THE UNIVERSITY OF TEXAS-PAN AMERICAN
OFFICE OF AUDITS & CONSULTING SERVICES

Department of Social Work

Report No. 15-12

July 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 change in management audit of the Department of Social Work. 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. Our scope encompassed activity from September 1, 2013 through August 31, 2014.

Based on the work performed, we concluded that the department had an adequate system of financial and administrative controls. We identified areas where improvements could be made to internal controls. 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
Executive Director of Audits & Consulting Services

The University of Texas – Pan American
Department of Social Work
Change in Management Audit

UTPA

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EXECUTIVE SUMMARY

The Department of Social Work (department) is committed to preparing generalist and advanced professional social workers to meet the needs of a bi-national and multicultural community. The educational emphasis is on social work practice with Latinos considering multicultural competence, ethical practice, knowledge building, and social services that promote social and economic justice. The chair assumed responsibility for the department on September 1, 2014.

As required by The University of Texas System's (System) *1996 Action Plan to Enhance Internal Controls,* a change in management audit is performed when a department undergoes a change in management or a significant change in reporting lines. 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, 2013 through August 31, 2014. 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 an adequate system of financial and administrative internal controls. During the course of the audit we observed the following:

- A departmental policy and procedures manual was not developed;
- The department did not have a risk assessment;
- Not all required nepotism certifications were completed;
- Removal of state property from campus without obtaining proper authorization;
- Lack of monitoring for personal laptops and unencrypted portable storage devices.

Beginning on September 1, 2015, The University of Texas at Brownsville and The University of Texas – Pan American will consolidate to create The University of Texas Rio Grande Valley (UTRGV). The Office of Internal Audits will follow-up with the UTRGV responsible party for this area to ensure that the issues identified in this audit are addressed and mitigated.

BACKGROUND

The Department of Social Work offers programs leading to the Bachelor of Social Work (BSW) degree and the Masters of Science in Social Work (MSSW) degree. Both programs are accredited by the Council on Social Work Education. Field Education is an important component of each program. The BSW program prepares students for generalist social work practice. Building on the generalist foundation, the MSSW program focuses on two concentrations:

- Director practice with Latino individuals, families, and groups; and
- Community practice and administration

The department currently operates a distance education program in partnership with the University of Texas at Brownsville and the Laredo Community College. This program enables qualified students to earn a BSW and/or a MSSW.

The former chair was responsible for 12 project accounts that had financial activity during FY 2014. The following table summarizes account activity as of August 31, 2014.

Project Account	Budget	Encumbrances	Actual	Funds Available
140SOWK00	$957,231	$1,091	$946,999	$9,141
140SOWK01	$22,063	$664	$18,652	$2,747
21SOWK000	$5,158	$713	$20	$4,425
21SOWK001	$667	$1	($1,202)	$1,868
24SOWK000	$2,506	$10	($4,441)	$6,937
45SOWK000	$1,483	$0	($733)	$2,216
45SOWK002	$83,579	$2,921	$28,348	$52,310
42SOWK011	$240,097	$0	$93,159	$146,938
155SOWK01	$1,614	$0	$1,614	$0
155SOWK02	$502,088	$0	$492,165	$9,923
24SOWK002	$17,364	$183	($3,118)	$20,299
42SOWK010	$344,448	$0	$259,987	$84,461
Totals	**$2,178,298**	**$5,583**	**$1,831,450**	**$341,265**

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, as well as monitoring and information technology. Our scope included activity from fiscal year 2014 (September 1, 2013 through August 31, 2014). To accomplish the audit objective, we performed the following procedures:

- Interviewed the chair and discussed an internal control questionnaire to obtain an understanding of the department's operations and related internal controls.
- Interviewed employees for additional input on internal controls.
- Determined whether a control conscious environment was established, 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 asset management system.
- Reviewed information security controls for portable drives.
- Verified compliance with the University's 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.

The department had developed a mission statement, goals and objectives.

We tested 14 employees for completion of annual trainings and nepotism certification. We tested two (2) employees for the completion of their annual performance evaluation. The results of our tests are as follows:

- 14 out of 14 (100%) employees tested completed their sexual harassment training
- 14 out of 14 (100%) employees tested completed their annual standards of conduct training
- 14 out of 14 (100%) employees tested completed their information security training
- 2 out of 2 (100%) employees tested completed their annual performance evaluation (SEPAP)
- 2 out of 14 (14%) employees did not complete their annual nepotism certification

Additionally, we found that the department had not developed a policies and procedures manual or conducted a risk assessment. A risk assessment was developed during the audit.

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

Approval & Authorization

Adequately established approval and authorization controls help to ensure that expenditures are allowable and appropriate. During the audit period, the former chair was account manager or alternate approver for 12 project accounts, with the administrative assistant II 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 utilize a procurement card during the review period.

Operating and Travel Expenditures

We judgmentally selected a sample of 25 operating and 15 travel expenditures representing 32% and 39% of the total dollar value of the FY 2014 population, respectively. We found that expenditures were properly approved, appropriate, and supported with adequate documentation. No exceptions were noted.

Payroll and Employee Leave

We judgmentally selected five (5) employees to test for payroll accuracy. We verified that the employees' compensation agreed with their memoranda of employment. 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 timecard, and ensured that timecards were properly approved. The department relies on a 'Leave Approval Request' form or an email from the individual requesting leave. We tested two (2) employees' vacation and sick leave for the months of October 2013 and January 2014.

Based on testing, we concluded that the department's internal controls over payroll and employee leave were adequate.

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 on the Oracle Fixed Assets system.

We selected a sample of 10 assets with a historical cost greater than $500 to test for existence. We found that two (2) of the assets were removed from campus without completing the required *UTPA Asset Removal Workflow in Oracle Fixed Assets* module. The assets were returned to campus and we verified their existence. Additionally, we selected three (3) assets in the department to verify inclusion in the assets management system. We were able to trace all three (3) assets back to the university inventory records.

Based on testing, we determined that the department established adequate safeguarding of fixed asset controls.

Segregation of Duties

Adequate segregation of duties should be maintained between the people who authorize transactions, record transactions, and have custody of assets. We reviewed areas such as revenue 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

department's administrative assistant II was responsible for preparing account reconciliations. The department did not handle cash during FY 2014.

We concluded that adequate controls over segregation of duties were in place for the areas evaluated.

Monitoring

In accordance to Handbook of Operating Procedure Section 8.6.4: *Fiscal Accountability Policy,* project managers are responsible for providing assurance as to 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.

We reviewed two (2) months of account reconciliations and determined that the account reconciliations were performed and reviewed for the month's tested. We determined that the tested account reconciliations were properly completed.

We concluded that the department had adequate controls over account reconciliations.

We inquired as to whether the department maintains information on employees that use personal laptops and unencrypted portable storage devices to conduct University business. We found that the department did not have a procedure 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.

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

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 employee access levels for Oracle and verified that employees received appropriate level of 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 concluded that the department established adequate information technology controls.

CONCLUSION

Overall, we concluded that the department has an adequate system of financial and administrative controls. We identified areas where improvements could be made to internal controls. These controls include creating a policies and procedures manual; annually updating the risk assessment; ensuring that employees complete their nepotism certifications; ensuring procedures are in place for obtaining approval to remove fixed assets from campus and monitoring employees that utilize personal laptops and unencrypted portable storage devices.

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Director, Audits and Consulting Services

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Khalil Abdullah CPA, CIA, CGAP
Internal Auditor I