UCLA POLICE DEPARTMENT

TRAVEL AND ACCOUNTS PAYABLE

AUDIT REPORT #18-2211

Audit & Advisory Services

August 2018

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Background

In accordance with the UCLA Administration fiscal year 2017-18 audit plan, Audit & Advisory Services (A&AS) performed an audit of the UCLA Police Department’s (UCPD) travel and accounts payable activities. UCPD is dedicated to providing a safe and secure environment for teaching, research, and public service through patrol, rapid response to calls for service, investigations, education, and implementation of preventative strategies. UCPD police officers are duly sworn peace officers under section 830.2(b) of the California Penal Code, and patrol the campus 24 hours a day, 365 days a year.

Reporting to the Administrative Vice Chancellor, the Chief of Police oversees the department, which is divided into two bureaus: Operations and Administrative.

* The Operations Bureau utilizes uniformed patrol officers and includes the Patrol and Investigations Divisions, among other specialized areas.
* The Administrative Bureau includes: Information Systems, the Business and Finance unit, Personnel and Training, Communications Center, and the Records unit. It also includes the Police Community Services Division, which consists of Crime Prevention, Emergency Medical Services (EMS), and the Community Service Officer (CSO) Programs. The CSO program depends primarily on student staffing, in addition to several career security guard positions. EMS is a student-staffed program employing UCLA students trained as Emergency Medical Technicians (EMTs) to staff the campus ambulance.

For fiscal year 2016-17, UCPD’s total operating expenses (including expenses related to materials and supplies, equipment, information technology, communications, travel, general services, space, and maintenance and repairs), totaled $2,572,002. Out of this total, $139,789 related to travel expenses.

The Business and Finance Manager is responsible for overseeing the financial and accounting operations of UCPD and was recently hired in July 2017. Designated staff handle travel reimbursements for police officers and process invoices for their respective areas, including the EMS and CSO Programs, building and maintenance supplies, etc. Also, UCLA’s Procurement to Payable unit within Corporate Financial Services and the BruinBuy system are utilized by UCPD for invoice processing and payment. Additionally, the UCLA Express system is used for travel-related reimbursements.

Purpose and Scope

The purpose of the review was to ensure that UCPD’s organizational structure and controls are conducive to accomplishing its business objectives with regard to accounts payable and travel expenditures. Where applicable, compliance with University policies and procedures was also evaluated.

The scope of the review focused on the following areas:

* Authorization and Approval
* Processing Transactions
* Reconciliation and Monitoring

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, UCPD’s structure and controls are generally conducive to accomplishing its business objectives as they pertain to travel and accounts payable activities. However, control processes could be further strengthened by implementing the following:

*Processing Transactions*

* Management should ensure that employees create orders in BruinBuy at the time of commitment, and prior to the event taking place or the service being provided, using an estimate or quote from the vendor. Also, management should consider performing periodic spot checks for purchase transactions to ensure that orders are created at the time of commitment. This will help protect the University by ensuring that the proper terms and conditions are in place, payments to vendors are timely, and budgeting data is accurate.
* Management should remind staff to obtain and document an exception when valet parking is used during travel.
* Management should remind Travel & Entertainment (T&E) cardholders that personal purchases and expenses paid on behalf of others should not be submitted for reimbursement. Also, during the review process, management should ensure that reimbursed expenses are proper and appropriate.
* A&AS supports management’s efforts to monitor the T&E card used by the specific cardholder that had a large amount of personal charges in fiscal year 2016-17 (which were not reimbursed by the University), and encourages management to consider closing the account if the current usage of the card does not change.
* Management should consider performing periodic financial reviews to ensure that duplicate payments are not made to the same vendor(s).

*Reconciliation and Monitoring*

* Management should remind mandatory reviewers to read their Post Authorization Notifications (PANs) in a timely manner, in order to help ensure that transactions are proper and appropriate.

The audit results and recommendations are detailed in the following section of the audit report.

Audit Results and Recommendations

Authorization and Approval

Audit work included discussions with management and a review of 10 accounts payable transactions, and 10 travel-related transactions selected from the general ledger for fiscal year 2016-17. Where applicable, Travel Reimbursement Request forms, Training Request forms, Express Reports, invoices, and Purchase Authorization forms were reviewed. Based on testing performed, accounts payable items and most travel expenses are approved by appropriate personnel. No significant control weaknesses were identified.

Processing Transactions

Audit work included discussions with UCPD management and Travel Accounting, and a review of the same 10 accounts payable transactions and 10 travel-related transactions noted in the Authorization and Approval section above. Where applicable, Express Reports, invoices, PANs, receipts, and related supporting documentation were reviewed.

In addition, a sample of 10 purchases made during fiscal year 2016-17 using T&E cards was selected from five cardholders for review. Receipts, Express Reports, and related supporting documentation were reviewed.

