Program in Public Health

Internal Audit Report No. I2022-201
November 18, 2022

Prepared By
Julie Chung, Senior Auditor

Reviewed By
Helen Templin, Principal Auditor

Approved By
Mike Bathke, Director
November 18, 2022

BERNADETTE BODEN-ALBALA, MPH, DRPH
DIRECTOR AND FOUNDING DEAN
PROGRAM IN PUBLIC HEALTH

RE: Program in Public Health Audit
    Report No. I2022-201

Internal Audit Services performed a limited review of the Program in Public Health, 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, please do not hesitate to contact me.

Sincerely,

[Signature]

Mike Bathke
Director

Attachment

C: Audit Committee
   Sharon Robert, Director of Administration and Strategic Planning – Program in Public Health
   Thomas Stevenson, Director of Finance – Program in Public Health
I. MANAGEMENT SUMMARY

In accordance with the fiscal year (FY) 2021-2022 audit plan, Internal Audit Services (IAS) reviewed the procedures and processes for non-payroll expenditures, federal subaward expenses and invoicing, and federal payroll expenditures in the Program in Public Health (Public Health).

In general, controls and processes appear to be functioning as intended. Based on the audit work performed, which focused on federal contracts and grants expenses, some internal controls need improvement and should be strengthened to minimize business risks, ensure compliance with University, campus, and federal agency policies and procedures, and/or promote best business practices. Specifically, IAS noted the following concerns.

**Non-Payroll Expenses** – A review of the non-payroll expenditures, such as PALCard transactions and travel expenses, disclosed exceptions where University policy requirements were not met. These observations are discussed in sections V.1. and V.2.

**Payroll Certification** – Payroll certifications were not completed in a timely manner as required by campus policy. This observation is discussed in section V.3.

II. BACKGROUND

As part of the Susan & Henry Samueli College of Health Sciences, the Public Health was established in 2003. The Program has a total of 1,294 undergraduate and 142 graduate students as of Fall 2021. It currently offers a Bachelor’s degree in Public Health Policy and in Public Health Sciences; a Public Health minor; a Master of Public Health with an emphasis in biostatistics, environmental health, epidemiology, or sociocultural diversity and health; and doctorates in public health, environmental health sciences, or epidemiology. Public Health plays a major role in driving the University’s success; it is ranked #6 on the U.S. News & World Report 2021 list for public health schools in California and #41 nationally out of 188 public health schools and programs. Also, plans are underway to transform Public Health into the UCI School of Population and Public Health.

III. PURPOSE, SCOPE, AND OBJECTIVES

The purpose of this audit was to perform a limited review of current practices and processes as well as assess the internal controls for federal contracts and grants funding in Public Health. The scope included review and sample testing of transactions from July 1, 2019, through present.
For testing purposes, IAS included the following objectives:

1. Determine if appropriate procedures and processes have been established and implemented to ensure compliance with federal award terms and conditions and with University and campus policy requirements for non-payroll expenditures (PALCard transactions and Travel) and to perform test work on a sample basis to determine if the expenses were properly and timely reviewed, appropriate, and approved for reimbursement;

2. Determine if appropriate procedures and processes have been established and implemented to ensure compliance with policy requirements for payroll expenditures on federal awards; and

3. Determine if invoices are appropriate and billed/paid accurately and timely, in accordance with the terms and conditions of the award.

IV. CONCLUSION

In general, the controls and processes surrounding federal awards appear to be functioning as intended. However, a review of non-payroll expenses and payroll certification reporting disclosed that Public Health could improve in these areas through compliance with University and campus policies and procedures.

IAS discussed observation details with management, who formulated action plans to address the issues. The details are presented below.

V. OBSERVATIONS AND MANAGEMENT ACTION PLANS

1. PALCard/Payment Request Transactions

   Background

   Staff who have been delegated low value purchasing authority to buy equipment, supplies, and services use a campus sponsored procurement card known as the PALCard. Public Health purchasing guidelines requires faculty and staff to complete a purchase request form for approval prior to purchasing.

