March 31, 2015

Dr. Havidán Rodríguez, Interim President
The University of Texas-Pan American
1201 W. University Drive
Edinburg, TX  78539

Dear Dr. Rodríguez,

As part of our fiscal year 2015 Audit Plan, we completed a departmental audit of Curriculum and Instruction. The objective of the audit was to evaluate the adequacy and effectiveness of the Department of Curriculum and Instruction’s system of internal controls with an emphasis on financial and administrative controls. The specific internal control areas we focused on included the control conscious environment, approval and authorization, segregation of duties, safeguarding of assets, monitoring and information technology. Our scope encompassed activity from FY 2013 (September 1, 2012 through August 31, 2013).

We performed audit procedures that included completion of an internal control questionnaire; interviews with staff; testing controls related to compliance with University policies and procedures; and performing substantive testing, on a sample basis, related to proper approvals of expenditures; time reporting; assets management; and segregation of duties.

Overall, we concluded that the Department of Curriculum and Instruction had established a moderate system of financial and administrative internal controls in the areas evaluated. We identified areas where improvements to internal controls are necessary and management has agreed to take corrective action. The detailed report is attached for your review.

We appreciate the courtesy and cooperation received from management and staff during our audit.

Sincerely,

Eloy R. Alaniz, Jr., CPA, CIA, CISA
Chief Audit Executive
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EXECUTIVE SUMMARY

The Department of Curriculum and Instruction (department) offers teacher preparation programs and graduate programs which are designed to meet the educational needs of people from diverse socioeconomic, sociocultural and linguistic backgrounds of the United States. The department is committed to providing the highest quality of instruction, faculty development, student advisement, and education services to the community possible. The chair assumed responsibility for the department in September 2009 as an interim chair and later became chair in March 2010.

As required by The University of Texas System’s (System) 1996 Action Plan to Enhance Internal Controls, an audit of departments should be performed every three (3) to five (5) years. The objective of the audit was to evaluate the adequacy and effectiveness of the department’s system of internal controls with an emphasis on financial and administrative controls. The specific internal control areas we focused on included the control conscious environment, approval and authorization, segregation of duties, safeguarding of assets, monitoring and information technology.

Our scope encompassed activity from September 1, 2012 through August 31, 2013. The audit was conducted in accordance with guidelines set forth in The University of Texas System’s Policy 129 and the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing.

Overall, the department established a moderate system of financial and administrative internal controls. We observed the following:

- A department policy and procedures manual was not developed;
- The department did not have a risk assessment;
- Not all required training and nepotism certifications were completed;
- The department recorded 2 out of 15 (14%) tested operating expenditures to an incorrect object code;
- No supporting documentation maintained for employee sick leave;
- Project account reconciliations were not signed off by the project manager to indicate that they were reviewed;
- Lack of monitoring for personal laptops and unencrypted portable storage devices;
BACKGROUND

The Department of Curriculum and Instruction offers both undergraduate and graduate programs. Faculty have expertise in a variety of educational areas, including bilingual education, biliteracy, reading, early childhood, educational technology, math and science education, social studies education, and K-12 pedagogy.

At the undergraduate level, students can pursue initial teacher certification in the following areas: EC-6 Bilingual Generalist, EC-6 Generalist, and the EC-6 Special Education Generalist. Students can also earn a degree in Early Care and Early Childhood education. At the graduate level, students can pursue a Master's degree in Reading and Literacy, Bilingual Education, Elementary Education, Secondary Education, or Early Childhood Education. Students can also pursue certifications as a Reading Specialist or a Master Reading Teacher.

The chair was responsible for 10 project accounts that had financial activity during FY 2013. The following table summarizes account activity as of August 31, 2013.

