FY 2015 Departmental Change in Management Audit

Educational Administration

August 2015

The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117
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Internal Audit Committee

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FY 2015 Departmental Change in Management: Educational Administration  
Project Number: 15.201
August 26, 2015

President Gregory L. Fenves
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas  78713

Dear President Fenves,

We have completed our audit of Educational Administration (EDA). Our scope included controls and operations in place for fiscal year 2015.

Based on the audit procedures performed, we conclude that EDA has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for General Departmental Information, Procurement Cards (Procard), and Information Systems Security. Our audit report provides detailed observations for the areas under review. Suggestions are offered throughout the report for improvements in the existing control structure.

We appreciate the cooperation and assistance of EDA 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, Office of the President
    Dr. Manuel Justiz, Dean, College of Education
    Dr. Randy Bomer, Department Chair, Educational Administration
    Ms. Patricia C. Ohlendorf, Vice President for Legal Affairs
    Mr. Jeff Treichel, Associate Director, Office of Internal Audits
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EXECUTIVE SUMMARY

Conclusion
Based on the audit procedures performed, we conclude that the Department of Educational Administration (EDA) has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for General Departmental Information, Procurement Cards (Procard), and Information Systems Security.

Summary of Recommendations
Each issue found has been ranked according to the University of Texas System Administration (UT System) Audit Issue Ranking guidelines. Please see Appendix B for ranking definitions. Internal Audits identified three notable issues which led to the following recommendations:

- Ensure a departmental records management plan is created and maintained (Audit Issue Ranking: High);
- Ensure proper separation of duties for procurement, including Procard purchases (Audit Issue Ranking: High); and
- Ensure the department has a comprehensive documented DRP (Audit Issue Ranking: High).

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

Management agreed with our observations and has provided corrective action plans which are expected to be implemented on or before October 31, 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 2015.

Background Summary
EDA offers academic concentrations in Program in Higher Education Leadership and Public School Executive Leadership; and administers four graduate programs which award graduates PhDs, EdDs, and MEds in Educational Administration. EDA has approximately 50 faculty and staff, and a total departmental budget of $6.1 million.
BACKGROUND

The Department of Educational Administration (EDA) offers academic concentrations in Program in Higher Education Leadership and Public School Executive Leadership; and administers four graduate programs which award graduates PhDs, EdDs, and MEds in Educational Administration.

The department’s website\(^1\) states, “The Department of Educational Administration is recognized as providing graduate programs of distinction and is considered one of the most outstanding in the nation being currently ranked 3rd among public university graduate education programs by the U.S. News and World Report.” EDA has approximately 50 faculty and staff, and a total departmental budget of $6.1 million.

For management of IT Resources, EDA uses College of Education’s Information Technology Office (ITO). The department has approximately 152 computers and uses Microsoft and Apple operating systems. In 2014 EDAD had zero breaches (i.e. remote attacker obtains unauthorized control of a system), which is lower than the 2014 campus-wide average of one breach per 66 computers.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this review includes controls and operations of the department in place for fiscal year 2015. 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 (Procard) 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.

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\(^1\) Department of Educational Administration Website: http://www.edb.utexas.edu/education/departments/eda/
AUDIT RESULTS

We reviewed internal controls in 20 areas regarding departmental operations, financial processes, and information technology, of which six areas were not applicable to EDA. The overall assessment for each of the 14 areas reviewed can be found in Appendix A and is summarized below:

- 11 (79%) areas had reasonable to strong controls in place,
- 0 (0%) areas had overall opportunity for minor improvement,
- 3 (21%) areas had overall opportunity for significant improvement, and
- 0 (0%) areas had a priority weakness.

Recommendations were made in areas where opportunities for improvements were noted and are detailed in the remainder of this report. Some areas have multiple issues noted and ranked. Each issue found has been ranked according to The University of Texas System Administration (UT System) Audit Issue Ranking guidelines. Please see Appendix B for ranking definitions.

General Departmental Information/Organization/Activities – Records Management Plan

Audit Issue Ranking: High

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.

Section 20.4.3 of UT Austin’s Handbook of Business Procedures states, “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:** A records management plan will be created and for the types of records being maintained by the department. The EA will review the plan with each departmental staff person and work with them to ensure that their records are up to date with UT records management policy.

Responsible Person: Executive Assistant
Planned Implementation Date: October 31, 2015

**Post Audit Review:** Internal Audits will perform follow-up work in November 2015.
Procard – Separation of Duties/Goods Received

Audit Issue Ranking: High

Twenty (95%) of the 21 Procard transactions tested had documentation showing goods were received by the same person who placed the order. Without having a separation in duties between ordering and receiving goods, there is an increased risk that goods purchased with UT Austin funds may not be received or used to conduct UT Austin business.

Section 7.8 of UT Austin’s Handbook of Business Procedures, Procurement Card Program states, “In order to maintain internal controls, an employee other than the cardholder (but in the same department) is responsible for verifying the receipt of the goods or services purchased. Receipt of goods and services must be documented—some examples of acceptable documentation are noting the date on the associated receipt or retaining the packing slip.”

