INTRODUCTIONS

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Antonio Manas-Melendez-Associate Director
Irene Camargo-Senior Auditor
Gifty Mensah-Senior Auditor
Karen Quintana-Staff Auditor
Vacant-Senior Auditor

Reporting Structure: The department reports administratively through the Assistant Chancellor, Chuck Haines, to the Chancellor, and functionally to the UC Senior Vice President and Chief Compliance and Audit Officer. And…Oversight is provided by the UCSB Audit Committee.
WHAT & WHY

What is Audit & Advisory Services?

INTERNAL AUDITOR

what MY MOM thinks I do
what MY FRIENDS think I do
what MY BOSS thinks I do
what MY COLLEAGUES FROM OTHER DEPARTMENTS think I do
what I think I do
what I really do
WHAT & WHY

And why do I need to know about it?

YOU GET AN AUDIT, YOU GET AN AUDIT & YOU GET AN AUDIT

EVERYONE GETS AN AUDIT
HOW IS THE AUDIT PLAN DETERMINED?

- Annual Risk Assessment
  - Conduct Interviews
  - Survey Stakeholders
  - Review Prior Audits
  - Review Compliance Requirements
  - Review Whistleblower Reports

- Results are included in a risk assessment methodology prescribed by UCOP and augmented to address local needs and risks.
## Internal Control Questionnaire

### Travel

**Objectives:** To gather information and ascertain that departmental procedures exist to ensure travel activities are properly controlled, accounted for, and performed in compliance with University policies.

**Interviewed:**  
**Date(s):**

<table>
<thead>
<tr>
<th>Possible Audit Issue?</th>
<th>Yes</th>
<th>No</th>
<th>Response/Evaluation</th>
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</thead>
<tbody>
<tr>
<td><strong>Entertainment</strong></td>
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<tr>
<td>1. Describe your department's travel reimbursement process.</td>
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<tr>
<td>a) Do you have written department procedures covering the travel reimbursement process?</td>
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<td>i) If so, are they current? Please provide them.</td>
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<td>ii) If no, which applicable UC policies do you follow?</td>
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<td>2. Who are your travelers? (Faculty, undergraduate and/or graduate students, domestic and/or foreign visitors)</td>
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<td>3. Does your travel policy differ for any of the groups mentioned above?</td>
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<td>4. Do you provide travel training to each type of traveler?</td>
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<tr>
<td>a) What type of information is provided during training?</td>
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<tr>
<td>b) How often and to whom is training provided?</td>
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<td>c) Do you have any presentations?</td>
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<td>5. Is prior approval required for travel?</td>
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<td>a) If so, what type of travel and for whom?</td>
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<td>b) Are there different approvers based on the traveler’s status or appointment?</td>
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<td>6. Does your department allow travel advances?</td>
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<tr>
<td>a) If so, for what types of expenses and for which travelers?</td>
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### Actions

[Diagram of an arrow and a green leaf]
MANAGEMENT CORRECTIVE ACTIONS

• Management corrective actions (MCAs) are the improvements and other actions that campus management agrees to take in response to the recommendations included in the department’s audit and advisory service reports.

• Each MCA has a date of completion.

• We preform routine follow-ups to check on the status and ensure the MCA is complete by the date agreed upon.

• Extensions do happen, but any MCA that goes past 300 days gets reported by the Regents to the Chancellor.
Keep smiling - maybe the auditor will forget about those reports she asked for yesterday
AUDIT SERVICES PLAN
FY 2017-18

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<td>IT: Information Security – Cyber Security</td>
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<td>IT: Cloud Computing</td>
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<td>Transcript Tracking System (TTS) and Transfer Evaluation and Articulation System (TEAS)</td>
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<td>IT: General Controls - Campus Security</td>
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<td>IT: Campus Financial System (CFS) - Phase I Post Implementation Internal Control Review (Business and Financial Services)</td>
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<td>IT: Enterprise and Campus-wide IT Project Costs - FY 2017-18 Review</td>
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<td>IT: UCPath Project Progress Review</td>
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<td>Audit</td>
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<td><strong>Non-IT Audits</strong></td>
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<td>Marine Science Institute</td>
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<td>Deferred Maintenance</td>
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<td>Environmental Health &amp; Safety (EH&amp;S): Construction Close Out</td>
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<td>Hiring Practices - Faculty Recruitments</td>
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<td>Environmental Health &amp; Safety (EH&amp;S): Safety Training</td>
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<td>Executive Compensation: Chancellor’s Expenses and Executive T&amp;E (Systemwide)</td>
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<td>Executive Compensation: Annual Report on Executive Compensation (AREC)</td>
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<td>Fair Wage/ Fair Work (Systemwide)</td>
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<td>Conference Services - Internal Control Review</td>
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<td>HR Background Checks</td>
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WHAT WOULD AN AUDITOR LOOK FOR?

