



New Department Chair Workshop
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Topics To Cover Today

1. What to do if your department is audited by external agency
2. Critical Department procedures that prevent problems

Question

You receive a notice that an external agency will be conducting an audit. Which of the following is appropriate:

- a. Order a sign for your door: “Don’t go away mad, just go away.”
- b. An audit notice is like a subpoena, unless they hand it to you, you can ignore them and they cannot begin.
- c. Contact your Dean, Audit and Management Advisory Svcs. and Chief Compliance Officer or some combination of the above (especially if you made one of those parties mad in the past.)
- d. File a formal appeal with the agency if the last time you were audited no issues were identified.

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
- If compliance related:
 - Contact Wendi Delmendo (530) 752-9466
- 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

Question

Critical department procedures that support effective financial oversight include all but the following:

- a) Ensure the PI's are monitoring grants to ensure expenses are allowable
- b) Ensure that only trustworthy staff have access to your passwords
- c) Ensure that there are adequate separation of duties for financial transactions
- d) All of the above support effective financial oversight

Critical Control Practices

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.

Financial Oversight - Grant Monitoring

- 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 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.

Question

As the department chair, if you have a well-informed, experienced and competent MSO/CAO, you can rely on that person to oversee financial matters with minimal input from you. This enables you to focus on important matters such as faculty advancement.

- a) True
- b) False

Financial Oversight Specifics

- Need to hire trustworthy employees but trust is not a control!
- You need to determine if overall sources (revenues) and uses (expenses) of funds are at the expected level.
- If a category of expense (such as supplies or travel) looks out of line, get confirmation that the specific transactions have been coded to the correct category.
- Ask for support for specific expenses.
- **Errors are far more likely than intentional wrong doing.** This is where you'll add the most value from an administrative perspective.

Question

- Rest assured, as department chair it's your job to keep things in the status quo during your time in that role.
 - a) True
 - b) False

Critical Department Practices

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!

Critical Department Procedures Cont'd

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!

Audit & Management Advisory 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.

- ❖ **Jer Maher** **(530) 752-9172**
- ❖ **Leslyn Kraus** **(916) 734-7993**
- ❖ **Amy Holzman** **(530) 752-9169**