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

STUDENT LIFE AND TRANSITION SERVICES OFFICE

Report No. 13-10
March 27, 2013

Dr. Robert S. Nelsen, President
The University of Texas-Pan American
1201 W. University Drive
Edinburg, TX  78539

Dear Dr. Nelsen,

As part of our fiscal year 2013 Audit Plan, we completed a management requested operational audit of Student Life and Transition Services Office (SLTS). The objective of the audit was to evaluate the adequacy and effectiveness of the administration of camps and programs, including financial and operational processes of SLTS. The scope of the audit included activity for fiscal year 2012.

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, the Student Life and Transition Services Office’s administration of camps and programs was inadequate and ineffective. We identified significant weaknesses in managing and accounting for camps and programs activities. Internal controls over approvals and authorizations of procurement card purchases, timely compensation, funds handling and monitoring of project account reconciliations were not evident. While corrective action has been taken to address most of the issues identified, continuous monitoring by management should take place.

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, Compliance & Consulting Services
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EXECUTIVE SUMMARY

The mission of the Student Life and Transition Services Office (SLTS) is to implement out-of-classroom experiences and leadership opportunities, and to foster an appreciation of diversity and development of civic responsibility for students attending The University of Texas – Pan American (UTPA).

The Associate Dean of Students (ADOS) resigned effective September 20, 2012. After the ADOS’s resignation, SLTS was dissolved and the MUSE and Exxon Mobile Bernard Harris summer camps are now primarily under the direction of the Associate Vice President for Student Support Services (AVP-SSS) overseeing the Department of College Access and Support Programs. Additionally, responsibilities for mentoring and retention initiatives were assumed by the Assistant Dean of Students overseeing the Office for Student Involvement.

An operational audit was requested by management and began on September 7, 2012. The objective was to evaluate the adequacy and effectiveness of the administration of camps and programs, including financial and operational processes of SLTS. The scope of the audit included activity for fiscal year 2012 (September 1, 2011 through August 31, 2012).

Overall, we determined that SLTS’s administration of camps and programs were inadequate and ineffective. We identified weaknesses in managing and accounting for camps and programs activities. Additionally, internal controls over approval and authorizations of procurement card purchases, timely compensation, funds handling, and monitoring of project account reconciliations were not evident.

We noted the following during the course of the audit:

- Postponed compensation of hourly employees;
- Incomplete project account reconciliations;
- Financial supporting documents, related to camps, necessary to reconcile project accounts, were not maintained;
- Lack of segregation of duties associated with cash handling activities;
- Departures from University policy related with SLTS’s procurement card purchases;
- Expenditures posted to the incorrect camps and programs project accounts;
- Lack of supporting documentation to substantiate employee vacation/sick leave.
BACKGROUND

The ADOS resigned effective September 20, 2012. After the ADOS’s resignation, SLTS was dissolved and the MUSE and Exxon Mobile Bernard Harris summer camps are now primarily under the direction of the AVP-SSS overseeing the Department of College Access and Support Programs. Additionally, responsibilities for mentoring and retention initiatives were assumed by the Assistant Dean of Students overseeing the Office for Student Involvement.

SLTS was part of the Division of Student Affairs and reported to the Associate Vice President and Dean of Students (AVP-DOS). SLTS had a total of five (5) full-time employees. Prior to being dissolved, SLTS supported students by providing mentors, educational programs, and other resources. SLTS was responsible for administering and overseeing several camps, most of which took place in the summer. Each camp had a variety of objectives, such as offering entering freshmen a head start on transitioning from high school to UTPA, and hosting a residential program for junior and senior high school migrant students.

During FY 2012, the ADOS was responsible for thirty (30) project accounts. Our audit focused on twelve (12) project accounts associated with SLTS operations of camps and programs, which are summarized below:

