



# Center for BrainHealth

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Audit Report No. R2312 | *August 1, 2023*



## Executive Summary

### Audit Objective

To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the Center for BrainHealth.

### Controls and Strengths

- There are written procedures and job descriptions.
- Effective communications exist throughout the Center.
- There is a strong Executive Committee that meets to discuss and make high level decisions.

### Overall Conclusion

Internal controls are generally in place to ensure the effectiveness and efficiency of financial and accounting processes, internal controls systems, and related operations and controls at the Center for BrainHealth. Opportunities exist to enhance controls in the areas of property management, building access, and governance.

### Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

Recommendation	Risk Level	Management’s Implementation Date
1. Strengthen Controls over Property Management	Medium	October 31, 2023
2. Improve Controls over Access to the Center	Medium	October 1, 2023
3. Review the Center’s Governance Structure	Low	October 16, 2023

*For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and C, respectively, in the attached report.*



## Detailed Audit Results

Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<b>1. <i>Strengthen Controls over Property Management</i></b>		<b>Medium</b>
<p>According to <a href="#">UTDBP3066 - Property Administration</a>, “each department head is responsible for the proper custody, maintenance and safekeeping of UTD property assigned to his/her department.” Procedures include ensuring that assets are property tagged, when possible, tracked and periodically inventoried to ensure the department maintains the current location, and assets not in use be sent to the Inventory Management department as surplus.</p> <p>We tested controls over property management by selecting a sample of the Center’s assets to determine if they were being accounted for in compliance with university policies and were in existence. The following was noted:</p> <ul style="list-style-type: none"> <li>• Of the 21 assets tested, 48% were not in the location listed in the University’s records, 11% did not have</li> </ul>	<p>Lack of departmental procedures over property, as well as oversight by the department head, can lead to increased risk of loss or misuse of assets and can result in financial losses, reputational risks, and noncompliance with State and University regulations and policies.</p>	<p>Strengthen property management controls by developing written departmental procedures, strengthening asset tracking within the department, and ensuring the department head is formally notified and authorizes missing property reports.</p>

<sup>1</sup> See Appendix B on page 11 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<p>a property tag, and 14% were not in regular use.</p> <ul style="list-style-type: none"> <li>• Although remote work agreements are in place, there are no written procedures for tracking assets located off-site.</li> <li>• A FY21 Missing/Stolen Property Report containing over 20 missing pieces of equipment did not include the Center’s Executive Director signature.</li> </ul>		
<p><b>Management’s Action Plan:</b> This finding is consistent with feedback from UTD’s Information Security Office in its May 31, 2023, report following BrainHealth’s proactive outreach to ISO for an overall security assessment. As a result, we have established a Security Committee to ensure our ongoing compliance with Texas Administrative Code Section 202, which also includes controls over physical inventory. That Committee is comprised of a variety of department leaders from the research, IT, and operations teams, will meet at least annually, will report to the Executive Team at least annually, and will implement additional physical controls recommended here and in the ISO report. Reference to the Security Committee will be updated in our Employee Handbook.</p> <p><b>Responsible Party Name and Title:</b> Dr. Jeremy Gray, Director, Information Technology.</p> <p><b>Estimated Date of Implementation:</b> Committee will be formalized Effective as of September 1, 2023, with updated plan for physical inventory documented no later than October 31, 2023.</p>		



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<b>2. Improve Controls over Access to the Center</b>		<b>Medium</b>
<p>Access to the Center’s doors is monitored on a semi-annual basis by their information technology department. The University Police department is responsible for providing access based on eCAT requests from the Center.</p> <p>We tested access to ensure that only current employees, students, or contractors with a legitimate business need had access to the Center. The following was noted:</p> <ul style="list-style-type: none"> <li>• Seven individuals had access when the access should have been previously removed. While five were removed during the audit, two of these individuals still have access.</li> <li>• There is no management or oversight of the access provided to the outside contractor for cleaning services. The contract between the vendor and UT Dallas states that the vendor will provide a written plan for keys and how they are managed and secured; however, no plan was located.</li> </ul>	<p>Without strong controls over access, the safety and security of the Center’s employees and visitors, and the protection of confidential research data, are at risk.</p>	<p>Improve controls over access by working with the vendor to obtain their key plan and conduct periodic monitoring based on that plan. Also, work with University Police on improved plans for master key and building access at the Center.</p>



