



**New Department Chair Workshop**  
**September 22, 2014**  
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**Director Internal Audit Services**

# Topics To Cover Today

1. What to expect and what to do if your department is audited
2. Critical Department Procedures That Prevent Problems

# Audit is not a 4-letter word!

- Internal Audit focus is on preventing problems before they occur. Not looking to find fault. We are forward looking.
- Even if a process breaks down and errors occur, our emphasis is on not blaming responsible parties but rather preventing a future occurrence.
- Internal Audit assesses systems of control, that is, processes and procedures in place to ensure a desired outcome. Typically our focus is on administrative and financial controls.

# Audit focus is on adding value

- Our goals are your goals. Optimize resource use to achieve your goals. Controls ensure:
  - Operations are efficient and effective
  - Supplies and Equipment are there when needed
  - Mission and Goals are achieved
  - Compliance with regulations and policies
  - Reliability and Integrity of Information.

# What to do if audited.

- Depends on the Type
- Types of Audits
  - Internal:
    - Unit review
    - Functional Review
  - External
    - Agency – Contracts, grants, awards, regulations
    - Financial Statement

# Internal Audits

- Unit Review
  - Assess and validate:
    - Key operational and administrative controls;
    - Financial management;
    - Key operating statistics; and
    - The current state of operations through interviews with key administrative personnel.
- Functional Review
  - Payroll, Research Administration, Gift Processing

# What you should do?

- Be open, honest and relaxed.
- Know that we will partner with you in reaching an agreement on what if anything needs to change
- Our strength is independence, objectivity, being process experts and able to cut across organizational lines.
- Goal is to help you

# External Audits

- If from an awarding agency:
  - Contact your Dean and Assistant Dean
  - Contact Amy Holzman, External Audit Coordinator (530) 752-9169  
[amholzman@ucdavis.edu](mailto:amholzman@ucdavis.edu)
- If compliance related:
  - Contact Wendi Delmendo (530) \_\_\_\_-\_\_\_\_
- We teach “How to Survive an Audit” of the Research Administrators Certificate Series



# How to keep your department out of trouble

- Helpful if you understand typical weaknesses and what processes, procedures or organizational structures can help.
- Next few slides I will explain good control practices
- Share a few stories when these practices were not followed

# Critical Department Controls

## **Separation of Duties:**

- Two people should be part of every transaction. For example, if one person authorizes a transaction, someone else should verify the goods or services were received.
- Then 2 parties must collude to commit a fraud (less likely to happen.)
- The person authorizing should have sufficient knowledge to vouch for validity of the transaction.

# Critical Department Controls Cont'd

## Financial Oversight:

- **A department chair is the equivalent of the department CEO.** You should be provided with financial information in sufficient detail so that you understand the financial performance of your department.
- **Be engaged** and understand your department's financial and administrative operations. Ask questions if you don't understand!

# Financial Oversight Specifics

- Are overall sources (revenues) and uses (expenses) of funds at the expected level?
- Are specific expense categories appropriate? Supplies? Travel?
- Ask for support for specific expenses.
- Need to hire trust worthy employees but trust is not a control!
- **Errors are far more likely than intentional wrong doing.** This is where you'll add the most value from an administrative perspective.

# Financial Oversight Specifics Cont'd

- Make sure PIs are **monitoring grants to ensure expenses are allowable and allocable.**
- PI or Department is in the best position to assess appropriateness.
- Lack of oversight regarding extramural funding creates a huge vulnerability.

# Critical Department Procedures

## Password protection:

- Make sure everyone understands how important it is to protect their passwords.
- Controls have been circumvented at UC Davis because passwords were shared.
- Financial Systems are designed to ensure separation of duties but not if passwords are shared.

# Critical Department Procedures

## Ask Questions:

- You don't have time to ensure the appropriateness of every transaction. But asking pointed questions strengthens the atmosphere of control.
- Cost of a control needs to be compared to the benefits or the risk mitigated.
- Rather than worry about whether the purchase of pens was appropriate, you should worry when supply expenses seem out of line.

# Critical Dept Controls Summary

- **Ensure there are adequate separation of duties for financial transactions.**
- **Be engaged in the financial and administrative oversight of your department. Ask Questions.**
- **Make sure that expenses are allowable.**
- **Protect passwords: a critical component of the controls in your department.**
- **Errors are more likely than fraud but you need to control for both.**



# We're Here to Help!

Internal Audit Services is available to assist you in managing and improving the operation of your department. Don't hesitate to contact us and take advantage of our advisory service.

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- ❖ **Amy Holzman** **(530) 752-9169**