

College of Liberal Arts
Change in Management Audit

Audit Report # 19-108
July 12, 2019



The University of Texas at El Paso
Office of Auditing and Consulting

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July 12, 2019

Dr. Diana Natalicio
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Natalicio:

The Office of Auditing and Consulting Services has completed a limited-scope audit of the College of Liberal Arts. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by the College of Liberal Arts staff during our audit.

Sincerely,

A handwritten signature in blue ink, reading 'Lori Wertz', is positioned above the printed name.

Lori Wertz
Chief Audit Executive

Report Distribution:

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of the College of Liberal Arts (LArts). The audit scope was limited to selected financial and administrative activities for the period of September 1, 2017 to March 31, 2019.

During the audit we noted the following:

- The Art Department has implemented strong controls over course fee revenue and expenditures.
- Music Major and Minor fees were incorrectly billed to students, resulting in both over and underpayments.
- PeopleSoft workflow does not include the Dean for certain transactions where additional monitoring is required.
- Online ProCard purchases are not sent to Central Receiving.
- The Music Department is not using one of the University approved methods for cash collections.
- Outside Activity is not always disclosed.

BACKGROUND

The College of Liberal Arts (LArts) is the largest at the University. It is comprised of more than twenty departments and programs. The LArts also provides most of the core curriculum to students in all colleges.

The college's *Educational and General Funds* budget for Fiscal Year 19 was:

Admin and Prof. Salaries	1,193,972
Classified Salaries	1,141,250
Faculty Salaries	22,383,322
TA Salaries	2,623,767
Maintenance and Operations	229,222
<i>College Total</i>	27,571,533

Note: This table does not include student fee revenue.

Departments and Programs at the LArts include:

Fine Arts	Humanities and Social Sciences	Programs
Art	Communication	Aerospace Studies
Creative Writing	Criminal Justice	African-American Studies
Music	English	Chicano Studies
Theatre and Dance	History	Intelligence and National Security Studies (NSSI)
	Language and Linguistics	Interdisciplinary Studies (MAIS)
	Philosophy	Latin American and Border Studies (CIBS)
	Political Science	Leadership and Community Engagement
	Psychology	Liberal Arts Honors Program (LAHP)
	Sociology and Anthropology	Military Science
		Multidisciplinary Studies
		Patti and Paul Yetter Center for Law (LSPI)
		Public Administration
		Secondary Teacher Education Program
		Women's and Gender Studies

AUDIT OBJECTIVES

The objectives of this audit were to determine whether:

- administrative and financial operations are performed in accordance with University policies and procedures, and
- expenditures for course fees and operating expenses are in alignment with the strategic objectives of the college.

SCOPE AND METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors.

The audit scope includes records from September 2017 through March 2019.

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority - 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.

High – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.

Medium – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Low – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

AUDIT RESULTS

A. Course and Major Fees

In accordance with The UT System Regent's Rules and Regulations Series 40401 and Texas Education Code, the Executive Vice Chancellor is delegated the authority to grant approval for a variety of non-mandatory fees. In March 2018, the Executive Vice Chancellor approved new student fees to be assessed starting in Fall 2018. One of the fees approved was the *Music Major and Minor Fee (MMMF)* at a rate of \$260 per student per semester. This new major fee would replace the majority of the music course fees.

A.1. Music Major and Minor Fees were incorrectly assessed in Fall 2018 and Spring 2019

Music major students were assessed course fees for music classes as well as major fees. These students paid fees twice for the same courses. In addition, the Music minor students were not charged for the MMMF, resulting in lost revenue for the department. Changes in course and major fees were not monitored for correct implementation when billing students.

Recommendation:

The Music Department should work with the College Administrative Officer (CAO) and Student Business Services to refund the students for the fees that were incorrectly assessed. In addition, departments should work closely with the CAO and Student Business Services to ensure accurate student billing.

Level: This finding is considered **MEDIUM** due to the fact that inaccurate student billing results in overpayments from students as well as lost revenue.

Management Response:

The Department of Music will work with Business Services to refund all students who were inappropriately charged a Course Fee for music courses in 2018-19. All students re-enrolling will receive a credit on their tuition. For those not returning, they will receive a refund payment.

Responsible Party:

Dr. Steve Wilson. Chair, Department of Music

Implementation Date:

August 30, 2019.

A.2. Art Department Course Fees

The Art Department has a process in place to track revenue and expenses for each course fee. The controls in place help to ensure that course fees are used for the benefit of the students and to make strategic purchases.

No exceptions noted.

B. Operations

B.1. Incorrect PeopleSoft Workflow for Expense Approval and Travel Authorization

Expense report and travel authorizations for one individual had inappropriate approvals in PeopleSoft. The Dean was added to the authorization process once this issue was identified. An incorrect approval routing in PeopleSoft creates a conflict of interest and requires additional oversight.

