



# Hobson Wildenthal Honors College

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Audit Report No. R2406 | *February 6, 2024*



## Executive Summary

### Audit Objective

To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the Honors College.

### Controls and Strengths

- Staff development and training is encouraged and supported by Honors College leadership.
- The Honors College has support from the Office of the Provost in designing and implementing internal controls.
- Honors College staff have cross-trained and covered additional job duties during staff turnovers.

### Overall Conclusion

Generally, the Honors College has good internal controls in place. Improvements in the areas noted within the report will help enhance the effectiveness and efficiency of controls in financial and accounting processes.

### Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

Observation	Risk Level	Management’s Implementation Date
1. Outside Bank Account	Medium	March 30, 2024
2. Policies and Procedures and Business Continuity Plan	Medium	September 30, 2024
3. Strategic Plan	Medium	6 months after the new UTD strategic plan is published. *
4. Cost Center Reconciliations	Medium	May 31, 2024
5. Expenses – Account Codes	Low	May 31, 2024

*For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and C, respectively, in the attached report.*

\*As date is currently unknown, Audit and Consulting Services will assess implementation status on December 31, 2024.



## Detailed Audit Results

Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<b>1. <i>Outside Bank Account</i></b>		
<p><u>Phi Kappa Phi Honor Society Local Chapter – Wells Fargo Account</u></p> <p>The UTD chapter of the national Phi Kappa Phi Honors Society has a Wells Fargo bank account which was set up years ago to receive funds from the national organization. The funds are moved as needed to a UTD cost center.</p> <p>This is inefficient and increases risk for the University. Per an email string in October 2022 from Accounting &amp; Financial Reporting, UTD Phi Kappa Phi chapter leadership should move forward with seeking approval from the national organization to receive funds directly to the University, rather than the Wells Fargo bank account, and close the outside account.</p>	<p>Receiving funds to an outside bank account, rather than directly to the University, increases the risk of fraud and mismanagement of funds for the local honor society chapter.</p>	<b>Medium Risk</b>
<p><b>Management’s Action Plan:</b>            Transfer funds from Wells Fargo account to Phi Kappa Phi cost center (22030005) and coordinate with the national Phi Kappa Phi Honors Society so future funds are transferred to the PKP cost center rather than the off-campus account.</p> <p><b>Responsible Party Name and Title:</b>            Eva LaDow, Associate Professor of Instruction and PKP Treasurer</p>		

<sup>1</sup> See Appendix B on page 10 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<b>Estimated Date of Implementation:</b> March 30, 2024		
<b>2. Policies and Procedures and Business Continuity Plan</b>		<b>Medium Risk</b>
<p>The department has neither a policies and procedures manual, which includes all staff job descriptions, nor a business continuity plan in place.</p> <p>Policies and procedures are communicated verbally or through emails. Current written policies and procedures include only a brief reimbursement policy (.pdf) and a spreadsheet with a 'business rhythm' by month of departmental activities. Job descriptions on file include only the most recently hired staff positions.</p>	<p>With staff turnover and the possibility of interruptions in business activities due to outside circumstances, not having a policies and procedures manual or a business continuity plan in place could impact the ability of the department to continue providing services to students. Also, processes may not be performed effectively, efficiently, or in compliance with university or other policies and procedures.</p>	<p>Create a formal policies and procedures manual which includes job descriptions for all staff and create a formal business continuity plan.</p>
<b>Management's Action Plan:</b> Create a formal policies and procedures manual with updated job descriptions for all staff as well as a create a formal business continuity plan.		
<b>Responsible Party Name and Title:</b> Philip Talbert, Business Manager		
<b>Estimated Date of Implementation:</b> September 30, 2024		
<b>3. Strategic Plan</b>		<b>Medium Risk</b>
<p>Due to changes in leadership and upcoming changes in the University's strategic plan, the College does not have a strategic plan in</p>	<p>Lack of a departmental strategic plan could result in conflicting or unaligned strategic objectives, and miscommunications</p>	<p>Once the University's strategic plan is updated, develop a strategic plan.</p>



