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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the Board of Regents.

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: Dr. Mark O’Reilly, Department Chair
   Department of Special Education

From: Mr. Michael Vandervort, CPA
       Director

Subject: Final Report – Change in Management Audit, Fiscal Year 2013
         Unit #1140-000: Department of Special Education

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,
- Outside Employment/Conflict of Interest,
- Cash and Cash Equivalent Handling,
- 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 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 and Procard expenditures, annual physical inventory completion, and information systems security;
- Reviewed your electronic office structure and employees’ appointment statuses; and
- Clarified follow-up issues with you and your staff.
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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 Department of Special Education appears to have reasonable to strong controls in most areas. Eleven opportunities for improvement are noted.

**Information Systems Security – Administrative Access**

All faculty and staff have administrative access to their machines. When users operate with administrative rights at all times, it is difficult to protect against unauthorized access to data, software installations, and system configuration changes to workstations.

According to Section 5.4.1 of UT Austin’s *Information Resources Use and Security Policy*, “Individuals who use accounts with special privileges (for example System Administrators) must use these accounts only for their intended administrative purposes.”

<table>
<thead>
<tr>
<th>Recommendation 1:</th>
<th>Management should ensure that users operate workstations with the least privileges necessary to conduct business related functions. Users with administrator privileges should use separate computer accounts only to perform administrative functions and not for day-to-day activities.</th>
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</table>

**Management Response:** In the past, the Board of Directors (Dr. Anna Maloch, Ms. Stacey Oliver, Dr. Randy Bomer, Dr. Mark O’Reilly, Dr. Cindy Carlson, and Dr. John Bartholomew) in the College of Education had made the decision that this was an acceptable risk. They will revisit this policy this fall.

**Implementation Date:** Fall 2013

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

The Learning Technology Center (LTC)¹ DRP has not been updated since 2009 and is not being tested on an annual basis. The DRP does not include individual College of Education departments (including Special Education). 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 University of Texas at 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;

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¹ The Learning Technology Center supports College of Education students and faculty by providing technology facilities, data networking services, and digital media equipment.
http://www.edb.utexas.edu/education/centers/ltc/
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 2:** Management should ensure that a comprehensive documented DRP exists within UT Austin’s Restarting Texas DRP application\(^2\) 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 Response:** Special Education and the LTC will commit to having a DRP for the department.

**Implementation Date:** January 2014

**Information Systems Security – Securing Unattended Devices**
Two of five computers tested did not have the password-protected screensaver setting enabled. Unauthorized access to unattended devices may result in harmful or fraudulent disclosure, modification, or deletion of sensitive electronic data. In addition, it may lead to the misuse of critical applications or email accounts.

According to Section 5.18.5 of University of Texas at Austin’s Information Resources Use and Security Policy, “Unattended computer devices must be secured from unauthorized access. Logical security options include screen saver passwords and automatic session time-outs.”

As a best practice, password-protected screensavers should activate after 15 minutes of idle time.

**Recommendation 3:** Management should ensure that the password-protected screensaver settings are enabled to activate after 15 minutes of idle time.

**Management Response:** Departments and the LTC will reiterate the policy to ensure compliance at the beginning of the Fall 2013 semester. Additionally, users for 2 out of the 5 computers have since departed UT Austin. The inventory contact for the department, Gina Smuts, Executive Assistant, will also do an annual check of each computer during each inventory period.

**Implementation Date:** September 2013

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\(^2\) Restarting Texas is an application provided by the Information Security Office and is designed for departmental disaster recovery planning.
Information Systems Security - Position of Special Trust Forms

Positions with access to Category I data have not been designated as such in the Human Resource Management System. As a result, employees in those positions have not completed Position of Special Trust forms. 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 whose accounts have special privileges must complete a UT Austin Security Sensitive form. Additionally, all individuals assigned special privileges should acknowledge their responsibilities by signing a form such as a Position of Special Trust form.”

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

**Management Response:** Department management (Gina Smuts, Executive Assistant) will perform an annual check in September of each year and adjust positions to reflect the proper categorization. Additionally, she will ensure that the identified persons have done the annual acknowledgement.

**Implementation Date:** September 2013

Information Systems Security - Compliance Training

Four of 53 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 University of Texas at 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 5:** 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:** Notification emails are sent to department of those out of compliance. Gina Smuts, Executive Assistant, will run a monthly report to monitor compliance.

**Implementation Date:** September 2013
Travel Expenditures – Request for Travel Authorization
Thirteen of 17 travel transactions tested did not have proper approval obtained from the immediate supervisor. Without submission of a Request for Travel Authorization (RTA) to the 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, “Prior approval for all business travel is required for absences of employees from the campus or other designated headquarters for periods of half a day or more during the normal working period, whether or not there is a cost to The University”, and “An electronic Request for Travel Authorization (RTA) should be completed. Approval is delegated to the immediate supervisor.”

**Recommendation 6:** Management should ensure that all RTAs are submitted to be approved by an immediate supervisor, prior to travel and all supporting documentation is kept on file in the department.

