Departmental Change in Management Audit
Fiscal Year 2013

September 2013

The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117
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Departmental Change in Management Audit
Project Number: 805.13
September 17, 2013

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

Dear President Powers,

We are in the process of completing the FY13 Change in Management Audit. Our scope included 8 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.

Two reports have been issued thus far. Due to the individual nature of each review, we have attached the following reports for your information:

1140-000 Department of Special Education
4600-000 University Health Services

We appreciated 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
MEMORANDUM

To: Ms. Jamie Shutter, Director
   University Health Services

From: Mr. Michael Vandervort, CPA
      Director

Subject: Final Report – Change in Management Audit, Fiscal Year 2013
         Unit #4600-000: University Health Services (Project # 805.13)

Date: September 17, 2013

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,
- Accounts Receivable,
- Petty Cash,
- Merchandise for Resale,
- Inventory.

- Controlled Items,
- 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, Procard 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, University Health Services appears to have reasonable to strong controls in most areas. Four opportunities for improvement were noted.

Information Systems Security – Position of Special Trust (PoST)
PoST forms have not been completed by seven of the 157 employees whose position is designated as having access to Category I data. 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.

According to Section 5.4.4 of UT Austin’s Information Resources Use and Security Policy, “all individuals assigned special privileges should acknowledge their responsibilities by signing a form such as a Position of Special Trust form.”

Recommendation 1: Management should ensure that all individuals with access to Category I data complete a PoST form annually.

Management Response: Our HR Coordinator is going to run a compliance report on a monthly basis. She will send a reminder to each staff member whose PoST form is due within the next 30 days and notify them and their manager that if they do not complete their form by the due date, their computer access will be immediately turned off.

Implementation Date: September 1, 2013

Information Systems Security – Compliance Training
Two of 153 employees tested had not completed TX Class CW 170 – 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 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 2: 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 Response: Our HR Coordinator is going to run a compliance report on a monthly basis. She will send a reminder to each staff member whose compliance training is due within the next 30 days.
and notify them and their manager that if they do not complete their form by the due date, their computer access will be immediately turned off. Our HR Coordinator already tracks our new employees to make sure they complete their compliance training within the first 30 days of employment.

**Implementation Date:** September 1, 2013

**Procurement Cards Disallowed Purchase**
One of 23 Procard transactions tested was on the Procurement Card Program disallowed purchases list, and the department stated that an exception was not obtained from the procurement card administrator for this communication design service (signage and wayfinding) purchase. There is an increased risk of misuse of UT Austin funds if the Procard cardholder does not adhere to Procurement Card Program restrictions.

According to Section 7.8.C.2 of UT Austin’s *Handbook of Business Procedures*, “The Procard may not be used for some types of purchases. Examples of items typically disallowed are: alcoholic beverages, entertainment or travel, food (including catering services), communication design services, consulting services, controlled substances, cylinder gasses, hazardous chemicals, radioactive material, and animals.”

**Recommendation 3:** Management should ensure that all purchases made on the Procard are within the Procurement Card Program restrictions or have received an exception from the procurement card administrator.

**Management Response:** Our Financial Analyst is sending out an email to our Procard holders to remind them of the items contained on the disallowed purchases list. He is also going to conduct an annual refresher training for our Procard holders to help remind them of the University’s policy and our internal policy and procedures regarding the Procard to help minimize risk. Finally, we are going to update our internal Procard policy and procedure to reflect the addition of this annual training.

**Implementation Date:** September 1, 2013

**Entertainment and Official Occasion Expenses – Proper Approval**
One of 20 entertainment transactions tested did not have proper approval obtained from the dean or official delegate regarding an expense that exceeded $100 on an Official Occasion Expense Form (OOEF) or in the *DEFINE* electronic routing path. If there is not proper approval for an OOEF that exceeds the threshold of $100, then the dean or official delegate for approving these entertainment expenses may not be aware of the additional expense.

According to Section 9.1.1.D of UT Austin’s *Handbook of Business Procedures*, “Oversight of entertainment expenditures is required at the senior administrative level, i.e., by vice presidents and deans.”
Shutter Memorandum  
September 17, 2013  
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Also, according to Section 9.1.1.K.1.a of UT Austin’s *Handbook of Business Procedures*, “Departments may enter the required information in the Notes section of the *DEFINE document instead of supplying an OEOF. However, the dean/vice president or official delegate must be included in the electronic routing of the document in order for Notes to be accepted.”

**Recommendation 4:** Management should ensure that all OOEFS or *DEFINE documents are approved by the dean or official delegate.

**Management Response:** In the one incident that was cited, the form was signed by the Director for an amount that was under $100. The staff person spent more than they were approved for. We are going to change our process so that every OEOF form that is created is logged and tracked by one person. Each person who submits a form will be given a verbal and written reminder that they are not allowed to exceed the amount that has been approved. In addition to this, we are going to send out an email reminder to the few staff within UHS who generate these forms.

**Implementation Date:** September 1, 2013

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 Miranda Pruett at 512-471-8975 or miranda.pruett@austin.utexas.edu.

MV: mp

Attachment

cc: Dr. Gage Paine, Vice President for Student Affairs  
Dr. Chris Brownson, Associate Vice President for Student Affairs  
Dr. Charles A. Roockle, Deputy to the President
<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 Weaknesses¹</th>
<th>Not Applicable to the Unit</th>
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¹ A weakness that significantly impacts UT Austin's operations or finances