



Office of
Information Technology

Internal Audit Report No. R2007

February 3, 2020



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OFFICE OF AUDIT AND CONSULTING SERVICES
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February 3, 2020

We have completed an audit of the Office of Information Technology as part of our fiscal year 2019 Audit Plan. The objective of our audit was to evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the Office of Information Technology. The report is attached for your review.

The audit resulted in opportunities to enhance internal controls over the management of expenses, travel authorizations, compliance, and the safeguarding of assets. Management has reviewed the recommendations and has provided responses and anticipated implementation dates. 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.

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

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive



Executive Summary

<p>Audit Objective and Scope</p> <p>To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls. The scope for this audit was fiscal year 2019.</p>		
<p>Conclusion</p> <p>The audit resulted in opportunities to enhance internal controls over expenses, travel authorizations, compliance, and the safeguarding of assets.</p>		
<p>Audit Recommendations by Risk Level</p>		
Recommendation	Risk Level	Estimated Implementation Date
(1) <i>Ensure One Card Expenses Are Approved by Appropriate Authorities</i>	High	February 29, 2020
(2) <i>Enhance Controls over Property Management</i>	Medium	September 1, 2020
(3) <i>Develop Authorization Process for Travel Expenses</i>	Medium	Implemented
(4) <i>Ensure Conflict of Interest Disclosures Are Completed</i>	Medium	April 1, 2020
(5) <i>Improve Controls over Expense Approvals</i>	Medium	Implemented
<p>Responsible Vice President: Frank Feagans, Vice President and Chief Information Officer</p>	<p>Responsible Parties:</p> <ul style="list-style-type: none"> Brian Dourty, Associate Vice President and Chief Technology Officer Shannon Cepica, Assistant Vice President 	
<p>Staff Assigned to Audit</p> <p>Project Leader: Chris Robinette, Internal Auditor II; Staff: Jesson Gil, Internal Auditor II</p>		
<p>Report Distribution</p>		
<p><i>Members of the UT Dallas Institutional Audit Committee</i></p> <p>External Members</p> <ul style="list-style-type: none"> Ms. Lisa Choate, Chair Mr. Gurshaman Baweja Mr. John Cullins Mr. Bill Keffler Ms. Julie Knecht <p>UT Dallas Members</p> <ul style="list-style-type: none"> Dr. Richard Benson, President Mr. Rafael Martin, Vice President and Chief of Staff Dr. Kyle Edgington, Vice President for Development and Alumni Relations 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>Responsible Parties</p> <ul style="list-style-type: none"> Brian Dourty, Associate Vice President and Chief Technology Officer Shannon Cepica, Assistant Vice President <p>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 Agencies</i></p> <ul style="list-style-type: none"> Legislative Budget Board Governor's Office State Auditor's Office 	



