

Follow-up: NCI Selected Business Practices

April 2016

FY16 - #04

Submitted to:

Mary E. Wildner-Bassett, Dean, College of Humanities

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and Public Humanities

Copies to:

Institutional Internal Audit Review Board

Audit Committee, Arizona Board of Regents

Andrew C. Comrie, Senior Vice President for Academic Affairs and Provost

Gregg Goldman, Senior Vice President for Business Affairs and Chief Financial Officer

Laura Todd Johnson, Vice President, Legal Affairs and General Counsel

Jon Dudas, Senior Associate to the President and Secretary of the University

Joaquin Ruiz, Executive Dean, Colleges of Letters, Arts, and Science

Karen A. Williams, Interim Chief Information Officer

Duc D. Ma, Interim Associate Vice President, Financial Services Office

Toni L. Alexander, Assistant Dean for Business and Finance, College of Humanities

Follow-up: NCI Selected Business Practices

Summary

Follow-up on prior audits was included in our approved Fiscal Year (“FY”) 2016 Audit Plan. The professional standards for internal auditing require auditors to follow-up on any recommendations included in prior audit reports.

Background: Internal Audit completed audit report FY12 - #09 that evaluated the National Center for Interpretation Testing, Research, and Policy’s (“NCI”) use of University assets to ensure compliance with University policies and procedures. The audit efforts focused on cash-handling practices, resale inventory, accounts receivable, expense reimbursements, payments to consultants, purchasing card purchases, and conflict of interest/commitment. The audit was included in our approved FY 2012 Audit Plan. The audit report included management responses (“Action Plan”) to our recommendations, as well as target implementation dates.

The audit identified five recommendations to improve business practices and internal controls. When the report was issued, NCI management had improved processes for credit card refunds, sales of course materials, employee reimbursements, and potential conflicts of commitment. In addition, management had improved procedures for handling undeposited cash but had not yet finished updating their written procedures manual.

Objective: To evaluate whether the open Action Plan item from the October 2012 Action Plan has been implemented and whether it is functioning as intended.

Methodology: We accomplished our objective by providing the Director with a listing of the Action Plan item on a *Departmental Action Plan Status Form*. Management provided their response and updated documentation. We evaluated the status by:

- Reviewing the NCI website for information provided to customers, including viewing items that are available for sale, payment instructions, and the refund policy;
- Meeting with the Associate Director of Finance and Administration for the Centers for Applied and Public Humanities, which oversees NCI business practices, the Administrative Associate, and the Coordinator for Customized Programs and Training;
- Viewing the updated procedure manual and samples of monthly reconciliations;
- Discussing check deposit procedures with the Bursar’s Office Campus Banking Services Coordinator; and
- Confirming credit card procedures with the Bursar’s Office Program Coordinator Senior.

Follow-up: NCI Selected Business Practices

Conclusion: We found that all Action Plan items have been implemented and are functioning as intended. Oversight of the business processes has been moved to a central college unit, under the Associate Director of Finance and Administration, so that segregation of duties is ensured. The procedures manual has been updated regularly and is available for all staff to reference in a printed binder. In addition, we confirmed that previously implemented changes were still in place, including requiring all payments to be made via the website or, when necessary, via check mailed directly to the Bursar's Office. The online payment system also ensures that all credit card refunds are credited to the same card that made the original payment and that credit card numbers are maintained only by the online payment vendor and not in the NCI offices.

Additional follow-up will not be required.

/s/

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Attachment: *Departmental Action Plan Status Form*

Departmental Action Plan Status Form
Internal Audit of National Center for Interpretation Testing, Research and Policy: Selected Business Practices
April 2016

Please complete the right side of this form indicating the status of each of the action plan items listed on the left. As a convenience, action plan items are listed and referenced in the same order as they appear in the audit report. For any items that have not been implemented, please indicate the targeted date or the alternate solution implemented.

Departmental Action Plan	Status
<p>2. Target Implementation Date: May 31, 2013</p> <p>The Center is revising written procedures to ensure that no cash is received; the Interim Director advised staff in October 2012 that they are not authorized to receive cash payments. The <i>ecommerce</i> site is the primary means of doing business with individuals. Procedures are in place for segregation of duties for handling checks or money orders. Updating of the NCI procedures manual will be complete by the end of May 2013.</p>	<p>2. Target Implementation Deadline of May 31, 2013 (Achieved)</p> <p>The National Center for Interpretation (NCI) does not accept cash to pay for goods or services. This change took effect since October 2012 and it is reflected in NCI's Business Procedures.</p> <p>Ecommerce (3D-Cart) is the primary means of doing business with NCI customers.</p>

The status and the description of actual corrective actions taken as described on this form are accurately reported.