<table>
<thead>
<tr>
<th>PROJECT</th>
<th>PROJECT NAME</th>
<th>BUDGET</th>
<th>ACTUAL EXPENSES &amp; ENCUMBRANCES</th>
<th>FUNDS REMAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>180VPES01</td>
<td>Transition to College</td>
<td>$109,107.17</td>
<td>$108,516.98</td>
<td>$590.19</td>
</tr>
<tr>
<td>185VPES00</td>
<td>Student Leadership Program</td>
<td>$57,125.00</td>
<td>$53,500.00</td>
<td>$3,625.00</td>
</tr>
<tr>
<td>21SDEV000</td>
<td>Cheerleader Special</td>
<td>$88,071.95</td>
<td>$58,432.59</td>
<td>$29,639.36</td>
</tr>
<tr>
<td>21SADA001</td>
<td>Student Life Transition Services</td>
<td>$32,773.63</td>
<td>$12,101.21</td>
<td>$20,672.42</td>
</tr>
<tr>
<td>21SBSV000</td>
<td>Leadership Institute</td>
<td>$62,540.19</td>
<td>$74,255.42</td>
<td>$(11,715.23)</td>
</tr>
<tr>
<td>21SLIF000</td>
<td>MUSE Camp</td>
<td>$550,153.15</td>
<td>$56,962.04</td>
<td>$493,191.11</td>
</tr>
<tr>
<td>24SADA000</td>
<td>Univ Mentor Program</td>
<td>$240.16</td>
<td>$240.16</td>
<td>$-</td>
</tr>
<tr>
<td>310SADA00</td>
<td>Alcohol and Drug Abuse</td>
<td>$135,896.29</td>
<td>$132,075.57</td>
<td>$3,820.72</td>
</tr>
<tr>
<td>310SADA01</td>
<td>Retention Initiative</td>
<td>$128,856.39</td>
<td>$126,235.79</td>
<td>$2,620.60</td>
</tr>
<tr>
<td>310SADA02</td>
<td>Student Leadership</td>
<td>$39,719.73</td>
<td>$30,793.42</td>
<td>$8,926.31</td>
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<tr>
<td>45SDEN003</td>
<td>Bernard Harris Camp</td>
<td>$90,000.00</td>
<td>$85,372.37</td>
<td>$4,627.63</td>
</tr>
<tr>
<td>45SHLT000</td>
<td>State Farm Driving</td>
<td>$40,000.00</td>
<td>$8,051.32</td>
<td>$31,948.68</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td></td>
<td>$1,334,483.66</td>
<td>$746,536.87</td>
<td>$587,946.79</td>
</tr>
</tbody>
</table>
AUDIT OBJECTIVE

The objective of the audit was to evaluate the adequacy and effectiveness of the administration of camps and programs, including financial and operational processes of the Student Life and Transition Services Office.

AUDIT SCOPE & METHODOLOGY

We evaluated SLTS’s administration of camps and programs with a focus on internal controls related to approval and authorization, segregation of duties, safeguarding of assets, monitoring, and information technology. We interviewed the ADOS and discussed an internal control questionnaire with client management to obtain an understanding of office operations and related internal controls. SLTS employees provided additional input on SLTS processes and controls. The audit scope included activity for fiscal year 2012 (September 1, 2011 through August 31, 2012).

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. The audit was conducted during the months of September 2012 through January 2013.

AUDIT RESULTS

Camps & Programs Administration

We were unable to identify many of the camps’ and programs’ objectives, lists of participants, and other key pieces of information related to their activities. With the exception of the MUSE camp, accurate records on many camps’ and programs’ financial activity were not maintained making it difficult to identify income and expenses.

Accounting

We found that twelve (12) camps and programs recorded their financial activity in one project account; however, there was no clear accounting for each camp and program. The table below provides details on the camps and programs and their related project account(s).
<table>
<thead>
<tr>
<th>Camp and Program</th>
<th>Project Account</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 South Texas ISD STEM Camp</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>2 FRIDA</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>3 Concurrent Enrollment Residential</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>4 Dr. Gunn's Medical student Program</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>5 UTPA Avid Day</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>6 UTPA Gear-Up Students</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>7 DECCA</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>8 DARS (Division for Blind Services College Prep)</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>9 UTMB (Hispanic Center of Excellence-Summer Academic &amp; Enrichment Program)</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>10 Diabetes</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>11 Camco</td>
<td>21SBSV000</td>
</tr>
<tr>
<td>12 State Farm Camp</td>
<td>21SBSV000 and 45SHT000</td>
</tr>
<tr>
<td>13 BRONC Camp</td>
<td>21SADA001 and 31OSADA01</td>
</tr>
<tr>
<td>14 Ambassador Camp</td>
<td>180VPES01 and 31OSADA01</td>
</tr>
<tr>
<td>15 UCA Cheerleader Special</td>
<td>21SDEV000</td>
</tr>
<tr>
<td>16 MUSE</td>
<td>21SLF000</td>
</tr>
<tr>
<td>17 ExxonMobile BHSSC</td>
<td>45SDEN003</td>
</tr>
</tbody>
</table>

We judgmentally selected a sample of operating and travel transactions and determined that a common practice was to pay for expenditures of one camp with the revenue belonging to a different camp or program. Our tests indicated that 4 out of 44 (9%) operating expenses were posted to the incorrect project account. Additionally, 4 out of 16 (25%) travel expenses were posted to incorrect project accounts. While we found expense transfers performed by SLTS staff to assign expenses to the correct camp and project account(s), not all of the errors were found and corrected.

**Recommendation:**

1. The AVP-DOS and the AVP-SSS should ensure the expenditures associated with each camp’s activity are posted to the camp’s corresponding project account.