Recommendation:

The College of Liberal Arts Dean must be included in the PeopleSoft approval process for expenses of faculty/staff who have conflicts of interest due to nepotism. A conflict of interest management plan should also be in place.

Level: This finding is considered **MEDIUM** due to the fact that an incorrect approval routing in PeopleSoft creates a conflict of interest.

Management Response:

Liberal Arts will work with PeopleSoft personnel to adjust routing as needed to avoid incorrect routing in the future. This process change should head off conflicts that may arise with respect to nepotism.

Routing will route away from the department head and to the Dean's office.

Responsible Party:

Dr. Denis O'Hearn, Dean-College of Liberal Arts

Implementation Date:

September 1, 2019

B.2. Non-Compliance with ProCard Manual

The Procurement Card Program Policies and Procedures state: "if the Cardholder's office is located on campus, the order *must be shipped to the Central Receiving Dock* at 3120 Sun Bowl Drive. The shipping documentation must state that it is a Pro Card Purchase. The shipment should also reference the Cardholder's name, phone number and the building/room number *the item is to be delivered to once it has been received at the dock.*"

The following two exceptions were noted:

- Online ProCard purchases for four out of the five ProCard holders tested were not sent to Central Receiving
- Two out of five ProCard holders tested were not able to locate reconciliations from Fiscal Year 2018; consequently, auditors were unable to confirm reconciliations had been performed.

Recommendation:

ProCard holders must retain proper documentation of account reconciliations from current and prior fiscal years in accordance with the University's Record Retention Schedule. In addition, all online ProCard purchases must be sent to Central Receiving.

Level: This finding is considered **MEDIUM** due to the fact that missing account reconciliations prevents appropriate monitoring. In addition, not shipping purchases to Central Receiving can lead to misappropriation of assets.

Management Response:

Liberal Arts will set up an annual notification to inform/remind ProCard holders on record retention requirements. This process will continue as an annual process. We will be conducting one on one reviews to ensure that all ProCard records are retained as required.

Responsible Party:

Dr. Denis O'Hearn, Dean-College of Liberal Arts

Implementation Date:

September 1, 2019

B.3. Music Department collected cash without authorization

The UTEP Business Process Guidelines for Cash Handling/Change Funds state that only individuals approved by the comptroller are allowed to handle cash through an approved change fund.

The Music Department does not have an approved cash fund. However, the department collects locker rental fees and recital fees from students, creating the risk of misappropriation of assets.

Recommendation:

The Music Department should use a University authorized method for revenue collection. Such methods include:

- applying for a change fund and getting authorization from the comptroller,*
- having students deposit funds directly at Student Business Services,*
- purchasing/borrowing a terminal from General Accounting to accept credit card payments, or*
- using a Touchnet store.*

Level: This finding is considered **MEDIUM** due to the fact that handling cash without authorization can lead to misappropriation of assets.

Management Response:

The Department of Music will examine all four options listed above and choose the most efficient option for our needs. We are currently leaning towards implementing a new Touchnet Store for all payments made to the Department of Music.

Responsible Party:

Dr. Steve Wilson, Chair-Department of Music

Implementation Date:

September 1, 2019

C. Outside Activity

C.1. Outside activity not disclosed

Approved outside activity is permitted by UTEP and UT System policies. The University's Handbook of Operating Procedures Chapter 29.5 requires faculty employed on a 12-month or 9-month basis to disclose any compensated or uncompensated outside activity.

Some faculty members at the College of Liberal Arts participated in outside activities without disclosing it to the University. Without such disclosure, the corresponding Dean/Supervisor is not aware of the activity and therefore cannot provide the required approval.

Recommendation:

Outside activity is permitted by the University when disclosed and approved by the Dean/Supervisor. Administrators should create awareness about this requirement to ensure disclosures are submitted.

Level: This finding is considered **MEDIUM** due to the fact that outside activity was not disclosed and approved by the corresponding Dean/Supervisor.

Management Response:

Liberal Arts will set up a reminder program that will educate all faculty and staff of the minimum requirements for off campus or outside activity disclosure. Will meet with the Office of Institutional Compliance to set up best practices for the College of Liberal Arts.

Responsible Party:

Dr. Denis O'Hearn, Dean-College of Liberal Arts

Implementation Date:

September 1, 2019

CONCLUSION

Based on the results of audit procedures performed, we conclude that the College of Liberal Arts can strengthen existing University controls by implementing the recommendations detailed in this report.

We wish to thank the management and staff of the College of Liberal Arts for their assistance and cooperation provided throughout the audit.