Carmen Ortiz
 Signature

4/19/2016
 Date

Carmen Ortiz, Associate Director of Finances & Adm/621-7062
 Print Name, Title and Telephone Number

Follow-up: UA South Building Ownership and Leases

April 2016

FY16 - #05

Submitted to:

Melissa Vito, Senior Vice President for Student Affairs and Enrollment Management, and
Senior Vice Provost for Academic Initiatives and Student Success

Joel S. Hauff, Associate Vice President, Student Affairs and Enrollment Management

James W. Shockey, Dean, UA South

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Karen A. Williams, Interim Chief Information Officer

Duc D. Ma, Interim Associate Vice President, Financial Services Office

Follow-up: UA South Building Ownership and Leases

Summary

Follow-up on prior audits was included in our approved Fiscal Year (“FY”) 2016 Audit Plan. The professional standards for internal auditing require auditors to follow-up on any recommendations included in prior audit reports.

Background: Internal Audit completed audit review report FY11 - #10 that determined the ownership of each building used by UA South at the Sierra Vista campus and reviewed the terms and payments related to all leased buildings. The audit was included in our approved FY 2011 Audit Plan. The audit report included management responses (“Action Plan”) to our recommendations, as well as target implementation dates.

The review identified the ownership of five Sierra Vista area UA South buildings. Three were owned by the University South Foundation (“USF”), a legally separate non-profit corporation whose mission is to promote higher education opportunities in Sierra Vista.

Two recommendations were identified relating to lease payments made to USF. The audit determined that UA South overpaid USF for the leases on two buildings between 2003 and 2006.

Objective: To evaluate whether the open Action Plan items from the June 2011 Action Plan have been implemented and whether they are functioning as intended. The work was performed in conjunction with an FY 2015 audit of UA South’s business processes. (See report FY15 - #11.)

Methodology: We accomplished our objective by providing the office of Student Affairs and Enrollment Management/Academic Initiatives and Student Success (SAEM-AISS) with a listing of the Action Plan items on a *Departmental Action Plan Status Form*. Management provided their response and updated documentation. We evaluated the status by:

- Obtaining copies of all leases for UA South buildings owned by USF from Real Estate Administration;
- Discussing current lease procedures with the UA South Director for Finance and Administration and confirming that FY 2015 payments were accurate;
- Comparing the lease agreements reviewed in the 2011 review to those currently in place; and
- Meeting with the Associate Vice President for Student Affairs and Enrollment Management to discuss progress on the Action Plan over the last few years.

Follow-up: UA South Building Ownership and Leases

Conclusion: We found that all Action Plan items have been implemented and are functioning as intended. When review FY11 - #10 was issued, the Management Response stated that improved internal controls had been implemented to ensure that lease payments were paid accurately. We found that the controls in place were still adequate to prevent an overpayment in the future. We also determined that SAEM-AISS, which now oversees UA South, has reviewed the prior situation and determined that the overpayment has now been resolved. USF provided reduced rent and has continued to be a good partner to UA South. Also, USF has further plans for improvements that will benefit the UA South campus. Therefore, SAEM-AISS management determined that the actions by USF were adequate to provide UA South benefits that compensate for the overpayments originally identified.

Additional follow-up will not be required.

/s/

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Attachment: *Departmental Action Plan Status Form*

Departmental Action Plan Status Form
Internal Review of UA South Building Ownership and Leases
March 2016

Please complete the right side of this form indicating the status of each of the action plan items listed on the left. As a convenience, action plan items are listed and referenced in the same order as they appear in the audit report. For any items that have not been implemented, please indicate the targeted date or the alternate solution implemented.

Departmental Action Plan	Status
<p>1. and 2. Target Implementation Date: October 31, 2011.</p> <p>USF has provided leased facilities at significantly reduced rates (including one year rent-free) to begin reimbursing the overpayment. We are currently negotiating a repayment schedule, which we expect to have in place by October 31, 2011, and we expect the overpayment to be recovered within three years. In addition, the new lease for the Language Building reflects significantly simplified terms to avoid confusion for subsequent lease administrators.</p>	<p>Implemented. UA South transitioned from the Outreach College to Student Affairs and Enrollment Management / Academic Initiatives and Student Success (SAEM-AISS) in October 2013. This transition necessitated the reestablishment of relationships with USF leadership, leading to a delay in formal negotiations with USF regarding the lease. In March 2014, it was determined that UA South would go through a performance review process, with the goal of establishing a new charter for the mission of UA South as a whole. In the context of the review, it made sense to delay any negotiations on space until it was completed. The performance review process will be completed in Spring 2016.</p> <p>UA South did receive reduced rent in the fiscal year periods following the initial Action Plan, as referenced in audit report FY11-#10. While it does not equate, dollar for dollar, to the exact amount of the overpayment, USF has continued to be a good partner and has made other investments into the quality of the UA South space, including parking lot improvements, lighting, signage, and landscaping. In addition, they are looking at additional enhancements including a new ring road around the UA South/Cochise College property and the construction of a storage/maintenance building that UA South can lease at a reduced rate.</p>

Departmental Action Plan Status Form
Internal Review of UA South Building Ownership and Leases
March 2016

	From a management perspective, we consider this item to be resolved to our satisfaction, and will address any remaining cost issues in future negotiations, and in the context of the new charter for UA South.
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The status and the description of actual corrective actions taken as described on this form are accurately reported.

Signature		Date

Print Name, Title and Telephone Number	JOEL HAUFF Assoc. Vice President, 621.0964