



Lena Callier Trust

Internal Audit Report No. R2116
August 10, 2021



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, 2020. 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, revenue recognition, account reconciliation and publication. Implementation of the recommendation in this report will help enhance controls over revenue processing.

Observation	Risk Level	Management's Implementation Date
1. Ensure Compliance with Cash Handling Policies and Procedures	Medium	9/30/2021

For details, engagement methodology, and explanation of risk levels, please see the attached report.



Observation #1: *Ensure Compliance with Cash Handling Policies and Procedures*

The Callier Center received approximately \$364,000 in revenues related to the Lena Callier Trust during FY20. In testing these revenues for compliance with the [UTDBP3040 Cash Handling Policy](#), we noted opportunities to improve overall cash handling procedures for the Center as follows:

Medium Risk:
Noncompliance with cash handling policies could result in an increased risk of error, fraud, or lost revenues.

- Checks are not being deposited in accordance with the policy that requires all deposits totaling more than \$200 to be deposited daily. Checks that are mailed to the Callier Center, located in Dallas, are processed by Callier employees, and then taken by an employee to the UTD main campus in Richardson, TX for deposit. If the check is related to the trust or another gift account, a Callier employee takes the checks to the Office of Development on the main campus for further processing. The checks are usually taken by the employee when convenient, not necessarily daily, and not via an armored car service. Ideally, deposits should not be made by those involved in the check handling and receipting process.
- For checks mailed to the Center, a departmental check log was not being used in accordance with the policy for FY20. While a new procedure was put in place to utilize a check log, the log should also be reconciled to the accounting records by someone not involved with the mail opening or depositing functions.

Callier Center has its own cash handling procedures that have been in the process of revision, and those procedures did not always align to the UTD policy. Discussions were also held with the Center to discuss more efficient ways to deposit funds, such as using electronic banking.

Recommendation: Implement more efficient and effective check handling procedures to ensure compliance with the university's cash handling policies and procedures.

Management's Action Plan:

Callier Management evaluated and updated their policy for cash handling to better align with UTD Policy and strengthen internal controls over custody of assets, specifically cash. Due to the lack of proximity of Callier Dallas to the Richardson campus, daily deposit of check receipts is not feasible. Management designed alternative procedures to safeguard the assets until they arrive at the Richardson campus. It should be noted that the checks under discussion relate only to development team gifts which must be transported to the UTD Development & Alumni Relations department.

Callier Management has provided Internal Audit with documentation that details the updated process for cash handling of donor gifts. It also covers the reconciliation process of the check log by a person who does not have custody of the cash at any time.



The Lena E. Callier Trust contributions have been converted from physical check disbursement to electronic ACH disbursement. The new disbursement method will begin with FY22 Trust disbursements. This ensures that gifts from the Trust are directly deposited into a university bank account.

Person Responsible for Implementation: Justin Banta, Senior Director, Development & Alumni Relations

Estimated Date of Implementation: 07/26/2021

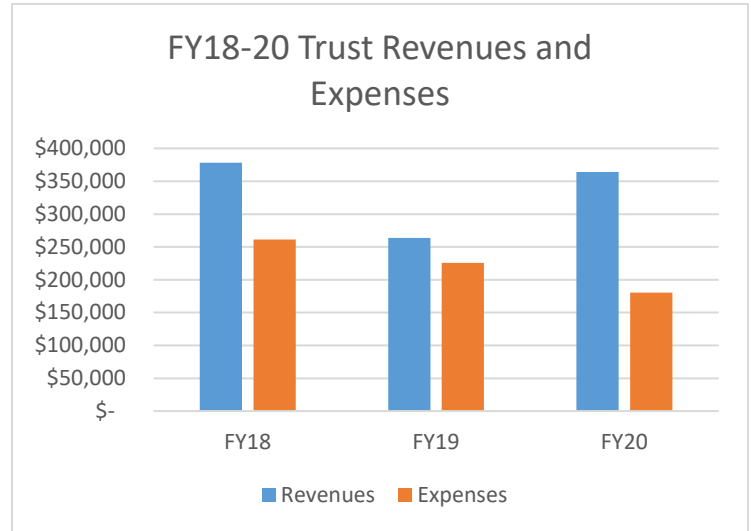
Auditor's Comments: Based on discussion with the Offices of Budget and Finance and Development, a new procedure will be developed to scan checks directly to the bank to avoid transporting the checks to the main campus. Based on this, the estimated date of implementation will be changed to 9/30/2021.



