



INTERNAL
AUDIT SERVICES

Security and Parking Services

Internal Audit Report No. I2015-204
April 19, 2015

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UNIVERSITY OF CALIFORNIA, IRVINE

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INTERNAL AUDIT SERVICES
IRVINE, CALIFORNIA 92697-3625

April 19, 2015

**SCOTT MARTIN
DIRECTOR
SECURITY AND PARKING SERVICES**

**RE: Security and Parking Services
Report No. I2015-204**

Internal Audit Services has completed the review of Security and Parking Services at the Medical Center and the final report is attached.

We extend our gratitude and appreciation to all personnel with whom we had contact while conducting our review. If you have any questions or require additional assistance, please do not hesitate to contact me.

A handwritten signature in black ink that reads "Mike Bathke".

Mike Bathke
Director
UC Irvine Internal Audit Services

Attachment

C: Audit Committee
Fred Lauzier, Interim Director, Ancillary Services
Charles Chase, Operations Manager, Security Services
Nelly Cruz, Operations Manager, Parking Services

I. MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2014-2015 audit plan, Internal Audit Services (IAS) conducted a review of the Security and Parking Services at the UC Irvine Medical Center (Medical Center). Based on the audit work performed, internal controls need improvement and should be strengthened to ensure compliance with University policies and procedures and best business practices. Specifically, the following concerns were noted:

General Ledger Reconciliations - With the implementation of the new Kuali Financial System (KFS) in July 2014, Parking's general ledger did not record cash collections into the proper revenue account, preventing Parking to reconcile the ledger until October 2014. Security has not performed a general ledger reconciliation of the expense or revenue accounts since July 2014 due to lack of KFS training. This observation is discussed in section V.1.

Identification (ID) Badges – ID badges reported as lost or stolen were not deactivated/disabled timely due to lack of staffing. Additionally, individuals with active badges are not adequately monitored to ensure only authorized individuals have access and is appropriate. This observation is discussed in section V.2a.

Concerns were also noted with the Photo ID Badge and Access Control Guidelines. The guidelines are not adequate and do not include an identification policy describing the conditions individuals are to wear an ID badge, surrendering the ID badge upon separation, and enforcement of the policy. Additionally there are no documented internal office procedures for granting and removing ID badge access. This observation is discussed in section V.2.b.

Cash Handling – Cash and cash equivalents were not always collected, recorded, stored and transported as required by University policy. Parking and Security had issues and gaps in accountability, dual custody, timely endorsement of checks upon receipt and access to Kiosk by excessive number of individuals. V.3

Parking Permits - The key to access the parking permit inventory was not secured and was stored in an unlocked desk drawer. Review of the permit log found front office staff releasing parking permits to themselves and not by the authorized individuals. Also, physical inventory counts of parking permits were

not conducted in accordance with University policy. This observation is discussed in section V.4.

Purchase Invoices - Security's purchase invoices were paid without the proper authorization of the Director. This observation is discussed in section V.5

Equipment Inventory - Security's equipment/property was not adequately secured and protected from loss at all times. Tasers, restraining devices, and radio batteries were stored in an unlocked filing cabinet. The annual physical inventory of assigned equipment inventory could not be validated since Security did not retain a copy. This observation is discussed in section V.6.

Separation of Duties - Security staff placing orders for purchases are also receiving goods and reconciling to financial system reports; inadequate separation of duties. This observation is discussed in section V.7.

Budget - Security does not regularly review the budget using the Financial Management System (DSS). Variance explanations were maintained outside the system and do not promote consistency within the department. This observation is discussed in section V.8.

Timekeeping – A review of time attendance records found inconsistent processes between Security and Parking. Parking requires the Operations Manager to review and approve all Employee Weekly Time Records and Security does not. This observation is discussed in section V.9.

NaviGate Access – User access to Security's NaviGate system was not regularly reviewed. An employee's access level was inappropriate and did not agree to current responsibilities. This is discussed in section V.10.

Lost and Found – Security's lost and found procedures are in compliance with policy however could be improved. The current process is manual and labor intensive. This observation is discussed in section V.11.

II. BACKGROUND

Security's mission is to provide a safe workplace for all faculty and staff and a safe environment for patients and visitors at the Medical Center. Security maintains a program available for calls for service seven days a week, 24 hours a day. Other services include open door requests, escort services, lost and found, workplace violence prevention and identification badge and access control. Services cover the Medical Center buildings and grounds, all off site parking lots, off site Material Management Building, and Family Health Centers in Santa Ana and Anaheim (about 3,156,000 gross square feet or about 72 acres). For FY 2013-14, Security employed 27 security officers.