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<p>place. A plan specific to the College but aligned with the University’s strategic plan will help inform decisions on strategic objectives and organizational structure as well as set performance goals.</p>	<p>regarding organizational structure and the College’s goals, including hiring decisions.</p>	
<p><b>Management’s Action Plan:</b>          Develop a strategic plan that supports the University’s strategic plan and is updated routinely.</p> <p><b>Responsible Party Name and Title:</b>          Dr. Donal Skinner, Dean of HWHC</p> <p><b>Estimated Date of Implementation:</b>          6 months after the new UTD strategic plan is published.</p> <p><i>Note from Audit &amp; Consulting Services: As date is currently unknown, Audit and Consulting Services will assess implementation status on December 31, 2024.</i></p>		
<p><b>4. Cost Center Reconciliations</b></p>		<p><b>Medium Risk</b></p>
<p>All cost center reconciliations and Letters of Representation were complete for FY23. However, out of 457 FY23 cost center reconciliations, 39% were completed 60 or more days past the due date. Per the UT Dallas <a href="#">Account Reconciliation Guide</a>, cost centers should be reconciled and approved within 30 days of the accounting period close.</p>	<p>Not performing timely reconciliations can increase the risk of error or fraud occurring but not being detected in a timely manner.</p>	<p>The department should review cost center reconciliation processes to identify ways to improve the timeliness of reconciliations.</p>
<p><b>Management’s Action Plan:</b>          Assistant Dean will monitor reconciliation status on a monthly basis to make sure they are being reconciled by the Financial Services Manager or Business Manager and approved by the Dean within the 30-day accounting period.</p>		



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<p><b>Responsible Party Name and Title:</b> Valerie Brunell, Assistant Dean</p> <p><b>Estimated Date of Implementation:</b> May 31, 2024</p>		
<p><b>5. Expenses – Account Codes</b></p> <p>Out of 40 sample expenses tested, 15% were charged to incorrect account codes and were not corrected during the expense approval process, either in eProcurement or in the One Card Reconciliation module.</p> <p>Per the UTD <a href="#">Account Code Detail Guide</a>, the account code is a required field on all transactions which defines what kind of expense is incurred.</p>	<p>Incorrect coding of expenditures affects management’s decision making as well as budget planning for future fiscal years.</p>	<p style="text-align: center;"><b>Low Risk</b></p> <p>Approvers for expenditures in eProcurement and on One Card reconciliations should ensure that the correct account codes have been used for purchases.</p>
<p><b>Management’s Action Plan:</b> All approvers will be routinely double-checked to confirm that account codes are being recorded correctly. We will remind everyone responsible for reconciling on the importance of ensuring they are using the correct codes.</p> <p><b>Responsible Party Name and Title:</b> Philip Talbert, Business Manager</p> <p><b>Estimated Date of Implementation:</b> May 31, 2024</p>		



## Overall Conclusion

Generally, the Honors College has good internal controls in place. Improvements in the areas noted within the report will help enhance the effectiveness and efficiency of controls in financial and accounting processes.

