

Aerospace Center

Audit Report #23-109

April 24, 2023



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

"Committed to Service, Independence and Quality"



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

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April 24, 2023

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

Dear Dr. Wilson:

The Office of Auditing and Consulting Services has completed a limited-scope audit of the *Aerospace Center*. 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 Aerospace Center staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads 'Lori Wertz'.

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

Background

The Aerospace Center's mission is to educate and prepare a diverse, future-ready workforce for high-paying, in-demand careers through project-based learning in applied, cutting-edge research in aerospace, defense, and energy. ([Aerospace Center Website](#))

This risk-based audit was added to the Fiscal Year 2023 Audit Plan due to the significant impact the Aerospace Center has on the University's efforts to advance research and promote student opportunities in the STEM fields.

Audit Objectives

The objectives of this audit are to determine:

- Whether administrative and financial operations are performed in accordance with University policies and procedures,
- whether expenditures for operating expenses and equipment are processed and approved properly and supported by appropriate documentation,
- whether all project transactions comply with Uniform Guidance and project specifications, and
- if the Aerospace Center is protecting data and computer equipment according to University policies and procedures, as well as state and grant regulations.

Scope

The scope of the audit includes all Fiscal Year 2022 Aerospace Center transactions and Notices of Award prepared by the Office of Research and Sponsored Projects for all active projects.

The audit will be conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing and Generally Accepted Government Auditing Standards*.

Summary of Audit Results

Issue	Risk Ranking
1. AWS cloud services' controls and processes can be improved.	High
2. Inappropriate transactions occurred in the hiring process of two employees related to other Aerospace Center employees.	High
3. Student hiring practices did not comply with current Student Employment Guidelines. 80% of participant stipends tested did not comply with federal guidelines or UTEP policy.	High
4. Employee expense reimbursements and Miner Mall transactions often lacked adequate support documentation. Many Pro Card transactions do not comply with University Procurement Card Program Policies and Procedures.	High
5. Computers were not enrolled into EDR and IT asset inventory was inaccurate.	High
6. Recharge Center transactions do not follow the ORSP Recharge Center Policy to ensure breakeven status.	High
7. The Aerospace Center commits to voluntary cost sharing even though the UTEP Cost Sharing Policy strongly discourages cost sharing and approval for a reduced F&A rate is not available.	High

Conclusion

Based on the audit procedures performed, we conclude that the Aerospace Center can strengthen existing controls by implementing the recommendations included in this report.

We wish to thank the management and staff at the Aerospace Center for their assistance and cooperation throughout the audit.

BACKGROUND

The Aerospace Center's mission is to educate and prepare a diverse, future-ready workforce for high-paying, in-demand careers through project-based learning in applied, cutting-edge research in aerospace, defense, and energy.

The Aerospace Center has expanded beyond its initial research focus when it was founded in 2009 as the Center for Space Exploration Technology Research. In partnership with NASA, the Department of Defense, the Department of Energy, and many industry partners, this premiere, minority-serving research center explores new technologies and challenges in space, aeronautics, defense, and energy using digital tools and skills that are transforming the way we design, build and test. ([Aerospace Center Website](#))

This risk-based audit was added to the Fiscal Year 2023 Audit Plan due to the significant impact the Aerospace Center has on the University's efforts to advance research and promote student opportunities in the STEM fields.

The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.

AUDIT RESULTS

A. AWS Cloud Services

1. AWS cloud services' controls and processes can be improved.	High Risk
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The Aerospace Center's Digital Infrastructure (DI) Team developed and deployed a cloud infrastructure in response to contracts received from the Department of Defense (DoD). The cloud infrastructure includes two Amazon Web Services (AWS) clouds, a government cloud for the handling of controlled unclassified information (CUI) and a commercial cloud for handling public information.

The AWS clouds are managed independent of central IT; the DI Team manages the entire AWS clouds' life cycle; from configurations, maintenance, patching/updating, and access management, to implementing security controls and periodic reviews.

Based on limited procedures performed, we noted that existing cloud security controls and processes can be improved to reduce the exposure to unauthorized cyber activities by internal/external threats. We found the following:

- **Departmental Information Security Guidelines:** Password criteria under departmental information security guidelines were not aligned with the [UTEP Standard 15: Passwords](#); however, departmental guidelines were updated during the audit.
- **AWS Commercial Cloud Agreement:** An agreement for the AWS commercial cloud services was not provided during the fieldwork phase of the audit. The Office of Research and Sponsored Projects (ORSP) established the initial AWS cloud services in 2021, which were later transferred to the Aerospace Center. The [UTEP Purchasing Manual](#) requires that these types of services be supported by an agreement. We received the agreement during the reporting phase, and the Aerospace Center clarified with AWS that the customer agreement covered both clouds.
- **Acceptable Use Policy (AUP):** 14 individuals with non-UTEP email addresses have access to the AWS clouds but have not filled out required AUPs. [UTEP Standard 2: AUP](#) communicates user responsibilities when using UTEP information resources.
- **Data Management and Sharing Plan:** The plan states that cyber controls and auditing will be conducted and implemented by the UTEP "information security and technology team". The ISO was not aware of these responsibilities.

Recommendation:

The Aerospace Center should establish an ongoing relationship with the Information Security Office (ISO), who is responsible for overseeing the overall information security program for the University, to include providing guidance to all departments/colleges.

A note should be added to the departmental information security guidelines to disclose that they are meant to supplement the UTEP and The University of Texas System Information Security Policy and Standards (policies and standards) and not replace them. A link to them within the guidelines should also be added. If additional departmental information security guidelines and/or standard operating procedures (SOPs) are created, these policies and standards should be referenced and used as a foundation. A department can always create more restrictive guidelines/SOPs than existing policies and standards.

AWS Cloud Services information security responsibilities in the agreement should be reviewed closely in related agreements to understand what each party is responsible for.

Also, individuals with non-UTEP email addresses accessing the AWS clouds should fill out the required AUPs.

Management Response:

The Aerospace Center made the strategic decision to host our research on a separate cloud infrastructure with enhanced cyber security protections and protocols after UTEP's network systems were hacked and offline for a sustained period of time in the spring of 2021. This decision was also precipitated by awards from the Department of Defense to train the next generation of engineers in the new digital engineering paradigm. This award from DoD required us to set up Digital Engineering Design Centers (DEDC) not just in El Paso but also in Youngstown, Ohio; Huntsville, Alabama and at NASA Johnson Space Center in Houston, Texas. To support our existing research and to support the DEDCs, we built a digital infrastructure with maximum security protections and protocols that is accessible to faculty, staff and students in all of our labs in our Digital Engineering Design Centers. To date, the award for the DEDCs has totaled \$4 million with an additional \$5.4 million coming in this month and \$17.5 million in process for August 2023. In addition, Siemens has gifted the Aerospace Center use of their digital industries software valued at \$350 million. The software is streamed on our cloud infrastructure. This digital infrastructure and our capabilities in digital engineering has made UTEP a national leader in supporting the DoD's requirement for a digital transformation of the defense industrial base. Our first deployment of AWS Cloud was for Gov Cloud where we host all research that needs to be in compliance with ITAR or CUI restrictions. Research that doesn't require these restrictions is hosted on the AWS Commercial Cloud.

The Aerospace Center worked closely with the Information Security Office (ISO) and the Office of Research and Sponsored Projects in setting up the AWS Gov Cloud Services but lost our main point of contact at ISO due to staff turnover at ISO. We have re-established that working relationship with an initial meeting on January 9, 2023 and will continue working closely with them as we mature and expand our digital infrastructure.

We have updated our Departmental Information Security Guidelines to indicate that they are meant to supplement the UTEP and UT System Policy and Standards and not replace them. We included a link to these policies. In our Standard Operating Procedures, we always reference the policies and standards that are the basis of our Standard Operating Procedures.

The current UTEP AWS GovCloud Terms and Conditions with an effective date of 9/17/2021 is an addendum to the AWS Customer Agreement (CA). The first paragraph of the document speaks to the structure of the Addendum. The CA is AWS's main contracting vehicle and covers all of AWS commercial cloud services: <https://aws.amazon.com/agreement/>. AWS has indicated that we don't need an additional agreement for the commercial cloud services since is already covered in the CA. Purchasing has reviewed AWS' assessment and concurs that no additional agreement is needed for commercial cloud services.

Individuals with non-UTEP email addresses who access our AWS cloud are from our federal agency partners or are consultants working on our behalf. Their access is critical to maintaining compliance with our grant requirements. There are items in the UTEP AUP that do not apply to them. The Aerospace Center has drafted an Acceptable Use Policy for these users that remove items from the UTEP AUP that do not apply to these users since they don't have UTEP email addresses. We have sent the draft to ISO for review and approval and will work with UTEP administration to get that approved by the UT System Office of General Counsel as required by Standard 2. Once approved, we will have all individuals with non-UTEP email addresses fill out this AUP. We will additionally add this to our Standard Operating Procedures to ensure that going forward all users without a UTEP email account have read and signed the AUP before they are authorized to use our cloud services. We will retain these documents for review.