**Recommendation 2:** Management should ensure there is a separation of duties in the purchasing and receiving of all procurement transactions, including Procard transactions.

**Management’s Corrective Action Plan:** A separation of duties will be established in the purchasing and receiving of all procurement transactions.

**Responsible Person:** Accounts Specialist

**Planned Implementation Date:** August 31, 2015

**Post Audit Review:** Internal Audits will perform follow-up work in November 2015.

Information Systems Security – Disaster Recovery Plan (DRP)

Audit Issue Ranking: High

The unit’s DRP is incomplete and is not being tested on an annual basis. The unit stated that the process to complete the DRP is underway, but has not yet been completed. Without an updated DRP, the unit may not be able to adequately recover critical systems and data in the event of a disaster.

Section 5.5.2 of UT Austin’s Information Resources Use and Security Policy states, “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;
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- Processes to ensure backups are viable and can be recovered (for example, routine testing of backup and recovery procedures.)

**Recommendation 3:** 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’s Corrective Action Plan:** The Executive Assistant will meet with a member of the College of Education Informational Technology Office to plan and create a comprehensive DRP for the department. Once set up the DRP will be updated annually.

Responsible Person: Executive Assistant
Planned Implementation Date: August 31, 2015

**Post Audit Review:** Internal Audits will perform follow-up work in November 2015.

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**Information Systems Security – Position of Special Trust (PoST) Forms**

**Audit Issue Ranking: Medium**

At the time of testing, one (20%) of the five employees whose position is designated as having access to Category I data has not completed a PoST form. The unit does not have a procedure in place to ensure that all employees whose positions are flagged as requiring a PoST on file complete the required form. If the form is not completed, employees may not be aware of their responsibilities for handling Category I data. This could lead to a loss or misuse of the data.

The Information Security Office website states, “in accordance with The University of Texas at Austin Information Resources and Security Policy (section V, item 4), all university employees with elevated systems privileges and access to Category-I university data shall be required to acknowledge annually the additional responsibilities they bear with those privileges by signing a Position of Special Trust form.”

**Recommendation 4:** Management should ensure that all individuals with access to Category I data complete a PoST form annually.

**Management’s Corrective Action Plan:** The only people who have failed to complete this form in a timely way have been graduate students serving as TAs. The Department Chair will have a meeting with TAs to clarify the requirement

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2 Kuali Ready is an application provided by the Information Security Office and is designed for departmental disaster recovery planning.

3 Information Security Office website - [https://security.utexas.edu/specialtrust/about/](https://security.utexas.edu/specialtrust/about/)
and will also remind faculty members working with a TA to remind them of this requirement.

Responsible Person: Department Chair
Planned Implementation Date: September 30, 2015

Post Audit Review: Internal Audits will perform follow-up work in November 2015.

Procards – Vendor Status
Audit Issue Ranking: Medium
The unit’s Procard 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.

UT Austin’s Procurement Card Program Policies and Guidelines state, “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 5: Management should ensure that all Procard 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: Vendors will be verified that they are not on the SDN list and do not have outstanding taxes with the State of Texas prior to procurement.

Responsible Person: Accounts Specialist
Planned Implementation Date: September 1, 2015

Post Audit Review: Internal Audits will perform follow-up work in November 2015.
CONCLUSION

Based on the audit procedures performed, we conclude that the EDA has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for General Departmental Information, Procard, 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.
### APPENDIX A

<table>
<thead>
<tr>
<th>Areas Reviewed</th>
<th>Audit Issue Ranking: Priority&lt;sup&gt;a&lt;/sup&gt;</th>
<th>Audit Issue Ranking: High</th>
<th>Audit Issue Ranking: Medium</th>
<th>Overall Assessment&lt;sup&gt;b&lt;/sup&gt;</th>
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<td>1</td>
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</tbody>
</table>

<sup>a</sup> A priority weakness that significantly impacts UT Austin's operations or finances will be reported to UT System

<sup>b</sup> Overall assessment is determined by the number of issues in one area or by the most severe ranking across areas.

### Overall Assessment

- Reasonable to Strong Controls - Green
- Opportunity for Minor Improvement - Yellow
- Opportunity for Significant Improvement - Red
- Priority Weakness - Not Applicable - Gray
- Not Applicable - Gray
APPENDIX B

Audit Issue Ranking

Audit issues are ranked according to the following definitions, consistent with UT System Audit Office guidance. These determinations are based on overall risk to UT System, UT Austin, and/or the individual college/school/unit if the issues are left uncorrected. These audit issues and rankings are reported to UT System directly.

- **Priority** – A Priority Issue is an issue that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Austin or the UT System as a whole.

- **High** – An issue that is considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.

- **Medium** – An issue that is considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

- **Low** – An issue that is considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level. Issues with a ranking of “Low” are reported verbally to the unit and are not included in the final report.