Office of Student Support Services

Report No. 14-08
February 19, 2014

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 2014 Audit Plan, we completed a change of management audit of the Office of Student Support Services. The objective of the audit was to evaluate the adequacy and effectiveness of the Office of Student Support Services’ 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 Office of Student Support Services had established an adequate system of financial and administrative internal controls in the areas evaluated. However, we identified an area where improvements could be made to enhance 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, Compliance & Consulting Services
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EXECUTIVE SUMMARY

The Office of Student Support Services (office) serves both the University and K-12 communities by promoting access and success in postsecondary education. Some of the office’s goals include: increasing external funding to support college access and student success goals within the division of Student Affairs; increasing collaboration with local K-12 partners; providing relevant information to school districts, high school leadership, and community partners on student matriculation and success at The University of Texas - Pan American (UTPA); and implementing advancement via individual determination (AVID) for higher education according to AVID national center guidelines.

As required by The University of Texas System’s 1996 Action Plan to Enhance Internal Controls, a change in management audit is performed when an office undergoes a change in management or a significant change in reporting lines. The office was created on September 1, 2012 and is overseen by the associate vice president of student support services (AVP-SSS) who reports directly to the vice president for student affairs.

The objective of the audit was to evaluate the adequacy and effectiveness of the office’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 for fiscal year (FY) 2013 (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 office established an adequate system of financial and administrative internal controls; however, we observed the following:

- Not all project account reconciliations were conducted.
BACKGROUND

The associate vice president of student support services (AVP-SSS) oversees the director of P-16 initiatives, director of high school to university programs & testing services, executive director of student support services, and the directors for college access and support programs. The AVP-SSS also oversees several programs including the college assistance migrant program, educational talent search, high school equivalency program, Texas pre-freshman engineering program, upward bound, upward bound math and science, migrant student success, high school to university programs and testing services, P-16 initiatives, the learning assistance center, summer camps, AVID for Higher Education Program, Michael and Susan Dell Foundation grant for AVID implementation in local school districts, P-16 Council collaboration with Academic Affairs, and the UTPA Leadership Alliance.

The AVP-SSS was responsible for 6 (six) project accounts during FY2013. The following table summarizes the office’s accounts 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>
</tr>
</thead>
<tbody>
<tr>
<td>45GEAR006</td>
<td>$379,787</td>
<td>$14,310</td>
<td>$285,857</td>
<td>$79,620</td>
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<tr>
<td>120VPES00</td>
<td>$187,866</td>
<td>$3,621</td>
<td>$182,813</td>
<td>$1,432</td>
</tr>
<tr>
<td>24CASP000</td>
<td>$16,720</td>
<td>$837</td>
<td>($18,108)</td>
<td>$33,991</td>
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<tr>
<td>21CASP002</td>
<td>$8,294</td>
<td>$670</td>
<td>($92)</td>
<td>$7,716</td>
</tr>
<tr>
<td>21GEAR001</td>
<td>$4,814</td>
<td>$1,025</td>
<td>$306</td>
<td>$3,484</td>
</tr>
<tr>
<td>145CASP00</td>
<td>$0</td>
<td>$82</td>
<td>($82)</td>
<td>$0</td>
</tr>
<tr>
<td><strong>Totals</strong></td>
<td><strong>$597,481</strong></td>
<td><strong>$20,545</strong></td>
<td><strong>$450,694</strong></td>
<td><strong>$126,243</strong></td>
</tr>
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AUDIT OBJECTIVE

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

AUDIT SCOPE & METHODOLOGY

We evaluated the office’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 FY 2013 (September 1, 2012 through August 31, 2013). To accomplish the audit objective, we:

- Interviewed the AVP-SSS and discussed an internal control questionnaire to obtain an understanding of the office’s operations and related internal controls.
- Interviewed office employees for additional input on internal controls.
Determined whether the office 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 from the office’s accounts with the most activity.

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 controls for portable drives to evaluate physical and data security.

Verified the office’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. The audit was conducted during the months of October 2013 through January 2014.

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, an office 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.

Based on testing, we found that the office established an adequate control conscious environment. We selected nine (9) employees to test for completion of annual trainings and nepotism certification. Additionally, we tested five (5) employees to determine whether an annual performance evaluation had been performed. The results of our tests are as follows:

- 9 out of 9 (100%) employees completed their sexual harassment training
- 9 out of 9 (100%) employees completed their annual standards of conduct training
- 9 out of 9 (100%) employees completed their information security training
- 5 out of 5 (100%) employees have completed an annual performance evaluation
- 1 out of 9 (11%) employees did not complete their annual nepotism certifications; the individual who did not complete the certification is no longer employed by UTPA.
The office developed a policies and procedures manual to help guide employees in their daily operations. Additionally, they developed a risk assessment to assess the office’s risks.

