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