Parking and Transportation Services (Parking) sells permits to faculty, staff, students, and visitors for parking spaces owned and leased by the Medical Center. Parking also provides a courtesy shuttle and valet services for patients and visitors. Parking also issues citations as well as administers and processes citation appeals for those who believe the parking ticket was issued in error.

Parking fees support the costs of operating, maintaining, and developing parking and alternative sustainable programs and related services. Parking employs 11 Full Time Equivalents (FTE) and 1 Part Time Equivalent (PTE). Contracted services are utilized for valet, shuttle, and kiosk operations with 17 FTEs and 35 PTEs. During FY 2013-14, employee and patient parking revenues exceeded \$3.1 million.

Security and Parking Services share building space, however, operate separately. Each unit is overseen by an Operations Manager who reports to the Director of Security and Parking Services.

III. PURPOSE, SCOPE AND OBJECTIVES

The purpose was to perform a general review Security and Parking's operations to assess business risk, internal controls and compliance with University policies and procedures. The scope focused on certain operational and financial activities for the current FY 2014-2015.

The audit included the following objectives:

1. Evaluate whether there are adequate controls over budget monitoring and general ledger reconciliations;
2. Verify that cash management activities related to the recording and physical security of cash and cash equivalents are in compliance with University policy;
3. Evaluate whether the purchase of goods and services are processed in accordance with University Policy;
4. Verify that supply and equipment inventory is monitored and physically secured;
5. Assess payroll and personnel practices related to timekeeping, training, and performance evaluations; and
6. Review system controls and evaluate the monitoring of appealed Parking citations and Security's Lost and Found and ID badge operations.

IV. CONCLUSION

In general, internal controls and processes reviewed could be further enhanced. Certain business risks and compliance concerns were identified in financial management, cash handling procedures, purchasing and inventory, payroll and personnel practices, ID badges, and systems access.

Observation details and recommendations were discussed with management, who formulated action plans to address the issues. These details are presented below.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. General Ledger Reconciliations

Background

UC Irvine Administrative Policies and Procedures Sec. 701-08: Procedures for Control of Expenditure and Income Funds specify that each activity manager maintains procedures that monitor and verify the appropriation, expenditure, and encumbrance transactions (liens) as well as the current unexpended balance for each subaccount, in order to reconcile balances to the monthly General Ledger. Income accounts should also be monitored to verify that deposits have been correctly recorded.

Observation

Security has not performed a general ledger reconciliation of the expenditure or income accounts since July 2014 due to lack of KFS training. In addition, with the implementation of KFS in July 2014 and the system did not properly record Parking's income into the correct ledger account until October 2014, preventing staff to reconcile the ledger.

Without regular general ledger reconciliations, inappropriate or inaccurate transactions may go undetected.

Management Action Plan

As of October 2014, Parking's income and expenditure accounts were reconciled using KFS and evidenced with a signature and date. General ledger reconciliations will be reconciled monthly by the Operations Manager.

Security staff will attend training in March 2015 in order to perform general ledger reconciliation by March 30, 2015. The reconciliations will be performed monthly, investigating and resolving any discrepancies and be documented with a signature and date by the person performing the reconciliation. Departmental general ledger reconciliation procedures will be documented and communicated to staff by June 30, 2015.

2. ID Badges

Background

Security oversees the Photo ID Badge and Access Control Office (ID Badge Office), which is staffed by two employees. The ID Badge Office is responsible for creating and distributing all of the photo ID badges for the Medical Center and School of Medicine employees, students, consultants, contract employees, temporary staff members, and others requiring a photo ID badge. The ID Badge Office is also responsible for assigning and deactivating access to controlled points of entry as defined by a permissions matrix. Internal controls related to ID badges and access controls were reviewed for adequacy through interviews and review of selected reports.

Observation

- a. A review of sample ID badges and access control card reports (i.e. active access cards and lost/stolen cards) indicated that access is not always deactivated timely for lost/stolen cards and separated employees. As such, individuals may have multiple active ID badges allowing access into critical areas which may result in inappropriate use. Furthermore, the review of ten individuals with neonatal intensive-care unit (NICU) access found that four employees separated between 2010 and 2013 still had active badges. ID badges and access card issuance and maintenance is limited to two staff members and the Security Systems Coordinator stated that other work responsibilities including deactivation of lost or stolen ID badges and internal audit reviews become backlogged.
- b. The current Photo ID Badge and Access Control Guidelines are not adequate. It does not include an ID policy describing the conditions Medical Center staff, students, vendors, etc. are to wear an identification badge, surrendering the ID badge upon separation, enforcement of the policy, etc. Additionally there are no documented internal procedures for assigning and deactivating badge access to controlled points of entry.

