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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.

Departmental Change in Management Audit
Project Number: 805.13
May 19, 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 the FY13 Change in Management Audit. Our scope included eight units selected based on a risk assessment and changes in departmental management as part of our Fiscal Year 2013 Audit Plan. Our audit process included surveying department heads by questionnaire, interviewing management and staff in each unit, reviewing electronic office structure, and transaction testing.

Seven reports have been issued thus far. We have attached the following report for your information:

1640-000       School of Law

We appreciate the cooperation and assistance of all University personnel involved in this review and hope that the information presented herein is beneficial.

Sincerely,

Michael W. Vandervort, CPA
Director

cc:       Internal Audit Committee Members
          Mr. Jeff D. Treichel, Associate Director, Office of Internal Audits
MEMORANDUM

To: Mr. Ward Farnsworth, Dean
   School of Law

From: Mr. Michael Vandervort, CPA
       Director

Subject: Final Report – Change in Management Audit, Fiscal Year 2013
         Unit #1640-000: School of Law (Project # 805.13)

Date: May 19, 2015

We have completed our audit of your compliance with and awareness of certain policies and procedures at The University of Texas at Austin (UT Austin).

We reviewed internal controls in the following areas:

- Electronic Office Structure,
- General Departmental Information/Organization/Activities,
- Account Reconciliations,
- Endowed/Gift Administration,
- Outside Employment/Conflict of Interest,
- Cash Registers/Cashiers,
- Cash and Cash Equivalent Handling,
- Petty Cash,
- Inventory,
- Purchasing Activities,
- Procurement Cards,
- Travel Expenditures,
- Entertainment and Official Occasion Expenditures,
- Authorization for Individual Services,
- Contracts,
- Time Reporting, and
- Information Systems Security.

We performed the following procedures to complete this audit:

- Surveyed via a questionnaire to ascertain your reported strength in internal controls and compliance with UT Austin rules;
- Tested account certifications, entertainment and official occasion expenditures, travel expenditures, procurement card expenditures, annual physical inventory completion, account reconciliation, and information systems security;
- Reviewed your electronic office structure and employees’ appointment statuses; and
- Clarified follow-up issues with you and your staff.
This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

Based on the above procedures, the School of Law appears to have reasonable to strong controls in most areas. Seven opportunities for improvement were noted.

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

The Law School DRP appears not to include all Category I servers and non-UT Austin IT service provider details. Without an updated DRP, LTC 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).”

<table>
<thead>
<tr>
<th><strong>Recommendation 1:</strong></th>
<th>Management should ensure that a comprehensive documented DRP exists within UT Austin’s 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.</th>
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</table>

**Management Corrective Action Plan:** The Law Library is currently pursuing a variety of compliant options to resolve the tape backup compliance concern regarding the ILS server. Until a solution is selected a more precise implementation timeline cannot be given. That said, it is anticipated to be complete as soon as May and no later than August of 2015.

**Responsible Person:** Assistant Director for Technical Services

**Planned Implementation Date:** Spring/Summer 2015

**Post Audit Review:** Internal Audits will perform follow-up work after the implementation date has passed.
Information Systems Security – Securing Unattended Devices
The department stated that password-protected screensavers were set to activate after one hour of inactivity. 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 2: Management should ensure that the password-protected screensaver settings are enabled to activate after 15 minutes of inactivity.

Management Corrective Action Plan: The Law School plans to roll out a 15 minute password-protected screensaver for all law school managed computers except classroom computers. We plan to implement the change between the spring and summer semesters, sometime in late May. Regarding classroom computers, we are going to request an exception as these computers are CATIII and have different business requirements due to classroom use.

Responsible Person: Assistant Dean for Technology
Planned Implementation Date: May 2015

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

Information Systems Security – System Hardening
Testing revealed one computer had not been updated in four months and had 48 pending updates. When software system security patches are not applied regularly, there is an increased risk that information resources are more susceptible to unauthorized access, viruses, and malware.

According to Section 4.5.2 of UT Austin’s Minimum Security Standards for Systems, “operating system and application services security patches should be installed expediently and in a manner consistent with change management procedures.”

Recommendation 3: Management should ensure that patches are applied expediently in a manner consistent with change management procedures.

Management Corrective Action Plan: Law School IT (LTS) will implement two procedures to resolve unpatched computers occurring. First, LTS will send out an annual email to all users reminding them to always leave computers on albeit locked overnight, when away on
vacation, etc. Second, LTS will begin using SelfScan to identify any computers that are not patching and will manually power any identified computers back on in order to complete patching in a timely fashion per Recommendation 3.