Further, an analysis of fiscal year 2016-17 purchasing data was performed with information obtained from the Campus Data Warehouse to determine whether there were adequate internal controls over the purchasing process. The following were noted:

1. BruinBuy Order Input Delay

Out of 20 selections reviewed, 11 were processed in BruinBuy. The other nine selections were travel reimbursements, for which BruinBuy was (properly) not used. For five out of these 11 transactions, the order was not created in BruinBuy until after the event had occurred, or goods and services were provided.  These included transactions that were processed as travel transactions, Low Value Orders (LVOs), purchase orders, blanket agreements, etc.  The delay for these five items (between invoice date and BruinBuy order input date) ranged between two and 49 calendar days.

Orders should be established prior to the receipt of goods or delivery of services, in order to confirm the scope of work or exchange of value, and also to record the obligation (as an encumbrance) on the University’s financial books.  When an encumbrance is not created, this could result in inaccurate decisions when budgeting and allocating monies.  Also, University terms and conditions should be presented to the vendor when the order is placed, otherwise the vendor’s terms and conditions may govern the transaction.  Vendor terms and conditions may violate University policies and may not provide the required protection, or may have onerous business terms.

For the three items noted below, there was also a longer payment delay, partly due to the order being placed in BruinBuy after the event had occurred or goods were received.  The other two had payment delays between two and five calendar days. Because the order in BruinBuy was created after the services or goods were provided, adherence to standard terms and conditions that may have been applicable could not be guaranteed.  As a result, this could present additional risk exposure to the University.  Further, inputting orders into BruinBuy after the invoice date could cause payment delays to the vendor.  The following were noted for each selection:

* For one purchase order selection, the invoice date was August 15, 2016, while the order was not created in BruinBuy until September 26, 2016.
* For one purchase order selection, the invoice date was July 29, 2016, while the order was not created in BruinBuy until August 16, 2016.
* For one travel selection, the invoice date was September 14, 2016, while the order was not created in BruinBuy until November 2, 2016.

Recommendation: Management should ensure that employees create orders in BruinBuy at the time of commitment, and prior to the event taking place or the service being provided, using an estimate or quote from the vendor.

Also, management should consider performing periodic spot checks for purchase transactions to ensure that orders are created at the time of commitment. This will help protect the University by ensuring that the proper terms and conditions are in place, payments to vendors are timely, and budgeting data is accurate.

Response: Concur. The department will work together to create BruinBuy purchase orders at the time of commitment and prior to the event taking place or the service being provided using quote from the vendor.

1. Parking Reimbursement

For one travel selection, the traveler was reimbursed $17 per day for valet parking at a hotel, when there was self-parking available for $12 per day.  The traveler was reimbursed for valet parking for 6 days, amounting to $102.  Self-parking would have amounted to $72 for 6 days.  Discussions with the traveler indicated valet parking was used in order to better safeguard the police car and herself, as the location of the hotel was not in the safest area. However, this exception was not documented.

According to UC Policy G-28, Travel Regulations, Section V.D.3.d, "Valet parking charges in excess of normal parking charges shall be borne by the traveler, unless the traveler obtains an exception.”

Recommendation: Management should remind staff to obtain and document an exception when valet parking is used during travel.

Response: Concur. The department will document an exception if and when valet parking is necessary when employees travel.

1. Payment of Expenses on Behalf of Others

For one of the 10 T&E card purchases reviewed, it appears that a T&E cardholder was reimbursed for a personal purchase by the University. The cardholder was on a business trip and was reimbursed for their meal, along with the meal of an additional individual. The receipt showed that there were three guests who dined at the restaurant. Review of the itemized receipt indicated$63 was reimbursed to the cardholder, which included two meals and two appetizers. (One meal was appropriately not reimbursed to the cardholder.) There was no additional explanation as to who the other person was, or the business purpose of reimbursing the traveler for this additional expense.

According to UC Policy G-28, Travel Regulations, Section V.B.4, "University travelers normally shall not be reimbursed for expenses paid on behalf of other persons, except in the case of co-travelers who are sharing a room."

Recommendation: Management should remind T&E cardholders that personal purchases and expenses paid on behalf of others should not be submitted for reimbursement. Also, during the review process, management should ensure that reimbursed expenses are proper and appropriate.

Response: Concur. The department will inform T&E cardholders that personal purchases and expenses paid on behalf of others should not be submitted for reimbursement.

1. T&E Card – Personal Purchases

During the review of T&E card purchases, A&AS noticed that one T&E cardholder had a large sum of personal purchases in fiscal year 2016-17, totaling $35,373. Most of the purchases consisted of fast food meals and none of these expenses were reimbursed by the University. While there is not a strict policy about personal use of the card, it is intended to be used for business travel. According to UCLA Travel Services, “UCLA employees are expected to use the T&E card and related ATM cash advances only for travel and entertainment expenses that are related to University business and reimbursable under University policies.”

Based on discussion with UCPD management, they are aware of the personal purchases made using the card and will monitor the cardholder’s purchases. Management plans to take further action, such as closing the account, if necessary. A&AS staff also confirmed with UCLA Travel Services that there is currently no outstanding balance on the card.

Recommendation: A&AS supports management’s efforts to monitor the T&E card used by the specific cardholder mentioned above, and encourages management to consider closing the account if the usage continues to be solely for personal purposes.

