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The University of Texas at Austin
Office of Internal Audits

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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
Department of Psychology
Project Number: 15.203
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 Department of Psychology. 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 Department of Psychology has reasonable to strong controls in some of the areas reviewed. However, opportunities for improvement were noted for areas including General Departmental Information - Records Management, Purchasing, Account Reconciliations, Procurement Cards, and Travel 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 Department of Psychology 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  
Dr. Jacqueline Woolley, Department Chair, Department of Psychology  
Mr. Carlos Martinez, Chief of Staff, Office of the President  
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 Department of Psychology has reasonable to strong controls in some of the areas reviewed. However, opportunities for improvement were noted for areas including General Departmental Information - Records Management, Purchasing, Account Reconciliations, Procurement Cards, and Travel 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 six recommendations provided are considered minor in significance.

Management agreed with our observations and has provided corrective action plans which were implemented on or before October 4, 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 Department of Psychology at The University of Texas at Austin educates students and the public about behavior, thought processes, and emotion. At the undergraduate level, there are over 1,500 undergraduate Psychology majors and double majors, with approximately 380 undergraduate Psychology degrees awarded per year. At the graduate level, there are 110 graduate students enrolled; with an average time spent in the program of 5 years for non-clinical areas and 6 years for clinical, and 18-20 PhDs granted per year. The faculty has over 70 grants worth approximately four million dollars, which provide employment for graduate students and professional research assistants.
BACKGROUND

The Department of Psychology at The University of Texas at Austin (UT Austin) educates students and the public about behavior, thought processes, and emotion. At the undergraduate level, students gain a solid grounding in psychology by presenting historical and contemporary research on human and animal behavior. There are over 1,500 undergraduate Psychology majors and double majors, with approximately 380 undergraduate Psychology degrees awarded per year. At the graduate level, the primary goal is to train students in the methods, philosophy, and ethics of scientific inquiry; to foster young scientists capable of widening the scope of scientific knowledge about psychology. Graduate students go on to take placements at top universities, as well as government agencies and private institutions. There are 110 graduate students enrolled. The average time spent in the program is 5 years for non-clinical areas and 6 years for clinical, with 18–20 PhDs granted per year.

According to the department’s website\(^1\), “The faculty currently has over 70 grants, predominantly from the federal government, worth approximately $4 million dollars [sic] annually. These grants provide employment for over 50 graduate student and professional research assistants.”

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this audit 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 policy and procedures;
- 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.

\(^1\) Department of Psychology Website: https://liberalarts.utexas.edu/psychology/about/about.php
AUDIT RESULTS

We reviewed internal controls in 20 areas regarding departmental operations, financial processes, and information technology, of which five areas were not applicable to the Department of Psychology. 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 14 of the 20 areas reviewed for this report can be found in Appendix A and is summarized below:

- 9 (64%) areas had reasonable to strong controls in place,
- 3 (24%) areas had overall opportunity for minor improvement,
- 2 (14%) 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. Each issue has been ranked according to The University of Texas System Administration (UT System) Audit Issue Ranking guidelines. Please see Appendix B for ranking definitions.

General Departmental Information/Organization Activities – Records Management Plan
Audit Issue Ranking: Medium

The Department of Psychology currently does not have a departmental records management plan. The unit may not be aware that a departmental records management plan is required per UT Austin policy. Without having a records management plan in place, there is an increased risk that the department is not following the university records management policy.

Section 20.4.3 of UT Austin’s Handbook of Business Procedures states, “Each departmental records management contact (DRMC) at The University of Texas at Austin is responsible for creating a records management plan to provide information about how the department will enact university records management policy.”

**Recommendation 1:** Management should ensure that a departmental records management plan is developed and maintained on file.

**Management’s Corrective Action Plan:** Since 2007 psychology staff members, who process accounting vouchers/documents, scan the original paperwork before sending it to Imaging and Documentation Services (IDS) [https://financials.utexas.edu/imaging-and-documentation-services](https://financials.utexas.edu/imaging-and-documentation-services) in the Office of Accounting as required. Pro card documentation is also scanned and sent directly to IDS for imaging. All scanned record copies are filed in the department in UT
Box by faculty member’s name and then by account number. Previous to 2013 these scanned copies were kept on a secure department server. Prior to 2007, all paper copies were filed in the same manner by faculty member name and then by account number.

A detailed plan was presented in the department’s response to Internal Audits as an appendix to the response packet. Dr. Woolley approved and signed the plan on October 4, 2016.

Responsible Person: Executive Assistant
Planned Implementation Date: October 4, 2016

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

Account Reconciliation – Separation of Duties
Audit Issue Ranking: Medium
The unit has indicated it does not have a separate employee reviewing account reconciliations. The unit’s practice at the time of review was that the person who prepared the reconciliations also reviewed them. 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."

Recommendation 2: Management should ensure that account reconciliations are reviewed by someone other than the preparer, preferably the unit head or unit head designee.

Management’s Corrective Action Plan: Accounting transactions are reconciled in the *define LMM module by the senior staff member who is not directly involved in creating vouchers, purchase orders, or pro card transactions but is the second approver. Monthly account certification is also currently managed by the senior staff position. Yearly account sub certification of account reconciliations is reviewed and approved by the unit head/department chair. We will add the department chair to the monthly account certification so that she may review monthly.

