CAMPUS SERVICE ENTERPRISES

MAIL, DOCUMENT & DISTRIBUTION SERVICES

AUDIT REPORT #19-2211

Audit & Advisory Services

October 2019

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# Background

In accordance with the Campus fiscal year 2018-19 audit plan, Audit & Advisory Services (A&AS) conducted a review of Mail, Document and Distribution Services (MDDS).

MDDS is a department within Campus Service Enterprises, which reports to the Vice Chancellor & Chief Financial Officer. MDDS provides delivery, collection, and processing of all University mail, and manages UCLA’s design, print, and distribution needs. The department strives for timely, precise, and unobtrusive service to all campus and healthcare locations, as well as many other UCLA-affiliated sites throughout West Los Angeles and Santa Monica.

The MDDS department consists of the following three resource centers:

Mail Services

Mail Services operates four cost centers: Incoming Mail, Outgoing Mail, Bulk Mail, and Messenger Service. Mail is sorted and delivered to over 650 mail stops each business day. MDDS offers a broad range of postal services that conform to the United States Postal Service (USPS) regulations. Standard USPS services include certified, registered, insured, priority and overnight express, as well as international services.

Document Services

Document Services provides a range of services to the UCLA campus, including printing, copying, document imaging/digitizing, graphic design, document planning/consultation, binding, finishing, mail merge/variable data printing, data center/system report printing, and check printing. The MDDS staff is available to consult with campus customers throughout the process, from design to finalization.

*Distribution Services*

Receiving, one branch of Distribution Services provides receiving and re-delivery of inbound freight for the Center for Health Sciences (CHS) and associated buildings, including the newly renovated South Tower. Located at CHS loading dock “A” at 650 Charles E. Young Drive South, the unit is funded through a combination of state appropriations and departmental recharges. Recharge revenue is for re-delivery services and for use of central UPS and FedEx outbound freight.

Cylinder Management, the other branch of Distribution Services, is a self-supporting unit that provides medical, specialty, and industrial compressed gases, as well as research alcohol, to the Campus, CHS, and the Ronald Reagan UCLA Medical Center. The unit maintains an inventory of compressed gases and research alcohol in a central storage facility to provide next-day delivery to its clients. Customers can also make special orders from vendors through Cylinder Management and are recharged for products and services.

# Purpose and Scope

The primary purpose of the review was to ensure that the organizational structure and controls, and the related systems and procedures surrounding key MDDS functions are conducive to accomplishing the department’s business objectives. The secondary purpose of the review was to evaluate the adequacy and efficiency of internal controls.

The scope of the audit focused on the following areas:

Reconciliations and Monitoring

Purchasing

Recharge Revenue

Mandated Training

Cybersecurity

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

# Summary Opinion

Based on the results of the work performed within the scope of the audit, MDDS’ organizational structure and controls are generally conducive to accomplishing the department’s business objectives. However, controls and business practices could be further strengthened by implementing the following:

Mandated Training

Management should request that Human Resource and Payroll Center – South (HRPC-South) also include the Document Services and Receiving units on the compliance training notification sent to management. Additionally, management should remind staff to complete their mandatory Cybersecurity Awareness Training, Sexual Violence and Sexual Harassment Prevention Training, and ethics training timely.

*Cybersecurity*

Management should develop departmental inventory control procedures over computers and communication devices to enhance safeguards of theft-sensitive items valued under $5,000. Periodic physical inventories of the equipment should be conducted, at least every two years, to verify that the items can be located and that inventory records are adequate.

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

# Audit Results and Recommendations

## Reconciliations and Monitoring

A&AS reviewed general ledger reconciliations and variance explanations, when applicable, for July and August 2017, and June 2018. Six of 21 MDDS Full Accounting Units were judgmentally selected for audit testing based on their level of financial activity. All sampled general ledger reconciliations were adequately documented, reviewed by management, and performed in a timely manner.

There were no significant control weaknesses noted in this area.