<table>
<thead>
<tr>
<th>Project Account</th>
<th>Budget</th>
<th>Encumbrances</th>
<th>Actual</th>
<th>Funds Available</th>
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<tbody>
<tr>
<td>140CIES00</td>
<td>$2,416,129</td>
<td>$11,941</td>
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<tr>
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<tr>
<td>21CIES003</td>
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<tr>
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<td>$0</td>
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<td>$90</td>
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<tr>
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<td>$0</td>
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<tr>
<td><strong>Totals</strong></td>
<td><strong>$2,498,314</strong></td>
<td><strong>$13,397</strong></td>
<td><strong>$2,400,969</strong></td>
<td><strong>$83,948</strong></td>
</tr>
</tbody>
</table>

AUDIT OBJECTIVE

The objective of the audit was to evaluate the adequacy and effectiveness of the department’s system of internal controls with an emphasis on financial and administrative controls.

AUDIT SCOPE & METHODOLOGY

We evaluated the department’s internal controls related to a control conscious environment, approval and authorization, segregation of duties, safeguarding of assets, monitoring, and
information technology. Our scope included activity from FY2013 (September 1, 2012 through August 31, 2013). To accomplish the audit objective, we:

- Interviewed the chair and discussed an internal control questionnaire to obtain an understanding of the department’s operations and related internal controls.
- Interviewed department employees for additional input on internal controls.
- Determined whether the department established a control conscious environment, whether goals and objectives had been developed, and whether a risk assessment and implementation plan had been developed.
- Determined whether account reconciliations had been performed and approved on a timely basis and whether segregation of duties existed.
- Examined operating and financial information for reliability.
- Tested a sample of expenditures and examined supporting documentation for proper approval and authorization.
- Reviewed employee leave and tested timecards for proper approval and authorization.
- Performed property inventory testing for the existence of selected assets, and determined whether selected assets were properly recorded on the university’s assets management system.
- Reviewed information security controls for portable drives.
- Verified the department’s compliance with university policies and procedures.

The audit was conducted in accordance with guidelines set forth in The University of Texas System’s Policy UTS 129 – Internal Audit Activities and the Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing.

AUDIT RESULTS

Control Conscious Environment

A control conscious environment encompasses technical competence and ethical commitment, and is necessary for the establishment of effective internal controls. To establish an adequate control conscious environment, a department should have goals and objectives, a mission statement, a risk assessment and implementation plan, and a policies and procedures manual. These items should be reviewed regularly and updated as needed. Additionally, adequate training should be provided, performance evaluations should be conducted regularly, and any conflicts of interest should be identified and addressed.

We tested 20 employees for completion of annual trainings and nepotism certification. Additionally, we tested one (1) employee to determine whether an annual performance evaluation had been performed. The results of our tests are as follows:
• 9 out of 20 (45%) employees tested did not complete their sexual harassment training;
• 7 out of 20 (35%) employees tested did not complete their annual standards of conduct training;
• 13 out of 20 (65%) employees tested did not complete their information security training;
• 11 out of 20 (55%) employees tested did not complete their annual nepotism certification;
• 1 out of 1 (100%) employees tested completed a performance evaluation.

We found that the department did not have a policies and procedures manual to help guide employees in their daily operations. Additionally, a risk assessment identifying high risk areas was not conducted.

Based on testing, we found that the department established an inadequate control conscious environment.

**Recommendations:**

1. The chair should develop a departmental policies and procedures manual to help guide employees in the day-to-day operations. This manual should include information such as employee training requirements, account reconciliation processes, annual inventory certification procedures, information on security controls, and other relevant information.

**Management Response:**

1. The chair will begin to work with the faculty coordinators, the departmental staff and the Dean’s office to collate, identify and document the existing procedures and policies used by the department for its daily operations. The draft document will be subject to change as the new University departmental structure and HOP policies are created.

**Implementation Date:**

August 1, 2015

2. As part of our audit procedures, we identified areas of risk and assessed its impact and probability of occurrence and produced a risk assessment. The chair should utilize this document and annually evaluate it for any changes in the department’s risk profile. An action plan should be developed to mitigate high risks.

**Management Response:**

2. The risk assessment document created by the audit staff will be reviewed and edited as needed by the faculty and staff in the department. It will be incorporated into the
department policies and procedures manual, distributed to faculty and staff and reevaluated on a regular basis.