Management Action Plan

- a. Effective January 15, 2015, the ID Badge Office staff are deactivating ID badges reported lost or stolen on a daily basis. As of February 2015, the Lost or Stolen ID Badge report was revised to document the date the ID badge was deactivated and returned. Staff is also reviewing previous Lost or Stolen ID Badge reports to ensure that ID badges have been deactivated.

The four separated individuals with NICU access was deactivated in February 2015. Since the ID Badge Office isn't always notified of separated / terminated employees or vendors, contractors, etc. no longer requiring an active ID badge, periodic audits will be performed beginning May 2015. Monthly audits of terminated / separated individuals with access to sensitive areas will be conducted to ensure access has been deactivated. Staff will also continue the bi-annual audits of general access cards including ID badges issued to vendors, contractors, volunteers, etc. Audits will be documented and written procedures will be established. In addition, as an ongoing process, the ID Badge Office will educate and remind ID badge requestors to collect ID badges upon separation and to inform the ID Badge Office of any separations through the ID badge request system.

- b. A photo ID badge policy will be created including, but not limited to, the conditions a person is to wear an ID badge, surrendering the badge upon separation and enforcement of the policy. A separate guideline for access control will be developed and documented. Planned completion date is June 30, 2015.

3. Cash Handling

Background

Parking collects cash and checks for parking fees, permit sales and citation payments. Security only collects checks as a form of payment for the replacement of lost or stolen ID badges.

Daily cash handling processes were evaluated to determine whether proper controls exist over the recording and physical security of cash and cash

equivalents. Void and refund transactions were reviewed for appropriateness. In addition, compliance with Business and Finance Bulletin "Policy for Handling Cash and Cash Equivalents (BUS-49)" was also reviewed.

Observations

- a. Four cash handling employees (three in Parking and one in Security) did not have evidence of fingerprinting. Another Security employee had not completed the annual cash handling training since February 2010 and upon IAS notification, training was completed in January 2015.
- b. Parking's front office employees share one cash register to record and store cash and check payments. Individual accountability over cash and cash equivalents was not maintained as required by BUS-49.
- c. IAS observed that Parking did not restrictively endorse a check upon receipt but was endorsed at the end of the day during the deposit preparation. Also noted that two Parking employees share one check endorsement stamp. BUS-49 states, immediately upon receipt, checks must be restrictively endorsed "for deposit only." Each cashier must be provided an official endorsement stamp or its mechanical equivalent, identifying the cashier and the department.
- d. No evidence was maintained to support that Parking's front office deposits were prepared under dual custody in accordance with BUS-49. Additionally, reductions in recorded cash (voids) were noted and resolved however it was unknown as to who reviewed and approved the variance. The policy states that any reductions in cash must be approved in writing by the cashier's supervisor.
- e. Parking and Security's cash and cash equivalents were transported to the Main Cashier's Office by one employee and not in dual custody. BUS-49 states that sub-cashiering stations and cash handling departments will transport cash and cash equivalents to a Main Cashiering Station using the following methods.
 - By secure armored car service.

- By employees, in dual custody, transporting (walking or driving) the deposit to the Main Cashiering Station. If the deposit is in excess of \$2500, employees should be escorted by a Campus Security or Police Officer.
- f. The number of employees authorized to access the kiosk safe was excessive. Three Parking employees and six Security officers had access to the safe, not promoting accountability. The safe's combination also had not been changed for at least once a year as required per policy.

University policy requires that a safe's combination must be changed whenever a person who knows the combination leaves the employ of a cash handling unit. In addition, the combination must be changed at least once a year. Documentation must be maintained showing the date and the reason for the combination changes.

Management Action Plans

- a. As of December 2014, all cash handling Parking staff have evidence of fingerprinting on file and are maintained by the Operations Manager.

Upon hire in 2008, the Security employee was fingerprinted however evidence was not retained by the UCI Police Department. The employee was fingerprinted on February 19, 2015 and evidence is maintained within the department. Cash handling training has been scheduled to be completed annually as required by policy.

