



# Lena Callier Trust

Internal Audit Report No. R2101  
September 4, 2020



## Executive Summary

**Audit Objective:** The objectives of the audit were to ensure compliance with the criteria established by the Trust and certain UT Dallas policies and procedures, and to determine if revenues are recognized and expenses are incurred in accordance with the terms of the Trust for fiscal year ended August 31, 2019. This audit is required annually by the Trust agreement.

**Conclusion:** Based on the audit work performed, we conclude that overall, UT Dallas complies with the criteria set forth in the Trust Agreement, including compliance with expenses and revenue recognition. One recommendation to ensure invoices are paid on a timely basis is outlined in the attached report.

**Observations by Risk Level:** Management has reviewed the observations and has provided responses and anticipated implementation dates.

Observation	Risk Level	Management's Implementation Date
1. Ensure Invoices Are Paid by the Due Date	<b>Low</b>	N/A
<i>For details, engagement methodology, and explanation of risk levels, please see the attached report.</i>		



### Observation #1: *Ensure Invoices Are Paid by the Due Date*

**Low Risk:**  
Invoices not paid on time could result in late fees and noncompliance with the Texas Prompt Payment Act.

The Lena Callier Will (see [Appendix A](#)) specifies that the funds generated from the income of the Trust shall only be used for charitable purposes, including providing hearing aids to those in financial need.

We tested 95 invoices for the purchase of hearing aids, noting that seven (7%) were not paid by the due date. Late payment of invoices could result in a violation of the Texas Prompt Payment Act (Texas Government Code Chapter 2551<sup>1</sup>) that requires timely payment of invoices. While most of the delays were not in violation, the process used to batch invoices together into one payment could result in extended delays.

**Recommendation:** Develop processes to ensure that all invoices are paid by the vendor's due date.

**Management's Action Plan:** The hearing aid vendors prefer that the invoices are grouped together for payment rather than individual payments. Due to this, management accepts the low risk of noncompliance with TPPA and will consider individual invoice payments in the future.

**Person Responsible for Implementation:** N/A

**Estimated Date of Implementation:** N/A

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<sup>1</sup> <https://statutes.capitol.texas.gov/Docs/GV/htm/GV.2251.htm>

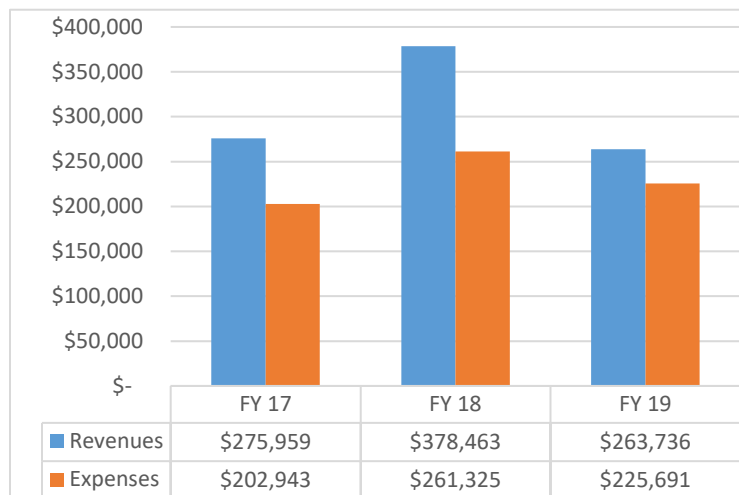


## Appendix A: Methodology

### Background

The Lena E. Callier Trust for the Hard of Hearing and the Deaf (Trust) was created by the will of Lena E. Callier (Will) in August 1955. The will established the Trust, and the Trust is perpetual and irrevocable. The Trustee, Bank of America, determined in 1975 that UT Dallas is the sole recipient of the net income earned by the Trust. The Agreement is revocable and can be cancelled by either party with a six month written notice. The Agreement requires UT Dallas to provide the Trustee “the necessary background to ensure the Trustee that income is being used only for the purposes expressed in the Will of Mrs. Callier” As a result, UT Dallas performs procedures to ensure that funds received from the Trust are spent for Trust purposes.

The Trust’s market value for the year ending December 31, 2019, was \$6,712,948<sup>2</sup>. The table illustrates the revenue the Callier Center earned from the Trust for the past three years as well as the expenses incurred.