Responsible Party:

Luz Bugarin, Director of Operations

Implementation Date:

June 30, 2023

Audit Comments:

UTEP Standard 2: Acceptable Use of Information Resources (UTEP AUP) is the only approved AUP by the UT System Office of General Counsel, which is applicable to all UT System institutions. If a different, limited scope, AUP is drafted by the Aerospace Center, it would need to be reviewed and approved by UTEP.

B. Nepotism

2. Inappropriate transactions occurred in the hiring process of two employees related to other Aerospace Center employees.	High Risk
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At least eight Aerospace Center employees are related parties. Two issues were identified:

- one hiring approval was inappropriately made by a related party, and
- one employee omitted their related party relationship in hiring documents.

[The UT System Board of Regents' Rule 30106](#) and the UTEP Handbook of Operating Procedures prohibit nepotism.

Rules and policies to prohibit nepotism should be followed to prevent favoritism, or the appearance of favoritism, conflict of interest, and loyalty matters among related party employees within a department. Disclosures of employee relationships during the employee onboarding process are necessary to comply with requirements outlined by state regulations that mitigate the risk of nepotism. Hiring approvals must not be made by related parties.

Recommendation:

Aerospace Center's management should ensure disclosure of any known related party relationships. Additionally, when a related party relationship has been identified through the Aerospace Center or Human Resources, the Aerospace Center should ensure hiring approvals are not made by the related party and a management plan is in place to avoid relationship favoritism.

Management Response:

The Aerospace Center takes compliance with the prohibition against nepotism very seriously and has created its own policy guidance to ensure compliance and maximum transparency. The Aerospace Center provided OACS with its own Nepotism Protocol developed in September 2022. The Aerospace Center protocols are more prescriptive and restrictive than UTEP's policy. Since HR doesn't share an employee's disclosure of

family relationships with the Aerospace Center, the Center has added an additional disclosure to the Center during our hiring process. This is additional administrative burden for the Center's staff, but it is the only tool we currently have to determine if a new hire has any family relationship within the Aerospace Center that might create a potential for conflict. If it is determined based on the Aerospace Center's Nepotism Disclosure Form that a new employee is related within the second degree by affinity or within the third degree by consanguinity to another Aerospace Center employee or affiliated faculty member, the Executive Director, the Director of Operations and the Director of Business Operations will develop a management plan that outlines what supervisory structure and practices will be put in place to avoid favoritism, the appearance of or potential for favoritism, and conflicts in interest and loyalty often associated with nepotism. A management plan is not required by written UTEP policy or policy guidance, but we think it is a good tool to ensure compliance. The management plan will be shared with employees who are referenced in the management plan, the Vice President of Research and Sponsored Projects, Human Resources, Aerospace Center leadership and any relevant supervisors.

Notwithstanding the Center's response, this audit finding is legally and factually incorrect with respect to the two student employees mentioned.

As to the first student employee, it is simply incorrect to claim that "hiring approval was inappropriately made by a related party." The related party referenced is the Principal Investigator (PI) of the research grant for which the student employee was hired to work. The Aerospace Center forwarded detailed records to the Office of Auditing and Consulting ("OACS") establishing the related party did not approve the hiring of this student employee. The specific records show, instead, that a Co-Principal Investigator, who is unrelated to the student employee, approved and supervised the student employee. Co-Principal Investigators, as faculty with full academic freedoms, have the authority to hire and supervise student employees independent of the Principal Investigator.

In addition, there is no prohibition against a student employee working under a research grant of a related party. In communications with OACS, the Aerospace Center stated, "In the absence of specific policy guidance regarding whether a PI can have a relative employed on a grant that they are awarded, we assumed that it was permitted as long as the relative was not appointed or supervised by the PI." OACS responded, "We agree."

Detailed records provided to OACS during the field review make clear that the student employee was appointed and supervised by a non-related faculty member in compliance with Board of Regents and UTEP policies. These records include emails requesting the student be appointed, announcing the student's appointment, explaining the work the student will perform, identifying the student's supervisor and setting forth team assignments.

In claiming that the related party made the hiring decision, OACS sets aside this substantial, independent hiring record. Instead of considering the record as a whole, OACS relies on a single form in the PeopleSoft system that comes at the end of the approval process indicating the related party “approved” the appointment of the student employee. However, this is a ministerial entry in the PeopleSoft system that comes after hiring decisions have been made by any of the Co-Principal Investigators and staff delegated to make hiring decisions. As OACS is aware, due to limitations in the software, the PI is the only person who is allowed to enter these final approvals of student appointments. The PI has done this for most of the 200 student employees working at the Aerospace Center even though he was not involved in the screening and hiring of any of these student employees. With this understanding of the limitations of the software system and the detailed hiring documents, the evidence is clear—a related party did not make the decision to hire and approve the appointment of this student employee.

With respect to a second employee, OACS indicates that “an inappropriate transaction occurred in the hiring process” of one employee who “omitted their related party relationship in hiring documents.” There is no written policy or policy guidance that requires the hiring departments to ensure that new hires disclose if they have any close relatives who are currently employed by UTEP. This is a function of the Human Resources (HR) Department. During the onboarding process, HR asks new hires to disclose whether the new hire has a close family relationship with any UTEP employees. HR does not share these disclosures with hiring departments so we are unable to use this information to ensure compliance with UTEP’s nepotism policy.

In this instance, the Aerospace Center hired a student to work for us as a Research Assistant for about a month. Administrative staff in charge of processing new hires were unaware that that student was married to an Aerospace Center Research Engineer and is not required by policy or policy guidance to request that information. At no time was either involved in the hire or supervision of the other. No nepotism has taken place.

There is no UTEP policy or policy guidance requiring hiring departments to monitor compliance of reporting relationships for new hires. The impact of this audit finding is to impose a new administrative obligation, not just on the Aerospace Center, but on all UTEP hiring departments that does not exist in UTEP policy. The Aerospace Center, like other hiring departments, cannot ensure disclosure of any known related party relationships if the hiring departments do not have access to information in these hiring documents.

Responsible Party:

Gloria Salas, Director of Business Operations

Implementation Date:

Completed September 2022

Audit Comments:

The Office of Audit and Consulting Services disagrees with the above response. In determining whether an area rises to the point of being a reportable issue, we look at authoritative and/or official policies and procedures. In the case of nepotism, we initially reviewed the authoritative guidance, which consisted of Texas Government Code, Chapter 573, UT System Regents' Rule 30106: Nepotism and the UTEP Handbook of Operating Procedures, Section 5: Human Resources, Chapter 5, Nepotism. These documents provided the baseline policy regarding nepotism.

During our testwork, we identified two issues regarding related parties at the Aerospace Center which are identified in our recommendation.

In the case of the inappropriate hiring approval, as PeopleSoft contains the official records for UTEP, we relied on those in making our determination. Although the Aerospace Center provided additional documents, including emails, etc., they do not constitute official documents. The approvals in PeopleSoft are the official records and they show that the Principal Investigator approved the appointment of a related party, which is clearly prohibited by both Regents' Rule 30106 and the UTEP HOP nepotism policy. These types of issues have arisen previously in other departments on campus and the PeopleSoft Team was able to make changes to resolve the issues. We recommend that the Aerospace Center consult with them to initiate a change to the approver levels.

The other issue, the employee omitting their related party relationship in hiring documents, was included due to the risk involved with the number of related parties at the Aerospace Center. We included in the "Additional Observations" section at the end of the report that there are HR disclosure delays related to preventing nepotism within departments, which indicates that this issue affects more than just the hiring department. The fact that the Aerospace Center instituted their own nepotism policy highlights the importance of mitigating the associated risks.

C. Student Hiring Practices

3.1. Student hiring practices did not comply with current Student Employment Guidelines.

High Risk

The Office of Auditing and Consulting Services (OACS) selected a sample of five of 12 research assistants (UTEP students) and five of 21 Aerospace Center interns (non-UTEP students) to test for compliance with student hiring practices. OACS found student eligibility issues prior to the start of employment and throughout the period of employment.

The following exceptions to the [Student Employment Guidelines](#) were found:

- Two research assistants were not enrolled full-time throughout the entire employment period.
 - The Aerospace Center confirmed that the employment of one student was terminated as soon as the department became aware of the student's ineligibility. The termination request for this student was submitted nearly two months after the student stopped working. Because of this, the student was paid for two months after termination, although funds were subsequently returned.
 - The other student was terminated after graduation but continued to be paid. Unsuccessful attempts have been made by the department to recover the overpayment.
- The Aerospace Center allowed one intern (non-UTEP student) to start employment without the approval of Human Resources (HR), bypassing the HR internal controls over the hiring process.

The University could lose grant funds if the department does not follow the UTEP hiring process or adequately monitor student eligibility throughout the course of employment.

3.2. 80% of participant stipends tested did not comply with federal guidelines or UTEP policy.

High Risk

Four of five student stipends did not comply with [Uniform Guidance \(UG\)](#) or UTEP policy.

- Funds were often budgeted in the Notices of Award (NOAs) for student salaries, but participant stipends were awarded in lieu of wages.
- One student received multiple stipends while employed at the University. Per UG, students cannot receive UTEP paychecks and participant stipends simultaneously.
- The payment for one individual was approved by a related party.

