

## **UA South Business Practices**

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**FY15 - #11**

Submitted to:  
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# UA South Business Practices

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## Summary

Our audit of the UA South business practices was included in our approved Fiscal Year (FY) 2015 Audit Plan. The University of Arizona's (UA) *Never Settle* plan aims to increase student access and expand community partnerships. As a branch campus closely connected to its communities, UA South's business practices are critical to its ability to meet its goals and support UA's overall mission. While previous audits have covered portions of UA South's processes, this is our first comprehensive audit of UA South's business practices.

**Background:** UA South is a division of Student Affairs and Enrollment Management, Academic Initiatives and Student Success, with the UA South Dean reporting to the Senior Vice President for Student Affairs and Enrollment Management/Senior Vice Provost for Academic Initiatives and Student Success. UA South has its main location in Sierra Vista and has five additional locations throughout southern Arizona. These campuses and the online offerings combine to serve approximately 1,250 students each semester. Coursework has been developed in

conjunction with local community colleges so that students complete their first two years of coursework at a community college and then finish the upper division coursework at UA South to earn their bachelor degrees. Degree offerings are tailored to the workforce needs of the region. In addition to

traditional degree programs in education, computer science, humanities, and the social sciences, UA South offers Bachelor of Applied Science programs, Master's programs in education, and a variety of continuing education programs.



UA South Sierra Vista Administration Building

UA South's business processes are overseen by the Director for Finance and Administration. While many processes, including purchasing cards and travel reimbursements, follow the same steps as departments on UA's main campus, the off-site location, at times, requires that UA South manage other areas separately, such as facility maintenance. UA South works with the resources available on the main campus to customize services to fit their unique needs. For example, UA South technology staff works closely with University Information Technology Services (UITS) to build and maintain a secure and reliable network to each UA South site. In other cases, such as maintaining building security through keys and locksmith services, UA South works with local vendors to meet their needs.

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**Audit Objective:** Our primary audit objective was to ensure that UA South business practices were in compliance with University policies and procedures.

**Scope:** The scope of this audit included UA South business practices during FY 2015. Our risk assessment identified 15 higher-risk business processes that were selected for audit (listing in alphabetical order):

- Account reconciliation,
- Building security,
- Capital assets,
- CatCards,
- Cell phones and stipends,
- Change funds and petty cash,
- Fleet vehicles,
- Information technology,
- Leases,
- Purchasing cards (PCards),
- Revenues and receipts,
- Small assets and computers,
- Travel,
- Utility bills, and
- Vending machines.

**Methodology:** Our audit objective was accomplished by performing the following:

- Performing a preliminary risk assessment of UA South business practices and selecting 15 higher-risk areas for audit (as listed under **Scope**).
- Meeting with the following UA South representatives to review and observe procedures and facilities, and to verify compliance with UA policies:
  - Dean,
  - Director, Finance and Administration,
  - Media Specialist, and
  - IT Manager.
- Reviewing written UA South procedures and documentation to evaluate controls and verify compliance with UA policies for each of the areas selected under **Scope**;

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- Contacting applicable representatives in other UA departments to verify UA South's compliance with policies, including:
  - Financial Services Office
    - CatCard Office,
    - Records Management and Archives,
    - Bursar,
    - Capital Finance,
    - Procurement and Contracting Services, and
  - Planning, Design and Construction
    - Real Estate Administration.
  
- Selecting a sample of transactions from the following areas to verify compliance with UA and/or UA South policies and procedures:
  - PCards,
  - Cell phone monthly payments and stipends,
  - Capital assets,
  - Small assets and computers, and
  - Employee access to enterprise systems.

For each sampled area, sample items were selected via blind pencil stab from the population of transactions queried from UAccess Analytics using the applicable object code, transaction type, or dashboard.