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<ul style="list-style-type: none"><li>Over 250 people have master key access to the Center from departments such as Facilities Management, University Police, Safety, and the Provost’s Office. While some may need this access, not all do. The University Police can structure the Center to allow only those with a legitimate need have master key access.</li></ul>		
<p><b>Management’s Action Plan:</b> As noted above, BrainHealth voluntarily reached out to ISO to partake in a comprehensive security review. General security measures were noted; however, additional security needs were suggested. The observations herein reveal additional areas of improvement needed. As a result, the annual review by the Security Committee mentioned above will include a review of access by former employees/staff and vendors subject to a written policy adopted by the Committee as recommended. Additionally, BrainHealth will work with Facilities Management (Steve Webb specifically) to audit the overall master key/card access and compare that with current employees, vendors, consultants, and other volunteers to ensure that access is restricted to those individuals. Quarterly reviews will take place moving forward and will be documented in our Security Committee notes.</p> <p><b>Responsible Party Name and Title:</b> Stephen White, JD, Assistant Vice President, Chief Operating Officer.</p> <p><b>Estimated Date of Implementation:</b> As noted above, Committee implemented effective September 1, 2023. Initial access review to be completed by October 1, 2023.</p>		



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<b>3. Review the Center's Governance Structure</b>		<b>Low</b>
<p>At UT Dallas, the Center for BrainHealth reports to the Vice President for Research and Innovation; the Callier Center reports to the Dean of the School of Brain and Behavioral Sciences (BBS); and the Center for Vital Longevity reports to the Provost. All three centers align within the School of BBS' mission to <i>"study the biology and psychology of thought and language, development and aging, pain, social interaction and perception in healthy adults and children in both healthy adults and children and in those with illness or atypical development. Through this work, we aim to enhance the health, education, and quality of life of adults and children, their families and their communities. This is accomplished with fundamental investigation of brain and behavior, and applied research in remediation and compensation, including the use of advanced technology."</i><sup>2</sup></p>	<p>Not periodically reviewing the organization structure with the entire university's strategic goals in mind, especially during times of rapid growth as UT Dallas has experienced, can lead to missed opportunities, inefficiencies, lack of coordination, and lost focus on the strategic vision of the university.</p>	<p>The Vice President for Research and Innovation should work with executive leadership, including the Provost and the Dean of the School of Brain and Behavioral Sciences, to review the governance structure for the Centers to ensure that the strategic goals of University are being met in the most effective manner. While the Center for Vital Longevity is outside the scope of this audit, executive management should consider a review of their governance structure as well.</p>

<sup>2</sup> <https://bbs.utdallas.edu/about/overview/>



Observation	Risk Level/Effect	Recommendation <sup>1</sup>
<p>As the Center for BrainHealth aligns with the School of BBS, it would seem more efficient to have the Center report directly to the dean. This could also facilitate growth in faculty, academic programs, brain research, and other strategic initiatives of the university.</p>		
<p><b>Management’s Action Plan:</b> The Vice President of Research will work with Executive Leadership to review the current organizational structure to ensure the University’s strategic goals are being met. BrainHealth has already provided Dr. Joe Pancrazio and Dr. Sanaz Okhovat a summary outlining the unique reach and innovation impact BrainHealth has had over the past two decades under the existing structure reinforced by the Board of Regents as part of BrainHealth’s translational expansion via Brain Performance Institute and via a shared imaging center for research and innovation across the lifespan.</p> <p><b>Responsible Party Name and Title:</b> Dr. Joe Pancrazio, Vice President for Research and Innovation (working with Dr. Sandra Chapman, Chief Director, Center for BrainHealth)</p> <p><b>Estimated Date of Implementation:</b> Review to be completed by Dr. Pancrazio on October 16, 2023.</p>		

### Overall Conclusion

Internal controls are generally in place to ensure the effectiveness and efficiency of financial and accounting processes, internal controls systems, and related operations and controls at the Center for BrainHealth. Opportunities exist to enhance controls in the areas of property management, building access, and governance.

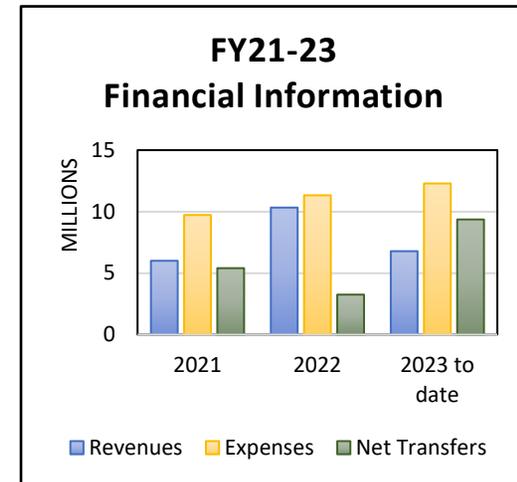


## Appendix A: Information Related to the Audit

### Background

The Center for BrainHealth, part of UT Dallas, is “a nonprofit research institute redefining how people understand and address the brain’s health and performance.”<sup>3</sup> The Brain Performance Institute, which was originally created as an extension of the Center for BrainHealth, recently integrated within the Center during March of 2020.