**Approval & Authorization**
Adequately established approval and authorization controls help to ensure that expenditures are allowable and appropriate. We tested a sample of operating, travel, and payroll expenditures for compliance with University procedures. Our testing included reviewing supporting documentation for proper approval, accuracy, and reasonableness. We also tested compliance with procurement card requirements.

**Operating and Travel Expenditures**
We judgmentally selected a sample of 16 operating and 10 travel transactions representing 86% and 80% of the total dollar value of the populations, respectively. The expenditures were properly approved, appropriate, and supported with adequate documentation. No exceptions were noted.

**Procurement Card**
We selected all transactions within the audit scope, which totaled 100% of the total dollar value of procurement card expenditures. We tested those expenditures to determine whether:

- Cardholders completed the required training,
- Purchases made by authorized cardholders,
- Adequate documentation was maintained to substantiate purchases,
- Purchases were made in accordance with established guidelines,
- Reconciliations performed within seven days of the monthly statement date, and
- Whether duties were adequately segregated.

Overall, we found that adequate controls over procurement cards were in place and functioning as intended. All procurement card expenditures were properly approved, reasonable and allowable, and adequate segregation of duties existed. Additionally, procurement card expenditures were reconciled.

**Payroll and Employee Leave**
We judgmentally selected five (5) employees and selected one (1) month to test for 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 determined whether timecards were properly approved. We tested three (3) employees’ vacation and sick leave for the months of May, June, and August 2013. We did not identify any discrepancies between employees’ approved leave and the leave
reported on their official University timecards. All employee timecards tested were approved by their supervisor.

**Segregation of Duties**
Adequate segregation of duties should be maintained between the individuals who authorize transactions, record transactions, and 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 AVP-SSS had signature/approval authority over the office’s accounts, including account reconciliations, purchases, and timecards. The office’s accounts were set up with separate individuals listed as the project manager, project reviewer, and alternate approver. The office’s accountant maintained accounting records and was responsible for preparing the account reconciliations. We determined that the office did not handle cash. We found that adequate controls over segregation of duties for the areas evaluated were in place and functioning as intended.

**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 ten assets with a historical cost greater than $1,400 from the office inventory records and verified their existence within the office. In addition, we selected three assets within the office and verified that they were accurately recorded in inventory records. Based on our inventory testing, we determined that the office inventory was complete and accurate.

**Monitoring**
In accordance to the Handbook of Operating Procedure Section 8.6.1: University Budget Policy/Fiscal Accountability, 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.

The office had a total of six project accounts. At the beginning of the audit we were informed that five of the six accounts were not reconciled through the end of FY2013. The months of June, July, and August 2013 had not been completed due to employee turnover.

We reviewed two months of account reconciliations for two project accounts and determined that the account reconciliations were completed and reviewed.
The University of Texas - Pan American
The Office of Student Support Services
Change in Management Audit

**Recommendation:**

1. The AVP-SSS should ensure that project account reconciliations are properly conducted and reviewed timely. Additionally, the office should complete account reconciliations for June, July, and August of 2013.

**Management Response:**

1. Accounts 45GEAR006, 120VPES00, 24CAS000, 21CAS002, and 21GEAR001 have been reconciled for June, July, and August 2013 as specified in the recommendation above. Completed reconciliations will be reviewed and signed in a timely manner by the project manager.

Let it be noted that our office accountant resigned in July 2013 and a new accountant was hired in September 2013; this three month gap without someone to reconcile accounts was an unforeseen circumstance during peak summer months. Adding to the lag in reconciliations is the total number of accounts that the accountant is responsible for reconciling. In addition to the five accounts identified in this report tied directly to the Office of Student Support Services, the accountant is responsible for reconciliations in several other departments with a workload of approximately 30 accounts of varying complexity.

In an effort to bring all accounts up to date on reconciliations, I have hired an accountant as a special assignment to come in and work on Saturdays until all accounts in all areas are current.

**Implementation Date:**

March 31, 2014

**Information Technology**

Adequately established information technology controls help to protect sensitive information entrusted to the office. 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 level of access for their job responsibilities. We determined that all employees tested were granted the appropriate level of access to the Oracle system. In addition, we inquired whether the office used portable storage devices such as external hard drives or...
thumb drives. We found that the office utilized two (2) unencrypted portable storage devices. We tested each of these devices and determined that no sensitive or confidential information was maintained on the devices. We determined that the office established adequate information technology controls.

CONCLUSION

Overall, the office has established an adequate system of financial and administrative internal controls. However, an opportunity exists to strengthen internal controls related to project account reconciliations.

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

Khalil Abdullah, CIA, CGAP
Internal Auditor I