Non-compliance with UG and UTEP policy could jeopardize future grant funding.

Recommendation:

The Aerospace Center should implement a monitoring process to ensure the eligibility of students prior to the start of their employment.

Student payments must comply with UG and UTEP policies.

Management Response:

Because of the complexity of the Aerospace Center's student employment program and our commitment to compliance, the Aerospace Center will ask HR and ORSP to review our Standard Operating Procedures for Student Hiring and our hiring practices to recommend any improvements. We will update our Standard Operating Procedures with their feedback. Aerospace Center staff in charge of hiring and onboarding students will renew their training in HR's Student Hiring Guidelines. We will share this finding with ORSP to ensure that in the future ORSP establishes a system of paying students that is in accordance with the grant application and Notice of Award.

The Aerospace Center staff will work to more precisely track the dates of employment with the Aerospace Center to make sure that there is no overlap with the dates of funded internships. We will issue a memo to staff that support student hiring regarding this finding, and we will monitor for compliance.

The Aerospace Center will work with ORSP and HR to determine if we can set up an additional automated monitoring system to monitor eligibility after a student is hired.

The soul of the Aerospace Center is our students. The Center is a national leader in building pathways to economic mobility for Latino students who come from modest means. The Center accomplishes this by hiring students to work in our research labs where they learn skills that are in high demand by industry and by providing access to internships with our industry and federal agency partners. The Aerospace Center has scaled this for maximum impact. Last fiscal year, the Center employed almost 200 students and provided many internship opportunities, some of them funded through stipends. The Center's commitment to using research to develop student talent has paid off. Over the last decade, the Center placed more than 1,000 UTEP students in the aerospace and defense workforce. Our students are in high demand because of the skills they learn in our labs or working as interns with our industry and agency partners.

We have expanded this capability to support students from other schools whose demographics are also underrepresented in the aerospace and defense workforce. We partner with other universities, particularly Minority Serving Schools and Historically Black Colleges to hire their students in the summer internships at UTEP or to hire them to work in our Digital Engineering Design Centers.

The complexity of managing a student workforce this large and from other schools and working at many locations can't be overstated. Maintaining this commitment to student success requires significant administrative support and oversight. There is no written policy guidance and no consistent guidance regarding the processing and awarding of stipends.

Audit Comment:

We disagree with the statement that there is no written guidance for stipends. See Participant Support Costs CFR 200.75, 200.456. The significant administrative burden reference is self-imposed when Aerospace bypasses Human Resource hiring processes.

Regarding 3.1, the Aerospace Center ensures eligibility at the time of hire by checking their enrollment in Banner and OACS did not highlight any instance where a student was not eligible at the time of hire. Even though students hired from other schools are not subject to UTEP's Student Employment Guidelines, we ask them to submit their transcripts as part of their application so we can confirm they are full time students at their university. The first two students mentioned were eligible at the time of hire. As soon as the Aerospace Center became aware of the fact that they were no longer eligible, the Center terminated their employment and sought to recover funds for the period of ineligibility.

Regarding the third student noted, the referenced intern was not allowed “to start employment without the approval of Human Resources (HR), bypassing the HR internal controls over the hiring process,” as stated by OACS. The referenced intern was approved by HR and HR sent the intern their hire letter with the employment date that the intern started. The hiring documents with approvals were provided to OACS.

Audit Comment:

HR agrees with the issue regarding the third student in the report. The new hire letter start date is contingent upon the successful completion of the criminal background check. The criminal background check was completed after the hire date, violating University policies.

Second, the responsibility to continuously monitor the eligibility of the 200 student employees at the Aerospace Center is the responsibility of Human Resources as documented in [UTEP Student Employment Report \(utsystem.edu\)](https://utsystem.edu). In this report, OACS found that “student enrollment is not monitored for active enrollment of eligibility (Medium Risk)” and recommended that the university establish a monitoring process for the eligibility of student employees. The UTEP Student Employment Report found Human Resources did not have adequate processes in place to monitor student eligibility after the student was hired. HR has developed a monitoring system that assists hiring departments in monitoring eligibility throughout the time of their employment. This monitoring system by HR is important because the Aerospace Center does not have access to an automated system or staff to continuously monitor eligibility for 200 students.

The Aerospace Center now receives emails from HR if a student drops classes and becomes ineligible. We take immediate action to address student ineligibility.

Audit Comment:

The issue in the Student Employment Report cited is no longer outstanding. HR implemented the audit recommendation by creating the monitoring report described in the management response above.

Regarding the first item in 3.2, the Aerospace Center awarded stipends as directed by the Office of Research and Sponsored Projects (ORSP). Emails documenting this directive from ORSP were shared with OACS. The Aerospace Center reports to ORSP and ORSP has responsibility for “reviewing, negotiating and accepting awards on behalf of the university” and “compliance and post-award monitoring and oversight.” The Aerospace Center is required to follow ORSP’s directives.

For the second item, the first two stipends at issue were awarded to the student by another department and the Aerospace Center has no access to student payment information external to the Aerospace Center. Two stipends were awarded by the Aerospace Center during the student's employment and prior to the student's internship in Canada to assist the student in paying for airfare and living expenses in Canada. These stipends, as awarded, were approved by ORSP. There was a period of one week where the UTEP employment overlapped with the internship period.

Audit Comment:

Participant support payments are recorded in PeopleSoft. We recommend you contact ORSP or Contracts & Grants to find out how to access the information.

For the third bullet, it is factually incorrect to state that a student intern was approved inappropriately by a related party. The Aerospace Center already addressed this issue in detail in Section B of this report.

Audit Comment:

The third bullet point:

- *The payment to one individual approved by a related party is accurate and OACS has sufficient appropriate audit evidence to support the finding.*

This finding is different from Issue B. In Issue B, the related party approved the hiring of an immediate family member for a position as a non UTEP student intern. The same related party also approved his immediate family as a vendor and authorized the payment to the vendor. Official Peoplesoft records are the appropriate source documents to support the finding, as we noted in previous correspondence to the department.

Responsible Party:

Gloria Salas, Director of Business Operations

Implementation Date:

June 30, 2023

D. Operating Expenditures

Many Aerospace Center expenditures did not comply with state requirements and the [UTEP Purchasing Manual](#) for adequate support documentation. A sample of thirty expense reports, five Miner Mall purchases and thirty Pro Card transactions were tested.

Maintenance and Operating (M&O) Expenditures

4.1. Employee expense reimbursements and Miner Mall transactions often lacked adequate support documentation.	High Risk
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Expense Reimbursements

OACS judgmentally selected a sample of 30 employee expense reimbursements to test, and found 11 exceptions:

Issue	Number of Exceptions	Percentage of Total Tested
Inadequate Support Documentation	2	7%
Inadequate Business Purpose	2	7%
Computer Equipment Purchases	6	20%
Purchases from Foreign Vendors	1	3%

The department promptly provided OACS with invoices for the two expense reimbursements lacking adequate support documentation.

Employee expense reimbursements are a high risk to the University since these purchases bypass the controls in place for purchase orders. In addition, employee purchases of computer equipment may not be standard equipment supported by the University and may not be tagged by the Inventory Department increasing the risk of misappropriation and information security risks.

Miner Mall Transactions

OACS selected a judgmental sample of five Miner Mall transactions to test and found two exceptions. Overall, the Miner Mall transactions tested lacked sufficient support documentation to determine that items were received by the department, and controlled and capital assets were tagged and tracked.

One of two capital assets tested with a purchase price of \$63,332 was not in the UTEP Inventory Records. The asset was shipped directly to a location off campus and was never tagged. The department contacted the Inventory Department, and the item was tagged during the course of the audit.

The Purchasing Department’s policies and procedures require sufficient supporting documentation to determine if Miner Mall purchases are appropriate. In addition, when shipments bypass Central Receiving, inventory is not tagged and/or tracked in UTEP Inventory Records, increasing the risk of lost or misappropriated assets.

Pro Card Expenditures

4.2. Many Pro Card transactions do not comply with University Procurement Card Program Policies and Procedures.	High Risk
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A sample of 30 transactions were selected for review with the following results:

Issue	Number of Exceptions	Percentage of Total Tested
Not included in Pro Card Transaction Log	3	10%
Unallowable purchases (no approved exceptions on file)	7	23%
Unable to determine allowability (no support/unclear item descriptions)	2	7%
Exceed control limits (no approved exceptions on file)	2	7%
Unable to determine whether shipped to Central Receiving	3	10%
Unable to determine whether sales tax was waived	5	17%
Untimely PeopleSoft reconciliation	4	13%
No evidence of vendor hold review	2	7%
Insufficient support documentation	10	33%

*Note: Many transactions identified as exceptions fall into several exception categories. For example, a purchase may have been in excess of the control limits and reconciled untimely in PeopleSoft.

The support documentation provided often did not contain sufficient information to determine what items were purchased and to where they were shipped. Often, email order summaries or order confirmations indicating that items had yet to be shipped were provided in lieu of invoices or receipts.

