FY 2014 Departmental Change in Management Audit

Center for Transportation Research

April 2015

The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117
This report has been distributed to Internal Audit Committee members, the Legislative Budget Board, the State Auditor’s Office, the Sunset Advisory Commission, the Governor’s Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

FY 2014 Departmental Change in Management Audit: Center for Transportation Research
Project Number: 14.102
April 22, 2015

President William C. Powers, Jr.
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Powers,

We have completed our audit of Center for Transportation Research (CTR). Our scope included controls and operations in place for fiscal year 2014.

Based on the procedures performed, we conclude that CTR has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for procurement cards, travel expenditures, general departmental information/organization/activities, account reconciliations, purchasing activities, and information systems security. Our audit report provides detailed observations for each area under review. Suggestions are offered throughout the report for improvement in the existing control structure.

We appreciate the cooperation and assistance of the staff at CTR throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

Michael W. Vandervort, CPA
Director

cc: Internal Audit Committee Members
Ms. Nancy Brazzil, Deputy to the President and Chief of Staff
Dr. Sharon L. Wood, Dean, Cockrell School of Engineering
Dr. Chandra R. Bhat, Director, Center for Transportation Research
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EXECUTIVE SUMMARY

Conclusion
Based on the audit procedures performed, we conclude that the Center for Transportation Research (CTR) has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for procurement cards, travel expenditures, general departmental information/organization/activities, account reconciliations, purchasing activities, and information systems security.

Summary of Recommendations
Internal Audits identified three notable issues which led to the following recommendations:

- Ensure that a records management plan is developed and maintained;
- Ensure that separation of duties exists in the purchasing process; and
- Ensure that all account reconciliations are reviewed by the unit head or a designated person.

Five additional recommendations are also provided, but are considered minor in significance.

Management agrees with our observations and has provided corrective actions plans which are expected to be implemented on or before April 30, 2015.

Audit Scope and Objective
Departmental Change in Management audits are conducted annually and units are chosen based on a risk assessment. The objective is to evaluate the adequacy and effectiveness of the unit’s structure, processes, and internal controls and to determine compliance with relevant policies and procedures for fiscal year 2014.

Background Summary
CTR is a multidisciplinary and multimodal research institute at The University of Texas at Austin that was established in 1963. CTR currently has 36 faculty members, 19 researchers, 15 staff members and more than 200 graduate and undergraduate students engaged in its research programs annually. CTR has a budget of approximately $2.1 million and is part of the Cockrell School of Engineering.
BACKGROUND

The Center for Transportation Research (CTR) is a multidisciplinary and multimodal research institute at The University of Texas at Austin (UT Austin) that was established in 1963. CTR is recognized as one of the leading university-based research centers in the world and administers between 150 and 200 research projects and interagency contracts with combined budgets exceeding $12 million in a given year.

CTR currently has 36 faculty members, 19 researchers, 15 staff members and more than 200 graduate and undergraduate students engaged in its research programs annually. CTR has a budget of approximately $2.1 million and is part of the Cockrell School of Engineering (Engineering).

For management of IT resources, CTR uses Engineering’s IT Group. The department has two servers, approximately 150 computers, and uses Microsoft and Apple operating systems. Three were reported to contain Category I data. In 2013, CTR had two breaches (i.e. remote attacker obtains unauthorized control of a system), constituting approximately one breach per 78 computers, which is consistent with the campus-wide average of one breach per 77 computers.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this review includes controls and operations of the department in place for fiscal year 2014. Our objectives were to evaluate the adequacy and effectiveness of the unit’s structure, processes, and internal controls and to determine compliance with relevant policies and procedures.

To achieve these objectives, Internal Audits:

- Surveyed the unit via a questionnaire to ascertain reported strength in internal controls and compliance with UT Austin rules;
- Reviewed the department’s electronic office structure and employees’ appointment statuses;
- Conducted limited testing on account certifications, account reconciliations, payroll/HR, cash and cash equivalent handling, inventory, purchasing, procurement card expenditures, travel expenditures, entertainment and official occasion expenditures, and information systems security; and
- Clarified follow-up issues through e-mails, meetings, and other correspondence.

This audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing and with Government Auditing Standards.
A U D I T  R E S U L T S

We reviewed internal controls in 20 areas regarding departmental operations, financial processes, and information technology, of which seven areas were not applicable to CTR. The appendix provides information on the specific areas reviewed. The following were the results:

- 7 (54%) areas had reasonable to strong controls in place,
- 3 (23%) areas had opportunities for minor improvements,
- 3 (23%) areas had opportunities for significant improvements, and
- 0 (0%) areas had priority weaknesses.

Recommendations were made in areas where opportunities for improvements were noted and are detailed in the remainder of this report.

General Departmental Information/Organization/Activities – Records Management Plan

The unit currently does not have a records management plan. The unit was not aware that a records management plan did not exist until a change in staff occurred. Without having a records management plan in place, there is an increased risk that the department is not following the university records management policy.

According to Section 20.4.3 of UT Austin’s Handbook of Business Procedures, “Each departmental records management contact (DRMC) at The University of Texas at Austin is responsible for creating a records management plan to provide information about how the department will enact university records management policy.”

Recommendation 1: Management should ensure that a records management plan is developed and maintained on file.

Management’s Corrective Action Plan: Ms. Loftus-Otway will develop a process, plan, and tracking system for a RMP for CTR that will follow UT Austin Handbook guidance, state and federal law and be tailored to CTR. In addition this issue has been identified by CTR’s IT Needs Committee (see recommendation 8) that had identified that retention should also include data retention, including data management through archiving space. Key staffers who will provide technical input to develop this will include CTR It Needs Committee, Ashley Williams – contracts specialist, Rob Harrison – Deputy Director, Mr Khali Persad – Assistant Director, and Professor Steve Boyles and Lisa Macias

Responsible Person: Research Engineering/Scientist Associate IV
Planned Implementation Date: April 30, 2015
Post Audit Review: Internal Audits will perform follow-up work after the implementation date has passed.

Purchasing – Separation of Duties
The unit does not have adequate separation of duties for making purchases, confirming receipt of goods, and preparing payment vouchers. The unit’s current practice is to only have one individual responsible for the entire purchasing process. There is an increased risk of unallowable purchases without adequate separation of duties.

As a best business practice, a different person should be assigned to each related buying function to ensure proper separation of duties. With proper separation of duties, no single person has complete control over all buying activities.

Recommendation 2: Management should ensure that separation of duties exists between making purchases, confirming receipt of goods, and preparing payment vouchers.

Management’s Corrective Action Plan: Since this audit was conducted CTR has lost 5 administrative staff, and is about to lose one more in December. We propose – given our extremely small admin team – that the receipt of goods will be handled by our student runners, and that the purchase component and preparation of payment voucher is conducted by Ms Terri Alexander. This will take one component out of these 3 items to a separate staffing area (the student runners are managed by Ms. Arny De La Rosa and so there is a firewall inherent here in terms of supervisory control). Authorization of the payment voucher is already signed off by Ms. Marybeth Casias, and then forwarded to the Business Affairs Office in Engineering and then UT Accounts Payable. We believe this gives sufficient oversight of the purchasing role.

Responsible Person: Research Engineering/Scientist Associate IV
Planned Implementation Date: November 24, 2014

Post Audit Review: Internal Audits is in the process of performing follow-up for this recommendation.

Account Reconciliations – Proper Review
Although consistently performed, reconciliations are not reviewed by the unit head. The unit’s current practice is to review reconciliations with the unit head only when issues arise. Financial records may be incorrect without an adequate review process.

According to subcertification letter requirements for The University of Texas System Policy 142.1, the department head should review and approve all reconciliations, or delegate such review and approval, for the departmental accounts.
**Recommendation 3:** Management should ensure that all reconciliations are reviewed by the unit head or a designated person. In addition, the unit head or designated person should sign and date the reconciliation documentation for evidence of the review.

**Management's Corrective Action Plan:** Dr. Bhat, will delegate this authority to our Deputy Director Mr. Robert Harrison as of December 1, 2014. Mr Harrison is on site in CTR’s main offices and works daily with our Financial Analyst Ms. Marybeth Casias who conducts reconciliations. If an alternate designate is required one of our Assistant Directors will be given this alternative designate role.