## Purchasing

For a judgmental sample of 10 purchases selected from the MDDS general ledger, Post-Authorization Notification (PAN) audit logs, vendor invoices, and supporting documentation were reviewed to verify whether purchases were appropriate and complied with University policies and procedures. The review disclosed that the sampled transactions were authorized by the appropriate personnel, receiving was adequately performed and documented, invoices were reviewed and approved by management, PANs were read by mandatory reviewers in a timely manner, and purchases were appropriate and complied with University policies and procedures.

A&AS also leveraged data analytics to identify possible duplicate invoice payments by reviewing transactions with the same vendor, invoice number, or dollar amount. Of the 3,174 invoices processed by MDDS in fiscal year 2017-18, no duplicate invoice numbers were identified through our analysis. A&AS also determined that there were no duplicate invoice payments based on a review of 15 transactions that had more than one purchase with the same vendor and invoice amount from the population of 1,265 transactions.

There were no significant control weaknesses noted in this area.

## Recharge Revenue

### Recharge Transactions

Discussions were held with management to determine the adequacy of the internal controls in place to ensure that recharge transactions are accurately and completely recharged. A judgmental sample of eight recharge transactions was selected from the MDDS general ledger. MDDS system records were reviewed for each of the selections to verify that MDDS products and services provided were properly recharged. An additional eight recharge transactions from the MDDS system were judgmentally selected to verify whether recharges were properly recharged and posted to the general ledger. A review of the 16 recharge transactions processed in fiscal year 2017-18 showed that the transactions were properly recharged and posted to the general ledger. Based on the work performed, A&AS determined that MDDS has adequate controls in place to ensure that recharge transactions are accurately and completely recharged.

There were no significant control weaknesses noted in this area.

### Recharge Rates

A&AS met with management to gain an understanding of MDDS’ recharge rates and how they are applied. Management noted that rates recharged by MDDS are in accordance with, and reviewed by, the Policy Committee on Sales and Services Activities and Service Enterprises (POSSSE). A judgmental sample of 20 recharge rates was selected for audit review from the MDDS system to verify that they were consistent with those reviewed by POSSSE. Audit review disclosed that all 20 sample items tested agreed with the POSSSE-approved rates.

There were no significant control weaknesses noted in this area.

## Mandated Training

A&AS obtained and reviewed the Ethical Values and Conduct, Cybersecurity Awareness, and Sexual Violence and Sexual Harassment Prevention training compliance reports from the UCLA Compliance Coordinator. The data in the report was derived from the University of California (UC) Learning Management System (LMS) as of April 25, 2019, for all employees in the MDDS department. Compliance listings were reviewed to verify that all employees had completed their required training courses, as mandated by the University of California, Office of the President (UCOP), within the specified timeframe. Online course assignment notifications of mandated training and reminders for completing the training on a timely basis are sent to employees directly from LMS.

The following were noted:

Ethical Values and Conduct Training

The Ethics training program raises awareness about the UC Statement of Ethical Values and Standards of Ethical Conduct, and to convey University employment obligations with respect to ethical behavior. The training provides examples of ethical challenges that may arise in the workplace and helps clarify how to apply the standards and encourage practical application in real-life situations.

As of April 25, 2019, 60 of 62 MDDS employees (97%) had completed the Ethical Values and Conduct training.

Cybersecurity Awareness Training

The Cybersecurity Awareness training program is part of a UCOP initiative to enhance cybersecurity awareness systemwide. Due to the rapid pace of technological developments and the highly connected nature of education and research activities, cybersecurity is a continuous effort that must be addressed by educating University employees and students about best practices. The mandated training covers basic information regarding security, email, passwords, and social engineering, in addition to introducing contemporary threats and providing guidance on behaviors that protect information.

As of April 25, 2019, 47 of 52 MDDS employees (90%) had completed the Cybersecurity Awareness training.

Sexual Violence and Sexual Harassment Prevention Training

The University mandates annual sexual violence and sexual harassment prevention training and education for all employees. The training program helps employees learn and understand their role in ensuring that the University community remains free of all forms of discrimination and harassment, including sexual harassment and violence, which is prohibited by state and federal law, and University Policy.