### Controls and Strengths

Callier staff ensure accuracy when documenting expenses for the Lena Callier Trust’s interest income. There are also procedures in place to ensure expenses comply with the Lena Callier Trust provisions.

### Scope and Procedures

The scope of this audit was FY19 and our fieldwork concluded on July 16, 2020. To satisfy our objectives, we performed the following:

- Verified revenue and interest earned on the trust was recognized accordingly
- Ensured expenses comply with the Trust’s provisions
- Tested for compliance with certain UT Dallas policies and procedures outlined at <https://www.utdallas.edu/finance/payment-services/ht>

<sup>2</sup> Source: Bank of America Account Summary



We conducted our examination in conformance with the Texas Internal Auditing Act in conformance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

## Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.

## Thank You

We appreciate the courtesies and considerations extended to us from the Callier Center for Communication Disorders during our engagement. Please let me know if you have any questions or comments regarding this audit.

A handwritten signature in blue ink that reads "Toni Stephens". The signature is written in a cursive, flowing style.

Toni Stephens, CPA, CIA, CRMA  
Chief Audit Executive



## Appendix B: Report Distribution

<p style="text-align: center;"><b>Members of the UT Dallas Institutional Audit Committee</b></p> <p><i>External Members</i></p> <ul style="list-style-type: none"> <li>• Ms. Lisa Choate, Chair</li> <li>• Mr. Gurshaman Baweja</li> <li>• Mr. John Cullins</li> <li>• Mr. Bill Keffler</li> <li>• Ms. Julie Knecht</li> </ul> <p><i>UT Dallas Members</i></p> <ul style="list-style-type: none"> <li>• Dr. Richard Benson, President</li> <li>• Mr. Rafael Martin, Vice President and Chief of Staff</li> <li>• Dr. Kyle Edgington, Vice President for Development and Alumni Relations</li> <li>• Mr. Frank Feagans, Vice President and Chief Information Officer</li> <li>• Dr. Gene Fitch, Vice President for Student Affairs</li> <li>• Dr. Calvin Jamison, Vice President for Facilities and Economic Development</li> <li>• Dr. Inga Musselman, Provost and Vice President for Academic Affairs</li> <li>• Ms. Sanaz Okhovat, Chief Compliance Officer</li> <li>• Dr. Joseph Pancrazio, Vice President for Research</li> <li>• Mr. Terry Pankratz, Vice President for Budget and Finance</li> <li>• Mr. Timothy Shaw, University Attorney, ex-officio</li> </ul>	<p style="text-align: center;"><b>UT Dallas Responsible Parties</b></p> <p><i>Responsible Vice President (VP)</i></p> <ul style="list-style-type: none"> <li>• Dr. Inga Musselman, VP of Academic Affairs and Provost</li> </ul> <p><i>Persons Responsible for Implementing Recommendations</i></p> <ul style="list-style-type: none"> <li>• Dr. Thomas Campbell, Executive Director</li> <li>• Twyla Mills, Director of Business Operations</li> </ul> <p><i>Other Relevant Persons</i></p> <ul style="list-style-type: none"> <li>• Dr. Steven Small, Dean of the School of Behavior and Brain Sciences</li> </ul> <p style="text-align: center;"><b>External Agencies</b></p> <p><i>The University of Texas System</i></p> <ul style="list-style-type: none"> <li>• System Audit Office</li> </ul> <p><i>State of Texas Agencies<sup>3</sup></i></p> <ul style="list-style-type: none"> <li>• Legislative Budget Board</li> <li>• Governor’s Office</li> <li>• State Auditor’s Office</li> </ul> <p>Bank of America</p> <ul style="list-style-type: none"> <li>• Kurien S. Mathews, AVP, Institutional Portfolio Strategist</li> </ul>
<p><b>Engagement Team</b>          Project Leader: Caitlin Cummins, Auditor II</p>	

<sup>3</sup> Per Texas Internal Auditing Act Requirements



## Appendix C: Definition of Risks

Risk Level	Definition
<b>Priority</b>	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Risk Management Committee (ACRMC).  Priority findings reported to the ACRMC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
<b>High</b>	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
<b>Medium</b>	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
<b>Low</b>	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.