**Responsible Person:** Deputy Director  
**Planned Implementation Date:** December 1, 2014

**Post Audit Review:** Internal Audits is in the process of performing follow-up for this recommendation.

**Procurement Cards**
The unit’s procurement card holders do not verify that a vendor is not on the Specially Designated Nationals (SDN) list for all purchases. In addition, verification of the vendor’s tax standing with the State of Texas is not completed for purchases over $500. The unit’s current practice is not to review this information. Without checking to see whether vendors are on the SDN list or that a hold record is not in place, there is an increased risk the unit may jeopardize UT Austin’s reputation and be held responsible for reimbursing the funds spent.

According to UT Austin’s Procurement Card Program Policies and Guidelines, “For all purchases, the cardholder is responsible for verifying that a potential vendor does not appear on the list of Specially Designated Nationals (SDN) issued by the United States Treasury’s Office for Foreign Assets Control (OFAC). For all purchases over $500, the cardholder is responsible for verifying that a potential vendor is in good tax standing with the State of Texas.”

**Recommendation 4:** Management should ensure that all procurement card holders consistently verify that vendors are not on the SDN list prior to all purchases. In addition, the potential vendor’s tax standing with the State of Texas should be verified for purchases over $500.

**Management’s Corrective Action Plan:** Ms. Marybeth Casias and Ms. Lisa Loftus-Otway will develop an email that will be sent to all CTR (and CTR affiliated) procard holders requiring that for each purchase an email from the
procard holder is sent to Ms. Terri Alexander noting that the vendor is not on SDN list and, if over $500 that the vendor is in good standing.

**Responsible Person:** Financial Analyst and Research Engineering/Scientist Associate IV  
**Planned Implementation Date:** December 1, 2014  
**Post Audit Review:** Internal Audits is in the process of performing follow-up for this recommendation.

**Travel Expenditures – Proper Approval**  
One (25%) out of the four travel document IDs tested did not have proper approval from an immediate supervisor. The unit mentioned that approval should have been obtained for the faculty member from their academic unit. Without submission of a Request for Travel Authorization (RTA) to an immediate supervisor, the supervisor may not be aware that an employee is absent from campus for business travel.

According to Section 11.2.A of UT Austin’s *Handbook of Business Procedures*, “An electronic Request for Travel Authorization (RTA) should be completed. Approval is delegated to the immediate supervisor.”

**Recommendation 5:** Management should ensure that all RTAs are submitted for approval by an immediate supervisor prior to travel.

**Management’s Corrective Action Plan:** CTR will work with administrative staff at CTR and for groups affiliated with CTR to ensure that all RTAs have inserted into the voucher a note showing that the supervisor has authorized travel.

**Responsible Person:** Financial Analyst  
**Planned Implementation Date:** December 1, 2014  
**Post Audit Review:** Internal Audits has performed follow-up work and has confirmed that the recommendation has been implemented.

**Information Systems Security – Securing Unattended Devices**  
Password-protected screensavers are not currently set to activate after 15 minutes of inactivity. The unit stated that password-protected screensavers were set to activate after 30 minutes of idle time; this was confirmed during testing. Unauthorized access to unattended devices may result in harmful or fraudulent disclosure, modification, or deletion of sensitive electronic data. In addition, this may lead to the misuse of critical applications or email accounts.

According to Section 5.18.5 of UT Austin’s *Information Resources Use and Security Policy*, “Unattended computing devices must be secured from unauthorized access.”
Logical security controls include screen saver passwords and automatic session time-outs that are set to activate after 15-minutes of inactivity.

**Recommendation 6:** Management should ensure that the password-protected screensaver settings are enabled to activate after 15 minutes of inactivity.

**Management Corrective Action Plan:** CTR has already discussed this issue with the Director of IT in Engineering and currently all CPUs under their stewardship are set to auto lock after 30 minutes of inactivity. However, moving CPUs to this timeframe can be easily done and Mr Gloyd will instruct IT to shift to 15 minutes by November 28. In addition, CTR will send a memo to staff to note that they should use “Windows-L” key combination when they leave their desks for any length of time.

**Responsible Person:** Research Engineering/Scientist Associate IV and Director of IT
**Planned Implementation Date:** November 28, 2014

**Post Audit Review:** Internal Audits has performed follow-up work and has confirmed that the recommendation has been implemented.

**Information Systems Security – Compliance Training**

Seventeen (10%) of 168 departmental employees tested had not completed *TX Class CW 170 – IT Security Awareness* training. The unit does not currently have practices in place to ensure that all employees complete required training. There is an increased risk of security incidents if employees are not properly trained regarding the use of departmental information technology resources.

