

August 7, 2012

**MEMORANDUM**

**TO:** Guillermina Lozano, Ph.D.  
Chair, Genetics

**FROM:** Sherri Magnus  
Vice President and Chief Audit Officer *ad interim*

**SUBJECT:** The Department of Genetics Follow-up  
Audit Control Number (2011-203-A)

*Sherri  
Magnus*

As part of an internal investigation coordinated and facilitated by Human Resources and Institutional Compliance, Internal Audit was asked to conduct a limited assessment of the internal controls surrounding the administrative areas within the Department of Genetics. The objective of this assessment was to determine if the department continued to sustain compliance with established departmental policies and procedures since the last follow-up in October 2011. As part of this assessment we reviewed the following areas for the period of September 2011 through May 2012:

- Deficit Accounts
- Status of Company Centers
- Purchasing (purchase orders, check requests, and procurement cards)
- Leave Management (including extramural leave)
- Effort Reporting
- Asset/Inventory Management

An effective control environment starts with the "tone at the top." It requires that management and faculty members exhibit the proper attitude, awareness, and actions that encourage compliance with established policies and procedures.

Based upon the limited test work performed, we concluded that management developed and implemented control processes necessary to ensure compliance with institutional policy. However, there was evidence that these controls were not consistently followed by both faculty and staff within the department. As a result we noted the following:

- **Deficit Accounts**  
At the time of our review, the department's deficit accounts totaled \$1.4 million. These grant accounts had deficit balances ranging from immaterial amounts up to \$400,000. Management is aware of these deficits and has plans to clear the deficits by the end of the fiscal year or sooner. (*prior audit observation 2011-203 # 6*).

Management's Comment:

*The deficit accounts are largely due to advance cost center set ups for pending grant awards and for program income accounts (CCSG), which remain in deficit until the end of June yearly. Plans are in place to have all deficits cleared by the end of the fiscal year.*

- **SOCC Reconciliations**

SOCC reconciliations were not always completed and reviewed in a timely manner. For example, the December reconciliation for the department's operating account was not completed until May 9, 2012, when it was requested by the auditors. (**prior audit observation 2011-203 # 5**).

Management's Comment:

SOCC reconciliations are behind and were delayed due to implementation of new processes and training of staff. Also, the department went through several moves making it difficult to get settled and in a consistent routine. The processes are now in place and are being followed.

- **Grant Expenditures**

During the review of the SOCC reconciliations, we identified approximately \$33,000 of unsupported costs charged to federal grants. When asked about supporting documentation, management informed us that the service center (Genetically Engineered Mouse Facility) would not provide invoices for interdepartmental charges, thereby resulting in questioned costs.

Management's Comment:

*The grant expenditures identified were allowable and only from one source (The Genetically Engineered Mouse Facility) which the department of Genetics has no control over. The department will work with the appropriate individuals including the Provost's Office to resolve this issue.*

- **Purchasing**

In two instances, faculty members did not follow the purchasing process by:

- Ordering directly from the vendor prior to receiving a purchase order resulting in improper purchases and invoices not paid. The department initiated a check request to pay the delinquent invoices.
- Purchasing iPads with their personal credit card and subsequently requesting reimbursement via check request.

It is evident that the Department Administrator continues to educate faculty and staff on proper purchasing procedures when they are violated.

Management's Comment:

*The Department of Genetics continues to educate staff and faculty on institutional and departmental regulations and processes. A town hall meeting was held in May where The Department Chair has reiterated the importance of following all procedures to ensure this does not happen in the future.*

- **Leave Management**

Improvement has been made in the area of leave management; however, we noted instances where Extramural Leave and Paid Time Off were still not consistently documented on the departmental calendar and/or recorded in Kronos (**prior audit observation 2011-203 # 4**). It is the department's responsibility to record leave taken by faculty and staff as well as to notify the Provost's Office of any leave taken by the Chairman. Since our review, management subsequently initiated corrections in Kronos.

Management's Comment:

All time usage is current, and will continue to be audited by the Department Administrator monthly within the department until further notice. Assistants have been instructed to submit all travel and time off requests to the Department Administrator for review on a monthly basis. Faculty and staff not following procedures will be held accountable.

- **Faculty Salaries**

We noted seven tenure track faculty members who did not meet the institutional requirement to obtain at least 30 percent of their annual base salary from extramural grants and contracts. Management is working with the Provost's Office to address this issue (**prior audit observation 2011-203 # 12**).

Management's Comment:

Management has been told that Faculty salaries are the responsibility of the institution and not the department. The Department Chairman continues to work with the faculty members that are financially strapped to submit grants and work on other funding opportunities. Since the audit, two faculty members have met their 40% effort on grants.

- **Asset/Inventory Management**

Management has developed and implemented a database to assist with tracking and monitoring of inventory; however, procedures should be enhanced to ensure that the database is complete and continually updated to reflect new additions, deletions, or transfers in a timely manner.

Management's Comment:

The property officers in the department, as well as the staff and faculty, have been instructed on the proper procedures for obtaining and disposing of computer and lab equipment. A plan has been implemented for regular reviews of asset management to assure compliance and consistency between our database and institutional records.

- **Procurement Cards**

There appears to be an isolated incident where a procurement card holder shared her account number with another employee in order to facilitate a purchase.

Management's Comment:

The employee has been notified that this is unacceptable and must not happen again. No further action will be taken by the department.

### **Recommendation**

The established procedures in the Department of Genetics are in compliance with institutional policy. Management should continue to foster a culture of compliance with established policies and procedures and hold employees accountable for their actions. Faculty and staff should be educated on departmental procedures, and management should monitor activities to ensure compliance. In addition, management should obtain supporting documentation for all costs charged to federal grants.

Management's Action Plan:

*The department has made great strides in ensuring that institutional and departmental policies are followed consistently by all staff and faculty and plan to continue to do so. For all observations noted in this memo, a corrective action plan has been developed and will be fully implemented no later than November 30, 2012.*

SM/mar

cc: Raymond DuBois, MD, PhD  
Jessica Quinn  
Maureen Cagley  
Leah Byron