20 out of 30 Pro Card transactions tested were initially identified as exceptions and did not comply with University Procurement Card Program Policies and Procedures. The Aerospace Center promptly provided additional adequate support documentation. However, the transactions did not comply with University Procurement Card Program Policies and Procedures for other reasons detailed in the chart above.

Inappropriate Pro Card usage can lead to unauthorized purchases and the risk of unallowable or fraudulent transactions.

Recommendation:

The Aerospace Center should maintain and attach appropriate support documentation for all operating expenses and comply with inventory tagging requirements. We recommend that computer equipment, software purchases and purchases from foreign vendors be made through Miner Mall.

Management Response:

In response to these recommendations:

- All staff who are part of the Business Operations will renew their training in procurement processing to include Pro Card policies and procedures.*
- We will update our Standard Operating Procedures for Purchasing with OACS's recommendation that computer equipment, software purchases and purchases from foreign vendors be made through Miner Mall. Even though this is not written UTEP policy, we agree that this practice ensures maximum vetting of vendors for best pricing, best value and compliance with UTEP's policies.*
- From this audit, we learned that OACS is looking for documentation not required by Procurement Card Program Policies & Procedures but that demonstrates compliance with the overall policy. We will review our current process and add requirements to our Standard Operating Procedures for additional documentation in excess of what is required in order to have a full record of our compliance with the overall policy.*
- We will have additional training for staff on our Standard Operating Procedures for Purchasing once they are updated.*
- We will continue to limit the number of reimbursements we approve and will ensure adequate documentation is always available for review.*

The two staff in Business Operations who are not authorized Pro Card holders will regularly spot check Pro Card Transaction Logs and Retained Documentation to ensure that transactions comply with Procurement Card Program Policies & Procedures and that the necessary documentation is maintained in the retained printed documentation. This spot check will be in addition to the review done by the Pro Card Administrator on a monthly basis.

- If the Pro Card is needed to purchase any electronics components, staff will ask for guidance from the Pro Card Administrator prior to purchase to ensure that the item is eligible to be purchased using a Pro Card.*
- We will develop Standard Operating Procedures for the receipt of inventory to standardize processes across the Center. We will develop a system to ensure that all inventory is received in Central Receiving, tagged and added to PeopleSoft by Inventory. We will ensure that all relevant personnel are trained in these procedures and that there is a regular sample audit of the system to ensure compliance with University policy.*

4.1 Expense Reimbursements

Per changes to our Standard Operating Procedures for Purchasing updated last year, prior to purchasing an item for reimbursement, the employee has to reach out to our Director of Business Operations for approval. We only grant these approvals when there is an urgent need or when Miner Mall can't accommodate the request and the item or service is needed to satisfy grant requirements in a timely manner or not having the item or service represents a safety issue. Once a reimbursement is processed by Aerospace Center staff, all expense reimbursements go through a review first by Contracts and Grants to ensure compliance with funding agencies and second by Accounting to ensure compliance with University policies. We are sometimes asked to provide additional documentation or justification to ensure full compliance. All of our expense reimbursements were approved by both Contracts and Grants and by Accounting before they were authorized and submitted to the employee.

OACS indicates that 2 reimbursement requests lacked adequate documentation because invoices were not included in the documentation. Invoices are not required per Purchasing Department Operating Procedures, Section 19 Records Documentation, page 39 and have not been requested by Contracts and Grants or Accounting in their review of reimbursement requests.

Audit Comment:

*Invoices are required per UTEP's Business Process Guidelines.
<https://www.utep.edu/vpba/business-process-guidelines/budget-and-financial-accounting/account-review.html>*

OACS indicates there are 6 exceptions for computer equipment purchases and 1 exception for purchases from a foreign vendor. There is no written policy that prohibits reimbursement of computers and purchases through a foreign vendor.

Audit Comment:

Non-PO Computer Purchases:

Computers and computer equipment should be purchased through Miner Mall (Purchasing Department) since employee purchases of computer equipment may not meet Minimum Security Standards for Systems supported by the University and may not be tagged by the Inventory Department increasing the risk of misappropriation and information security risks (https://www.utep.edu/information-resources/iso/Files/docs/other-procedures-and-guidelines/UTEP_Min_Sec_Stnd_Sys.pdf)

Page Six of the Procurement Card Policies and Procedures outlines all unallowable purchases and includes computers, furniture, and purchases from foreign vendors, among many other exceptions.

Texas Government Code Ann. Sec. 403.273 (Vernon Sup. 1993) reads, in part: "The head of each state agency is responsible for the custody and care of state property in the agency's possession. Furthermore, it is each state employee's responsibility to use state personal property to official purposes only, and to exercise reasonable care for its safekeeping. The term "reasonable care" means that, at a minimum, steps have been taken to maintain the upkeep of any property in an acceptable manner, ensures the security of any asset, ensures that the property can be located at any time requested, and ensures that the person responsible for the asset is known."

Purchases from Foreign Vendors:

Per UTEP HOP Section 10, Chapter 2, OFAC prohibits certain transactions and the exchange of goods and services with certain countries, designated persons, and entities. When an item is purchased through Miner Mall, the vendor and the country are screened with Visual Compliance checks to ensure compliance with OFAC regulations.

For the 2 exceptions regarding an "inadequate business purpose," we are unable to provide an adequate response as OACS declined to share the specific transactions with us. No reimbursement requests were flagged by Contracts and Grants or by Accounting as being for an inadequate business purpose and all reimbursement requests were approved.

4.2 Pro Card Expenditures. There are errors in the list of exceptions. The Aerospace Center shared these concerns with OACS prior to the final publication of this audit.

Issue	Number of Exceptions	Management Comments
Not included in Pro Card Transaction Log	3	<p><i>*2 exceptions identified by OACS were for credits not expenditures. Per UTEP's Procurement Card Program Policies & Procedures, "A hard copy Pro Card Transaction Log form must be maintained for each statement period to log expenditures made with the Pro Card." Since these were not expenditures, they were not logged.</i></p> <p>Audit Comment: <i>All transactions should be recorded/justified within the pro card log on a monthly basis.</i></p> <p><i>*1 exception identified by OACS was logged in Pro Card Transaction Log and a copy of that Pro Card Transaction Log was shared with OACS</i></p> <p>Audit Comment: <i>This information was provided after the final status meeting on 1/23/23.</i></p>
Unallowable purchases (no approved exceptions on file)	7	<p>Audit Comment: <i>Unallowable purchases include computers, furniture, purchases from foreign vendors, among many other exceptions listed on page 6 of the pro card manual. All of these exceptions fall within the categories included in this list.</i></p> <p><i>https://www.utep.edu/purchasing-and-general-services/pgs-departments/purchasing/Procurement-Card-Program-Policies-Procedures3.pdf</i></p> <p><i>*1 of the transactions identified as an unallowable purchase was a credit, not a purchase</i></p>

		<p>Audit Comment:</p> <p><i>Support documentation should be provided for this transaction, regardless of whether it is a credit or a purchase. Nonetheless, the original purchase was unallowable.</i></p>
Unable to determine allowability (no support/unclear item descriptions)	6	<p><i>In the Excel spreadsheet of Pro Card expenses that OACS provided documenting these findings, only 2 exceptions are noted. The number of exceptions doesn't match underlying documentation provided by OACS.</i></p> <p>Audit Comment:</p> <p><i>Four of these exceptions were cleared with additional support provided by Aerospace Center after prior status meetings. Two of these exceptions remain. This was revised in the report.</i></p>
Exceed control limits (no approved exceptions on file)	2	<p><i>1 exception noted was for \$696.80 which is below the \$1000 limit per vendor limit and complies with UTEP's Procurement Card Program Policies & Procedures</i></p> <p>Audit Comment:</p> <p><i>The credit limit for the January 2022 monthly pro card statement was increased to \$16,700. No evidence of credit limit increase request/approval was provided in pro card support packet. Monthly transactions total (\$12,997.31) exceeded allowable pro card limit of \$5,000 per UTEP policy. No evidence of exception on file.</i></p>
Unable to determine whether shipped to Central Receiving	3	<p><i>*1 exception noted was not shipped and was picked up at the store which is permitted</i></p> <p><i>*2 exceptions noted were received by Central Receiving and OACS received documentation of that receipt. That information was not included in the original documentation provided to OACS as it is not required to be retained</i></p>

		<p><i>per the documentation standards detailed on page 10 of Procurement Card Program Policies & Procedures. Per the Procurement Card Program Policies & Procedures (page 8), we are required to ensure delivery to Central Receiving for any shipped items. We followed this requirement in the exceptions identified.</i></p> <p>Audit Comment: <i><u>New Way Air Bearings:</u> A sales order was provided, not an invoice, in which the shipping address was not Central Receiving. <u>Helix:</u> No shipping address was provided on support provided by Aerospace at the date of review.</i></p>
<p>Untimely PeopleSoft reconciliation</p>	<p>4</p>	<p><i>*1 exception noted was for a credit not an expenditure. These are not required to be logged in the Transaction Log and so are not part of the reconciliation process.</i></p> <p>Audit Comment: <i>All transactions need to be recorded and justified in the transaction log.</i></p> <p><i>*3 exceptions noted were reconciled timely. In each case, the vendor charged the account several days later than the purchase was made and added to the Transaction Log putting the transaction in the following month's reconciliation period. In each case, the transaction was reconciled timely.</i></p> <p>Audit Comment: <i>The status is "staged" in the PeopleSoft Reconciliation screenshot provided. This indicates that the reconciliation was not completed timely.</i></p>

For the remaining exceptions, we agree that the Aerospace Center did not meet the requirements of the Procurement Card Program Policies & Procedures.