According to Section 5.22 of UT Austin’s *Information Resources Use and Security Policy*, all employees are required to take security awareness General Compliance training within the first 30 days of employment and every two years thereafter.

**Recommendation 7:** Management should ensure that all employees complete *TX Class CW 170 – IT Security Awareness* within the first 30 days of employment and every two years thereafter.

**Management Corrective Action Plan:** CTR’s HR representative met with Jaime Davis in Compliance and currently CTR requires all new employees – who are paid on a CTR coded contract - take CW170 in the first 30 days, and thereafter every 2 years. In addition, employees receive 3 emails from compliance department at 45 days, 2 weeks and 1 week before deadline. After this timeframe Compliance Department emails Dr Bhat a list of any staff that are not in compliance with this training. Dr
Bhat, will ensure that Ms. De La Rosa/Ms. Lisa Macias follow up with staff that are not in compliance to ensure training is conducted.

**Responsible Person:** Administrative Associate, Financial Analyst, and Director

**Planned Implementation Date:** Already in place (November 21, 2014)

**Post Audit Review:** Internal Audits is in the process of performing follow-up for this recommendation.

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**Information Systems Security – Disaster Recovery Plan (DRP), Backup Recovery of Systems and Data**

The unit’s DRP is incomplete and is not being tested on an annual basis. The unit stated that the employee responsible for updating and testing the DRP is no longer working in the department and these tasks have not been assigned to anyone else. Without an updated DRP, the unit may not be able to adequately recover critical systems and data in the event of a disaster.

According to Section 5.5.2 of UT Austin’s *Information Resources Use and Security Policy*, “Each college, school, or unit responsible for a system(s) should maintain a [DRP]. The recovery plan includes the following:

- Procedures for recovering data and applications in case an unexpected event occurs such as natural disaster, power or system disk failure, espionage, data entry error, human error, or other systems operations errors;
- Assignments of operational responsibility for backup of all systems connected to the respective network;
- Requirements for off-site storage needs;
- Physical and network access controls for on-site and off-site storage;
- Processes to ensure backups are viable and can be recovered (for example, routine testing of backup and recovery procedures.)”

**Recommendation 8:** Management should ensure that a comprehensive documented DRP exists within UT Austin’s Kuali Ready DRP application for all critical information resources and that it is tested at least annually. Additionally, the DRP should be kept up-to-date as staff and/or systems change.

**Management Corrective Action Plan:** CTR currently uses the Cockrell’s schools IT services and Ms. Laurie Wood has already been laying groundwork for disaster recovery plans under Kuali. Mr. Robert Harrison, Ms. Marybeth Casias and Ms. Lisa Loftus-Otway all have

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1 Kuali Ready is an application provided by the Information Security Office and is designed for departmental disaster recovery planning.
access to this system along with Dr. Bhat. In addition CTR has just convened an IT Needs Committee comprised of the aforementioned staff, and Mr. Bob Gloyd, Mr. Truman Oliver, Ms. Jen Duthie NMC Director, Mr. Nabeel Khwaja CTR Assistant Director, Dr. Michael Murphy and Ms Louise Rosenzweig our Library Manger. This team has already identified that records retention – including archiving disk space - and disaster management, is needed for CTR (given the changes and staff movement we have had over the past few months). The committee plans to issue recommendations to the Director by April 30 2015.

Responsible Person: Research Engineering/Scientist Associate IV, Senior Systems Administrator, and Director of IT
Planned Implementation Date: April 30, 2015

Post Audit Review: Internal Audits will perform follow-up once the implementation date has passed.

CONCLUSION

Based on the audit procedures performed, we conclude that CTR has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for procurement cards, travel expenditures, general departmental information/organization/activities, account reconciliations, purchasing activities, and information systems security.

In accordance with directives from The University of Texas System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.
### Electronic Office Structure

<table>
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<tr>
<th></th>
<th>Reasonable to Strong Controls in Place</th>
<th>Opportunity for Minor Improvements</th>
<th>Opportunity for Significant Improvements</th>
<th>Priority Weakness (1)</th>
<th>Not Applicable to the Unit</th>
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</table>

[1] A priority weakness, 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. These findings will be reported to UT System Administration.