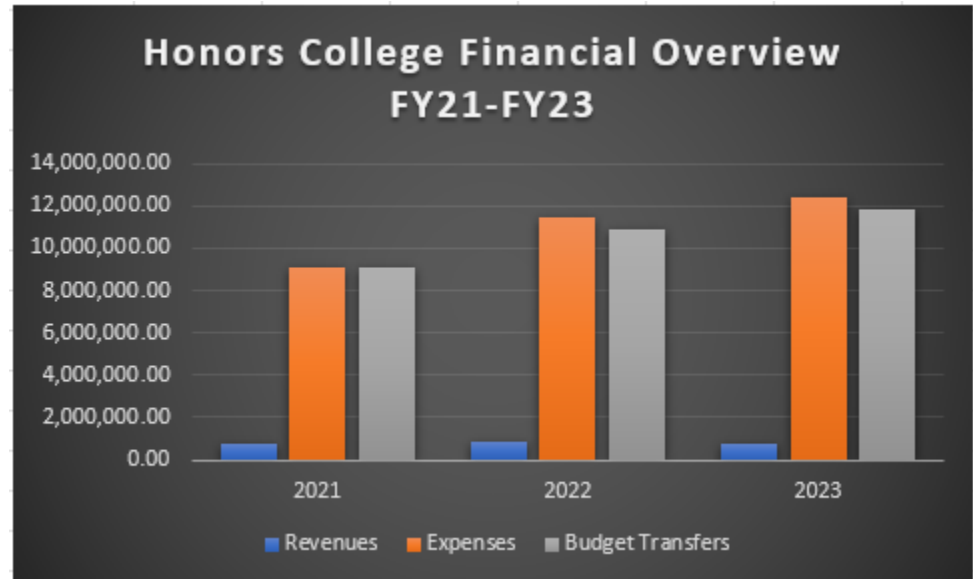


## Appendix A: Information Related to the Audit

### Background

The Hobson Wildenthal Honors College was established at The University of Texas at Dallas in 2014<sup>2</sup>. The Honors College houses 12 programs, including the Collegium V Honors Program, the National Merit Scholars Program, the Terry Foundation Scholarships, the Liberal Arts Honors Program, and the Archer Program, which has a campus in Washington, D.C. Dr. Donal Skinner was appointed as the second Dean of the Honors College in January 2023.

In FY23, the Honors College managed over \$12.4M in expenditures and over \$785K in revenues, including distributions from endowments with a current total market value of \$27.4M.



### Objective

To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the Honors College.

### Scope

The scope of the audit was FY23 – FY24 through November 2023. Fieldwork was conducted from December 13, 2023, and the audit concluded on January 19, 2024.

<sup>2</sup> <https://honors.utdallas.edu/>





## Methodology

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives. We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls<sup>3</sup>.

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

Audit Area	Methodology	Observations Related to the Audit Area
Gaining an Understanding of Operations	<p>Gained an understanding of operations by interviewing key responsible parties within the College and reviewing policies, procedures, and other documentation related as necessary.</p> <p>Performed a risk assessment to identify areas of high risk within operations, and focused audit procedures on those risks.</p>	<p>Observation #2 Policies &amp; Procedures and Business Continuity Plan</p> <p>Observation #3 Strategic Plan</p>
Cost Center Reconciliations	Evaluated the timeliness and completion of FY23 cost center reconciliations.	Observation #4 Cost Center Reconciliations

<sup>3</sup> <http://www.coso.org>



Audit Area	Methodology	Observations Related to the Audit Area
Payroll for Hourly Employees	Tested a sample of payroll expenses for hourly employees to ensure proper authorization and time reporting.	None
Outside Bank Accounts	Determined if outside bank accounts were set up and used in compliance with UTD policies.	Observation #1 Outside Bank Account
Expenses	Tested controls over expenses for authorization, accuracy, operational effectiveness, and compliance with applicable policies and procedures.	Observation #5 Expenses – Account Codes

### 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.



## Appendix B: Observation Risk Rankings

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
<b>Priority</b>	If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC).
<b>High</b>	High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Medium</b>	Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Low</b>	Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Minimal</b>	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting.



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## Appendix C: Report Submission and Distribution

We thank the Hobson Wildenthal Honors College management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

DocuSigned by:  
  
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Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

### Distribution List

*Members and ex-officio members of the UT Dallas Institutional Audit Committee*

#### *Responsible Vice President*

- Dr. Inga Musselman, VP Academic Affairs & Provost

#### *Persons Responsible for Implementing Recommendations:*

- Dr. Donal Skinner, Dean of the Hobson Wildenthal Honors College
- Ms. Valerie Brunell, Assistant Dean
- Dr. Eva LaDow, Associate Professor of Instruction and Phi Kappa Phi Treasurer
- Mr. Philip Talbert, Business Manager

#### *Other Interested Parties*

- Mr. Steven Hawker, Financial Services Manager, Honors College
- Ms. Abby Long, Administrative Assistant, Honors College
- Ms. Heather Burge, Associate Provost
- Ms. Nicole Harrington, Assistant Provost for Academic Resources Planning

#### *External Parties*

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

#### *Engagement Team*

- Ms. Julia Lawshae, CFE, Project Leader