FY15 Departmental Change in Management
Lady Bird Johnson Wildflower Center

October 2016

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

FY15 Departmental Change in Management
Lady Bird Johnson Wildflower Center
Project Number: 15.204
October 31, 2016

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 the Lady Bird Johnson Wildflower Center. Our scope included controls and operations of the department in place for fiscal year 2015.

Based on the audit procedures performed, we conclude that the Lady Bird Johnson Wildflower Center has reasonable to strong controls in some of the areas reviewed. However, opportunities for improvement were noted for Account Reconciliations, Purchasing, Procurement Cards, Travel Expenditures, and Entertainment and Official Occasion Expenditures. The audit report (attached) provides detailed observations for each area under review. Suggestions are offered throughout the report to assist in improving these areas.

We appreciate the cooperation and assistance of the Lady Bird Johnson Wildflower Center throughout the audit and hope that the information presented herein is beneficial.

Sincerely,

Michael W. Vandervort, CPA  
Chief Audit Executive

cc: Institutional Audit Committee Members  
Dr. Maurie McInnis, Executive Vice President and Provost, Office of the Executive Vice President and Provost  
Mr. Carlos Martinez, Chief of Staff, Office of the President  
Ms. Elizabeth Danze, Interim Dean, School of Architecture  
Ms. Patricia 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 Lady Bird Johnson Wildflower Center has reasonable to strong controls in some of the areas reviewed. However, opportunities for improvement were noted for Account Reconciliations, Purchasing, Procurement Cards, Travel Expenditures, and Entertainment and Official Occasion Expenditures.

Summary of Recommendations
Each issue found has been ranked according to The University of Texas System Administration Audit Issue Ranking guidelines. Please see Appendix B for ranking definitions.

The seven recommendations provided 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 November 30, 2016.

Audit Scope and Objective
Departmental Change in Management audits are conducted annually and units are chosen based on a risk assessment. The objectives are 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
The Lady Bird Johnson Wildflower Center (Wildflower Center) was founded in 1982 to protect and preserve North America's native plants and natural landscapes. First as the National Wildflower Research Center and later as the Lady Bird Johnson Wildflower Center, it exists to introduce people to the diversity of wildflowers and other native plants. In 2006, the Wildflower Center became an Organized Research Unit of The University of Texas at Austin.
BACKGROUND

The Lady Bird Johnson Wildflower Center (Wildflower Center) was founded in 1982 to protect and preserve North America’s native plants and natural landscapes. First as the National Wildflower Research Center and later as the Lady Bird Johnson Wildflower Center, it exists to introduce people to the diversity of wildflowers and other native plants. In 2006, the Wildflower Center became an Organized Research Unit of The University of Texas at Austin (UT Austin).

The Land Restoration Program applies knowledge of ecological processes to restoring damaged landscapes. The Wildflower Center’s education programs for children and adults teach people about their natural surroundings and how to grow native plants in their own backyards.

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.

AUDIT RESULTS

We reviewed internal controls in 20 areas regarding departmental operations, financial processes, and information technology, of which one area was not applicable to the department. Please note that the Information Security Systems portion of the audit was completed separately, and as such, those results will be made available in a separate report.
The overall assessment for each of the 18 of 20 areas reviewed for this report can be found in Appendix A and is summarized below:

- 13 (72%) areas had reasonable to strong controls in place,
- 3 (17%) areas had overall opportunity for minor improvement,
- 2 (11%) 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.

**Account Reconciliation – Separation of Duties**  
**Audit Issue Ranking: Medium**  
Wildflower Center has indicated it does not have a separate employee reviewing account reconciliations. Unfilled executive-level positions, as well as a change in reporting structure, meant the unit did not have enough employees to create the necessary separation of duties. Without a separation of duties, there is an increased risk that accounts will not be reconciled accurately.

UT Austin’s *Segregation of Duties and Reconciliation of Accounts Monitoring Plan* states, “As part of University account reconciliation (review) controls, University Business Officers (Officers) will determine that reconciliation (review) duties are segregated and that required account reconciliations (reviews) are completed in the departments/units within their schools.”

<table>
<thead>
<tr>
<th><strong>Recommendation 1:</strong> Management should ensure that account reconciliations are reviewed by someone other than the preparer, preferably the unit head or unit head designee.</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Management’s Corrective Action Plan:</strong> Account reconciliations are now conducted and monthly financial reports are now prepared by the Director of Finance &amp; Operations, and are reviewed by the Executive Director.</td>
</tr>
<tr>
<td><strong>Responsible Person:</strong> Director of Finance &amp; Operations, and Executive Director.</td>
</tr>
<tr>
<td><strong>Planned Implementation Date:</strong> October 21, 2016</td>
</tr>
<tr>
<td><strong>Post Audit Review:</strong> Internal Audits has performed follow-up work and confirms this recommendation has been implemented.</td>
</tr>
</tbody>
</table>
Purchasing – Adequate Supporting Documentation
Audit Issue Ranking: Medium
A transaction was completed online using Point Plus/UT Market, but an online receipt was not created, nor the vendor paid. The unit indicated that the Accounting Clerk responsible for maintaining this documentation has been on an extended medical leave and a system generated notification of the pending document may have been overlooked, and thus not addressed in a timely manner. Without adequate supporting documentation and timely payments, UT Austin is at increased risk of late payments and misuse of funds.