Generally, a good rule of thumb is, we audit against policy.
WHAT WOULD AN AUDITOR LOOK FOR?

Sponsored Projects

- Cost overruns & cost transfers
- Inadequate documentation of costs
- Recharge activities with financial surpluses
- Costs incurred outside of funding period
- Recharge rates not approved or not applied consistently to all users
- Object coding errors
- Unallowable costs charged to a project
- Effort Reporting not properly certified or filed timely
- Technical reports not filed on time
WHAT WOULD AN AUDITOR LOOK FOR?

Sponsored Projects

Questioned costs are likely to be the major financial issue resulting from an audit, and generally relate to the following:

**Unallowable Costs** are costs specifically not allowed under the general and specific requirements or conditions of the award.

**Undocumented Costs** are costs charged to an award for which detailed documentation does not exist.

**Unapproved Costs** are costs for which the award requires approval and no evidence of approval can be found, and the costs are not included in the award budget.
Cost Disallowances

Errors in financial transactions found in a federal audit may result in a disallowance of the costs involved. Such disallowances are subject to reimbursement to the federal agency from departmental fund sources.

A relatively small number of errors found in an audit sample of financial entries of a particular type may be projected over the total population of similar entries to develop an audit finding which may translate into a very large cost disallowance.
Cost Disallowances

Federal auditors have started to use data mining and analytical tools to examine financial data.

This means that there is potential for every transaction to receive at least some level of scrutiny during an audit.
SPONSORED PROJECTS - HOW TO AVOID AUDIT ISSUES

• Documents supporting all financial activity should be complete, properly approved, & retained per UCOP retention schedule following project completion. (https://recordsretention.ucop.edu)

• Financial activity should be actively monitored & compared to project budgets to avoid cost overruns. PIs should be kept informed of the financial status of their projects on a regular basis.

• Charges to a contract/grant must (1) represent costs incurred to benefit the specific project, (2) be reasonable costs of performing the award work, (3) be consistent with the project budget, and (4) be allowable under federal costing guidelines.
SPONSORED PROJECTS - HOW TO AVOID AUDIT ISSUES

- Cost transfers should be avoided. When absolutely necessary to transfer costs between projects, transfer policy requirements should be strictly followed.

- Required reports should be filed on a timely basis.

  When in doubt, seek assistance.

- Refer to policies, procedures, and other references, including on-line information sources.
- Contact Extramural Funds staff in Business & Financial Services or the Office of Research.
WHAT WOULD AN AUDITOR LOOK FOR?

Travel Reimbursements
Verify that adequate supporting documentation exists. Specifically, test for the following:

• Purpose of the trip, supporting records, and other information demonstrate that the travel is for University purposes. (An agenda, itemized receipt, or other supporting documentation for all registration fees.)

• Reasonable transportation charges.
  • Air travel - coach class air travel
  • Automobile - the most economical route was used documented using mapquest
  • Bus, train fares, parking fees
  • Mileage reimbursement at correct rate

• If the traveler mingled personal and business activities, an adequate explanation and records exist to demonstrate the University only paid for expenses directly associated with University business.
WHAT WOULD AN AUDITOR LOOK FOR?

Travel Reimbursements

Verify that adequate supporting documentation exists. Specifically, test for the following:

• Meals are within prescribed policy limits.
• Reasonable lodging expenses. (maximum lodging reimbursement of $275 per night, before taxes and mandatory hotel fees, exceptions are allowed if a hotel rate at $275 is not available, however traveler must submit additional documentation that support higher price)
• Travel advance cleared with expense voucher.
• Verify that an adequate review for appropriate authorization was performed.
WHAT WOULD AN AUDITOR LOOK FOR?

Travel Reimbursements

Verify that adequate supporting documentation exists. Specifically, test for the following:

• The travel expense claim must be submitted to the disbursements/travel accounting office within a reasonable amount of time not to exceed 45 days after the end of a trip.
• Review documentation to include:
  • Receipts for all airline expenses. (airline ticket, baggage fees, etc.)
  • Receipts for all lodging expenses incurred for domestic travel, except where per diems are authorized for lodging expenses.
  • Receipts that support the reimbursement claim for long-term foreign lodging that is charged to a federal fund source (whether reimbursed as a per diem or actual), should be kept on file within the department and retained for such periods as required by either the sponsor’s retention policy or UC retention policy.
• Receipts for all rental car expenses.
WHAT WOULD AN AUDITOR LOOK FOR?

Flexcard Receiving Documentation

Q – For FlexCard purchases, do we require proof of delivery and/or pick-up by the requester/recipient? Will and email alerting the faculty member that there order is ready suffice?