As of April 25, 2019, 52 of 62 MDDS employees (84%) had completed the Sexual Violence and Sexual Harassment Prevention training.

Based on discussion with management, it was noted that the report sent by HRPC-South to MDDS only included the Mail Services unit, but did not include either the Document Services or Receiving units. As a result, management was not aware of employees that had not taken the required training in the other two units.

Recommendation: Management should request that HRPC-South also include the Document Services and Receiving units on the compliance training notification sent to management. Additionally, management should remind staff to complete their mandatory Cybersecurity Awareness Training, Sexual Violence and Sexual Harassment Prevention Training, and ethics training timely.

Response: Concur. HRPC-South confirmed on May 9, 2019, that the compliance training report now includes the Document Services and Receiving Department. Upon receiving this report monthly, MDDS notifies staff if a mandatory training is not complete and supervisors perform follow-up.

## Cybersecurity

Discussions were held with management to determine the adequacy of the internal controls in place to ensure that MDDS electronic devices that connect to the UCLA network meet minimum security standards. Discussions were also conducted with MDDS staff to understand inventory practices and to determine whether the department maintains an inventory of these devices. Inventory listings of desktop computers, laptops, and mobile phones/scanners were reviewed for reasonability.

Based on work performed, A&AS determined that adequate controls are in place to ensure that MDDS electronic devices meet minimum security standards; however, control over the inventory of computers and communication devices could be improved. The following were noted:

MDDS does not maintain a complete set of records for the inventory of computers valued under $5,000. UCLA Information Technology (IT) Services provides support to keep track of MDDS computer devices, such as desktop computers and laptops. Information currently tracked includes computer names, service tags/unique identifiers, and locations; however, neither MDDS nor IT Services maintains an inventory listing of information such as assigned users, acquisition dates, cost, or last inventory dates.

The service tag record, which serves as a unique identifier for a given device, was missing for seven (about 10%) of the 68 listed computers.

Inventory information of mobile communication devices is insufficient. A record of user names, resource centers/unit areas, and phone numbers exists, but information including device unique identifiers, acquisition dates, cost, or last inventory dates is not maintained.

Physical inventories are not regularly conducted for items valued under $5,000.

It is an important responsibility for all custodians of University assets to maintain adequate internal controls over computers and communication devices. UC Merced audit report number M18A002, “Theft Sensitive Equipment and Supplies Audit,” mentions that “confidential and sensitive information is often maintained on the [theft sensitive] equipment and the University is at risk of an expensive breach if the equipment is stolen or cannot be located.” UC Policy Business and Finance Bulletin BUS-29, “Management and Control of University Equipment,” states that Other Inventorial Items, including desktop computers, laptops, tablets, smartphones and other theft sensitive items purchased for less than $5,000, are subject to safeguards provided by the inventorial process. The head of the custodial department and the Principal Investigator have primary responsibility for the physical inventory and control of the property. Additionally, the equipment administrator is responsible for reconciling the value of all Inventorial Equipment, Other Government Property, and Other Inventorial Items. Maintaining complete inventory records of computers and communication devices would allow MDDS to better detect shrinkage caused by theft, damage or other types of loss, and to facilitate investigations, when necessary.

Recommendation: Management should develop departmental inventory control procedures over computers and communication devices to enhance safeguards of theft-sensitive items valued under $5,000. Periodic physical inventories of the equipment should be conducted, at least every two years, to verify that the items can be located and that inventory records are adequate.

Response: Concur. MDDS programmers will develop an inventory control system for items valued under $5,000. A written procedure for input, updates, and periodic physical inventories will be developed. For future purchases we will fully capture the data indicated in this audit report. Some past data cannot be ascertained (e.g., acquisition date for a particular device), consequently for all past purchases we will apply best effort to identify.

MDDS will work to finalize this control in the next 90 days.

* Responsible Parties – MDDS director and an MDDS programmer/analyst
* Expected Completion Date – December 2, 2019

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