**Management Response:** Effective July 1, 2013, all RTAs are signed with approval by the appropriate supervisor.

**Implementation Date:** July 2013

Entertainment and Official Occasion Expenditures – Proper Authorization
Six of 12 entertainment transactions tested did not have proper approval obtained from the dean or official delegate for approving an Official Occasions Expense Form (OOEF) or in the *DEFINE* electronic routing path. Without the submission of an OOEF or complete information in the Notes section with proper routing in *DEFINE*, the dean or official delegate for approving these entertainment expenses may not be aware of these types of expenditures.

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 president and deans. Authority may be delegated by the vice president or dean for approval of charges under $100 to associate/assistant vice presidents, associate/assistant deans, department heads, or other staff in leadership roles. Entertainment expenses may require approval prior to the function as determined by the dean or vice president.”

**Recommendation 7:** Management should ensure that all OOEFs are approved by the dean or official delegate and on file as supporting documentation. Management may want to consider having a blanket OOEF as a convenience.

**Management Response:** Prior to Fall 2012, staff that has since departed UT Austin handled these. Effective June 2013, all entertainment expenses require a signed OOEF by Dr. O’Reilly (Department Chair) and the Dean for the College of Education.
Implementation Date: June 1, 2013

Entertainment and Official Occasion Expenditures – Itemized Receipts
Five of 12 entertainment transactions tested were for The Carillon Restaurant and did not have itemized receipts or an OEOF on file. Without an itemized receipt (or statement declaring the itemized receipt is not available), there is an increased risk of improper use of funds.

According to Section 9.1.1.K.1.e of UT Austin’s Handbook of Business Procedures, “...an itemized receipt or ticket is required for meals, or events with food, and the receipt or ticket must include the number of attendees. If an itemized receipt or ticket is not available, a statement declaring this must be included either on the OEOF, the non-itemized receipt, or in the Notes section of the electronic document.”

Also, according to Section 9.1.1.K.1.e of UT Austin’s Handbook of Business Procedures, “…for entertainment IDT charges from The Carillon and Housing and Food 40 Acres Catering, departments are not required to send the signed Official Occasion Expense Form (OEOF) to the Office of Accounting. Departments must attach a signed OEOF for each purchase and include the form as a basic part of the back-up documentation retained at the departmental level. Backup documentation is subject to review and must be provided upon request for auditing purposes.”

Recommendation 8: Management should ensure that an OEOF and itemized receipts are submitted for meals and events held at The Carillon Restaurant. If itemized receipts are not available, a statement declaring this should be included in the supporting documentation.

Management Response: Prior to Fall 2012, staff that has since departed UT Austin handled these. Effective June 2013, all entertainment expenses require a signed OEOF. All OEOF expenses are required to have itemized receipts.

Implementation Date: June 1, 2013

Time Reporting
Timesheets are not processed on a weekly basis. If timesheets are not processed on a weekly basis, then there is a greater risk that time (such as vacation, sick leave or holidays) could be incorrectly recorded.

According to Section 5-4020 of UT Austin’s Handbook of Operating Procedures, “University policy requires that 'Official Time Reports' be prepared and maintained on all classified employees, Code 1000 titles, Professional Librarians, Academic Assistants, and Tutors. The report must be completed on a weekly basis and signed by the employee's supervisor.”
**Recommendation 9:** Management should ensure that all timesheets are completed on a weekly basis and signed by the employee’s supervisor.

**Management Response:** Department Management (Gina Smuts, Executive Assistant) ensures timesheets are approved weekly.

**Implementation Date:** June 1, 2013

**Cash and Cash Equivalent Handling - Checks**
Not all checks are being made payable to The University of Texas at Austin; some checks are being made payable to the Department of Special Education. There is an increased risk of misuse of UT Austin funds if the checks are not specifically made payable to The University of Texas at Austin.

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 10:** Management should ensure that all checks are made payable to The University of Texas at Austin.

**Management Response:** All checks will be made payable to The University of Texas at Austin. No exceptions.

**Implementation Date:** Summer 2013

**Procurement Cards (Procard) – Proper Documentation**
Three Procard transactions did not have proper supporting documentation on file. If supporting documentation is not kept on file, the department is unable to verify that the transaction is correct. This could lead to delays in the reconciliation and departmental approval of VP7 documents.

According to Section 7.8.B of UT Austin’s Handbook of Business Procedures, “The cardholder must keep all receipts or documentation for any purchases made and is responsible for verifying that all transactions listed on bank statements are valid and accurate.”

**Recommendation 11:** Management should ensure that proper supporting documentation is kept on file for Procard purchases.

**Management Response:** Effective April 2013, all procard expenses must be approved in writing prior to purchase, by the Chair. Department Management (Gina Smuts, Executive Assistant) ensures that emails are attached to itemized receipts for purchases.

**Implementation Date:** April 2013
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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 Pruet at 512-471-8975 or miranda.pruett@austin.utexas.edu.

MV: mp

Attachment

cc: Dr. Steven Leslie, Executive Vice President and Provost
    Ms. Patricia Ohlendorf, Vice President for Legal Affairs
    Ms. Mary Knight, Associate Vice President
    Dr. Manuel Justiz, Dean, College of Education
## Change in Management Report Card
Department of Special Education, Unit #1140-000

<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&lt;sup&gt;3&lt;/sup&gt;</th>
<th>Not Applicable to the Unit</th>
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<td>Electronic Office Structure</td>
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<sup>3</sup> A weakness that significantly impacts UT Austin’s operations or finances