   UC Business and Finance Bulletin BUS-43: Purchases of Goods and Services; Supply Chain Management (BUS-43) is the UC procurement policy and procedure that governs the purchasing function on campus and provides for the appropriate implementation of the policies and requirements of the funding agencies for federal contracts and grants. It requires implementation of internal controls, administrative review, and separation of duties.
BUS-43 Section V., Part 4, B. 1. requires an Administrative Review as follows:

i. The expenditure was properly authorized;
ii. The expenditure is described in sufficient detail on at least one document (web/email confirmation, Supplier invoice, packing slip, receipt, etc.); "miscellaneous supplies" is not sufficient;
iii. There is evidence that the items sold by the Supplier were actually received;
iv. The expenditure is appropriate, both in general terms and with regard to the specific fund source used. Although administrative personnel are not expected to understand exactly what technical items are to be used for, they should be able to identify questionable expenditures such as computer game software, inappropriate furniture, pet food supplies not relevant to experiments, and the like;
v. The document must be signed and dated, electronically or on paper, by the reviewer to indicate that an administrative review was performed; and
vi. The review must be conducted in a defined period of time, based on individual campus requirements.

Observation

IAS selected a sample of eleven expenditures, six PALCard transactions and five payment requests, from July 2020 through March 2022 to determine if Public Health implemented required internal controls in compliance with University and campus policies and procedures and in accordance with the federal award’s terms and conditions. The following is a summary of the observations:

Administrative Review/Supporting Documentation:

• IAS determined that required supporting documentation, such as the requisition form, invoice, and packing slip, were the same documents submitted for two different transactions. Although reviewed and approved by the administrative reviewer, there is no explanation for why these two transactions are supported by the same set of documents;

In nine other transactions reviewed, packing slips or other evidence that purchased items were actually received were not documented or uploaded into the Kuali Financial System (KFS) for administrative review as required by University policy to document proof of receipt; and

• For each expenditure reviewed, a business purpose or justification was not always documented as required by policy.

Although the sampled purchases were appropriately charged to federal awards, implementation of internal controls, such as maintaining required supporting documentation and proper administrative review, will minimize the risks of error, fraud, waste, and improper use of University and federal funds.
Management Action Plan

The Dean's office has reviewed University policy, BFB-BUS-43 Procurement, as well as the audit review observations and have determined the need to establish the following:

• Meet with department managers, research administration, and PALCard holders to discuss audit observations and inform of steps of actions moving forward;

• Finalize written financial guidelines and updated purchasing/reimbursement forms to ensure proper submission of documentation compliant with University policy;

• Communicate out to all faculty and staff regarding forms and guidelines to provide education to employees with continued email messaging throughout each year on pertinent reminders;

• Meet with department managers, research administration and PALCard holders regularly to provide purchasing updates and identify areas of weaknesses surrounding PALCard and purchasing policy and intend on expanding these controls into other accounting policies;

• Conduct an annual spot audit by Dean's Office finance staff to ensure proper purchasing documentation are being submitted and accurate reconciliations of PALCard are being completed by all financial-related employees and address any respective issues; and

• Review procurement guidelines annually to verify the appropriate purchasing steps and processes are in place.

The above action plan identifies the means to improving practices that will produce a more consistent business process for the management of procurement needs. The above action plan is to be developed and implemented.

**Due date: February 28, 2023**

2. **Travel Expense Review**

**Background**

As of July 1, 2014, reimbursements for various transactions such as entertainment, travel, and other expenses are processed through the Kuali Financial System (KFS). Reimbursement requests pertaining to travel expenditures must comply with UC Business and Finance Bulletin G-28: Travel
Regulations (G-28), the University policy on travel, in addition to campus policies, as well as the expensed federal award's terms and conditions.

**Observation**

One travel expense claim reimbursed in April 2022 was reviewed to determine if Public Health complied with policy and procedures. The following is a summary of the observations:

- The traveler was reimbursed $793.92 for airfare but $784.07 was documented as the total cost on the receipt. Additionally, existing credit was used to offset the cost of this expense and no documentation was submitted to show proof of payment, such as the credit card statement for the original airfare to clarify the actual amount expensed; and

- The traveler did not submit the conference agenda, which is the preferred method to substantiate business purpose by both University and campus travel policies.

Although the sampled travel voucher was appropriately charged to federal awards, internal controls, such as obtaining proper documentation that include proof of payment and meeting agendas, reduce the potential for reimbursement of improper expenses as well as detect any errors, inaccuracies, waste, and fraud.

In addition, due to pandemic health concerns, the benefit derived from travel should be documented specifically in cases where meetings or conferences are livestreamed and/or available as podcasts.