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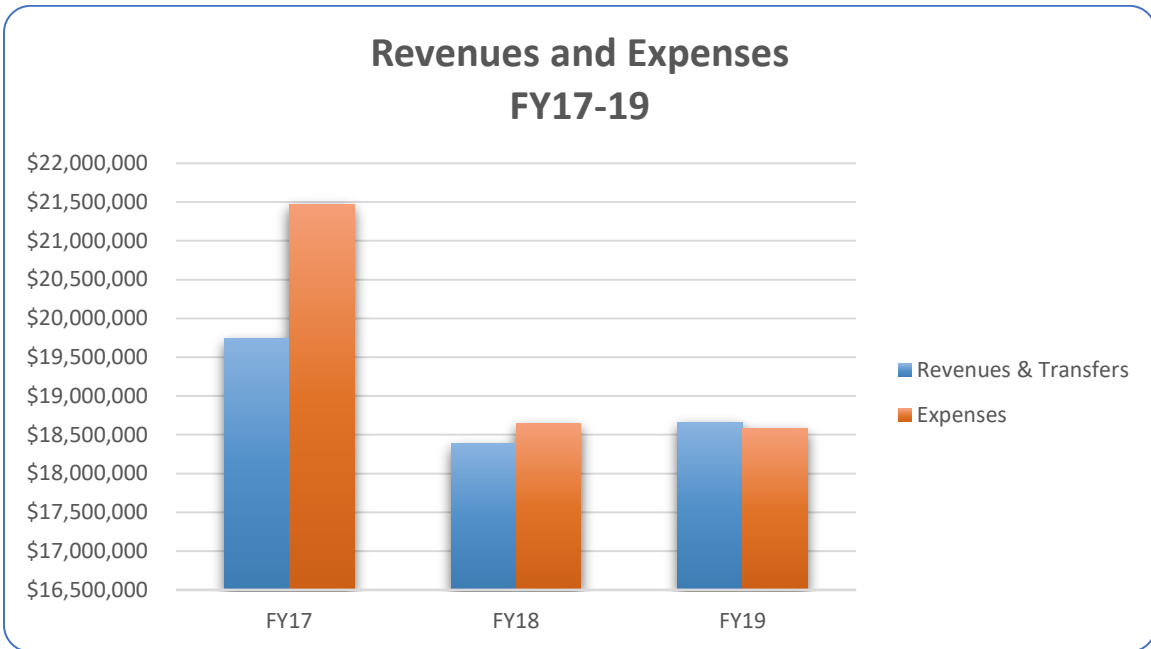
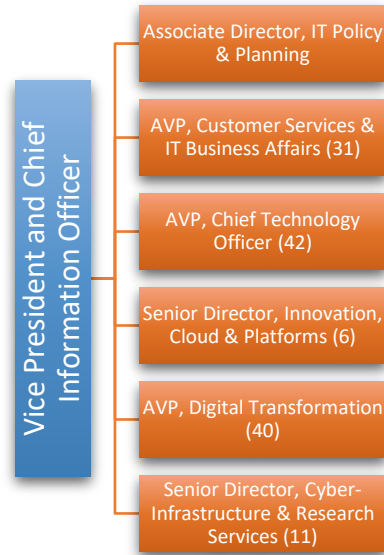
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Background

The Office of Information Technology (OIT) mission statement is to, “provide innovative, collaborative, and valuable IT services, in a timely, accessible, and dependable manner, that support the University in achieving its strategic goals”.¹

The Vice President and Chief Information Officer (CIO) reports directly to the University President and manages the division. OIT provides a number of crucial services to the University including Application Development, Research, Architecture, Infrastructure, Operations, Project Management, and Client Services. The organization chart indicates the number of employees within each service area. FY17-19 financial information² for the division is depicted below.



¹ <https://www.utdallas.edu/oit/about/office-of-the-vice-president-cio/>

² Source: Reporting Console Data in PeopleSoft



Audit Objective

The objective of our audit was to evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the Office of Information Technology.

Scope and Methodology

The scope of this audit was fiscal years 2019, and our fieldwork concluded on December 16, 2019. To satisfy our objectives, we performed the following:

- Reviewed the department’s control environment to determine if:
 - Policies and procedures are in place.
 - The organizational structure aligns with management’s strategic and operational objectives.
- Determined whether the department has an effective risk assessment and awareness process in place.
- Determined whether internal information, communication, and reporting methods are effective.
- Reviewed control activities to determine if they are adequate and effective.
- Reviewed management’s monitoring of internal controls.
- Interviewed key personnel and sent out a departmental survey to staff within the department to obtain feedback and to determine processes for monitoring operations and internal controls, and tested selected controls in the following areas:
 - Financial processes, including cost center reconciliations and expenses
 - Property Management
 - Conflicts of Interest
 - Payroll, Human Resources, and Training
 - Project Management
 - Organization Structure

We conducted our examination 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.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards 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.



Audit Results and Management’s Responses

Strengths and Controls Noted During the Audit

OIT maintains an in-depth budget control process that tracks adherence to budget allocations for individual teams and projects, ensuring leadership has oversight of departmental level expenditures.

We offer the following recommendations to enhance existing controls. During the exit conference, high-level summarized survey results were also shared with OIT leadership as well as additional verbal recommendations. Risk levels are outlined in the Appendix.