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 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 and comply with UT Dallas Policies.



As of December 31, 2020, the Trust had a market value of approximately \$7,310,000.

Controls and Strengths

- Expenses made during FY20 complied with the terms of the trust.
- Revenues were accurately recognized and accounted for.
- The trust cost center was reconciled in a timely manner.
- The trust’s activities are published annually in accordance with the trust agreement.

Scope and Procedures

The scope of this audit was FY2020 and our fieldwork concluded on July 15, 2021. To satisfy our objectives, we performed the following:

- Reviewed revenue recognition for appropriate documentation and timeliness
- Tested expenses for compliance with the Trust and UTD Policies
- Reviewed cost center reconciliation for compliance and timeliness
- Ensured the Trust’s Summary for calendar year 2020 was published in a newspaper of general circulation.



We conducted our examination in conformance with the Texas Internal Auditing Act and 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 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".

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive



Appendix B: Report Distribution

<p style="text-align: center;">Members of the UT Dallas Institutional Audit Committee</p> <p><i>External Members</i></p> <ul style="list-style-type: none"> • Ms. Lisa Choate, Chair • Mr. Gurshaman Baweja • Mr. John Cullins • Mr. Bill Keffler • Ms. Julie Knecht <p><i>UT Dallas Members</i></p> <ul style="list-style-type: none"> • Dr. Richard Benson, President • Dr. Rafael Martin, Vice President and Chief of Staff • Dr. Kyle Edgington, Vice President for Development and Alumni Relations • Mr. Frank Feagans, Vice President and Chief Information Officer • Dr. Gene Fitch, Vice President for Student Affairs • Dr. Calvin Jamison, Vice President for Facilities and Economic Development • Dr. Inga Musselman, Provost and Vice President for Academic Affairs • Ms. Sanaz Okhovat, Chief Compliance Officer • Dr. Joseph Pancrazio, Vice President for Research • Mr. Terry Pankratz, Vice President for Budget and Finance • Mr. Timothy Shaw, University Attorney, ex-officio 	<p style="text-align: center;">UT Dallas Responsible Parties</p> <p><i>Responsible Vice President (VP)</i></p> <ul style="list-style-type: none"> • Dr. Inga Musselman, VP of Academic Affairs and Provost <p><i>Persons Responsible for Implementing Recommendations</i></p> <ul style="list-style-type: none"> • Justin Banta, Senior Director, Development & Alumni Relations <p><i>Other Relevant Persons</i></p> <ul style="list-style-type: none"> • Dr. Steven Small, Dean of the School of Behavioral and Brain Sciences • Dr. Angela Shoup, Executive Director • Twyla Mills, Director of Business Operations <p style="text-align: center;">External Agencies</p> <p><i>The University of Texas System</i></p> <ul style="list-style-type: none"> • System Audit Office <p><i>State of Texas Agencies¹</i></p> <ul style="list-style-type: none"> • Legislative Budget Board • Governor’s Office • State Auditor’s Office <p><i>Bank of America</i></p> <ul style="list-style-type: none"> • Kurien S. Mathews, AVP, Institutional Portfolio Strategist
<p>Engagement Team Project Leader: Caitlin Cummins, Internal Auditor II</p>	

¹ Per Texas Internal Auditing Act Requirements



Appendix C: Definition of Risks

Risk Level	Definition
Priority	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>
High	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.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.