debt within the next six years.

- Closure of one of the Chemistry Department's four self-supporting units¹. Following a review of self-supporting units' billing and recording processes, it was discovered that the Chemistry Glass Shop was billing at just 20% of its time. AMAS has agreed to perform a separate, small consultation in FY21 to review recharge rates and activities of two additional self-supporting units: Chemistry Electronics Services and X-ray Crystallography Laboratory.
- Expanded use of Aggie Buy that will shift purchasing ability to individual labs, thereby reducing existing backlog and delays. As of July 1, 2020, the CAO has provided trainings for all labs interested in transitioning to AggieBuy. Out of 38 labs, 28 agreed to the transition. Of the 10 non-participating labs, only two engage in a high volume of purchases. The CAO will work with these two labs to gradually convert them to AggieBuy over the next few months.

Our review of the Chemistry Department's financial status did not reveal any major concerns. We found that from FY 2015 through FY 2019, total sources increased by \$11.4 million. Total uses increased by \$6 million. Funding via contracts and grants increased 50% to \$22.3 million, which is a notable achievement for the Chemistry Department. The greatest increase in uses over the past five years was through subcontracts (\$1.7 million), with the greatest increase occurring in FY 2019. See Appendix I for the full five-year summary.

There are no reportable observations.

¹ Occurred in Q3 of FY 2020.

Appendix I: Five Year Summary*In thousands*

Sources		FY 2015	FY 2019	\$ Change	% Change
	General/State Funds	12,685	18,075	5,389	42%
	Student Fees	1,824	1,474	-350	-19%
	Contracts & Grants	14,806	22,230	7,424	50%
	Gifts/Endowments	736	1,207	472	64%
	Self-Supporting Funds	1,333	703	-630	-47%
	Indirects/Opportunity Funds	1,400	644	-756	-54%
	Other Funds	233	107	-127	-54%
	Total Sources	33,017	44,439	11,422	35%
Expenditures					
Expenditures		FY 2015	FY 2019	\$ Change	% Change
	Salaries/Benefits	18,835	22,324	3,489	19%
	Supplies/Services	3,824	4,073	249	6%
	Equipment	1,167	1,515	348	30%
	Subcontracts	50	1,764	1,714	3436%
	Other	743	954	210	28%
	Total Uses	24,619	30,629	6,010	24%
Total/Net					
Total/Net		FY 2015	FY 2019	\$ Change	% Change
	Total Funds Available	8,398	13,810	5,412	64%
	Less Extramural and Agency Funds Carryforward	7,500	12,784	5,284	70%
	Net Funds Available at Year	898	1,026	128	14%