- b. On January 14, 2015, Parking met with the point of sale vendor to purchase two new cash drawers. Parking is also in the process of purchasing surveillance cameras to oversee the front office operations and should be installed by April 2015.
- c. The Parking Operations Manager sent a reminder email on December 15, 2014 advising staff to endorse checks immediately upon receipt. On January 21, 2015, two endorsement stamps were ordered through the Main Cashier's Office; one for each work station.
- d. Parking employees closing the front office for the day and preparing deposits are signing the tamper safe receipts as proof that deposits are

prepared under dual custody and will be retained with the other supporting documentation. Also, cash collection variances reviewed and approved by the Parking Supervisor or Manager are being signed off with a legible signature as of December 2014.

- e. As of January 26, 2015 cash collections from Parking's kiosk and front office and Security's ID badging operations will be transported to the Main Cashier's Office in dual custody. A log was also created to document the transfer from the deposit preparer to the employees transporting the tamper safe bag to the Main Cashier's Office.
- f. On January 27, 2015, the kiosk safe's combination was changed in order to reduce the number of employees with access to the safe. Parking and Security Services will only give access to two employees from each unit. A safe combination log has been created to document any safe combination changes.

In addition, by June 30, 2015, management will establish cash handling written procedures that comply with BUS-49.

4. [Parking Permits](#)

Background

Parking maintains a supply inventory of parking permits with a value in excess of \$50,000 in order to provide prompt service to its customers. Procedures related to the physical security and inventory of parking permits were evaluated for adequacy and effectiveness. Test work included observation of the storage areas, discussions with management and review of the parking permit log.

Observation

Controls surrounding parking permit inventory should be strengthened. The following was noted:

- The key to access the parking permit inventory is stored in an unlocked desk drawer located in the same office where permits are stored;

- Although three individuals are authorized to release parking permits, review of the parking permit log found front office staff releasing parking permits to themselves; and
- Physical inventory counts of parking permits were not performed as required by University Policy. Parking currently does not have a perpetual inventory system to track the receipt and use of inventory, and calculates the quantity on hand. Without such system, Parking cannot efficiently perform a physical inventory count to detect shrinkage or theft.

Business and Finance Bulletin: Operating Guidelines for University Supply Inventories (BUS-54) require that adequate safeguards should be provided to protect University supply inventories from pilferage or other loss. Inventories are to be verified by physical count at least annually, preferably on a cyclical basis.

Management Action Plan

On January 27, 2014 a work order was requested to duplicate the key so only authorized individuals have access to the permit inventory key. The keys will be maintained by each authorized individual. Also, front office staff was instructed to not check out parking permits to themselves but to request them through one of the three authorized individuals. Parking is also looking into purchasing a new point of sale system that would generate a perpetual inventory report that would allow them to perform a physical inventory count.

5. Purchase Invoices

Background

Purchase invoices were evaluated for adherence to University policies and department procedures. Ten expenditures, five from Parking and five from Security, were selected from the general ledger between August 2014 to October 2014 and reviewed for appropriateness, payment authorization and evidence of receipt.

Observation

Department guidelines require all purchase invoices over \$5,000 to be reviewed and approved by the Director prior to payment. However, three of Security's purchase invoices ranging from \$6,703 to \$11,033 were paid without the review and approval of the Director. In addition, department guidelines surrounding purchase invoices are not documented.

Management Action Plan

Effective February 1, 2015, management will ensure that all purchase invoices above \$5,000 are routed to the Director for review and approval prior to payment. This process will be documented in departmental procedures by June 30, 2015.

6. Equipment Inventory

Background

Security maintains equipment/property such as tasers, radio batteries, and restraining devices. Inventory records and storage practices were reviewed to ensure that equipment inventory is monitored and physically secured.

Observation

Security's equipment is not adequately secured. IAS observed equipment stored in unlocked filing cabinets located in the Sergeants' office. The office door was propped open and remains open throughout the day. Although monthly inventories are performed of the tasers and radios, equipment is not secured at all times. In addition, there was no record that Security conducted the annual physical inventory of assigned equipment as required by Campus Policy. Security did not retain a copy for their records.

Management Action Plan

Immediate corrective actions such as limiting access to the Sergeants office, locking storage containers, etc. is not possible due to limited resources and inadequate infrastructure. Proposed corrective actions to be implemented in relationship with budget planning for FY 2015-16 targeted for July/August 2015. Proposed improvements include:

- Re-organization of designated Sergeant office; removal of unnecessary file cabinets;
- Fabrication, purchase of custom secure storage containers for sensitive equipment/items; and
- Develop and implement “Arms Room” procedures to check-out/in sensitive items, limit access and facilitate visual inspection/accountability of items and storage containers.