- Some of the transactions identified as unallowable, staff did not understand as unallowable because of their ultimate use as an electronics component in an aerospace system or equipment for our labs. For example, small Raspberry Pis that look like circuit boards are technically computers and as such not allowed for purchase by Pro Card.*
- For one transaction, we did receive written approval for exceeding the control limit but did not retain that in our Procurement Card Documentation as required.*
- In all cases but one, the records indicate sales tax was waived but evidence of that was not included in the Procurement Card Documentation. In the remaining transaction for a conference fee, the vendor would not provide us with an itemized breakdown of the fee. We assume no sales tax was charged as this is the standard for conference fees, but we were not able to determine this from the documentation.*

Responsible Party:

*Luz Bugarin, Director of Operations (Receipt of Inventory)
Gloria Salas, Director of Business Operations (Pro Card)*

Implementation Date:

June 30, 2023

E. Computer Equipment

5. Computers were not enrolled into EDR and IT asset inventory was inaccurate.	High Risk
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A complete inventory of IT assets is the foundation of an effective information security program, as you cannot protect what you do not know you have. An incomplete inventory can lead to overlooked vulnerabilities, compromised devices going undetected for an extended period of time, and unprotected attack surfaces, etc.

As part of its multi-level cybersecurity strategy, the University rolled out endpoint detection and response (EDR) technology to user computers/laptops and servers. At a high level, EDR technology automates and centralizes the detection and response to suspicious activity/threats across multiple devices. To truly benefit from protections afforded by EDR, every endpoint in an organization must be onboarded into EDR.

We found the following:

- **Endpoint Detection and Response (EDR):** Four of 10 computers/laptops tested were not enrolled into the University's EDR solution.
- **Inaccurate Computer Equipment Inventory:** The following items were noted:
 - Three of 10 computers/laptops were not found in the University's PeopleSoft inventory records.
 - One of 10 computers/laptops were found in the University's PeopleSoft inventory records, but the "current department" was with the Vice President for Research.
 - One server was not tagged in accordance with the UTEP Handbook of Operating Procedures and Uniform Guidance.

Recommendation:

The Aerospace Center should contact Technology Support and the Inventory Department to enroll related computers into EDR and correct the IT asset inaccuracies, respectively.

Management Response:

The Aerospace Center installed the UTEP Domain on all computers identified. Information Resources is working with us to confirm that these computers are now enrolled in EDR.

- *We will identify if any other computers outside of the sample are not enrolled in EDR and enroll all of those computers.*
- *We will require that all new computers have the UTEP Domain installed and will add this requirement to our Standard Operating Procedures.*
- *Once the guidelines are published by Information Resources, we will make sure our Standard Operating Procedures reference and comply with those guidelines. We will train all relevant staff on this requirement.*
- *We will review our PeopleSoft records to ensure that items are tagged by inventory and are added to PeopleSoft by the Inventory Department, and we will add this process to our Standard Operating Procedures for the receipt of new inventory.*

- *OACS has advised us that there is a specific requirement to tag inventory that doesn't belong to us while in our possession with special federal equipment tags. We have asked OACS for that policy and will add to our Standard Operating Procedures once we receive that policy. We will also share the policy with the Inventory Department.*

Endpoint Detection and Response: Aerospace Center staff was unaware of this obligation as no written policy guidance is currently available. This is a relatively new program put in place in response to the network intrusion in 2021. Since we did not know about this requirement when it was identified in this audit, we contacted Information Resource who informed us that it is a requirement and that EDR is installed on the computers when the UTEP Miners Domain is installed. We requested the written policy establishing that requirement and they indicated that they are still drafting guidelines for this to comply with findings identified in this 2022 audit: [UTEP Endpoint Detection and Response Solution-Deployment Administration Summary for Confidential Report \(utsystem.edu\)](https://utsystem.edu)

The computers identified did not have the UTEP Domain installed and as a result were not enrolled in EDR. We are glad to learn about this protective resource.

Audit Comments:

Endpoint Detection and Response (EDR) is a requirement on University computers and implemented in response to the 2021 network intrusion, as noted in Management's response. The UTEP Chief Information Security Officer (CISO) sees EDR as a risk mitigation strategy to address high cybersecurity risks impacting the University. As stated in UTEP Standard 1: Information Resources Security Requirements and Accountability, "1.7... The UTEP CISO is the individual responsible for UTEP's Information Security Program and shall...(n) specify and require use of appropriate security software such as antimalware, firewall, configuration management, and other security related software on Computing Devices owned, leased, or under the custody of any department, operating unit, employee, or other individual providing services to the Institution..."

Inaccurate Computer Equipment Inventory: The Aerospace Center staff was unaware of this obligation as no written policy guidance is currently available. Through this process, we learned that only Inventory has the authorization to add computers to PeopleSoft inventory. The items were tagged by Inventory, but Inventory did not add them to PeopleSoft and Aerospace Center staff was not aware of the expectation that we should confirm this.

Audit Comments:

According to the Vice President of Business Affairs website the following is Inventory's Mission, "The Inventory Department at UTEP is responsible for the record-keeping of all inventory on campus and for filing various reports with the State as required. It is, therefore, essential that these records be kept updated and correct at all times. Because we are not able to keep constant track of all inventory, assistance from all departments is necessary in keeping the department informed of any information regarding inventory, and should be reported on a timely and accurate basis as often as necessary." PeopleSoft is the University's Enterprise Resource Planning (ERP) system used for both financial and employee transactions. Financial transactions include the University's inventory records. This is consistent with Texas Government Code Ann. Sec. 403.273 (Vernon Sup. 1993)

The server was purchased by the Aerospace Center as part of a project to be delivered to a customer through the Recharge Center. The Inventory Department advised that since it belonged to the customer as part of our contract with them that the server did not have to be tagged. This communication was shared with OACS.

Audit Comments:

As shared during the fieldwork phase of the audit, the following criteria discusses special responsibilities related to federal equipment.

- University's Handbook of Operating Procedures (HOOP), Section 7: Financial Services, Chapter 3: University-Owned Property and Equipment: 3.4 and 3.5.*
- 2 C.F.R. Part 200 / Subpart D / Property Standards § 200.313 Equipment (Uniform Guidance)*

Responsible Party:

Luz Bugarin, Director of Operations

Implementation Date:

June 30, 2023

F. Recharge Center

6. Recharge Center transactions do not follow the ORSP Recharge Center Policy to ensure breakeven status.
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High Risk

Recharge Rates: There is no evidence of review to determine if the external recharge center rate is appropriate to ensure breakeven status over time as required by the [ORSP Recharge Center Policy](#). The external recharge center rate has not been updated since 2019.

Invoices: Invoices for services provided to the Fiscal Year 2022 customers do not contain sufficient detail to determine if:

- the 2019 approved external rate was charged for services provided to El Paso Electric and the Aerospace Corporation and
- projects were completed on time and within budget.

Expenses: The Fiscal Year 2022 recharge center expenses do not align with budgeted expenses. Many transactions are unallowable or should be prorated. The nonprofit status of the University could be at risk if recharge centers generate revenue that greatly exceeds actual expenses.

Recommendation:

The Aerospace Center must coordinate all recharge center transactions with the Vice President for Business Affairs (VPBA) and monitor actual revenue and expenses to ensure breakeven status over time and compliance with state and UTEP policies. Detailed invoices must be sent to internal and external parties. Internal and external rates should be calculated annually and submitted for review and approval to the VPBA Office.

Management Response:

The Aerospace Center will work with VPBA to establish rates and develop Standard Operating Procedures to ensure full compliance with University policy. We will ask VPBA to review our Standard Operating Procedures for the Recharge Center.

The External Recharge Rate application for FY 2021-2022 was sent to VPBA for approval on February 10, 2021. This application was shared with OACS. The agreement with El Paso Electric which was signed by VPBA provided extensive and sufficient detail regarding the rates. The projects were completed within the scope agreed to and signed by VPBA and El Paso Electric and so no additional detail was needed for the invoice. The Aerospace Center Corporation agreement was developed when the Recharge Center was managed by ORSP. It was for a student capstone project with funds supporting equipment purchases. Sufficient budget detail was not provided in the agreement.

There were some unallowable transactions charged to the Recharge Center but the Director of Operations cured this in Fiscal Year 2022 by reallocating these transactions to other accounts.

All Recharge Center projects are coordinated with and approved by VPBA. We have been trying to establish fixed rates with VPBA since April 2022 as we are missing out on important partnership opportunities. Also, we need this in place to comply with our Build Back Better grant.