Responsible Person: Assistant Dean for Technology
Planned Implementation Date: Spring 2015

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

Information Systems Security – Compliance Training
Forty-six of 62 employees tested had not completed TX Class CW170 – IT Security Awareness training. There is an increased risk of security incidents if employees are not properly trained regarding the use of department information resources.

According to Rule 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 4: Management should ensure that all employees complete TX Class CW170 – IT Security Awareness within the first 30 days of employment and every two years thereafter.

Management Corrective Action Plan: Dean Farnsworth will directly email all identified individuals currently out of compliance with regards to CW 170, asking them to fulfill their obligation to complete the module in a timely manner. Also, Michael Harvey will email the entire school once a year during IT Security Month to remind faculty and staff to complete compliance training module CW 170.

Responsible Person: Dean of Law School and Assistant Dean for Technology
Planned Implementation Date: Sometime in April 2015 and then annually during IT Security Month.

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

Cash and Cash Equivalent Handling - Deposits
Deposits of $500 or more are not made on a daily basis. In addition, deposits are not made at least weekly when the total is less than $500. If deposits are not made in a timely manner, there is an increased risk of fund loss.

According to Section 6.5.B of UT Austin’s Handbook of Business Procedures, “Deposits should be made daily if they are equal to or greater than $500. Deposits should be made at least weekly even if the accumulated total is less than $500.”
**Recommendation 5:** Management should ensure that cash and cash equivalents of $500 or more are deposited daily at the Bursar’s Office and that all cash and cash equivalents are deposited at least weekly if the accumulated total is less than $500.

**Management Corrective Action Plan:** We will ensure that deposits over $500 are made on a daily basis. We keep funds secure in a large safe in our accounting office before they are deposited.

**Responsible Person:** Chief Business Officer  
**Planned Implementation Date:** Spring 2015

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

**Procurement Card – Transaction Log**

Three (13%) out of 23 transactions tested were not recorded on the transaction log for procurement cards. In addition, a transaction log was not available for one shared procurement card in the sample. There is an increased risk of misuse of funds without maintaining a transaction log showing all procurement card use.

According to the Purchasing Office’s Procurement Card Policies and Guidelines\(^1\), “If the procurement card is used by more than one person, a transaction log must be maintained by the approving official.”

**Recommendation 6:** Management should ensure that a transaction log for the shared procurement cards is maintained by the approving official. In addition, all transactions made on the shared procurement cards should be disclosed on the log.

**Management Corrective Action Plan:** We will remind all procard holders and users of the need to utilize a transaction log when cards are checked out to another user. We will send an email with a sample transaction log for department procard holders.

**Responsible Person:** Chief Business Officer  
**Planned Implementation Date:** Spring 2015

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

**Cash and Cash Equivalent Handling - Checks**

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\(^1\) Procurement Card Policies and Guidelines:  
http://www.utexas.edu/admin/purchasing/procard/pg_postpurch.html
According to Section 6.3.A.2 of UT Austin’s *Handbook of Business Procedures*, “All checks shall be made payable to ‘The University of Texas at Austin.’”

| **Recommendation 7:** Management should ensure that all checks are made payable to “The University of Texas at Austin.” |
| **Management Corrective Action Plan:** We remind our staff who collect checks in person of this requirement, and will ensure that our payment documentation/websites notify check submitters to make payment to The University of Texas at Austin. |
| Responsible Person: Chief Business Officer of the School of Law |
| Planned Implementation Date: Spring 2015 |
| **Post Audit Review:** Internal Audits will perform follow-up work after the implementation date has passed. |

Attached you will find a Change in Management Report Card, which is based on our understanding of the controls in place in your unit at the time of our review. If fully implemented, the recommendations above would improve your overall evaluation.

We appreciate the assistance and cooperation of you and your staff in this audit and hope that the information presented herein is beneficial. If you have any questions, please contact Angela McCarter at 512-471-9265 or angela.mccarter@austin.utexas.edu.

MV: cj

Attachment

c: Mr. Jeff Treichel, Associate Director, Office of Internal Audits
<table>
<thead>
<tr>
<th>Areas Reviewed</th>
<th>Reasonable to Strong Controls in Place</th>
<th>Opportunity for Improvements</th>
<th>Significant Deficiencies</th>
<th>Material Weaknesses(^2)</th>
<th>Not Applicable to the Unit</th>
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\(^2\) A weakness that significantly impacts UT Austin’s operations or finances