**Implementation Date:**

March 31, 2015

3. The chair should request a list of all employees delinquent in their required trainings and nepotism certifications from the Human Resources Office.

**Management Response:**

3. The chair currently receives monthly reports from the Director of Compliance Support Services. We are currently 98% compliant.

**Implementation Date:**

February 1, 2015

**Approval & Authorization**

Adequately established approval and authorization controls help to ensure that expenditures are allowable and appropriate. During the audit period, the chair was account manager for 10 project accounts with financial activity, with the administrative assistant listed as the project reviewer.

We reviewed operating, travel, and payroll expenditures to test for compliance with University procedures. We tested a sample of expenditures in each category and examined supporting documentation for proper approval, accuracy, and whether the expenditures were reasonable. The department did not have a procurement card.

**Operating and Travel Expenditures**

We judgmentally selected a sample of 15 operating and 10 travel transactions representing 58% and 24% of the total dollar value of the populations, respectively. The expenditures were properly approved, appropriate, and supported with adequate documentation. However, we found that 2 operating expenditures out of 15 (14%) tested were not posted to the correct object code. Overall, we determined that adequate controls were in place.

**Recommendation:**

4. The chair should ensure that expenditures are posted to the correct object code.
Management Response:

4. The chair will ensure that expenditures are posted to the correct object code at the time project accounts are reconciled.

Implementation Date:

February 1, 2015

Payroll and Employee Leave
We judgmentally selected five (5) employees and selected one (1) month to test payroll accuracy. We verified that the employees’ compensation agreed with their memorandum of employment, and we determined that the payroll for employees tested was accurate.

We also evaluated the process for leave taken by employees, reconciliations of leave reports to the official university timecards, and whether timecards were properly approved. The department uses a ‘Leave Approval Request’ form to document employee leave. We tested one (1) employees’ vacation and sick leave during the months of November and December 2012. Based on the employee leave test, we determined that all employee timecards were approved by their supervisor; however, we found that the department did not maintain support documentation related to employee sick leave. In 3 out of 4 (75%) instances, the department was unable to provide the ‘Leave Approval Request’ form to support employee absences report on their timecards. According to HOP section: 7.6.3 Annual Vacation Leave and HOP section: 7.6.4 Sick Leave, the supervisor is responsible for reviewing and approving annual vacation leave requests, maintaining accurate records of employees’ use of annual vacation leave, maintaining accurate records of employee sick leave, and verifying monthly timecards for accuracy.

Based on testing, we concluded that controls over maintaining employee leave documentation to support timecards was inadequate.

Recommendation:

5. The chair should ensure that all employee leave is supported by the ‘Leave Approval Request’ form. Additionally, the chair should ensure that all employee leave records are maintained in accordance with the Texas State Records Retention Schedule, which states that these documents must be retained for a period of four (4) years.

Management Response:

5. The leave request forms for employees are now being filed in a common folder by the department administrative associate in addition to the employee’s files. Sick leave notifications received by email or text messages are being submitted for approval on the standard leave forms after the fact when staff return to work.
Implementation Date:
February 1, 2015

Safeguarding of Assets

Tangible assets, vital documents, critical systems, and confidential information must be safeguarded against unauthorized acquisition, use, or disposal. We performed property inventory testing to determine the existence of assets and whether assets were properly recorded in the Oracle Fixed Assets system.

We judgmentally selected a sample of 15 assets with a historical cost greater than $1,550 from the department’s inventory records and verified their existence. In addition, we selected four (4) assets within the department and verified that they were accurately recorded in inventory records. Based on testing, we determined that the fixed asset inventory was complete and accurate.

Segregation of Duties

Adequate segregation of duties should be maintained between the individuals who authorize transactions, record transactions, and who have custody of assets. We reviewed areas such as revenues and funds handling, purchases, timecards, and statement of account reconciliations to evaluate segregation of duties.