Responsible Party:

Susie Byrd, Executive Director

Implementation Date:

June 30, 2023

Audit Comments:

The Fiscal Year 2022 rate application Aerospace provided is not signed by the VPBA. The document only contains the PI's signature stamp and no evidence of VPBA approval as required by the UTEP Recharge Policy.

There is not a Master Services Agreement for The Aerospace Corporation in California.

Aerospace did not provide any evidence of monitoring required by policy.

G. Cost Sharing and Facilities & Administration (F&A) Rates

7. The Aerospace Center commits to voluntary cost sharing even though the UTEP Cost Sharing Policy strongly discourages cost sharing. Approval for a reduced F&A rate is not available.

High Risk

The Aerospace Center commits to large amounts of voluntary cost sharing despite the [ORSP Cost Share Policy](#) that strongly discourages voluntary cost sharing commitments. In two of seven projects tested, the Aerospace Center committed more UTEP funds as voluntary committed cost-sharing than it received from the projects.

In one of these projects, only 20 percent F&A was charged to the agency when 51 percent was charged to cost sharing. Per the [ORSP F&A Policy](#), a reduced rate is allowable if a detailed reason is provided and approved. ORSP has no detailed description providing a reason for the reduced F&A.

Project ID	Project Description	Grant Budget	Voluntary Cost Sharing Budget	Variance	Additional Comments
226120454A	NASA MIRO Center for Space Exploration	\$1,402,287	\$ 2,381,390	(\$979,103)	UTEP cost shares more than UTEP receives from the grant. This grant provides stipends to UTEP students <i>and</i> other students who have never enrolled or attended UTEP.
226120448A	Southwest Alliance Aerospace	\$ 499,964	\$ 646,376	(\$146,412)	UTEP cost shared more than UTEP received from the grant.

UG requires that funding opportunities must specifically state if cost sharing is to be used as review criteria. Unless specifically stated, cost share is not a factor in the award decision, making it, essentially, unnecessary use of University resources.

Recommendation:

Cost sharing should be considered only when guidelines of a sponsoring agency have delineated it as a requirement in the specific program announcement. Cost sharing has a significant financial impact on the unit providing the funds and on the University as a whole. Reduced F&A rates must be approved with documentation to justify the reduced rate and must be maintained at the department.

Management Response:

The Aerospace Center will continue to view all solicitations on a case-by-case basis. If the Aerospace Center believes that cost share in excess of the requirement or a reduced F&A rate would make our proposals for foundational investments more competitive, we will document this in a memo to the President or President's designee. If the President or President's designee approves the recommendation, we will include the approved cost share and F&A rate in our application prior to ORSP submitting the application. ORSP will only submit grant applications and budgets that have been approved by the President or the President's designee.

The Aerospace Center is the most productive research center at UTEP and is one of the key contributors to UTEP's successful designation as an R1 University. In Fiscal Year 2022 alone, we received notice of 19 successful awards valuing \$45 million. These awards were matched by an additional \$43 million in community partner cost share. We rarely provide voluntary cost share and only when we know based on our history of the grant and the funding agency and our understanding of the proposal that committing voluntary cost share would make us more competitive.

Audit Comments:

We disagree. Cost sharing is not required for these grants and millions of dollars of institutional funds are voluntarily committed by the Aerospace Center. Cost sharing has a significant financial impact on the unit providing the funds and on the University as a whole.

Both of the referenced grants are capacity building grants. There are very few of these, and they can be extremely important tools in building long term sustainability. Because of this and because the solicitations made it clear that University commitment to the sustainability of the grants would be evaluated, the University proposed cost share in excess of the requirement and reduced the F&A rate for one grant. In both cases, the evaluations from NASA made it clear that the reduced indirect rate and the cost share made these proposals very competitive. We won both awards.

Per the Handbook of Operating Procedures, “All proposals by University personnel requesting funding from outside funding sources must have advance institutional review and approval of the President or the President’s designee prior to submission to the potential donor, grantee, contractor, or other external funding agency and any resulting gift, contract, or grant must be formally accepted by the University, deposited in appropriate restricted University accounts, and administered by designated University personnel.” These proposals including the cost share and F&A rate were reviewed and approved by the President’s designee and submitted by the President’ designee on behalf of the University in compliance with University Policy. The cost share was also approved by all the account owners who pledged the match.

Regarding Cost Share, the ORSP policy states, “VPR and/or his authorized delegate reserve the right to grant exceptions on a case-by-case basis regarding voluntary uncommitted cost sharing. VPR will make final decision when cost sharing absolutely needed to meet project objectives.”

Regarding F&A, the F&A budget structure was suggested by ORSP and reviewed and approved by ORSP per documents provided to OACS.

Audit Comment:

The only support provided to OACS was an email from a Research Administrator providing options for student support. The UTEP F&A Policy states:

“On very rare cases, requests for a reduced F&A rate may be considered. In such cases, the request must be submitted in writing with a detailed justification to the respective Research Administrator a minimum of two weeks prior to proposal submission. F&A negotiation with outside agencies by the Principal Investigators is discouraged and inappropriate.”

OACS has no evidence of a detailed justification submitted a minimum of two weeks prior to proposal submission.

NASA MIRO Center for Space Exploration: The first 2009 solicitation for this program from NASA states “Cost sharing is permitted but not required for proposals under this solicitation. The amount of cost sharing is not a factor in determining whether to select a proposal (page 28).” This statement was dropped in the solicitation that we responded to in 2020 and that is the subject of this audit. The removal of that statement in the new 2020 solicitation plus NASA indicating that one area of evaluation criteria would be “...resources or funding capabilities that are in place or will be pursued via institutional support, federal or state agencies, contracting opportunities, and other funding sources (page 15)” indicated to us that providing voluntary cost share and a reduced F&A rate would make our proposal more competitive.

That strategic decision paid off. We won the grant and the NASA evaluation team was effusive in this remarks regarding the cost share and reduced F&A rate. From the evaluation:

- *“The proposal allows more funding for students and internships under this grant, a total of 55% of the funds requested. The center will also provide significant direct support to another 50 graduate and undergraduate students from leveraged sources and other federal grants and provide industry partner sponsored internship opportunities to another 15 students.”*
- *“The proposer has already developed a robust infrastructure for their teaching and research activities. This is a major positive for this proposal, most of the funds will go directly to support undergraduate and graduate students and internships.”*
- *“The sustainability plan is in place and is robust.”*
- *“Major strengths: The budget request is for a total of \$1,575,000 for the two years. A **significant cost share** of over \$2.3M will be provided by the university. This will act as a **significant force multiplier** for the grant, provided non-NASA funds for administrative support, faculty, and facilities used. As shown in Appendix E of the proposal, in figure E1, a total of 44% of the grant funds requested is for student salaries and fringe benefits, and 11% for student internship support, so some 55% of the funds requested are directly for students... **Significant cost share** from the university is provided for admin support, fringe, infrastructure, faculty release and **indirect costs**. This significantly expands the total budget and allows for larger amounts of NASA funds to go to students and internship costs. The significant cost share amplifies the NASA investment... All administrative staff costs are provided by the university, and there is a large and university-funded admin staff at the center at this time. No NASA funds are required to support the admin role for the grant, which, again, extends the NASA funding for students... the large amount of matching support, including administrative support, multiplies the amount of NASA funds available for students and internships, which is excellent. The existing state of the research facilities allows students to immediately begin working in professionally equipped lab space.”*
- *“This is an excellent proposal, with a very high level of matching funds and existing facilities and infrastructure. The number of students and internships funded are high, given the level of university matching funds provided.”*
- *Based on discussion, the MIRO Group 6 Renewal Panel feels this proposal is **VERY COMPETITIVE** and should be considered for funding.”*

Southwest Alliance Aerospace. *This was a critical capacity building grant for our economic development work and allowed us the resources to lay the foundation for our successful application of \$1.5 million for the EDA Build to Scale and the \$40 million Build Back Better grant. Without this foundational grant, we wouldn't have had the resources to build our economic development program. One of the evaluation criteria for the grant was "Demonstrates how the proposer will develop core expertise and institutional capacity to sustain the project and obtain funding support from non-MUREP Aerospace High Volume Manufacturing and Supply Chain Management Cooperative sources."*

Once again, this strategic decision paid off. We won the grant and the NASA evaluation team indicated that the cost share made the grant more competitive. From the evaluation:

- *"Major Strength: The proposed institution provides strong in-kind support and institutional commitment throughout the proposal which demonstrates a strong ability to successfully complete the proposed plan."*
- *"The proposal clearly articulated how existing funding is leveraged to enhance grant proposal opportunity and outlines all required components of the budget proposal."*

The award of this grant was a critical building block for our successful bid to the EDA's Build Back Better Regional Challenge (BBBRC). For the BBBRC, the University did not provide additional cost share but our community partners, understanding the significance of this federal investment, went above and beyond the required cost share and matched our request to the EDA with \$50 million. We also won that grant and our coalition was awarded \$40 million.

