

**RIVERSIDE: AUDIT & ADVISORY SERVICES**

July 20, 2006

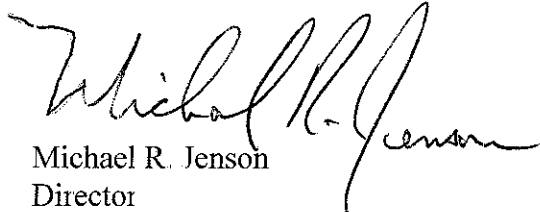
To: Patrick V. Reed  
University Auditor

Subject: Review of UCR Senior Management Group Travel and Entertainment Expenses

Ref: R2006-E1

As requested, we have completed our Review of UCR Senior Management Group (SMG) Travel and Entertainment Expenses. Our report is attached for your review.

Should you have any questions concerning the report, please do not hesitate to contact me.



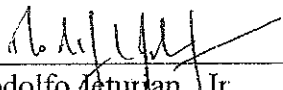
Michael R. Jenson  
Director

Xc: UCR Audit Committee members

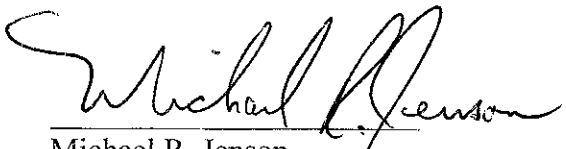
UNIVERSITY OF CALIFORNIA AT RIVERSIDE  
AUDIT & ADVISORY SERVICES  
MEMBER OF ASSOCIATION OF COLLEGE & UNIVERSITY AUDITORS

INTERNAL AUDIT REPORT R2006-E1  
REVIEW OF UCR SENIOR MANAGEMENT GROUP  
TRAVEL AND ENTERTAINMENT EXPENSES

JULY 2006

  
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Rodolfo Jeturian, Jr.  
Principal Auditor

Approved by:

  
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Michael R. Jenson  
Director

**UC RIVERSIDE  
REVIEW OF UCR SENIOR MANAGEMENT GROUP  
TRAVEL AND ENTERTAINMENT EXPENSES  
INTERNAL AUDIT REPORT R2006-E1  
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**I. MANAGEMENT SUMMARY**

Based upon the results of our limited work performed within the scope of the audit, it is our opinion that, overall, the travel and entertainment expenses incurred by UCR Senior Management Group (SMG) employees do not represent additional elements of compensation and are generally in compliance with applicable University policies and procedures.

We noted a procedure that appears to be effective but needs modification to comply with University policy. The Vice Chancellor – Academic Planning & Budget, who reports directly to the Chancellor and Executive Vice Chancellor (EVC) & Provost, approves their travel expense vouchers. UC Business and Finance Bulletin G-28 Section IV and UCR Campus Policy Number 900-20 Travel- policy, regulations and procedures Section I state: *“An employee shall not approve the travel expenses of an individual to whom he or she reports either directly or indirectly.”* A similar approval process exists for entertainment expenditures.

Since all UCR employees either report directly or indirectly to the Chancellor and EVC & Provost, and this is a common issue among the various campuses systemwide, we recommend that UC Office of the President (UCOP) management address the policy non-compliance by either designating authorized UCOP reviewers for these SMG members or granting a policy exception after consultation with The Regents.

No further reportable conditions were identified.

**II. INTRODUCTION**

**A. PURPOSE**

UC Riverside Audit & Advisory Services, under the direction of the University Auditor, performed a limited review of UCR SMG travel and entertainment expenses primarily to ensure the expenditures did not represent elements of compensation, and secondarily to review for general compliance with applicable University policies and procedures.

**B. BACKGROUND**

In its effort to provide greater oversight and understanding about UC compensation policies and practices, the UC Regents Chairman and UC President ordered an independent audit of current compensation arrangements and departure packages for all positions that now require compensation approval by The Regents. In addition, the UC President requested the University Auditor to conduct regular, random audits of travel and entertainment expenses of SMG members to ensure compliance with University policy.

**C. SCOPE**

Audit & Advisory Services reviewed selected records supporting permanent SMG member Travel and Entertainment expenses. Limited procedures included:

- Performed overview procedures and detailed transaction testing on travel and entertainment expenses incurred by SMG employees to evaluate general compliance with certain University policies and procedures and adequacy of internal controls.
- Judgmentally selected 38 travel expense vouchers of 15 former and current SMG members totaling approximately \$46,000, and 15 entertainment expense reimbursements charged to the SMG members' administrative funds for fiscal year 2004-2005 totaling approximately \$105,000.
- Reviewed the Travel and Entertainment questionnaires completed by current SMG members.

**D. INTERNAL CONTROLS AND COMPLIANCE**

As part of the review, internal controls were examined within the scope of the audit.

Internal control is a process designed to provide reasonable, but not absolute, assurance regarding the achievement of objectives in the following categories:

- \* effectiveness and efficiency of operations
- \* reliability of financial reporting
- \* compliance with applicable laws and regulations

Substantive audit procedures were performed from January to June 2006. Accordingly, this evaluation of internal controls is based on our knowledge as of that time and should be read with that understanding.