Effective February 2015, copies of completed annual physical inventory of assigned equipment will be maintained within the department.

7. Purchasing and Receiving Separation of Duties

Background

Individual duties are separated so that one person's work routinely serves as a complimentary check on another person's work. Discussion with management was held to determine adequate separation of duties over the purchasing, receiving and inventory process.

Observation

Determined that employees placing orders for purchases are also receiving goods and reconciling financial system reports; inadequate separation of duties. To reduce the risk of error and fraud, no one employee should have complete control over more than one key processing function or activity, such as authorizing, approving, receiving, or reconciling.

Management Action Plan

Management will ensure that reasonable separation of duties is established after considering the available resources. For example, the Administrative Analyst in the ID Badge Office will now receive and inventory all goods and notify the Security Systems Coordinator so reconciliation can take place. Established departmental procedures regarding the purchasing, receiving and reconciling process will be documented by June 30, 2015.

8. Budget

Background

Operation managers are to review the operating budget monthly using DSS, explaining and justifying any variances in the notes section. IAS discussed the budget review process with the Parking and Security operation managers and validated evidence of review for July, August, and September 2014.

Observation

Security does not regularly review the budget using DSS. Variance explanations were maintained outside the system and does not promote transparency. There was also no established written departmental procedures surrounding budget reviews to ensure consistency and continuity of workflow should a critical position become vacant.

Management Action Plan

The Security Operations Manager is scheduled to attend Strata Budget User Training in March 2015. Upon completion of training, the Security Operations Manager will review the budget monthly and explain variances within DSS. This has been scheduled as a regular re-occurring task via Microsoft Outlook. Findings will be reviewed with the Department Director in standing meetings.

Written departmental procedures reflecting this process will be established and communicated to staff by June 30, 2015.

9. Timekeeping

Background

Parking and Security uses the API Time and Attendance System which is an automated timekeeping system designed to collect and process employee hours and generate reports. In addition to API, the department requires employees to manually record hours on the Employee Weekly Time Records and must be reviewed and approved by the employee's direct supervisor. The manual records are used to ensure that the time captured in API is accurate and supported. Sampled five Parking and Security employees and verified that manual edits to an employee's time such as missed punches, were properly approved on the Employee Weekly Time Records.

Observation

The review of the manual time attendance records found inconsistent processes between Parking and Security. Parking requires the Operations Manager's review and approval of all Employee Weekly Time Records and Security does not. To promote consistent internal controls and to assure that time is properly captured and payroll charges are properly reviewed and approved, Security should begin reviewing Employee Weekly Time Records.

Management Action Plan

To maintain consistency within the department and ensure adequate internal controls, effective February 28, 2015, all Employee Weekly Time Records for Security staff will be reviewed and approved by the Security Operations Manager. The Security Operations Manager will then submit the time record to the Business Manager for entry into API. This process will be reflected in the department's written Time and Attendance procedures by June 30, 2015.

10. Navigate Access

Background

NaviGate is a web based system used by Security Officers to write incident reports implemented in April 2014. NaviGate also has the capabilities to generate ad hoc reports based on incident types, location, time of day, etc. Users and levels of access were reviewed for a sample of ten employees.

Observation

One employee's access level to NaviGate was excessive. The employee had Master Facilitator or full administration rights allowing the user to create and review reports, add additional security categories, add maps and approve reports however such access did not agree to employee's current responsibilities. Upon audit's notification the access level was reduced to only creating reports.

Management Action Plan

Implemented March 1, 2015, management will periodically review NaviGate users and access levels to ensure it is appropriate. The review will occur at least once a year or when someone separates and no longer requires NaviGate access. The separation checklist will be revised to include removing NaviGate access by June 30, 2015.

11. Lost and Found

Background

Security provides lost and found services at the Medical Center. Reviewed the Lost and Found Guidelines to ensure compliance with UC Irvine Administrative Policies & Procedures Sec.905-10 and also held discussions with management.

Observation

Although Security's Lost and Found procedures are in compliance with policy, the current process is not efficient and manual and labor intensive.

Security Officers must manually assign property numbers to items which may result in human error. Utilizing the NaviGate system to track and monitor lost and found property will streamline processes and promote efficiencies.

Management Action Plan

Management will utilize the NaviGate system to manage lost and found property. A process will be established and training provided to staff prior to implementation. Written departmental procedures will be documented by June 30, 2015. In addition, the Director will explore if a General Administrative Policy for Lost and Found can be created for the Medical Center.