Responsible Party:

Susie Byrd, Executive Director

Implementation Date:

June 30, 2023

Additional Observations (No management response required)

Related Party Relationships Disclosed After Hire

Disclosure of employee relationships before hiring is essential to prevent nepotism in relationships with a department. Seven Aerospace Center relationships were not disclosed to UTEP's Human Resources (HR) before hire. Disclosure delays include:

- the HR Onboarding module is required to be completed after hiring.
- the HR Onboarding module lacks an application control, which prevents the module from being considered complete if an employee identifies a UT System relationship but does not disclose the employee by name and the type of relationship.
- HR does not automatically notify the department to discuss additional steps to prevent conflicts of interest if the employee appropriately discloses a relationship in the Onboarding module.

Student Hiring Process

The hiring process involves several departments, resulting in frequent delays in the appointment request and approval process.

Cloud Services

Senate Bill 475, passed in the 87th Legislative Session, requires that the Texas Department of Information Resources (DIR) establish a standardized approach for assessing information security risks for cloud services that transmit data of a state agency. In response, DIR established the Texas Risk and Authorization Management Program (TX-RAMP). All state agencies must comply with the TX-RAMP requirements when acquiring cloud services, effective January 1, 2022.

At UTEP, this process is handled by the Purchasing Department in conjunction with the Information Security Office. As such, all cloud service purchases are required to be reviewed and approved by these departments.

RANKING CRITERIA

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 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 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 considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Report Distribution:

University of Texas at El Paso:

Ms. Andrea Cortinas, Vice President and Chief of Staff
Dr. Roberto Osegueda, Vice President for Research
Dr. Stephen Aley, Associate Vice President for Research
Dr. Ahsan Choudhuri, Associate Vice President, Aerospace Center
Ms. Susannah Byrd, Executive Director, Economic Development and Workforce Excellence, Aerospace Center
Ms. Mary Solis, Director and Chief Compliance and Ethics Officer

University of Texas System (UT System):

System Audit Office

External:

Governor's Office of Budget, Planning and Policy
Legislative Budget Board
Internal Audit Coordinator, State Auditor's Office

Audit Committee Members:

Mr. Steve DeGroat
Mr. Fernando Ortega
Mr. Mark McGurk
Dr. John Wiebe
Mr. Daniel Garcia
Ms. Guadalupe Gomez

Auditors Assigned to the Audit:

Joanna Tapia, Senior Auditor I
Jannell Ballin, Auditor II
Luis Carrera, IT Audit Manager
Courtney Rios, Audit Manager

APPENDIX A: REGENTS' RULE 30106 NEPOTISM

1. Title

Nepotism

2. Rule and Regulation

Sec.1 Statutory Requirement. Texas Government Code, [Chapter 573](#) prohibits public officials from appointing any individual to a position that is to be directly or indirectly compensated from public funds or fees of office if the individual is related to the public official within the second degree by affinity or within the third degree by consanguinity.

Sec. 2 System Requirement. Even though the appointment of a person, would not be prohibited by the Texas Government Code, no employee of The University of Texas System or any of the institutions may approve, recommend, or otherwise act with regard to the appointment, reappointment, promotion, or salary of any person related to such employee as outlined in Sections 2.4 or 2.5 regardless of the source of funds for the payment of salary. This provision also includes individuals hired as private contractors.

2.1 Supervision. If the appointment, reappointment, or promotion of a person places him or her under an administrative supervisor related within the specified degree, all subsequent actions with regard to the evaluation, reappointment, promotion, or salary shall be the responsibility of the next highest administrator to make a written review of the work performance of such employee at least annually and to submit each review for approval or disapproval by the institution's Chief Human Resources Officer in the case of classified employees or the Chancellor or the president in the case of faculty or non-classified employees.

2.2 Promotion. If the appointment, reappointment, or promotion of a person places him or her in an administrative or supervisory position with responsibility to approve, recommend, or otherwise act with regard to reappointment, promotion, or salary of a person who is related to them within the above degree specified, all subsequent actions regarding the evaluation, reappointment, promotion, or salary of such person shall be made by the next highest supervisor.

2.3 Marriage. The provision of Section 2.1 of this Rule shall apply to situations where two employees marry and one spouse is the supervisor of the other.

2.4 Relationship by Blood. Relationship by blood (consanguinity) as determined by Texas Government Code, [Chapter 573](#) (see also Figure 1 in the [Relationships by Consanguinity or Affinity chart](#)):

- (a) First degree is the employee's father, mother, son, or daughter.
- (b) Second degree is the employee's brother, sister, grandfather, grandmother, grandson, or granddaughter.

(c) Third degree is the employee's uncle or aunt (who is a brother or sister of the employee's parent), nephew or niece (who is a child of the employee's brother or sister), great grandfather, great grandmother, great grandson or great granddaughter.

2.5 Relationship by Marriage. Relationship by marriage (affinity) as determined by Texas Government Code, [Chapter 573](#) (see also Figure 2 in the [Relationships by Consanguinity or Affinity chart](#)):

(a) First degree is the employee's spouse, father-in-law, mother-in-law, son-in-law, daughter-in-law, stepparent, or stepchild.

(b) Second degree is the employee's brother-in-law (sister's spouse or spouse's brother), employee's sister-in-law (brother's spouse or spouse's sister), spouse's grandfather, spouse's grandmother, spouse's grandson, spouse's granddaughter, spouse of the employee's grandparent, or spouse of the employee's grandchild.

3. Definitions

Affinity – relationship by marriage. According to Texas Government Code [Section 573.024](#), two individuals are related by affinity if:

1. they are married to each other; or
2. the spouse of one of the individuals is related by consanguinity to the other individual.

Consanguinity – relationship by blood or origin. According to Texas Government Code [Section 573.022](#):

(a) Two individuals are related to each other by consanguinity if:

1. one is a descendant of the other; or
2. they share a common ancestor.

(b) An adopted child is considered to be a child of the adoptive parent for this purpose.

Public official – defined in Texas Government Code [Section 573.001\(3\)](#) as:

1. An officer of this state or of a district, county, municipality, precinct, school district, or other political subdivision of this state;
2. An officer or member of a board of this state or of a district, county, municipality, school district, or other political subdivision of this state; or
3. a judge of a court created by or under the statute of this state.

4. Relevant Federal and State Statutes

Texas Government Code, [Chapter 573](#) – Nepotism Prohibitions

5. Relevant System Policies, Procedures and Forms

The University of Texas Systemwide Policy [UTS 120](#), Spousal Travel Policy

6. Who Should Know

Board of Regents
Administrators and Supervisors

7. System Administration Office(s) Responsible for Rule

Office of General Counsel
Office of Human Resources

8. Dates Approved or Amended

Editorial amendment to Number 7 made March 7, 2017
December 10, 2004

9. Contact Information

Questions or comments regarding this Rule should be directed to:

- bor@utsystem.edu

APPENDIX B: STUDENT EMPLOYMENT GUIDELINES

UNDERGRADUATE STUDENT EMPLOYMENT GUIDELINES

Purpose

Employment of undergraduate students contributes both to the operation of the University and to the professional development of our students. Student employment opportunities are intended to encourage and assist UTEP students to complete their degrees. The following Student Employment Guidelines have been written in order to clarify requirements concerning expectations for undergraduate student employment.

Campus employment opportunities for UTEP undergraduate students are available at <https://www.myinterfase.com/utep/student/> through the Job Mine portal on the University Career Center website. Job Mine is an online job-listing site exclusively for UTEP students.

Eligibility requirements

1. Students must be accepted to a degree program at UTEP, enrolled in an undergraduate program and enrolled in the semester of the student appointment.
2. Students must maintain good academic standing (overall GPA of 2.0 or better) at UTEP.
3. Students must be enrolled on a full-time basis. This typically includes a minimum of twelve (12) semester credit hours during both the fall and spring semesters.
 - Students may be enrolled for the minimum twelve (12) semester credit hours at UTEP or
 - Students may be enrolled for a minimum of six (6) semester credit hours at UTEP and the remainder at EPCC. This does not apply to students hired through UTEP's On Campus Student Employment Opportunity Program.
 - Students hired through UTEP's On-Campus Student Employment Opportunity Program must be enrolled in a minimum of twelve (12) semester credit hours at UTEP during the fall and spring semesters.
4. A graduating senior may be enrolled for at least one course listed in their degree plan at UTEP during their final semester. Note: Graduating seniors receiving federal work-study must be enrolled in a minimum of six (6) semester credit hours at UTEP during their final semester.
5. Students must complete a criminal background check form. All student employment positions are subject to criminal background check clearance.
6. Summer Enrollment:

- Summer enrollment is not required if the student was enrolled for a minimum of twelve (12) semester credit hours, six (6) of which must have been at UTEP, during the previous spring semester or is enrolled in the upcoming fall semester for a minimum of twelve (12) semester credit hours, six (6) of which must be UTEP semester credit hours. This does not apply to Work-Study students.
- Work-Study students must be enrolled in at least three (3) semester credit hours at UTEP during any summer session (i.e.: Maymester, Summer 1, etc). Work-Study students do not need to be enrolled in each summer session to be eligible for employment the entire summer.

