Audit Summary
The Office of the Vice President (VP) for Research appears to have a good system of internal controls in place. However, the following report details ways by which the department can further enhance internal controls and compliance with UT Dallas policies, procedures, and best practices.

Departmental Background
According to their mission statement, the Office of the VP for Research “is to advance the vision of the University of Texas at Dallas as one of the nation’s best public research universities and one of the great universities of the world by:

- Promoting trans-disciplinary research initiatives and centers
- Assisting researchers in obtaining externally sponsored research funding
- Ensuring research is conducted to the highest ethical standards including conflict of interest
- Protecting and commercializing the University’s intellectual property.”

The Office of the VP for Research, reporting directly to the President, is responsible for enhancing UT Dallas’ research profile by anticipating new technology, potential collaboration partners and research opportunities for the university. The Office is comprised of 40 full-time employees led by the VP for Research, and has a budget of $16,228,511.

The Office consists of the following divisions:
- Research
  - Office of Sponsored Projects
  - Research Integrity
  - Post-Award Management
  - Research Development
  - Information Systems
- Office of Technology Commercialization
- Institute for Innovation and Entrepreneurship
- Center for Brain Health
- National Science and Engineering Research Laboratory

Objective and Scope
The objective of this audit was to ensure that an adequate system of internal controls is in place in the Office of the VP for Research to provide reasonable assurance of sound management. The scope of this audit included FY 2012 and focused on the Research Division of the Office.
To complete this objective we reviewed selected areas within the Research Division of the Office of the Vice President for Research regarding the reliability and integrity of financial and operating information, the effectiveness and efficiency of operations, and compliance with laws and regulations.

Specifically we performed the following:

- Gained an understanding of operations through a departmental self-assessment, employee survey, interviews, review of requested information, policies and procedures, and other documents relevant to internal controls within the department.
- Conducted a risk assessment of department operations and focused testing on key departmental risk areas.
- We reviewed the following areas:
  - Account Reconciliations - to ensure that the department is completing account reconciliations in a timely manner and in accordance with UT Dallas and UT System policies.
  - Expenditures - to ensure an internal control process for department expenditures existed.
  - Purchasing Cards - to determine if adequate controls existed over purchasing cards.
  - Undergraduate Scholar Awards - to ensure compliance with University policies and procedures.

Where applicable, our examination was conducted in accordance with guidelines set forth in The Institute of Internal Auditors’ International Standards for the Professional Practice of Internal Auditing. The Standards set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department.

**Audit Results**

Internal controls are designed to provide reasonable assurance regarding the achievement of departmental objectives in the following categories: a) effectiveness and efficiency of operations; b) reliability of financial reporting; and c) compliance with laws and regulations. Department heads are ultimately accountable for the internal controls in place in their department. The following includes best practices in the department regarding internal controls, and ways to strengthen them:
### Category: UT Dallas Undergraduate Research Scholar Awards

The Office of the Vice President for Research provides awards (UT Dallas Undergraduate Research Scholar Awards) to promote undergraduate student research projects. These scholar awards are intended to “encourage student engagement in the research work of the University and provide student benefit by learning how to solve unique intellectual challenges in a structured and supervised university research environment.”

To facilitate the process of awarding, the Office determined that students would receive a gift card for their award. The award consists of a $500 Visa gift card for the student and $300 in support funds for the associated faculty advisor. For Spring 2012, the Office awarded $35,000 in gift cards to 70 students and $2,100 in related support funds to their associated faculty advisors.

These gift cards are purchased in bulk, secured within a locked cabinet, and a log is maintained to record the receipt of the award. These awards may be taxable depending on the recipient’s tax situation. For students, if the award is not related to services performed as an employee (e.g., the Undergraduate Research Scholar Award), it is still taxable income to the recipient and must be reported on Form 1099-MISC, but it is not subject to withholding.

In reviewing these awards, we noted the following:

- The Office does not have documented policies and procedures to ensure the effective handling (purchase, safeguarding, disbursement, reconciliation etc.) for gift card awards.
- There are also no documented procedures regarding the purpose and procedures for awarding, or for clearly ensuring that the awards do not represent financial aid to the student.
- Segregation of duties for gift card handling is not adequate. The Associate Director for Research is assigned the task for the purchase, safeguarding, tracking, and disbursement of gift card awards.
- Currently, gift cards are purchased in-person at a local grocery store in bulk. Physical security of personnel in the manner by which gift cards are purchased elevates risk to the purchaser and the University. The most recent purchase was for the amount of $35,000 in gift cards.

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1. [http://www.utdallas.edu/research/ord/students/undergraduate_research/](http://www.utdallas.edu/research/ord/students/undergraduate_research/)
## Recommendations

**Recommendation:** To facilitate compliance with federal, university, state, and IRS rules and regulations, management should work with Procurement Management and Financial Aid to ensure the proper handling of these awards, whether they are given via gift card or check. If the decision is made to continue using gift cards for the awards, management should ensure that adequate policies and procedures, security, and separation of duties are in place.

**Management’s Response:** The Office of the VP for Research will work with Procurement Management and Financial Aid to determine the best way to handle the awards in compliance with applicable policies and procedures.

**Estimated Date of Implementation:** August 31, 2013

**Responsible Person:** Dr. Bruce Gnade, VP for Research

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<th>Other Opportunities for Enhancement</th>
<th>Other issues discussed with the department head include ensuring more timely account reconciliation and correct account coding of expenses.</th>
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We appreciate the courtesy and cooperation received from the management and staff of The Office of the Vice President for Research.

Toni Stephens  
Executive Director of Audit and Compliance

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