

**RIVERSIDE: AUDIT & ADVISORY SERVICES**

September 12, 2014

To: Audit Committee

Subject: Financial Analytical Review

Ref: R2014-12

We have completed our Financial Analytical Review in accordance with the University of California, Riverside Internal Audit Plan. Our report is attached for your review. We will perform audit follow-up procedures in the future to review the status of management action. This follow-up may take the form of a discussion or perhaps a limited review. Audit R2014-12 will remain open until we have evaluated the actions taken.

Gregory Moore  
Director

cc: Assistant Controller Librenjak  
Payroll Director Nwandu

UNIVERSITY OF CALIFORNIA AT RIVERSIDE  
AUDIT & ADVISORY SERVICES  
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2014-12  
FINANCIAL ANALYTICAL REVIEW

SEPTEMBER 2014

Approved by:

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**UC RIVERSIDE  
FINANCIAL ANALYTICAL REVIEW  
INTERNAL AUDIT REPORT R2014-12  
SEPTEMBER 2014**

**I. MANAGEMENT SUMMARY**

Based upon the results of work performed within the scope of the review, we did not detect any significant variances or unusual trends in revenues and expenditures that could not be explained. We reviewed selected transactions in the payroll, accounts payable cash disbursement, and cash receipts areas.

We observed one area, Travel Expenditure Voucher (TEV) Reporting Period (Observation III), that needs enhancement to improve efficiency and effectiveness.

Minor items not of the magnitude to warrant inclusion in this report were discussed verbally with management.

**II. INTRODUCTION**

**A. PURPOSE**

University of California, Riverside (UCR) Audit & Advisory Services (A&AS), as part of its Audit Plan, performed an analysis and evaluation of the UCR campus financial data. This Financial Analytical Review included procedures to study and compare relationships among data on a campus-wide basis in order to identify unexpected fluctuations, trends, discrepancies or activities, the absence of expected fluctuations, trends or activities, and other unusual items.

Our objective was to broadly examine campus financial data to determine if activities in selected areas included significant errors or questionable transactions that warranted further review. General ledger, accounts payable, and payroll data were extracted to evaluate high-risk transactions involving liquid resources. This review also evaluated campus department revenues and expenditures.

**B. BACKGROUND**

The specific audit objectives were to:

- Identify and investigate unusual relationships in the UCR campus financial data;

- Detect, within the scope of the review, irregularities or significant variances in financial reports and source documentation;
- Provide A&AS management with information for the campus risk assessment to assist in developing future audit plans;
- Identify opportunities for improving internal controls.

## C. **SCOPE**

This review analyzed selected data from Fiscal Year (FY) 2012-2013 and in some cases FY 2011-2012 and FY 2010-2011. We designed the methodology to provide sufficient, competent, and relevant evidence to achieve the objectives of the review. Due to the extensive range of financial activities and the vast volume of financial data, not all identifiable activities were reviewed. Further, because of the nature of this review's global perspective and other limitations, the audit procedures could not ensure that errors and irregularities were detected, especially minor or isolated incidents.

The review included, but was not limited to the following areas:

### 1. **General Ledger**

- a) Prepared spreadsheets to compare FY 2011-2012 and FY 2012-2013 revenues and expenditures by department. Reviewed activities with over \$750,000 and 20 percent change from FY 2011-2012 to FY 2012-2013. Obtained explanations for increases or decreases and determined the reasonableness of explanations with independent analyses and additional inquiries.
- b) Identified organizations with net deficits as of June 30, 2013 and evaluated the July 1, 2013 carryforward by fund and unit for negative carry forward amounts (excluding contracts and grant funds).

### 2. **Cash Disbursements**

- a) Reviewed travel transactions (i.e. trends by travel vendors and employees, analysis of days to pay).
- b) Reviewed campus cell phone usage for unusual fluctuations over prior year.
- c) Reviewed top 25 cumulative vendor payments from FY 2011-2012 to FY 2012-2013.
- d) Reviewed duplicate vendor addresses within accounts payable.
- e) Evaluated different addresses for the same vendor.
- f) Evaluated multiple vendor numbers for the same vendor name and vice versa.
- g) Searched for duplicate vendor invoices.
- h) Analyzed vendor invoices entered/modified by transactor for any unusual activity including UCR's Online Payment Request Application (ePay) check requests.

- i) Reviewed for payments to different vendors on the same Purchase Order (PO).
- j) Reviewed vouchers/invoices for invoice splitting (Benford Law).
- k) Reviewed voucher and payment trends (count and amount).
- l) Reviewed changes to the vendor master file and procedures.
- m) Reviewed for different vendors using the same direct deposit account in and across Accounts Payable, and Payroll.
- n) Examined Purchasing Procurement Card (ProCard) payments for unusual trends and transactions (Benford Law).