Section 7.5.1.C.2 of UT Austin’s Handbook of Business Procedures states, "The receipt of the product is electronically documented in FRMS. For desktop delivery, departments must enter the receipt within 72 hours of the delivery. If shipments for a purchase order are split over multiple days, an electronic receipt should be entered for each partial shipment. Receipts for items delivered to Central Receiving are created by central receiving personnel. The receiver is responsible for signing and dating all invoices and/or packing slips. If the receiver verifies a shipment via email, a digital certificate must be attached to the email."

Additionally, Section 20.3.3 Financial Records states, “Packing slips and other support documentation received as hardcopy must be submitted to the Image Retrieval System to be imaged or retained in the department in accordance with all applicable retention codes."

**Recommendation 2:** Management should ensure that documentation for purchases is properly maintained so that transactions can be processed and paid in a timely and effective manner.

**Management’s Corrective Action Plan:** All Wildflower Center staff making purchases or using the ProCard will receive refresher training in purchasing procedures and documentation requirements regarding ProCard purchases. In addition, all new staff with purchasing responsibilities will receive the same training as part of the onboarding process.

**Responsible Person:** Director of Finance & Operations, and Accountant III

**Planned Implementation Date:** November 30, 2016

**Post Audit Review:** Internal Audits will perform follow-up work during the second quarter of fiscal year 2017 to confirm this recommendation has been implemented.
Procurement Cards – Restrictions: Disallowed Vendor
Audit Issue Ranking: Medium
A transaction was completed with the Procurement Card at a restaurant. The unit may not have been aware that Procurement Cards may not be used at restaurants. Without proper adherence to Procurement Card Program restrictions, UT Austin is at increased risk of misuse of funds.

Section 7.8.C.3 of UT Austin’s *Handbook of Business Procedures* states, “Purchases from certain types of vendors are not allowed on the ProcCard. For questions about whether a vendor type is allowed, contact the procurement card administrator. The following are examples of vendor types that are disallowed, and any ProcCard charge for these types of vendors will be rejected at the retailer site:

- bars, taverns, nightclubs, restaurants
- airlines, airports, travel agencies
- hotels, lodging, campgrounds
- transportation services, boat rentals, cruise lines, marinas
- personal service providers: laundries, barbers, health spas, etc.
- professional services, membership organizations
- doctors, hospitals, schools

**Recommendation 3:** Management should ensure the procurement card is not used for purchases from disallowed vendors.

**Management’s Corrective Action Plan:** All Wildflower Center staff making purchases or using the ProCard will receive refresher training in purchasing procedures and documentation requirements regarding ProCard purchases. In addition, all new staff with purchasing responsibilities will receive the same training as part of the onboarding process.

**Responsible Person:** Director of Finance & Operations, and Accountant III

**Planned Implementation Date:** November 30, 2016

**Post Audit Review:** Internal Audits will perform follow-up work during the second quarter of fiscal year 2017 to confirm this recommendation has been implemented.

Procurement Cards – Adequate Supporting Documentation
Audit Issue Ranking: Medium
Three procurement card transactions did not have adequate supporting documentation on file. At the time of the review, the department may not have been aware of the policies regarding creating and maintaining adequate supporting documentation for its procurement card transactions. Without adequate supporting documentation, UT Austin is at increased risk of misuse of funds.
Section 7.8.B of UT Austin’s *Handbook of Business Procedures* states, “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 4:** Management should ensure that adequate supporting documentation is kept on file for procurement card purchases.

**Management’s Corrective Action Plan:** Wildflower Center staff will ensure supporting documentation is kept on file. All Wildflower Center staff making purchases or using the ProCard will receive refresher training in purchasing procedures and documentation requirements regarding ProCard purchases. In addition, all new staff with purchasing responsibilities will receive the same training as part of the onboarding process.

**Responsible Person:** Accountant III  
**Planned Implementation Date:** October 21, 2016

**Post Audit Review:** Internal Audits has performed follow-up work and confirms this recommendation has been implemented.

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**Travel Expenditures – Adequate Supporting Documentation**

**Audit Issue Ranking: Medium**

One travel expenditures transaction did not have receipts for reimbursement on file. At the time of the review, the department may not have been aware of the policies regarding creating and maintaining adequate supporting documentation for its Travel Expenditures transactions. Without adequate supporting documentation, UT Austin is at increased risk of funds being misused.

