



THE UNIVERSITY OF TEXAS AT DALLAS

OFFICE OF AUDIT AND CONSULTING SERVICES
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September 27, 2018

Dr. Richard Benson, President,
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of the Office of the Vice President (VP) for Administration as part of our fiscal year 2018 Audit Plan. The objective of our audit was to evaluate financial and accounting processes, internal control systems, and the effectiveness and efficiency of related operations and controls within the Office of the VP for Administration. The audit resulted in opportunities to improve financial and accounting processes, internal control systems, and the effectiveness and efficiency of operations and controls within the Office.

The Office of Administration was reorganized in July 2018, and the Office of Facilities and Economic Development was created. Under the new structure, Facilities Management, Construction, Auxiliary Services, Real Estate Management and Economic Development now report to the Vice President for Facilities and Economic Development (formerly the Vice President for Administration). During the audit and the reorganization, we met with management numerous times to discuss opportunities for improving operations, and we provided detailed information regarding these opportunities. We have also observed that a review of the cost centers previously within the Vice President for Administration Division was conducted by the Office of Budget and Finance, and appropriate revisions have been made.

Due to the reorganization, we have provided only a summary of the recommendations and management's actions to implement them. We plan to conduct a full follow-up audit of departmental controls for the new organization during our FY20 audit plan.

We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive



Executive Summary

Audit Objective and Scope

The objective of our audit was to evaluate financial and accounting processes, internal control systems, and the effectiveness and efficiency of related operations and controls within the Office of the VP for Administration.

Conclusion

Opportunities exist to improve financial and accounting processes, internal control systems, adherence to University policies and procedures, and the effectiveness and efficiency of operations and controls within the Office of the VP for Administration. Management has agreed to implement these recommendations, and estimated implementation dates have been provided.

Audit Recommendations by Risk Level to Department

Recommendation	Risk Level	Estimated Implementation Date
1. Conflicts of Interest. Conflict of interest forms should be filed for executive officers that are involved in procurement activities, contract management, and/or serve on outside boards.	High	October 31, 2018
2. Property Management. The department's inventory management process should be improved. A complete review of inventory should be performed, periodic inventories should be done, and equipment that is taken off campus should be better controlled. Property Management should be notified immediately when assets cannot be located.	Medium	August 31, 2018
3. Expenditures. Management of expenses should be improved to ensure that only expenses benefitting the University with a valid and documented business purpose should be paid from University funds. In addition, an employee's direct supervisor should be responsible for approving salary increases. Management should provide written justifications and approval by the VP for mid-year merits and salary increases. UTD's current Compensation Standards, stating that increases should	Medium	August 31, 2018



<p>be granted to those employees who consistently perform above what is normally expected and required of his or her job, should be followed.</p>		
<p>Responsible Vice President Dr. Calvin Jamison, Vice President Facilities and Economic Development</p>	<p>Responsible Parties Dr. Calvin Jamison, Vice President Facilities and Economic Development</p>	
<p>Staff Assigned to Audit Project Leader: Hiba Ijaz, CPA, CIA, Senior Auditor Staff Assigned to Audit: Rob Hopkins, CFE, Senior Auditor; Melissa Carley, CPA, CIA, Staff Auditor</p>		
<p>Report Distribution</p>		
<p><i>Members of the UT Dallas Institutional Audit Committee</i></p> <p>External Members</p> <ul style="list-style-type: none"> • Ms. Lisa Choate, Chair • Mr. Gurshaman Baweja • Mr. Bill Keffler • Mr. Ed Montgomery • Ms. Julie Knecht <p>UT Dallas Members</p> <ul style="list-style-type: none"> • Dr. Richard Benson, President • Dr. Hobson Wildenthal, Executive Vice President • Dr. Kyle Edgington, Vice President for Development and Alumni Relations • Mr. Frank Feagans, Vice President and Chief Information Officer • Dr. Gene Fitch, Vice President for Student Affairs • Dr. Calvin Jamison, Vice President for Facilities and Economic Development • Dr. Inga Musselman, Provost and Vice President for Academic Affairs • Dr. Joseph Pancrazio, Vice President for Research • Mr. Terry Pankratz, Vice President for Budget and Finance • Mr. Timothy Shaw, University Attorney, ex-officio 	<p>External Agencies</p> <p><i>The University of Texas System</i></p> <ul style="list-style-type: none"> • System Audit Office <p><i>State of Texas Agencies</i></p> <ul style="list-style-type: none"> • Legislative Budget Board • Governor’s Office • State Auditor’s Office • Sunset Advisory Commission 	



Appendix 1

Scope and Methodology

The scope of this audit was primarily FY15-17; however, in some cases we reviewed and/or tested information from FY12-18. Our fieldwork concluded on April 25, 2018. To satisfy our objectives, we performed the following:

- Gained an understanding of the control environment, governance, and organizational culture within the former Office of the VP for Administration by performing the following:
 - interviewing employees and reviewing job descriptions and the organization structure
 - conducting an internal controls self-assessment survey of all staff and direct reports
 - reviewing budgetary information, including revenues and expenses
 - reviewing policies, procedures, and other documentation related to operations.
- Conducted a risk assessment of departmental controls to help determine the areas of focus for the audit.
- Tested processes and procedures related to internally processed payroll and human resources.
- Tested expenses for compliance with University procedures, proper authorization, and reasonableness.
- Tested property inventory to ensure proper safeguarding and accounting.
- Tested for compliance with University conflict of interest procedures.

We conducted our examination in conformance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.



Finally, we used the *COSO Components of Internal Control*¹ in designing our audit procedures. Internal control is a process, performed by management and staff, designed to provide reasonable assurance regarding the achievement of objectives in relation to operations, reporting, and compliance. The COSO framework sets forth the requirements for an effective system of internal control in the following areas:

Control Environment	The set of standards, processes, and structure that provide the basis for carrying out internal control across the organization.
Risk Assessment	A process that involves identifying and assessing risks for the achievement of objectives.
Control Activities	Actions established through policies and procedures that help ensure management's directives to mitigate risks to the achievement of objectives are carried out.
Information & Communication	Obtaining, generating, and using relevant and quality information from internal and external sources to support internal controls, and providing, sharing, and obtaining necessary information.
Monitoring Activities	Evaluations used to determine if internal controls are present and functioning.

¹ Committee of Sponsoring Organizations of the Treadway Commission (COSO) – www.coso.org



Appendix 2

Definition of Risks

Risk Level	Definition
Priority	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Risk Management Committee (ACMRC). Priority findings reported to the ACMRC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
High	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.