Response: Concur. The department advised the cardholder mentioned above to avoid charging any non-University business related travel and entertainment expenses to the T&E card, and will continue to monitor the proper use of T&E cards.

1. Duplicate Payments

A&AS utilized TeamMate Analytics to identify possible duplicate payments and duplicate travel reimbursements processed during fiscal year 2016-17.

For payments, duplicate entries based on vendor, invoice number, invoice gross amount, and invoice date were highlighted and then extracted from the purchasing data. A sample of 10 possible duplicate entries were selected for additional review. BruinBuy detail and related invoices were reviewed for each of the transactions selected.

For travel reimbursements, data from the general ledger was sorted by amount, effective date, and description to identify duplicate entries. A sample of 10 possible duplicate reimbursements were selected for additional review. Travel Express reports were reviewed for each transaction selected.

Out of the 20 potential duplicate payments and travel reimbursements reviewed, one was a duplicate payment where UCPD paid a vendor twice for the same purchase (two payments with the same vendor, same items ordered, and same dollar amounts). It appears one transaction was paid off the sales order, and the other transaction was paid off the invoice, resulting in UCPD paying the vendor $250 in March 2017, and again in April 2017.  As a result of the audit, management has reached out to the vendor and is in the process of receiving a refund in the amount of $250.

Recommendation: A&AS supports management’s effort to collect a refund from the vendor mentioned above. Also, management should consider performing periodic financial reviews to ensure that duplicate payments are not made to the same vendor(s).

Response: Concur. The Business and Finance Manager will perform periodic financial reviews to ensure that duplicate payments are not made to the same vendor.

1. Low Value Orders (LVOs)

To verify whether there were any LVOs executed above the $5,000 per vendor, per account, per day limit, A&AS obtained the Purchasing – Accounts Payable Query Data Base (QDB) data for analysis, for fiscal year 2016-17. A query was created using Microsoft Access from the order header, detail, and distribution tables and then filtered to highlight the UCPD order department code and LVO transactions. Query results were exported to Microsoft Excel and the data was organized to indicate purchase orders with the same vendor, order date, and account number. Orders that exceeded the $5,000 threshold were identified. No LVOs were identified that went above the delegated $5,000 per vendor, per account, per day threshold. Also, LVOs were not split to circumvent controls.

There were no significant control weaknesses noted in this area.

1. Personal Purchases

To verify whether there were any items that appeared to be personal purchases made with University funds during fiscal year 2016-17, A&AS created a keyword list of 33 higher risk vendor names and items. TeamMate Analytics was used to cross match over 1,300 lines of purchase activity information with any word(s) from the keyword list. Based on this cross matching, 38 line items were identified and extracted as having at least one word or phrase from the keyword list. The average cost of the 38 line items was $204, ranging from $0.99 to $2,572. The purchase transaction line descriptions for each of the results were manually reviewed for reasonableness.

Of the 38 line items that matched words or phrases from the keyword list, A&AS selected a sample of 10 line items for further review. Invoices and available supporting documentation for the 10 sample items were reviewed to identify any apparent personal purchases. Based on the review of available supporting documentation, all transactions identified through the keyword match appeared reasonable and were associated with a legitimate business purpose.

There were no significant control weaknesses noted in this area.

Reconciliation and Monitoring

Audit work included a review of accounts payable and travel reconciliations for April, June, and September 2017, and a review of the PANs associated with the 10 accounts payable and 10 travel-related transactions sampled in the Authorization and Approvals, and Processing Transactions sections above. Concerns regarding the reconciliation and monitoring of travel and accounts payable transactions and the PAN review process were noted.

While UCPD provided adequate reconciliations for transactions in June and September 2017, UCPD was unable to provide reconciliations for April 2017.  Management indicated that the Business and Finance Manager position was vacant in April 2017, therefore reconciliations were not performed. Since hiring a new Business and Finance Manager, reconciliations are being performed and are current. A&AS supports management’s efforts to perform timely reconciliations.

Post Authorization Notification (PAN) Review

Audit testing indicated that PANs were not always read in a timely manner. The following were noted:

* In one instance, a travel PAN was unread by a mandatory reviewer at the time of the audit (301 calendar days). While the PAN was dated March 14, 2017, the individual retired on March 20, 2017. As a result, the PAN has not been read.
* In five instances, travel PANs were not read timely by a mandatory reviewer, ranging from 6 to 9 calendar days.
* In two instances, accounts payable PANs were not read timely by a mandatory reviewer, ranging from 6 to 7 calendar days.

According to UCLA Financial Policy Section 3, F.1, “A reviewer must review a transaction within two working days of receipt.” Timely review of PANs helps to ensure that all related financial activities are appropriate and adhere to University policies and procedures.

Recommendation: Management should remind mandatory reviewers to read their PANs in a timely manner to help ensure that transactions are proper and appropriate. Also, for the individual noted above who has since retired, a note should be documented in the PAN audit log to indicate that the individual has separated from the University.

Response: Concur. The Business and Finance Manager will periodically remind mandatory reviewer to read their PANs in a timely manner. In case of expected retirement, the Business and Finance Manager will contact the individual to review PAN notification prior the separation date.

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