**Management’s Response:**

1. The departure of the ADOS in September, 2012 allowed the Division of Student Affairs to re-align the responsibilities of the SLTS department to various offices and effectively eliminated the department. The functions of camps and conferences that will continue to exist will be primarily managed by the AVP-SSS and the AVP-DOS.
The AVP-SSS has been assigned to oversee activities and accounts related to camps and conferences, especially those whose target populations are students in K-12 programs. The AVP-DOS will oversee activities related to currently enrolled UTPA students and sports camps offered by the Wellness and Recreation Center. Some of the camps listed in the report were one time camps. Other external camps are coordinated by Auxiliary Services.

The AVP-SSS plans to coordinate South Texas ISD STEM Camp, MUSE and Exxon Mobile/BHSSC campus. The AVP-DOS will oversee the UCA Cheerleader camp and a new camp similar to Bronc/Ambassador camp.

Camps coordinated by an AVP that receive external funding either by grant, MOU, or special funding, will have a designated account managed by the appropriate AVP and project manager. Each camp will keep a roster of participants along with receipts of payment by each participant/entity and a detailed record of expenditures for each camp project.

**Implementation Date:** October 1, 2012

**Approvals & Authorization**

Adequately established approval and authorization controls help to ensure that expenditures are allowable and appropriate. We reviewed operating, travel, and payroll expenditures to test for compliance with University procedures. We tested a sample of expenditures and examined supporting documents for proper approval and accuracy, and we also verified whether the expenditures were reasonable. We evaluated the process for leave taken by employees, reconciliation of leave reports to the official timecard of the University, and supervisor approvals.

**Approval for Operating Expenditures**

The ADOS had signature authority over SLTS’s accounts, which included approving account reconciliations, purchases, and timecards. In our operating and travel tests, we determined that the ADOS properly approved all operating and travel transactions.

**Procurement Cards**

SLTS had two (2) procurement cardholders. We tested 26 procurement card (procard) purchases totaling approximately 80% of SLTS’s procard activity in FY 2012 to verify compliance with UTPA’s *Procurement Card Program Manual.*
UTPA’s *Procurement Card Program Manual* states the following:
- The cardholder is the only person authorized to use the procard;
- Intentionally splitting procard transactions in order to circumvent compliance with any state law or regulation, University purchasing policy, or procard program limits is strictly prohibited;
- Reconciliations must be performed for each billing cycle within 7 days after the monthly billing cycle closes.

We identified issues related to SLTS’s procard use and program manual compliance requirements as follows:

- 10 out of 26 (38%) procard purchases were made by employees other than the designated cardholders;
- 9 out of 26 (35%) transactions were split purchases (a method typically used to circumvent established daily credit limits);
- 11 out of 26 (42%) transactions were never reconciled by the cardholders.

We found that the assigned cardholders attended procard training in which procard policies and procedures were reviewed.

**Vacation and Sick Leave**

We selected four (4) employees to test the accuracy of vacation/sick leave balances; however, we were unable to complete the test since SLTS did not have supporting documentation for the time period selected for testing.

**Payroll**

We also selected six (6) employees and the months of December 2011 and July 2012 to test payroll accuracy. Based on the results of the test, payroll amounts agreed to the Memorandums of Employment and were paid from the correct accounts. However, during interviews we were informed that the ADOS had instructed several student employees to postpone recording their hours worked during the final week of August 2012 until the following month due to lack of funds. We sampled nine (9) student time logs and Oracle timecards, and we confirmed that this occurred. The student employees incorrectly recorded 44.75 hours on their September 2012 timecards receiving their compensation in October and November. While the reviews and approvals for the work hours performed by the students were adequate, the delay in payment to the student was not appropriate. This delayed payment also caused the wages to be recorded in a new fiscal year.

Overall, we determined that SLTS had inadequate controls related to approvals and authorization.
Recommendations:

2. The AVP-DOS and AVP-SSS should ensure that procurement card purchases are made in accordance with University policy.

3. The AVP-DOS should ensure that supporting documentation related to employee vacation/sick leave is obtained and retained to support time records.

4. The AVP-DOS should ensure that time records are completed accurately and applied to the correct period.

Management’s Responses:

2. There is no longer a procurement card for the department of SLTS. Project managers overseeing any camps or conferences will attend procurement card training and abide by the policies.

**Implementation Date:** April 1, 2013

3. Project managers will be reminded on the HOP policies related to vacation (7.6.3) and sick leave (7.6.4) and will be instructed on ensuring that documentation be maintained for all employees.

**Implementation Date:** April 1, 2013

4. Project managers will be reminded about the HOP policy that applies to student employees (7.6.1).

**Implementation Date:** April 1, 2013

Funds (Cash) Handling

Adequate segregation of duties should be maintained between the people who authorize transactions, record transactions, and have custody of assets. In addition, those assets should be safeguarded against unauthorized use.