**Management Action Plan**

The Dean's office has reviewed University policy, BFB-G-28: Travel Regulations (G-28), as well as the audit review observations and have determined the need to establish the following:

- Meet with department managers and research administrators to discuss audit observations and inform of steps of actions moving forward;

- Finalize written financial guidelines and updated travel reimbursement forms to ensure proper submission of documentation compliant with University policy;

- Communicate out to all faculty and staff regarding forms and guidelines to provide education to employees with continued email messaging throughout each year on pertinent reminders;
• Meet with department managers and research administrators regularly to provide reimbursement updates and identify areas of weaknesses surrounding travel reimbursement policy;

• Conduct an annual spot audit by Dean’s Office finance staff to ensure proper reimbursement documentation are being submitted and accurate reconciliation of KFS documents are being completed by all financial-related employees and address any respective issues; and

• Review travel related guidelines annually to verify the appropriate reimbursement steps and processes are in place.

The above action plan identifies the means to improving practices that will produce a more consistent business process for the management of travel reimbursement needs. The above action plan is to be developed and implemented.

**Due date:** February 28, 2023

3. Payroll Certification Review

**Background**

UCI fulfills the salaries and wages federal reporting requirement through a payroll certification process. This is supported by the Payroll Certification System (PCS) which resides within KFS. Payroll certification requires that Principal Investigators complete an after-the-fact review of salaries and wages charged to their federal awards (including cost-shared salaries) and certify that they are accurate, allowable, and properly allocated. The payroll certification must take place at least every 12 months, and it is due 90 days from the award budget period end date to ensure timely processing of all necessary adjustments.

**Observation**

The recorded Primary Account Fiscal Officer and Primary Account Supervisor receive an automated email two weeks before a PCS report is due to remind them about the upcoming PCS reporting deadline. PCS reports are considered “past due” the day after the due date and an escalation email is sent out.

A review of PCS reporting disclosed several overdue PCS reports. However, by the end of July, only one is now considered past due. The following is a summary of the observations on PCS reporting for timeliness:

<table>
<thead>
<tr>
<th>PCS Due Date</th>
<th>Total PCS Reports due for each month</th>
<th>Past Due PCS notifications sent</th>
<th>Comment</th>
</tr>
</thead>
<tbody>
<tr>
<td>11/30/21</td>
<td>4</td>
<td>5</td>
<td>1 past due since Oct; 4 from Nov</td>
</tr>
<tr>
<td>12/31/21</td>
<td>2</td>
<td>3</td>
<td>2 past due since Nov; 1 from Dec</td>
</tr>
<tr>
<td>Date</td>
<td>Count</td>
<td>Payroll certification status</td>
<td></td>
</tr>
<tr>
<td>------------</td>
<td>-------</td>
<td>------------------------------------------------------------------</td>
<td></td>
</tr>
<tr>
<td>01/31/22</td>
<td>1</td>
<td>2 from Jan; 1 reopened for recertification</td>
<td></td>
</tr>
<tr>
<td>02/28/22</td>
<td>1</td>
<td>1 from Feb</td>
<td></td>
</tr>
<tr>
<td>03/31/22</td>
<td>4</td>
<td>2 from Mar</td>
<td></td>
</tr>
<tr>
<td>04/30/22</td>
<td>0</td>
<td>2 past due since Mar</td>
<td></td>
</tr>
<tr>
<td>05/31/22</td>
<td>0</td>
<td>1 past due since Mar</td>
<td></td>
</tr>
<tr>
<td>06/30/22</td>
<td>2</td>
<td>1 reopened for recertification; 1 past due since Mar; 2 from Jun</td>
<td></td>
</tr>
<tr>
<td>07/31/22</td>
<td>0</td>
<td>1 past due since Jun</td>
<td></td>
</tr>
</tbody>
</table>

Past due notifications only trigger after the first of the month. A late PCS report completed after the first but before the end of the month will not trigger an escalation email for the following month. Any fund adjustments that change an already certified PCS report will require that PCS report to be reopened and recertified and consequently, will generate a past due notification.

**Management Action Plan**

The Dean’s office has reviewed the audit review observations regarding payroll certification and have determined the need to establish the following:

- Meet with department managers and research administrators to discuss audit observations and inform of steps of actions moving forward. Provide education surrounding payroll certification with continued email messaging throughout each year on any pertinent reminders;

- Meet with department managers and research administrators if delays to certification reports have been incurred; and

- Request to include department managers and the Assistant Director of Contracts and Grants in email communications regarding payroll certification to connect with research administrators on any delays.

The above action plan identifies the means to improving practices that will produce a more consistent business process for the management of payroll certification needs. The above action plan is to be developed and implemented.

**Due date:** February 28, 2023