A – No, an email alerting the faculty member that their order has been received will not suffice as evidence of proof of delivery contents.

Scenario 1 - If the package has arrived in the central office and they send the faculty member an email telling him/her that the package can be picked up, then it was received by the central office and whoever received it in that office would indicate this in the documentation package, either by attaching a packing slip or paid invoice, or if none were included with the shipment, then by making a note on the order document stating that no packing slip/paid invoice was included but that it was indeed received on X date; the central office receiver would initial or sign this comment.

Scenario 2 – If items that are delivered directly to a faculty member or other staff member and bypass the central office, and faculty or staff members do not obtain a packing slip or paid invoice, throws out the document, or there was never one to begin with, then the department is asked to obtain an email from the staff person confirming delivery and receipt. This can take the form of an email initiated by the financial person asking Prof. Smith “did you receive the laptop that was ordered from Amazon” and his or her affirmative response confirming item(s) received.
WHAT WOULD AN AUDITOR LOOK FOR?

Audit Findings

Q – If there is a high employee turnover in the department, will the current staff be reprimanded based on prior poor practices?

A - Audit reviews the process, not the person, so it is important that departmental procedures are written effectively and clearly to provide adequate guidance to staff.
EXTERNAL AUDIT ACTIVITY

Audit and Advisory Services has responsibility, or shared responsibility, for the oversight of external audits by federal, state, and local agencies and other entities.

As part of this responsibility, the department tracks external audit activity and reports audit progress and results to the UCSB Audit Committee and senior management.
The department also functions as external audit coordinator for some audits, primarily by providing logistical support and by facilitating responses to requests for information and data by the auditing agencies.

External audits include both financial and non-financial audits performed or required by agencies that provide funding for sponsored projects and other campus efforts.
The Whistleblower Unit is no longer a part of Audit and Advisory Services, but we work closely to assist each other in risk identification.

**Investigations** are independent evaluations of allegations generally focused on improper governmental activities, including misuse of university resources, fraud, financial irregularities, significant control weaknesses, and unethical behavior or actions.
WHY DO PEOPLE COMMIT FRAUD?

Opportunity
Pressure
Rationalization

Fraud Triangle
WHY DO PEOPLE COMMIT FRAUD?

• **Person is under PRESSURE because of**
  • personal debt
  • an addiction (gambling, drugs, etc.)
  • desire to live the high life – not attaining personal status
  • scrambling to meet sales quotas
  • scrambling to deliver better numbers to his investors

• **Person sees an OPPORTUNITY to commit fraud**
  • writes and approve disbursements with any oversight from his bosses
  • knows no one is looking or paying attention

• **Person RATIONALIZES to himself**
  • I deserve this
  • I’m only borrowing a little
  • I’ll pay it back
WHY DO WE CARE?

- Reputation of the Institution
- Employee Morale
- Costs of Human Resources and Investigations
- Fraud Undermines Every Aspect of the University’s Mission:
  - Teaching
  - Research
  - Public Service
<table>
<thead>
<tr>
<th>FRAUD RED FLAGS</th>
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<tbody>
<tr>
<td>• Living Beyond Mean</td>
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<tr>
<td>• Financial Difficulties</td>
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<tr>
<td>• Unusually Close Association with Vendor / Customer</td>
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<tr>
<td>• Wheeler-Dealer Attitude</td>
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<tr>
<td>• Control Issues / Unwilling to Work with Others</td>
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<tr>
<td>• Divorce / Family Troubles</td>
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<tr>
<td>• Irritability / Suspicious / Defensiveness</td>
</tr>
<tr>
<td>• Addiction Problems</td>
</tr>
<tr>
<td>• Complained about Inadequate Pay</td>
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<tr>
<td>• Refusal to Take Vacations</td>
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<tr>
<td>• Excessive Pressure within Organization</td>
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<tr>
<td>• Past Employment-Related or Legal-Related Problems</td>
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<tr>
<td>• Social Isolation</td>
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<tr>
<td>• Excessive Family-Peer Pressure</td>
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<tr>
<td>• Complained about Lack of Authority</td>
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<tr>
<td>• Instability in Life Circumstances</td>
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YOU are the biggest asset for detection of fraud at our institution.

If you see something, say something.
RESOURCES

Audit and Advisory Services Website
(includes each year’s services plan):
http://www.audit.ucsb.edu

UCOP Audit Report Repository:
http://www.ucop.edu/audit/reports/?action=public_search

UC Whistleblower
• Whistleblower website:
  http://www.vcadmin.ucsb.edu/whistleblower
• Whistleblower Hotline:
  http://www.universityofcalifornia.edu/hotline
• Whistleblower Hotline Phone:
  800-403-4744
CONTACT US

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QUESTIONS?

BRACE YOURSELVES

AUDIT IS COMING

memegenerator.net