Departmental Change in Management Audits Fiscal Year 2012

November 2012

The University of Texas at Austin
Office of Internal Audits
UTA 2.302
471-7117
The University of Texas at Austin
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The University of Texas at Austin
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the Board of Regents.

Departmental Change in Management Audits
Project Number 779.12
November 27, 2012

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 are in the process of completing the Change in Management Audit. Our scope included 16 units selected based on a risk assessment and changes in departmental management as part of our Fiscal Year 2012 Audit Plan. Our audit process included surveying department heads by questionnaire, interviewing management and staff in each unit, reviewing electronic office structures, and transaction testing.

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

4620-000  Texas Student Media
2631-000  Center for Information Assurance and Security
3550-000  Professional Development Center
0055-000  Dell Pediatric Research Institute
3900-000  Tarlton Law Library
6130-000  University of Texas Press
4035-000  University of Texas Elementary School
5010-000  University Development Office

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

Sincerely,

[Signature]

Michael W. Vandervort, CPA
Director

cc: Internal Audit Committee Members
MEMORANDUM

To: Mr. David Onion, Senior Associate Vice President
   University Development Office

From: Mr. Michael Vandervort, CPA
       Director

Subject: Final Report – Change in Management Audit, Fiscal Year 2012
         Unit #5010-000: University Development Office

Date: September 21, 2012

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

We reviewed internal controls in the following areas:

- Electronic Office Structure,
- General Departmental Information/Organization/Activities,
- Account Reconciliation,
- 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 System Security.

We performed the following procedures to complete this audit:

- Reviewed your electronic office structure;
- Tested account certifications, entertainment and official occasion transactions, annual physical inventory completion, employees’ appointment statuses, and information system security;
- Surveyed via a questionnaire to ascertain your reported strength in internal controls and compliance with UT Austin rules; 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 University Development Office appears to have reasonable to strong controls in most areas. Seven opportunities for improvement are noted.

**Entertainment and Official Occasion Expenditures**

One entertainment transaction tested showed that alcohol was served at an event on campus but the Official Occasion Expense Form was not pre-approved by the Executive Vice President and Provost. Without obtaining the proper approval required to serve alcohol on campus, the reimbursement voucher may not be approved.

Section 9.1.1.F states that, “Advance approval by the executive vice president and provost is required to serve alcohol in campus facilities…”

<table>
<thead>
<tr>
<th><strong>Recommendation 1:</strong> Management should ensure that advance approval by the Executive Vice President and Provost is received for events where alcohol is served in campus facilities.</th>
</tr>
</thead>
</table>

**Management Response:** The events involving the serving of alcohol are presidential events and, therefore, approval was assumed. Going forward a list of events for the semester at which alcohol will be served will be sent to the Provost’s office for prior approval.

**Implementation Date:** Implemented 8/17/2012

**Authorization for Individual Services (AIS)**

AIS forms are only signed by the University Development Office’s Finance Officer. Without the appropriate level of approval, payments to the service provider may be delayed.

According to the Payments for Professional Services publication:

- Prior approval for the paper APS [now AIS] form must be obtained by both of the following:
  - Chair/Director or Equivalent Administrative Officer
  - Designated Final Approver (DFA) or appropriate Dean/Vice President/Provost

- Prior approval on the electronic PBS document is obtained from:
  - the appointment account electronic signer.
  - electronic signers from all accounts listed.
  - Dean/VP electronic approval.
**Recommendation 2:** Management should ensure that AIS forms are signed by the director.

**Management Response:** The University Development Office will utilize the PBS electronic form for the approval process instead of the paper AIS form in order to meet policy requirements. Any future use of the paper AIS form will include the two signatures of the appropriate Administrative Officer and the Designated Final Approver.

**Implementation Date:** Implemented 9/1/12

**Contracts**
An employee of the University Development Office has authority to enter into contracts on behalf of UT Austin, but does not complete the Financial Disclosure and Conflict of Interest Statement annually. Failure to complete the form may result in nondisclosure of possible conflicts of interest and may be grounds for disciplinary action by UT Austin, including termination of employment.


**Recommendation 3:** Management should ensure that all employees with the authority to sign contracts complete the Financial Disclosure and Conflict of Interest Statement annually.

**Management Response:** UDO management will ensure that appropriate individuals complete the Financial Disclosure and Conflict of Interest Statement on an annual basis.

**Implementation Date:** Implemented 9/1/12

**Information Systems Security - Physical Access to Servers**
Non-IT staff have physical access to the University Development Office server. Without adequately securing the server room, there is an increased risk of unauthorized access to UT Austin’s information stored on the server.

According to Rule 5.19.2.2 of UT Austin’s Information Resources Use and Security Policy, “all facilities supporting information resources must have physical access controls in proportion to the importance, sensitivity, and accountability requirements of the data and systems housed in that facility.”
**Recommendation 4:** Management should ensure that physical access to the server is limited to IT personnel and that the physical access controls are in proportion to the importance, sensitivity, and accountability requirements of the data and systems.

**Management Response:** Data formerly retained on servers housed within the UDO has been migrated to the UT Data Center (Austin Disk) and the server decommissioned. One server remains, which contains graphic design images only and is restricted to use by the Design Services department.

**Implementation Date:** Implemented 7/1/12

**Information Systems Security - Administrative Access**
On three of the five University Development Office computers tested, users were operating with administrative rights at all times. 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 Rule 5.4.1 of the UT Austin 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."

**Recommendation 5:** Management should ensure that users do not operate workstations with administrative rights unless required for a specific business function.

**Management Response:** The Information Management team within the UDO will audit UDO workstations and adjust administrative rights accordingly.

**Implementation Date:** 10/1/12

**Information Systems Security - Position of Special Trust Forms**
Position of Special Trust forms have not been completed for 10 employees whose positions are 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.

The Office of the Chief Information Officer’s (CIO) website states that:

“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 6: Management should ensure that all individuals with access to Category I data should complete a Position of Special Trust form.

Management Response: Security of data is paramount to the UDO and Position of Special Trust forms are required of all applicable personnel. An audit of compliance will be performed by the UDO HR/Training Administrator and completion of the form enforced.

Implementation Date: 10/1/12

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

According to Rule 5.18.5 of UT Austin’s Information Resources Use and Security Policy, “unattended computing devices must be secured from unauthorized access. Logical security options include screensaver passwords and automatic session time-outs.”

Recommendation 7: Management should ensure that all computers are configured with password protected screen savers that activate after 15 minutes of idle time.

Management Response: The Information Management team within the UDO will audit UDO workstations and configure password protections accordingly.

Implementation Date: 10/1/12

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 Andrew Keegan at 471-9836 or andrew.keegan@austin.utexas.edu.

MV:ak

Attachment

cc: Dr. Charles A. Roeckle, Deputy to the President
## Change in Management Report Card
University Development Office, Unit # 5010-000

<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 Weaknesses¹</th>
<th>Not Applicable to the Unit</th>
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<tbody>
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<td>Electronic Office Structure</td>
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<td>General Departmental</td>
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¹ A weakness that significantly impacts the UT Austin’s operations or finances