



October 10, 2014

Dr. Daniel, President
Ms. Lisa Choate, Chair of the Audit and Compliance Committee,

We have completed an audit of the Callier Center for Communication Disorders as part of our Fiscal Year 2014 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The objective of the audit was to provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies and procedures, and the reliability and integrity of financial and operational information.

Overall, we found that an adequate system of internal controls is in place; however, opportunities exist to strengthen controls and enhance operational processes. Implementing our recommendations will address the opportunities noted. The attached report details the issues and recommendations that would enhance controls, compliance and efficiency.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. 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.

A handwritten signature in blue ink that reads 'Toni Stephens'.

Toni Stephens
Institutional Chief Audit Executive

UT Dallas Responsible Parties:

Dr. Bert Moore, Dean of the School of Behavioral and Brain Sciences
Dr. Thomas Campbell, Executive Director of the Callier Center for Communication Disorders
Ms. Judith Lewis, Callier Center Business Manager

Members of the UT Dallas Audit and Compliance Committee:

External Members:

Mr. Bill Keffler
Mr. Ed Montgomery
Ms. Cynthia Trochu
Dr. Hobson Wildenthal, Executive Vice President and Provost
Dr. Calvin Jamison, Vice President for Administration
Mr. Terry Pankratz, Vice President for Budget and Finance
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Mr. Timothy Shaw, University Attorney

The University of Texas System:

Dr. Pedro Reyes, Executive Vice Chancellor for Academic Affairs
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Mr. J. Michael Peppers, CIA, CRMA, CPA, FACHE, Chief Audit Executive
Ms. Moshmee Kalamkar, CPA, CIA, Audit Manager

State of Texas Agencies:

Legislative Budget Board
Governor's Office
State Auditor's Office
Sunset Advisory Commission

Executive Summary

Callier Center for Communication Disorders, Report No. 1503

Audit Objective and Scope: To provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies, and procedures, and the reliability and integrity of financial and operational information. The scope of the review was Fiscal Year 2013 to date.

Audit Results:

The audit resulted in no recommendations considered significant to University Operations. However, we offer the following recommendations to enhance controls within the Callier Center.

<i>Recommendation</i>	<i>Estimated Implementation Date</i>
(1) Enhance Internal Controls over Cash Handling	Completed
(2) Continue Efforts to Develop a Business Continuity Plan	12/1/2014

Conclusion: An adequate system of internal controls is in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies, and procedures, and the reliability and integrity of financial and operational information. Controls within the Center could be strengthened by modifying the cash handling and recordkeeping processes and completing a business continuity plan.

Responsible Vice President:

Dr. Hobson Wildenthal, Executive Vice President and Provost

Responsible Parties:

- Dr. Bert Moore, Dean of School of Behavioral and Brain Sciences
- Dr. Thomas Campbell, Executive Director of Callier Center for Communication Disorders
- Ms. Judith Lewis, Callier Business Manager

Staff Assigned to Audit:

Polly Atchison, CPA, CIA, Audit Manager; Ashley Mathew, Staff Auditor; Seo Choi, Former Staff Auditor; Student Interns from the Internal Auditing Education Partnership Program at the Naveen Jindal School of Management:, Anthony Kirk Ramos, and Amanda Ryder

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Background

The Callier Center for Communication Disorders (The Callier Center), founded in 1963, provides pre- and post-surgical evaluations for children with Cochlear implants, and speech and language therapy for patients of all ages. The Center is named after Ms. Lena Callier who suffered from hearing loss and consequently wanted to help others in similar situations. In 1950 Ms. Callier established a trust for this purpose. After her death, the trust was used to establish the Callier Hearing and Speech Center which later changed its name to The Callier Center for Communication Disorders. It is recognized as one of the nation's finest educational, research and treatment centers focusing on communication and audiology.

Today, the Callier Center has clinical care programs, undergraduate and graduate programs for audiology and speech pathology, Child Development and Deaf education programs as well as research. With locations in Richardson and Downtown Dallas, the Center services more than 4,000 children and adults annually. The Center also collaborates with Dallas and Plano ISD to assist children who are deaf or hard of hearing.

The Callier Center is managed by Dr. Thomas Campbell, Executive Director, who reports to the Dr. Bert Moore, Dean of School of Behavioral and Brain Sciences. The Center has 153 employees and an operating budget of \$13.4 million for FY14.

Audit Objective

The audit objective was to provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies and procedures, and the reliability and integrity of financial and operational information.

Scope and Methodology

The scope of this audit was Fiscal Year 2013 to date, and our fieldwork concluded on May 22, 2014. To satisfy our objectives, we performed the following:

- Interviewed staff and obtained documentation to gain an understanding of center operations.
- Reviewed documentation and records regarding purchasing cards, expenses, and account reconciliation to ensure:
 - Compliance with applicable UT Dallas policies and procedures
 - Proper authorization
 - Adequate supporting documentation

- Expenses were reasonable and supported the mission of the Clinic
- Determined if cash handling procedures were adequate to ensure:
 - Accurate and complete records are maintained
 - Proper segregation of duties exists
 - Compliance with applicable UT Dallas policies and procedures
- Evaluated policies, procedures and processes regarding patient scheduling, child protective services reporting, environmental health and safety, and segregation of duties over time reporting for sufficiency.
- Reviewed documentation regarding fieldtrips to ensure compliance with applicable state legislation and UT System policies.
- Determined if all Callier Center employees completed their FERPA training.¹
- Determined if the Center has adequate documented job descriptions and desk procedures for critical functions.
- Reviewed documentation on criminal background checks to ensure:
 - Documented and adequate procedures are in place
 - Compliance with UT system and UT Dallas policies
 - Compliance with state licensing guidelines for child care facilities

Where applicable, we conducted our examination in accordance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance or audit work, and management of the internal auditing department.