Observations	Risk/Effect	Recommendations and Management’s Responses
<p>(1) Ensure One Card Expenses Are Approved by Appropriate Authorities</p> <p>The One Card Program Guide states that departments should maintain procedures that ensure “transactions are properly approved by the cardholder’s supervisor.”</p> <p>Within the current approval structure for One Cards, the Financial Analyst within the Customer Service and IT Business Affairs team approved 97% of the overall transactions, with 61% not having a documented manager approval within the One Card system for personal travel or business meals. Managers do not appear to approve One Card expenses until reviewing the budget spreadsheet directly.</p>	<p>High</p> <p>Without a mechanism for ensuring that the supervisors approve OneCard expenses, improper purchases may not be identified in a timely manner.</p>	<p>Recommendation: Review the structure for approvals for OneCard and ensure that the employee’s direct supervisor approves travel and expenses benefitting the employee.</p> <p>Management’s Response and Action Plan: As of 12/12/2019 OIT has implemented a new travel authorization form through Cherwell (Atlas) required of all travelers that will document and ensure immediate supervisor approval on all travel prior to departure. In addition, OIT will create an SOP and reinforce our procedures to ensure card holder and immediate supervisor physically or digitally signs the expense report. We will also be able to route the Cherwell travel authorization to Dr. Benson for Frank’s travel through email. The approval/denial is recorded in Cherwell.</p> <p>Estimated Date of Implementation: Travel Authorization – Completed SOP – February 29th, 2020</p> <p>Responsible Party: Shannon Cepica, Assistant Vice President</p>
<p>(2) Enhance Controls over Property Management</p> <p>Property Administration - UTDBP3066 requires that records be maintained by</p>	<p>Medium</p> <p>Inaccurate property records may result in an increased risk of loss</p>	<p>Recommendation: The department should continue efforts to separate responsibilities for property management among the teams that maintain each piece of equipment and</p>



Observations	Risk/Effect	Recommendations and Management's Responses
<p>the University and the department. OIT property totaled \$24,304,689.</p> <p>OIT conducted a property review in 2019 that resulted in 30 assets they could not locate, totaling \$467,483 in value, or 2% of OIT's total property. Internal Audit also conducted a property test and could not locate three additional items totaling \$17,189.</p> <p>OIT has efforts in progress to implement an RFID tag system to better track movement of property and utilize this deployment as an opportunity to conduct a further verification of property locations.</p> <p>In the past, OIT has relied upon a Systems Engineer within the Networking Core & Infrastructure team to track their assets. This employee held the responsibility of inventorying equipment across the department and coordinating with the Property Inventory team for updates. The department is in the process of separating responsibilities for property management among the teams.</p> <p>Additionally, OIT does not have a process for marking items as off-site or mobile.</p>	<p>or theft. Assets that are off-site or mobile are at a higher risk of theft or loss if not properly tracked and monitored.</p>	<p>enhance the inventory process for all assets. Off-site and mobile assets should be marked appropriately in the property system and periodically monitored.</p> <p>Management's Response and Action Plan: There is a significant amount of inventory that OIT is responsible for. To ensure all equipment is accounted for, OIT will:</p> <ol style="list-style-type: none"> 1. Develop procedures for updating asset location once deployed into the field. 2. Develop procedures to properly surplus equipment so that it is removed from inventory. 3. Test and implement an RFID tagging system to increase tracking and accuracy of all assets assigned to OIT. <p>Estimated Date of Implementation: 09/01/2020</p> <p>Responsible Party: Shannon Cepica, Assistant Vice President & Brian Dourty, Associate Vice President and Chief Technology Officer</p>
<p>(3) Develop Authorization Process for Travel Expenses</p> <p>Travel Expenses – UTDBP3104 stipulates that "travel must be authorized in writing prior to incurring any travel-related expenses."</p> <p>In testing travel expenses, we noted that the department did not have a policy requiring individual employees to submit written authorizations requests prior to travel. OIT incorporated requests for travel in team budget presentations; however, these requests do not cover specific details of planned travel or</p>	<p style="text-align: center;">Medium</p> <p>Without requiring employees to obtain approval before traveling, expenses that violate travel policies may not be recognized by supervisors before the traveler incurs the costs.</p>	<p>Recommendation: The department should continue to institute a procedure requiring written travel authorizations for employees prior to booking travel.</p> <p>Management's Response and Action Plan As of 12/12/2019 OIT has implemented a new travel authorization form through Cherwell (Atlas) required of all travelers that will document and ensure immediate supervisor approval on all travel prior to departure. We will also be able to route the Cherwell travel authorization to Dr. Benson for Frank's travel through email. The approval/denial is recorded in Cherwell.</p>



