

# CUCRA Internal Audit Report

For the Years Ended December 31, 2024, and December 31, 2023

Dated April 18, 2025

By David L. Olson

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## **I. Introduction**

In a letter to me dated January 26, 2023, Council of University of California Retiree Associations ("CUCRA" or "Council") Chair John Meyer engaged me as a volunteer to conduct an internal audit of CUCRA accounting records, financial statements, and internal controls. In an exchange of emails December 17, 2024 between outgoing Chair John Meyer, incoming Chair Sue Abeles, and Treasurer John Dahl, I agreed to continue this internal audit engagement for the calendar years 2024 and 2023.

CUCRA is a not-for-profit unincorporated association officially recognized by the University of California as an affiliated organization. The purpose of CUCRA is to support and assist local UC retiree associations and their members, and to provide them with a unified voice. The Council's activities in support of the UC retiree associations and their members shall include the following:

1. To encourage each campus, national laboratory, UC Hastings, and the Offices of the President and of the Regents to organize and maintain an active retiree association.
2. Assisting all member associations by keeping them informed about the following:
  - a. Organizational practices in serving retirees and the spouses or domestic partners of retirees.
  - b. Current University actions affecting retirees.
  - c. Maintaining effective communication with the Offices of the President and the Regents on matters relevant to retirees.
3. Advocating for all retirees of the University on issues identified by the associations.
4. Proposing and influencing actions by the University and/or the California Legislature on matters affecting retirees.

The finances of CUCRA are controlled by the Treasurer. Under the CUCRA Bylaws, the Treasurer has the following financial management and internal control responsibilities:

1. Keeping the book(s) of accounts, collecting monies due the Council, maintaining custody of the funds, paying authorized bills submitted in writing or by email, and securing the signature of the Chair (or another officer designated by the Chair) on issuance of checks over seven hundred and fifty dollars (\$750)<sup>1</sup>.
2. Preparing and submitting to the Council before the spring meeting an annual, prior year's financial report for approval at the meeting. The financial report will be filed for audit.
3. Developing and presenting to the Council prior to the fall meeting a proposed annual budget for its approval at the meeting.
4. Submitting books for examination by an auditor, appointed by the Chair, whenever requested, but primarily in odd-numbered years or upon a change in Treasurer.
5. Ensuring that CUCRA remains in compliance with governmental agencies regarding its tax-exempt status and filing annual tax forms to meet this requirement."

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<sup>1</sup> The \$500 limit was increased to \$750 limit at the Fall 2024 CUCRA meeting as reflected in the Bylaws dated October 30, 2024.

6. Preparing and filing other financial reports and forms as requested or required.
7. Performing other duties as requested by the Chair or the Council.

In connection with this audit, CUCRA Treasurer John Dahl provided me with twenty complete sets of documents for each accounting year under audit that comprise the “books” of CUCRA. These sets of documents included the following for each accounting year or as noted:

- Section 01 Index/Contents
- Section 02 Spring and Fall Meeting Brochures
- Section 03 "Official" Financial Statements as of December 31st (full year)
- Section 04 Management Report as of December 31st (full year)
- Section 05 Management Report to CUCRA Council for Spring Meeting
- Section 06 Management Report to CUCRA Council for Fall Meeting
- Section 07 Budget
- Section 08 Grant Allocation Analysis, Calculations, and Annual Fees
- Section 09 Bank of America: Checking Account Activity [Register]
- Section 10 Edward Jones: Investment Activity [Register]
- Section 11 General Ledger
- Section 12 Deposits: Income Documentation
- Section 13 Disbursements: Expenditure Documentation
- Section 14 Grant Allocation Documentation: Letters to Associations
- Section 15 Grant Allocation Documentation: Check Transmittals to Assn's
- Section 16 Miscellaneous
- Section 17 Bank of America: Monthly Bank Statements
- Section 18 Edward Jones: Monthly Investment Statements
- Section 19 Year-End Tax Reports/Forms Sent to CUCRA
- Section 20 Tax Return Forms 990 (IRS) and 199 (FTB) [2023 only]

## **II. Procedures performed during the Internal Audit**

During the audit, I performed the following audit procedures on the CUCRA accounting records, financial statements, and support documentation:

1. Reviewed the prior CUCRA Internal Audit Report covering calendar years 2022 and 2021.
2. Reviewed the financial, bank, and investment statements to confirm the ending balances as of December 31, 2022, agreed to the financial, bank, and investment statements beginning balances as of January 1, 2023.
3. Reviewed in detail the year-end CUCRA financial statements and general ledger for years 2024 and 2023.
  - a. Reviewed the monthly Bank of America bank and Edward Jones investment statement balances and transactions and traced those transactions to source documents as appropriate. Reviewed the Bank of America monthly bank statements in detail to ensure they were reconciled to the check register and the

general ledger. As noted above, an important step of this internal audit included tracing campus membership fee revenue, checks paid for travel expense reimbursement to CUCRA officers, and for miscellaneous expenses.

- b. For the balance sheets, confirmed line-item balances to the general ledger and other documents as appropriate. Also footed totals and subtotals to check numeric accuracy.
  - c. For the income and expense statements, performed a detailed audit of entries in the general ledger and confirmed them to the source documents as appropriate. Also footed and cross-footed totals and subtotals to check numeric accuracy.
4. Reviewed the interim CUCRA financial statements for reasonableness that were prepared for the respective Spring and Fall meetings during the years 2024 and 2023. Footed the balances and tied them to bank, investment, and general ledger balances.
  5. Reviewed the CUCRA Budget for reasonableness and confirmed the actual amounts to the accounting records.
  6. As noted in these procedures, reviewed the general ledger results in detail.
  7. Campus retiree association membership fees are a significant source of revenue to CUCRA, and therefore reviewed, traced, and confirmed each campus membership fee to the general ledger, bank statements, and the financial statements.
  8. Travel Group expenditures are a significant source of expenses to CUCRA, therefore reviewed, traced, and confirmed each travel expenditure reimbursement to the general ledger, bank statements, and in whole to the financial statements. Also reviewed the documentation supporting travel expenditures. Confirmed that reimbursement checks greater than \$750 were co-signed according to the Standing Rules.<sup>2</sup>
  9. Reviewed the Edward Jones investment statements in detail to ensure investment transactions such as funds transfers, interest, and other investment income are properly recorded in the statements and to the CUCRA general ledger.
  10. Reviewed accounting records to determine if there were any unusual transactions, adjustments, misstatements, or errors.

### **III. Adequacy of Internal Controls**

During the audit I looked for conditions of appropriate internal controls over the financial management of the accounting records, transactions, and supporting documentation.

An important internal control for any business or organization is the monthly review of and reconciliation of bank statements. In reviewing the monthly bank statements, I found that the bank statements were reviewed and reconciled monthly, with copies of paid checks attached to the statements when applicable. I also performed similar steps regarding the Edward Jones investment statements, and they were performed as expected.

Another important control is separation of duties. This is generally a challenge for small nonprofit organizations because of lack of staffing resources. As noted above, the CUCRA

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<sup>2</sup> The \$500 limit was increased to \$750 limit at the Fall 2024 CUCRA meeting as reflected in the Bylaws dated October 30, 2024.

Bylaws require reimbursement checks greater than \$750 be co-signed.<sup>3</sup> This ensures the issuance of higher value checks is under dual custody.

The majority of CUCRA expenditures typically involve CUCRA officer travel expenses for meals, lodging, and transportation incurred for the Spring and Fall meetings. These expenditures when they occur are documented consistent with University of California travel documentation standards and are reviewed in detail and approved by the CUCRA Treasurer.

For banking and investment internal controls, CUCRA is reliant on the internal control environments at these long-standing financial institutions that are subject to regulatory oversight, industry standards, and annual audits by independent public accounting firms. Routine monthly review and reconciliation of the bank and investment statements should be sufficient in achieving adequate internal control in these instances.

Based on the above review of internal controls, I found the CUCRA internal control environment adequate. There were no indications of failures under the internal control environment.

#### **IV. Findings and Recommendations**

There are no findings regarding financial misstatements, lack of or poor documentation, errors and omissions, or fraud.<sup>4</sup> All the records I reviewed were well organized and supported CUCRA transactions thus greatly facilitating the internal audit.

#### **V. Conclusion**

In reviewing and auditing the sets of documents and other records provided to me for the years ended December 31, 2024, and December 31, 2023, I was able to validate balance sheet balances, revenue, and expense transactions, while also tracing them through to various source documents including reconciled bank account and investment account statements. The financial statements accurately reflected the financial condition of CUCRA.