**Conclusion:** UA South's structure directs most business-related transactions through their finance and administration staff. Due to the relatively small size of the college, the finance and administration staff are able to closely monitor revenues and expenses and are knowledgeable about the types of transactions and processes at each location. Generally, procedures follow the same processes as main campus, although at times the distance from main campus requires that certain areas, such as building maintenance and locks, be handled separately. For these areas, UA South has developed processes that may differ from main campus procedures, but that still ensure compliance with UA policies and meet UA South's needs.

A prior audit report related to UA South leases identified an issue with signing leases for space used by UA South and making payments in compliance with the lease terms. We reviewed leases and determined that UA South currently works closely with Real Estate Administration to sign leases and make payments. As a result, controls now exist to ensure that the issues identified previously would not be repeated.

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We noted two areas where UA South can plan ahead and review decisions to ensure their procedures stay current and efficient: the areas of continuing education and IT administration. As part of its mission, UA South presents a number of continuing education courses each year. The registration process has been handled through mail, phone, and a spreadsheet. While this method has worked so far, as the number of students and courses offered grows, UA South will likely need to invest in a more comprehensive registration and payment system, and one that likely will include the option for customers to pay online. Following the audit work, the UA South Dean, Finance and Administration office, and Continuing Education office have started to thoroughly evaluate their needs and budgets and are planning to implement a new system in the near future.

In addition, the UA South IT staff should continue to monitor its infrastructure and plan ahead for changes that may be required to take advantage of improving cloud storage resources and other technological advances. While UA South currently maintains a server room on the Sierra Vista campus, in the future it may be more efficient and cost effective to move the servers to a cloud service or to a UITS server on main campus, which may provide efficiencies and cost savings.

According to the Institute of Internal Auditors International Professional Practices Framework, an organization is expected to establish and maintain effective risk management and control processes. These control processes are expected to ensure, among other things, that:

- The organization's strategic objectives are achieved;
- Financial and operational information is reliable and possesses integrity;
- Operations are performed efficiently and achieve established objectives;
- Assets are safeguarded; and
- Actions and decisions of the organization are in compliance with laws, regulations, and contracts.

Our assessment of these control objectives as they relate to UA South's business practices is presented on the following page.

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General Control Objectives	Control Environment	Audit Result	
		No.	Page
<b>Achievement of the Organization's Strategic Objectives</b>			
<ul style="list-style-type: none"> <li>UA South's business practices support its strategic objectives.</li> </ul>	Reasonable to Strong Controls in Place		
<b>Reliability and Integrity of Financial and Operational Information</b>			
<ul style="list-style-type: none"> <li>Revenue is accurately recorded and monitored, including revenue from vending machines and use of change funds.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>Regular account reviews and reconciliations are performed to ensure accuracy and completeness.</li> </ul>	Reasonable to Strong Controls in Place		
<b>Effectiveness and Efficiency of Operations</b>			
<ul style="list-style-type: none"> <li>IT resources are administered in support of UA South's operations.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>Procedures are customized to UA South's needs where necessary to ensure efficient business practices, including distribution of CatCards, travel, and utility payments.</li> </ul>	Reasonable to Strong Controls in Place		
<b>Safeguarding of Assets</b>			
<ul style="list-style-type: none"> <li>Building security is maintained to ensure security of students, employees, and assets.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>Capital assets (including fleet vehicles) and accountable assets are recorded, protected, tracked, and disposed of in compliance with UA policies.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>Cell phones owned by UA are monitored and protected, and employee cell phone reimbursements are administered accurately.</li> </ul>	Reasonable to Strong Controls in Place		
<b>Compliance with Laws and Regulations</b>			
<ul style="list-style-type: none"> <li>PCards are utilized, reviewed, and recorded in compliance with UA policies.</li> </ul>	Reasonable to Strong Controls in Place		
<ul style="list-style-type: none"> <li>Leased facilities are negotiated, contracted, and monitored in compliance with UA policies.</li> </ul>	Reasonable to Strong Controls in Place		

We appreciate the assistance of UA South and other UA employees during this audit.

/s/

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