Observations	Risk/Effect	Recommendations and Management's Responses
<p>require a written request for specific training.</p> <p>The audit resulted in OIT implementing a new travel authorization process through their Cherwell software.</p>		<p>Estimated Date of Implementation: Completed</p> <p>Responsible Party: Shannon Cepica, Assistant Vice President</p>
<p>(4) Ensure Conflict of Interest Disclosures Are Completed</p> <p>Conflicts of Interest and Conflicts of Commitment - UTDP1100 states that employees are required to disclose potential conflicts of interest.</p> <p>The CIO does not currently have a Conflict of Interest (COI) on file for his service on the Lonestar Education and Research (LEARN) Board of Directors. A position on the LEARN Board of Directors is purchased with a membership, and there are multiple UT schools on the board.</p> <p>In July 2018, UTD purchased edge routers with a 24-month service contract for \$267,470 from LEARN. In the Exclusive Acquisition Justification Form, OIT stated that they did not have the human resources at the time to complete the project on their own and that they had a previous partnership with UTD during an outage that gave them familiarity with UTD's network environment. During the time of this purchase, the CIO was on the LEARN Board of Directors.</p>	<p>Medium</p> <p>COI disclosures safeguard the university against potential decision-making risks, and outdated disclosures may increase risks around purchasing or signing agreements with vendors.</p>	<p>Recommendation: OIT should ensure that all individuals in the division are aware of Conflict of Interest policies and ensure that potential conflicts are disclosed on an annual basis.</p> <p>Management's Response and Action Plan:</p> <p>An email will be sent to all OIT staff to ensure the division is aware of the COI policies.</p> <p>A COI for LEARN reported in 'observations' was submitted through http://outsideactivity.utsystem.edu/ on 12/17/19.</p> <p>In addition, a COI section will be added to our employee handbook for new hires.</p> <p>Also, along with other annual reminders, OIT will send out an annual reminder on COI policies to the division.</p> <p>Estimated Date of Implementation:</p> <ul style="list-style-type: none"> • LEARN COI completed on 12/17/19. • Handbook addition to be completed by 04/01/2020. • Email to all staff from Shannon Cepica was sent on 1/27/2020. <p>Responsible Party: Shannon Cepica, Assistant Vice President</p>
<p>(5) Improve Controls over Expense Approvals</p> <p>The Cost Center Reconciliation guide states that "cost center owners should also ensure that a good segregation of duties and other internal controls exist in their departments."</p>	<p>Medium</p> <p>Without proper approvals by someone other than the employee making the purchase, the risk of fraud or error is increased.</p>	<p>Recommendation: OIT should review the current approval chain for expenses and ensure that different individuals are conducting department reviews and cost center reviews. In the case that an employee within that approval chain has to input an expense, a different</p>



Observations	Risk/Effect	Recommendations and Management's Responses
<p>Twelve percent of eProcurement expenses tested did not have proper segregation of duties or did not have proper approval. In another transaction, the same employee conducted both the departmental and cost center approvals. Additionally, the manager's approvals were not always documented for travel payments for those employees reporting directly to the CIO.</p>		<p>individual should conduct the department or cost center review.</p> <p>Management's Response and Action Plan: OIT has implemented procedures to ensure segregation of duties between the departmental review and cost center review. Also, notes will be added to the requisition and the 'cc' feature will be used in eProcurement to ensure proper audit trails when necessary. We have also added as a procedure in our cost center reconciliation process to verify segregation of duties exists in every eProcurement transaction.</p> <p>Estimated Date of Implementation:</p> <p>Completed</p> <p>Responsible Party:</p> <p>Shannon Cepica, Assistant Vice President</p>

Conclusion

Based on our audit work, we conclude that opportunities exist to enhance internal controls over expenses, travel authorizations, compliance, and the safeguarding of assets. We appreciate the courtesy and cooperation received from the management and staff in the Office of Information Technology as part of this audit.



Appendix

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.