Audit Results and Management's Responses

Overall, an adequate system of internal controls is in place; however, opportunities exist to strengthen controls and enhance operational processes. Our audit work indicated that the following controls currently exist:

- Proper supporting documentation exists for account reconciliations, expenses and purchasing card transactions.
- Segregation of duties is maintained for time reporting and expenditure approval.
- Account reconciliations are conducted in a timely manner by someone with adequate knowledge of the cost center.
- Cash processing areas are secure and checks are restrictively endorsed.
- The Center maintains accurate and complete documentation on fieldtrip permission forms, fieldtrip rosters and training records for staff.
- The Center conducts state background checks on education department staff every two years.

¹ HIPAA training and compliance will be addressed in a separate audit of HIPAA Privacy.

A priority recommendation is defined as one that may be material to operations, financial reporting, or legal compliance. This would include an internal control weakness that does not reduce the risk of irregularities, illegal acts, errors, inefficiencies, waste, ineffectiveness, or conflicts of interest to a reasonable low level. We have **no priority recommendations** resulting from this audit; however, the following suggestions will help enhance existing internal controls and improve operational processes.

Audit Recommendations

(1) **Enhance Internal Controls over Cash Handling**

Callier Center Dallas collects and deposits daily receipts ranging from less than \$100 to more than \$10,000. These receipts comprise cash, checks, and credit cards. Callier Dallas also maintains a petty cash fund of \$1,695. Currently, the front desk daily closing process for receipts is not separately verified prior to its transfer to the accountant for processing. In addition, once prepared and recorded, the daily deposit is not independently reconciled to the supporting documentation and related accounting entries. As a result, any discrepancies between cash collected and cash deposited may not be identified.

Current written procedures for cash handling and deposit need enhancement to meet the requirements of UT Dallas Business Procedure Memorandum (BPM) 26, *Cash Handling Policy*, which requires comprehensive written procedures individualized for the department and inclusion of specified components. While Callier has written procedures for cash handling/deposits that include the basic requirements, adding detail such as examples of forms to be used, positions responsible for various actions, location of documentation, and training requirements would strengthen the policy. In addition, no written procedures exist for petty cash/change funds. Comprehensive procedures contribute to implementation and maintenance of strong internal controls.

In addition, one of the minimum requirements of BPM 26 is the use of a check log for incoming payments when no receipt is issued or no register is used. Callier Center was not using a check log for mail-in payments. A departmental check log functions as a permanent record of incoming checks in these cases. Without a log, there is a higher risk that checks will remain unrecorded in the system causing inaccuracies with patient billing and/or the Center's financial records. This could also create opportunities for misappropriation and delay the detection of errors. During the audit, the Business Office implemented the use of a log for incoming checks.

Recommendation:

Management should adopt a mitigating control to provide independent verification that daily receipts are deposited intact and recorded accurately. Management should also consider revising the current cash handling and cash deposit procedures to include additional detail, and document petty cash/change fund procedures.

Management's Response: *We have already implemented this recommendation.*

Estimated Date of Implementation: *Completed*

Person Responsible for Implementation: *Judith Lewis*

(2) **Continue Efforts to Create a Business Continuity Plan**

Callier Center currently has no Business Continuity Plan (BCP) in place. According to the UT Dallas Environmental Health and Safety website, each employee is responsible for disaster readiness on campus and each department needs to complete their own plan. Without a clear business continuity plan for the Richardson and Dallas locations, the Callier Center may have difficulty recovering from disasters and resuming normal operations. The process of creating a BCP involves assessing risks, finding ways to mitigate these risks, developing a clear plan and developing desk procedures for critical functions or operational areas so that operations are minimally impacted. The Business Office has been working with Environmental Health and Safety to develop a BCP.

Recommendation:

The Callier Center should continue efforts to create a BCP that takes into account the key operations of both locations of the Center to be better prepared to recover from disasters and resume operations as quickly as possible. Desk procedures for critical functions should also be included.

Management's Response: *We are currently working on this recommendation.*

Estimated Date of Implementation: *The estimated completion date to comply with this recommendation is December 1, 2014.*

Person Responsible for Implementation: *Judith Lewis*

Conclusion

Based on the audit work performed, we conclude that the Callier Center for Communication Disorders has an adequate system of internal controls in place for the areas reviewed. However, opportunities exist to improve cash handling controls and business continuity planning. Full implementation of the recommendations will enhance internal controls and increase compliance with applicable policies, procedures and best practices.

We appreciate the courtesy and cooperation received from the management and staff of The Callier Center for Communication Disorders during this audit.