### **3. Payroll**

- a) Evaluated employees with over \$210,000 annual gross pay and/or over \$100/hour rate of pay.
- b) Reviewed employees with high payout or number of hours by Description of Service (DOS) code (i.e. overtime, comp time, by agreement, etc.).
- c) Reviewed duplicate direct deposit accounts across employees.
- d) Reviewed duplicate addresses within payroll and against accounts payable.
- a) Reviewed payroll check analytics (i.e. number an amount of transfers, cancellations, hand drawn checks) from FY 2011-2012 to FY 2012-2013.

## **III. OBSERVATIONS, COMMENTS, AND RECOMMENDATIONS**

### **Travel Expenditure Voucher (TEV) Reporting Period**

During our review, we noted that a number of departments take on average over 60 days (from trip end date) to submit TEVs to the Accounting Office. These departments also have a high percentage of TEV rejects (for non-compliance with the travel policy), which likely contributes to the time required to process and pay.

#### COMMENTS

University of California Travel Policy - G-28 states: “The Travel Expense Voucher (TEV) must be submitted to the campus Accounting Office within a reasonable amount of time not to exceed 60 days after the end of a trip.” Although the campus average days to submit to accounting is 34 days, the chart below summarizes departments that processed at least 20 TEVs in FY 2012 – 2013 which took more than 60 days from the trip end date to submit to the Accounting Office (Column C in table below).

Although the campus average days to receive a travel reimbursement after the end of the trip date is 38 days, the chart below summarizes departments that took an average of over 70 days (Column E in table below).

Department	Unit	Count TEVs Processed in FY13	(A) Department Average Days to enter into iTravel	(B) Department Average Days to Process once in iTravel	(C) =(A)+(B) Days to Submit to Accounting Office*	(D) Accounting Office Average Days to Process	(E) =(C)+(D) Average Total Days to Process TEV
History of Art	CHASS	44	112	20	132	6	138
Dance	CHASS	32	77	26	103	6	109
History	CHASS	109	67	34	101	5	106
Creative Writing	CHASS	22	61	39	100	5	105
Ctr for Res in Intelligent Sys	BCOE	23	72	10	82	6	88
Counseling Center	VCSA	26	77	2	79	2	81
Religious Studies	CHASS	33	60	15	75	5	80
UNEX-Education	UNEX	132	53	19	72	5	77
Theatre	CHASS	30	55	15	70	7	77
Ethnic Studies	CHASS	68	52	15	67	4	71
Center for Plant Cell Biology	CNAS	22	61	8	69	2	71
UCR counts and averages		9,604	24	10	34	4	38

*Excludes trips lasting more than 90 days where traveler may submit more frequent TEVs.  
\*should be less than 60 days from trip end date per G-28 travel policy.*

The majority of the time to process a TEV (63%) is in the ‘Department Average Days to enter into iTravel’ (Column A).

We note that the average days for the Accounting Office to process a TEV is four days. A check is generally paid within one business day of final or system approval in the Accounting Office.

**RECOMMENDATIONS** – College of Humanities, Arts & Social Sciences (CHASS); University Extension (UNEX); Vice Chancellor Student Affairs (VCSA); College of Natural and Agricultural Sciences (CNAS); and Bourns College of Engineering (BCOE).

We recommend that units determine the reasons for the delays in processing, suggest additional training and/or communication, and identify opportunities to improve processing efficiency to maintain compliance with G-28.

**MANAGEMENT RESPONSE** – CHASS, UNEX, VCSA, CNAS AND BCOE

Delays in processing TEVs in the organizations were primarily caused by delays in obtaining receipts from travelers, and by travel coordinator staffing shortages and vacancies. Although travel coordinators are now in place in these units, staffing shortages and vacancies will continue to be an issue. In an effort to minimize travel processing delays, units have initiated efforts to improve communications with travelers (before, during and after trips) and improve travel tracking and follow-up. Additionally, CNAS sends a summary of travel procedures to non-

employee travelers and requires non-employee travelers to meet with travel coordinators when visiting UCR. Also, VCSA plans to offer a re-fresher training to the Counseling Center office during the next several months to ensure everyone understands the proper policy and procedures to follow for future travel.

Suggestions for improving TEV processing and minimizing delays include:

- Improved notifications (i.e., email reminders if trips sit in a queue too long, similar to PAN reviews)
- Improved reporting (i.e., a quick view of open/pending TEVs that would include information on where they are in the process and how long they have been there, similar to other UCR applications)