In reviewing the adequacy of internal controls, I found that the existing internal controls as noted throughout this report are adequate for a not-for-profit organization of this size and complexity. There was no evidence of any internal control failures concerning revenues and expenses, and other transactions.

As noted above there are no Findings and Recommendations with respect to the financial statements, support documentation, and any other matters in connection with the operations of CUCRA.

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<sup>3</sup> The \$500 limit was increased to \$750 limit at the Fall 2024 CUCRA meeting as reflected in the Bylaws dated October 30, 2024.

<sup>4</sup> Re the potential for fraud, CUCRA Treasurer Dahl responded separately to a list of three standard questions regarding fraud and he attested that he is not aware of any fraud and nor is it likely for fraud to exist in this organization.

## **VI. Addendum**

A separate matter that may be of concern to CUCRA and perhaps should be discussed by the Council at the annual meeting, is President Trump invoking the International Emergency Economic Powers Act in addition to the National Emergencies Act, as allowed under the Trade Act of 1974, citing "large and persistent U.S. goods trade deficits (that) constitute an unusual and extraordinary threat to the national security and economy of the United States." Many trade experts and economists question the emergency declaration, and the novel formula used to calculate foreign country tariffs. Moreover, the U.S. has experienced trade deficits before over many decades and never declared an economic emergency. Since the trade regime announcement on April 2, 2024, the Trump administration called for a 90-day pause in the trade regime and has made various exceptions to aspects of the regime. This matter continues to be a fluid situation creating much uncertainty for international trade, businesses, and foreign governments alike.

Nevertheless, this sweeping tariff regime casts great uncertainty for industries engaged in international trade in the global economy. Given the tariff regime sweeping application combined with stricter U.S. Customs and Border Protection enforcement, perhaps other countries may retaliate against American visitors making it more difficult for them to travel abroad. These factors could adversely affect the travel industry, people's ability to travel, and potentially the CUCRA Travel Program commissions.

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## **VII. Signature and Professional Bio**

*It was a pleasure to again conduct this internal audit of CUCRA for the Council. I would also like to thank Treasurer John Dahl for his unwavering cooperation in providing the documentation and historical background I needed to complete this internal audit.*

*David L. Olson*

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### **Professional Bio:**

I commenced my career November 1977 as Fund Assistant to two large short-term investment funds managed at the Bank of America Trust Department in San Francisco for its pension and private trust clients. I worked under the guidance of a senior bond portfolio manager during an inflationary crisis when the Federal Reserve engaged in unusually aggressive monetary policy to quell soaring inflation. Following a reorganization of the Trust Department investment group, I took on the role of Account Control Officer which entailed preparing annual financial reports and coordinating external audits for the bank's internal pension/private trust collective investment funds, and certain bank client pension plan funds. Additionally, I prepared tax returns for the bank's IRC Sec. 584 common trust funds for private trust accounts. I also performed compliance over pension plan oil and gas participation loan agreements tied to a major energy exploration company. Next, I was given the opportunity to work as Pension Consultant in a specialized group that performed investment performance measurement and analysis, investment manager searches, and other related tasks for certain bank pension clients. Later the bank embarked on an ambitious pension trust recordkeeping and securities processing system project called "MasterNet" that failed. Consequently, the bank decided to withdraw from the pension trust business altogether. Fortunately, I was recruited to join the University of California Benefits Department that administered the University of California Retirement System (UCRS).

I was hired in April 1988 as Coordinator of the UCRS Accounting Unit. The unit was responsible for the accounting, financial management, and coordinating audits of UCRP and the 403(b)/DCP (also eventually the 457(b)) plans. My role expanded to Manager/Director which included the UCRS Accounting Unit, the 403(b) Plan Loan Program, and the Benefits Department Administrative Services group which included the Benefits Department budget. The UCRS Accounting Unit also took on accounting, audit coordination, and financial reporting duties for UC's systemwide health and welfare plans. Following a departmental reorganization, the Administrative Services unit was transferred to another group. Although the recordkeeping for the 403(b), DCP, 457(b) plans, and the 403(b) Plan Loan Program were transferred to Fidelity Investments, my group continued certain financial management duties in connection with the Retirement Savings Program plans. In June 2011, my group was repositioned within the CFO Division; however, the accounting and financial management responsibilities mostly remained the same.