Section 11.5.4.A of UT Austin’s *Handbook of Business Procedures* states, “In order for requests for reimbursement of travel expenses to be approved, receipts are required and must be submitted to Travel Services.”

**Recommendation 5:** Management should ensure that adequate supporting documentation is maintained for all travel transactions.

**Management’s Corrective Action Plan:** Updated travel guidelines have been provided to staff, and training was conducted on 7/13/16 for all staff involved with incurring and/or processing travel expenditures. Presenters included the Director of Travel Management, and Accounting staff. Per their instructions,
itemized receipts do not need to be submitted on reimbursements charged to local income (19) accounts.

**Responsible Person:** Director of Finance & Operations, and the Assistant to Executive Director  
**Planned Implementation Date:** July 13, 2016

**Post Audit Review:** Internal Audits has performed follow-up work and confirms this recommendation has been implemented.

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**Entertainment and Official Occasion Expenditures – Itemized Receipts**

**Audit Issue Ranking:** Medium  
The unit had one entertainment and official occasion expense that was approved for reimbursement with no itemized receipts presented in the supporting documentation. At the time of the review, the department may not have been aware the policy regarding itemized receipts. Without itemized receipts, UT Austin is at increased risk of funds being misused to reimburse disallowed items.

Section 9.1.1.M.1.e of UT Austin's *Handbook of Business Procedures* states,  
"To prevent a personal tax liability, 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 OOEF, the non-itemized receipt, or in the Notes section of the electronic document, and the unit business officer, unit head, director, chair, or official delegate must approve the expense. This approval may be in the form of a signature on the OOEF or non-itemized receipt, or approval in the electronic routing of the document. It is also recommended that the department have the employee attest that an itemized receipt was not available. All other consumable and non-consumable items, such as those purchased from grocery or department stores, must be itemized without exception."

**Recommendation 6:** Management should ensure that for entertainment and official occasion expenses, an itemized receipt is submitted for meals and events with food. If itemized receipts are not available, a statement declaring this must be included in the supporting documents.

**Management's Corrective Action Plan:** Wildflower Center staff will ensure itemized receipts or letters of explanation are submitted. In addition, management will review such transactions more carefully before approving.

**Responsible Person:** Director of Finance & Operations, and the Assistant to Executive Director
Entertainment and Official Occasion Expenditures – Disallowed Purchases
Audit Issue Ranking: Medium
The unit had an entertainment and official occasion expense transaction reimbursing for a receipt that has only alcohol on it. At the time of the review, the department may not have been aware the policy prohibiting the reimbursement of expenses in which alcohol is the only item purchased. By not adhering to the policy, UT Austin is at increased risk that funds will be misused in reimbursing events where only alcohol is served.

Section 9.1.1.E of UT Austin's Handbook of Business Procedures states, “Expenses for alcohol may not be the primary expenditure, that is, greater than the total food expense.”

**Recommendation 7:** Management should ensure that disallowed entertainment and official occasion expenditures are not approved or reimbursed.

**Management’s Corrective Action Plan:** Management will review such purchases and transactions more carefully before approving.

**Responsible Person:** Director of Finance & Operations, and the Assistant to Executive Director

**Planned Implementation Date:** October 21, 2016

**Post Audit Review:** Internal Audits has performed follow-up work and confirms this recommendation has been implemented.

**C O N C L U S I O N**

Based on the audit procedures performed, we conclude that the Wildflower Center has reasonable to strong controls in some of the areas reviewed. However, opportunities for improvement were noted for Account Reconciliations, Purchasing, Procurement Cards, Travel Expenditures, and Entertainment and Official Occasion Expenditures.

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</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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</thead>
<tbody>
<tr>
<td>Electronic Office Structure</td>
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<tr>
<td>General Departmental Information/Organization/Activities</td>
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<td>Payroll/HR</td>
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<td>Endowed Positions /Gift Administration</td>
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<td>Cash and Cash Equivalent Handling</td>
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<td>Merchandise for Resale</td>
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<td>Inventory</td>
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<td>Controlled Items</td>
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<td>Authorization for Individual Services</td>
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<td>Contracts</td>
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<td>Procurement Cards</td>
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<td>Travel Expenditures</td>
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<td>Entertainment and Official Occasion Expenditures</td>
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<tr>
<td>Information Systems Security</td>
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<td></td>
</tr>
</tbody>
</table>

[a] A priority weakness that significantly impacts UT Austin’s operations or finances will be reported to UT System

[b] Overall assessment is determined by the number of issues in one area or by the most severe ranking across areas.

<table>
<thead>
<tr>
<th>Overall Assessment</th>
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<tbody>
<tr>
<td>Reasonable to Strong Controls</td>
</tr>
<tr>
<td>Opportunity for Minor Improvement</td>
</tr>
<tr>
<td>Opportunity for Significant Improvement</td>
</tr>
<tr>
<td>Priority Weakness</td>
</tr>
<tr>
<td>Not Applicable</td>
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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.