HOP 8.6.6 *Handling of University Funds,* “authorizes areas on campus to collect funds other than the Payments and Collections Office and to set forth procedures for these areas.” HOP 8.6.6 states, “The Vice President for Business Affairs shall authorize the collection of payments by any department that cannot appropriately be made through the Payments and Collections Office.” We determined that SLTS was authorized by the Vice President of Business Affairs to
collect and handle cash. SLTS only collects cash payments associated with the Bronc Camp and UCA Cheerleader Special camp. The administrative assistant II was responsible for conducting the following activities related to cash handling:

- collecting cash
- storing daily cash receipts in SLTS’s safe
- preparing the deposit
- reconciling the project account

Because all of the duties above were performed by the same individual, we determined that SLTS had established inadequate segregation of duties for cash handling. In addition, we were unable to test the accuracy of the cash receipts or the revenue generated during FY 2012 due to lack of financial records such as a complete list of camp participants. Therefore, we determined that SLTS had inadequate controls over safeguarding its assets.

**Recommendations:**

5. The AVP-DOS should ensure that SLTS establishes adequate segregation of duties in regards to handling cash.

6. The AVP-DOS should ensure that documentation to support cash receipts including camp participant listings are maintained and used to reconcile camp revenues.

**Management’s Responses:**

5. The departments now responsible for camps and conferences will be reviewed for compliance with segregation of duties and will participate in cash handling training.

   **Implementation Date:** April 1, 2013

6. Accountants in the Associate Vice President areas will conduct a systematic review of cash handling compliance and account reconciliations on a regular basis.

   **Implementation Date:** April 1, 2013

**Monitoring**

Monitoring is the assessment of internal controls over time. We reviewed SLTS’s procedures for monitoring account activity. Account reconciliations should be reviewed timely to ensure that any necessary account corrections are made. Without adequate monitoring of account reconciliations, items that require attention may go unnoticed.
Account Reconciliation

We requested project account reconciliations for the months of July and August 2012 from the administrative assistant II responsible for maintaining accounting records and preparing project account reconciliations. An employee stated that project account reconciliations had been prepared; however, the project manager had not reviewed or signed off on the reconciliations for the prior six months due to a busy schedule. Our review of account reconciliations indicated that reconciliations were not adequately completed. The account reconciliation duties were reassigned to an accountant within the Division of Student Affairs.

Billing and Collection

SLTS invoices multiple local school districts for their participation in the MUSE camp. We reviewed SLTS’s invoicing process for the MUSE camp by interviewing staff and obtaining the open invoices report from UTPA Comptroller’s Office. We verified that SLTS was collecting on its open invoices and found that it had collected 98% of those invoices. Since FY 2011, SLTS had invoiced $1,728,442 of which $32,300 remained outstanding as of August 31, 2012. We verified the accuracy of MUSE camp invoices totaling $1,380,740, which represented 80% of SLTS’s total billing activity. We found SLTS’s billings to be reasonably accurate; however, we were unable to assess the accuracy of the invoices for all of the other camps since SLTS did not maintain a complete list of camp or program participants.

Based on our review of SLTS’s account reconciliations, we determined that there were inadequate monitoring controls.

**Recommendations:**

7. The AVP-DOS should ensure that camp billing activity is matched to camp participant listings and that revenue collected is reconciled to the amount invoiced.

8. The AVP-DOS should ensure that project account reconciliations are conducted timely and that supporting documentation is properly maintained.

**Management’s Responses:**

7. The AVP-SSS and AVP-DOS will ensure that camp billing activity will match with the number of participants listed for each camp. Funding and expenditures will be reconciled.

**Implementation Date:** April 1, 2013
8. The AVP-SSS and AVP-DOS will ensure that project reconciliations are conducted on a monthly basis.

**Implementation Date:** April 1, 2013

**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 having encryption software on equipment storing sensitive information. The University recently completed an initiative to encrypt all laptops regardless of the type of data stored. 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 determined that employees received appropriate level of access for their job responsibilities. We also verified whether SLTS’ employees maintained sensitive information on any portable storage devices. We found no sensitive information stored on portable storage devices.

We concluded that SLTS had adequate controls related to safeguarding its data.

**CONCLUSION**

Overall, the Student Life and Transition Services Office’s administration of camps and programs was inadequate and ineffective. We identified significant weaknesses in managing and accounting for camps and programs activities. Internal controls over approvals and authorizations of procurement card purchases, timely compensation, funds handling and monitoring of project account reconciliations were not evident.

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

Khalil Abdullah, CIA, CGAP  
Internal Auditor I