The chair had signature/approval authority over the department’s accounts, including account reconciliations, purchases, and timecards. Project accounts were set up with separate individuals listed as the project manager, project reviewer, and alternate approver. The administrative assistant II maintained accounting records and was responsible for preparing account reconciliations, while the chair was responsible for reviewing and approving completed reconciliations. The department did not handle cash during FY 2013. We found that adequate controls over segregation of duties for the areas evaluated were in place and functioning as intended.

Monitoring

In accordance to the Handbook of Operating Procedure Section 8.6.4: Fiscal Accountability Policy, project managers are responsible for providing assurance for the accuracy of their accounts by certifying that the account has been reconciled for the fiscal year and that all reconciling items have been satisfactorily resolved. Without adequate monitoring of project account reconciliations, items that require attention may go unnoticed. Additionally, monitoring of personal electronic equipment (e.g. laptops, tablets, portable storage devices, etc.) should be conducted to ensure that proper safeguards are in place to prevent loss of mission critical data.
The department had a total of 10 project accounts with financial activity. We reviewed two (2) months of account reconciliations for the DOE/FS Curriculum and Instruction account. We determined that the tested account reconciliations were properly completed; however, we noticed that the chair did not sign off on the completed reconciliations to indicate that they were reviewed.

We concluded that the department has adequate monitoring controls over account reconciliations.

**Recommendation:**

6. The chair should ensure that project account reconciliations are reviewed and approved timely.

**Management Response:**

6. The department chair will set up a monthly calendar to comply with the account reconciliation processes. The policies and procedures will include the reconciliation process, annual inventory certification procedures, information on security controls, record retention requirements, and other relevant information. The draft document will be subject to change as the University department structure and HOP policies are created.

**Implementation Date:**

February 1, 2015

We inquired as to whether the department maintains information on employees that use personal laptops and unencrypted portable storage devices to conduct university business and found that procedures were not in place for monitoring such equipment. All university laptops, including personally owned computers must be encrypted. Employees are responsible for contacting the Office of Privacy and Security about their use of personally owned laptops to conduct university business. They must encrypt their laptops or request assistance from the University Help Desk. The chair stated that the department does not have a system to monitor portable storage devices that are used in conducting university business.

We concluded that the department had inadequate monitoring controls over the use of personal laptops and unencrypted portable storage devices.
Recommendation:

7. The chair should develop a procedure to identify individuals that utilize personal equipment to conduct university business. The chair should notify the Office of Privacy and Security about the use of these personally owned laptops, if any.

Management Response:

7. Faculty and staff have been notified to stop using unencrypted portable storage devices and have been encouraged to either use a remote connection or to store University related data to the OneDrive now available with Information Technology’s deployment of Office 365. The chair will work with departmental employees to identify individuals that use personal laptops/desktops either on campus or at home for University business. The chair will also work with the CISO and administration staff to find out the level of the monitoring required for off campus equipment.

Implementation Date:

March 31, 2015

Information Technology

Adequately established information technology controls help to protect sensitive information entrusted to the department. These controls include limited access to the University’s computer systems and restricting downloads of sensitive information. Another control is encryption software on equipment storing sensitive information. Ensuring employees have appropriate levels of system access helps prevent loss of vital university data and also prevents other abuses of the system.

We reviewed a sample of employee access levels for Oracle and verified that these employees received appropriate access given their job responsibilities. We determined that all employees tested were granted the appropriate level of access to Oracle. Additionally, we found that employees were provided encrypted portable storage devices from the University’s Office of Privacy and Security. We determined the department established adequate information technology controls.
CONCLUSION

Overall, the department established a moderate system of financial and administrative internal controls. We identified opportunities to improve internal controls related to developing a procedures manual and a risk assessment; ensuring that employees complete their required annual information security training and nepotism certifications; maintaining employee leave documentation; proper account reconciliations; monitoring employees’ personally owned devices used to conduct University business; and ensuring that only encrypted portable devices are used.

Isabel Benavides CIA, CGAP, CFE
Director, Audits and Consulting Services

Khalil Abdullah, CIA, CGAP
Internal Auditor I