Responsible Person: Department Chair/Executive Assistant
Planned Implementation Date: October 4, 2016
Post Audit Review: Internal Audits has performed follow-up work and confirm this recommendation has been implemented.

Purchasing and Procurement Cards – Separation of Duties
Audit Issue Ranking: Medium
The department does not have separation of duties for making purchases and confirming receipt of goods. At the time of review, the unit’s processes allowed for the same person to both order and receive goods. Without a clear separation of duties, UT Austin is at increased risk of misuse or loss of funds.

Section 7.4.4 of UT Austin’s *Handbook of Business Procedures* states, “The individual (receiver) receiving the shipment must be different than the buyer.”

**Recommendation 3:** Management should ensure that separation of duties exists between making purchases and confirming receipt of goods.

**Management’s Corrective Action Plan:** Psychology staff members located in SEA 4.208 all participate in the receipt of purchased goods. All packages are received in that location and the staff member available at the time of delivery signs for packages and logs each package as received. Purchase order items are also received by Central Receiving [https://purchasing.utexas.edu/resources/faculty-staff/receiving](https://purchasing.utexas.edu/resources/faculty-staff/receiving) and delivered to the department.

**Responsible Person:** Purchasing Coordinator  
**Planned Implementation Date:** October 4, 2016

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

Purchasing and Procurement Cards – Specially Designated Nationals (SDN) List
Audit Issue Ranking: Medium
The department does not ensure the SDN list is checked for each vendor. At the time of the review, the department’s purchasing process did not include checking the list because the department maintains historical knowledge of all vendors. Without confirming that a vendor is not on this list before a purchase is made, there is an increased risk that UT Austin may purchase items from individuals and organizations with whom the United States is prohibited from doing business.

Section 7.7.4 of UT Austin’s *Handbook of Business Procedures* states, “Departments must verify that companies they wish to engage are not on the SDN.”
Recommendation 4: Management should ensure that the SDN list is checked for all vendors and for all purchases.

Management's Corrective Action Plan: The purchasing coordinator will start checking the SDN list for vendors on 10/4/2016. The purchasing coordinator is the staff person who works with purchasing and administers a department purchasing card.

Responsible Person: Purchasing Coordinator
Planned Implementation Date: October 4, 2016

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

Procurement Cards – Proper Approval
Audit Issue Ranking: Medium

One Procurement Card transaction was both improperly coded and approved, and subsequently the transaction was paid from an account that does not allow for entertainment purchases. At the time of review, the department’s procurement card process did not catch the miscoding which led to the transaction being improperly approved and paid. Without proper approvals of procurement card purchases, UT Austin is at increased risk of misuse or loss of funds.

The Responsibilities and Liabilities Section of UT Austin’s Handbook of Business Procedures, Procurement Card Program states, “After a purchase is made, the cardholder is responsible for verifying that all transactions listed on the statement are valid and that the amount charged is accurate. Transactions and VP7 documents shall be verified by an approving official.”

Recommendation 5: Management should review all purchases to ensure they are made on the correct account, coded correctly, and properly approved.

Management’s Corrective Action Plan: In Psychology all purchases are reviewed by a designated second staff member for account correctness and approval before routing for final approval in the department or further routing to the Purchasing Office. The senior staff member will take over the second approval of purchase orders.

Responsible Person: Executive Assistant
Planned Implementation Date: October 4, 2016

Post Audit Review: Internal Audits has performed follow-up work and confirm this recommendation has been implemented.
Travel Expenditures – Mileage Reimbursement

Audit Issue Ranking: Medium

The department does not ensure that faculty members submit required documentation for mileage reimbursements. At the time of the review, the department’s process allowed faculty to submit mileage reimbursements that did not include the required odometer and/or online mapping tool documentation. Without submission of required documentation, UT Austin is at increased risk of misuse or loss of funds.

Section 11.5.1.B.1 of UT Austin’s Handbook of Business Procedures states, “For official point-to-point mileage you may use odometer readings or mileage computed by an online mapping tool. For travel paid with local funds, any online mapping tool may be used while travel paid with state funds can only be calculated using Mapquest.”

**Recommendation 6:** Management should ensure proper documentation is turned in for mileage reimbursements.

**Management’s Corrective Action Plan:** All mileage reimbursement requests will have backup in the form of a mapping tool required by UT Accounting (Mapquest) [https://www.mapquest.com/](https://www.mapquest.com/). The staff member processing travel will ensure the backup is filed electronically with the travel reimbursement. All travel reimbursements are scanned and uploaded to the travel reimbursement electronic document.

**Responsible Person:** Research Coordinator

**Planned Implementation Date:** October 4, 2016

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

**CONCLUSION**

Based on the audit procedures performed, we conclude that the Department of Psychology has reasonable to strong controls in some of the areas reviewed. However, opportunities for improvement were noted for areas including General Departmental Information - Records Management, Purchasing, Account Reconciliations, Procurement Cards, and Travel 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&lt;sup&gt;a&lt;/sup&gt;</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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<sup>a</sup> A priority weakness that significantly impacts UT Austin’s operations or finances will be reported to UT System

<sup>b</sup> Overall assessment is determined by the number of issues in one area or by the most severe ranking across areas.

### Overall Assessment

- Reasonable to Strong Controls
- Opportunity for Minor Improvement
- Opportunity for Significant Improvement
- Priority Weakness
- Not Applicable
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.