The Center reports to the Vice President for Research and Innovation. The Center is primarily funded by corporate and foundation gifts. In FY22, the Center received approximately \$7.3 million in gifts, including \$4 million dollars from corporation gifts and over \$2.5 million from foundation gifts.

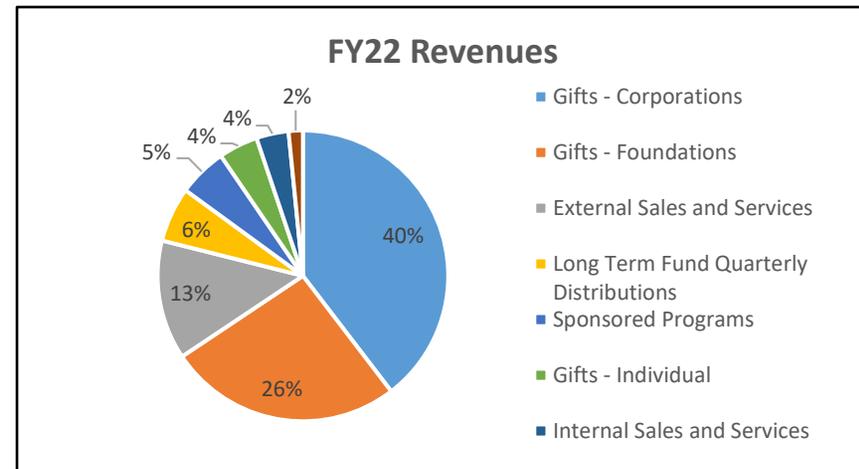


### Objective

To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the Center for BrainHealth.

### Scope

The scope of the audit was fiscal years 2022-2023 (to date). The audit began in November 2022, and the audit concluded on June 14, 2023.



<sup>3</sup> <https://centerforbrainhealth.org/about-us>



## Methodology

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they 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. The Office of Audit and Consulting Services is independent in both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives. We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls<sup>4</sup>.

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

Audit Area	Methodology	Observations Related to the Audit Area
Gaining an Understanding of Center Operations	Gained an understanding of operations by conducting interviews with Center personnel and observing various policies and procedures.	Minor issues verbally discussed
Property Administration	Tested assets for proper internal controls and compliance with university policies and procedures.	Recommendation #1
Gifts and Revenues	Tested gifts and revenues for proper internal controls and compliance with university policies and procedures.	Minor issues verbally discussed

<sup>4</sup> <http://www.coso.org>



Audit Area	Methodology	Observations Related to the Audit Area
Expenditures	Tested expenses for proper internal controls and compliance with university policies and procedures.	Minor issues verbally discussed
Building Access	Determined if controls existed to ensure only those with a legitimate business need had access to the Center.	Recommendation #2
Conflict of Interest (COI) and Conflict of Commitment (COC)	Determined if the proper COI and COC disclosures were in place for selected employees.	None
Marketing	Determined if appropriate approval and disclosures were in place for advertised research studies.	Minor issues verbally discussed
Organizational Structure	Assessed the current reporting structure by discussing with management and benchmarking with other universities and centers.	Recommendation #3

## Follow-up Procedures

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. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



## Appendix B: Observation Risk Rankings

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
<b>Priority</b>	If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC).
<b>High</b>	High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Medium</b>	Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Low</b>	Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Minimal</b>	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting.



## Appendix C: Report Submission and Distribution

We thank the Center for BrainHealth management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

DocuSigned by:  
 August 1, 2023  
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Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

### Distribution List

*Members and ex-officio members of the UT Dallas Institutional Audit Committee*

#### *Responsible Vice President*

Dr. Joseph Pancrazio, Vice President for Research and Innovation

#### *Persons Responsible for Implementing Recommendations:*

Dr. Sandra Chapman, Center for BrainHealth Founder and Chief Director

Stephen White, JD, Assistant Vice President, Chief Operating Officer

Dr. Jeremy Gray, Director, Information Technology

#### *External Parties*

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

#### *Engagement Team*

Ms. Caitlin Cummins, Staff Auditor III, Project Leader