Maximum weekly employment hour limits for undergraduate student employment

- A 19-hour per week limit applies to work-study students, Undergraduate Student Assistants I and II and students hired through UTEP's On-Campus Student Employment Opportunity Program. These positions are non-benefit eligible and paid on an hourly basis.
- A 20-hour per week limit applies to Undergraduate Teaching and Research Assistants. These positions are non-benefit eligible and paid on a salary basis.

On rare occasions, undergraduate student employees may work in excess of the hours noted above but only after prior approval has been secured from the Office of Undergraduate Studies. Students are no longer eligible for undergraduate student employment after graduating unless they are pursuing a second bachelor's degree.

Undergraduate student employees may work up to 40 hours per week when school is not in session (i.e.: Spring Break, Winter Holiday, between summer sessions, etc). For additional information on work-student allocations, contact the Office of Student Financial Aid, located in the Mike Loya Academic Services Building, Room 204, They can be reached by calling 915-747-5204 or emailing financial@utep.edu.

International students may not work past the last day of their final semester (defined at UTEP as the day of their last final exam) or past the expiration date on their I-20 form, whichever is earlier.

Monitoring

To determine whether students are meeting the eligibility requirements for continued employment:

- To help ensure the student remains eligible for employment and provide assistance on how to speak to your student employee about academic success, the hiring department will receive access to enrollment and GPA data to monitor their student employees' academic success and progress.
- The Office of the Provost/VPAA will run various reports throughout the fall and spring semesters to compare a students' overall GPA and number of semester credit hours (SCH) enrolled to those required for employment. Those colleges employing students not meeting the required overall GPA and/or SCH enrollment will be notified.

- If students fail to meet the overall GPA and/or enrollment requirement, they may still be allowed to work for that semester on an exception basis and with the understanding that overall GPA and/or enrollment requirements will be met in the following semester. A student's supervisor is encouraged to contact the Office for Undergraduate Studies for guidance in helping the student succeed at UTEP.
- If overall GPA and/or enrollment requirements are not met in the following semester, the hiring official may request approval for continued employment from the Academic Dean, Office for Undergraduate Studies and the Office of the Provost/VPAA. For non-academic areas, approval is required from the Office for Undergraduate Studies and the appropriate Vice President.

If appointed students find that their job responsibilities are not suitable for them, they can voluntarily resign from their position. In cases where poor performance may warrant the termination of a student employee, the hiring department may, but is not obligated to, provide an explanation of the reasons for the decision. The hiring department is encouraged to evaluate students on a semester or annual basis in order to support student professional development. Continued employment is dependent upon availability of resources in the hiring department.

Special Situations

Employment of Minors

The minimum age for employment at UTEP is 16 years. Due to federal restrictions on the type of work suitable for those under 18 years, Human Resources must be contacted for review and approval when the hiring department is considering the employment of a person under 18 years of age. Supervisors may require certification of the age in instances in which there is reasonable doubt regarding a minor's age. For additional information, contact Human Resources. Human Resources is located in the Administration Building, Room 216. They can be reached by calling 915-747-5202 or emailing hrs@utep.edu.

On-Campus Student Employment Opportunity Program

UTEP's On-Campus Student Employment Opportunity Program provides an opportunity for UTEP departments to apply for funding to create undergraduate student positions. This competitive process is open to all university departments and undergraduate student positions are awarded based on how well the proposals meet the program criteria. Each proposal is reviewed by a committee composed of students, faculty and staff. For additional information, contact the Office of the Vice President for Student Affairs, located in the Union Building, East, Room 301. They can be reached calling 915-747-5076.

Work-Study Employment

Work-study is a need-based program designed to provide employment opportunities for students who are in need of earnings to help pay for their educational expenses. The work-study salary rate is at least the current federal minimum wage, but may be higher, depending on the type of work and skills required. UTEP employs work-study students

in many areas on and off campus. It is required that all work-study positions be posted in Job Mine. For additional information, contact the Office of Student Financial Aid, located in the Mike Loya Academic Services Building, Room 204, They can be reached by calling 915-747-5204 or emailing financial@utep.edu.

Training Stipends and Fellowships

These programs provide support to students participating in research or other activities related to their degree programs. Stipend and fellowship recipients may receive financial support while performing independent educational activities, study or research.

These payments must be analyzed for the performance of services. If any amount of the stipend or fellowship requires the performance of services (i.e. teaching, student supervision, etc.) in exchange for the payment, then it constitutes an employee-employer relationship. The student recipient should be appointed as a student employee. For additional information, contact Human Resources, located in the Administration Building, Room 216. They can be reached by calling 915-747-5202 or emailing hrrs@utep.edu.

If the stipend or fellowship does not constitute an employee-employer relationship and is solely intended to provide financial support to the individual in support of their research efforts and/or completion of their degree, then it should be treated as a scholarship. Stipends and fellowships are awarded through use of a Student Notice of Award each semester.

GRADUATE STUDENT EMPLOYMENT GUIDELINES

Purpose

Employment of graduate students contributes both to the operation of the University and to the professional development of our students. Student employment opportunities are intended to encourage and assist UTEP students to complete their degrees. The following Student Employment Guidelines outline requirements concerning graduate student employment.

Graduate students interested in employment should contact their departments and other UTEP units about available positions. Departments will provide information on the title, number of hours employed, duration of appointment, minimum eligibility standards, description of duties, procedure and timing of reappointment and deadlines for acceptance.

Eligibility Requirements

1. All student employment positions are subject to criminal background check clearance and students must complete a criminal background check prior to being employed.
2. Students must have a social security number (SSN) prior to starting employment. International students who do not have a U.S. SSN should work with the Office of

International Programs (OIP) to apply for a SSN. SSN applications are made in-person at a Social Security Administration office. F-1 International students cannot complete the process before arriving in the U.S., so it is important that they plan to make this request upon arrival (up to 30 days before classes begin). Failure to obtain a SSN prior to census day may result in students being ineligible for certain employment benefits (e.g., waiver of non-TX resident tuition).

3. During the semester of the student appointment, students must be admitted into a graduate program of study at UTEP and enrolled in course work that meets degree requirements for that program.
4. Students must maintain good academic standing: overall GPA of 3.0 or better and be making satisfactory progress toward their degree based on master's and doctoral time limit requirements and the doctoral milestone agreement (refer to [degree requirements page in Graduate Catalog](#)).
5. For fall and spring semesters, students must be either (a) enrolled in 9 semester credit hours, (b) enrolled in credit hours of thesis/dissertation, or (c) enrolled in course(s) that will allow them to graduate that semester (i.e., in their final semester).
6. Summer Employment:
 - Graduate students do not need to be enrolled during the summer as long as they (a) were enrolled in either 9 credit hours of coursework or 3 credit hours of thesis/dissertation at UTEP during the preceding spring and (b) are enrolled for the upcoming fall. The department should utilize the appropriate graduate student title (e.g., Graduate Research Assistant). Graduate students who are not enrolled in the summer may have limited access to certain services. Students who have loans may receive notice that they are out of compliance due to non-enrollment.
 - Graduate students who graduated in the spring semester may be allowed to work during the summer to complete projects started during the 9-month academic year, with the approval of the Dean of the Graduate School. The employing department should utilize the appropriate graduate [student job title](#) (i.e. Graduate Research Assistant). Note that international students who recently graduated may not work after their graduation date unless they have been granted permission to work by the U.S. agency corresponding to their visa type, and the permission document must be physically in-hand and provided to Human Resources prior to commencing employment.
 - Graduate students are eligible for employment at the University for up to 40 hours/week during the summer.
7. *Maximum weekly employment hour limits for graduate student employment (fall and spring semesters)*

- A 19-hour per week limit applies to the Master's Assistant job title. These positions are non-benefit eligible and paid on an hourly basis.
- A 20-hour per week limit applies to all other master's and doctoral job titles. These positions are eligible for employee insurance coverage, in-state tuition and are paid on a salary basis.

Graduate student employees may work in excess of the hours noted above after prior approval has been secured from the Dean of the Graduate School. Except as noted above for the summer immediately following graduation, students are no longer eligible for graduate student employment after graduating.

International students may not work past the last day of their final semester or past the expiration date on their I-20 form, whichever is earlier. Exception applies for continuation of summer employment if the student obtains an extension on their visa/DS-2019 and graduation date has been extended or the student begins a new program.

Employment Limits

The number of years students may be employed using state funds is limited (state funds are typically used for teaching assistants and assistant instructors). Master's students are limited to two years of state funding and doctoral students are limited to four years of state funding. Funding from student or faculty grants, fellowships, or contracts that is overseen by the Office of Research and Sponsored Projects does not count against these limits. Once a student meets the above limits, a department that wants to continue employing the student using state funding must submit a petition that routes to the Dean of the Academic College and the Dean of the Graduate School.

Monitoring

To determine whether students are meeting the eligibility requirements for continued employment:

- The hiring department will receive access to enrollment and GPA data to monitor their student employees' academic success and progress.
- In the fall and spring semesters, reports will be run to compare a students' overall GPA and number of semester credit hours (SCH) enrolled to those required for employment. Those colleges employing students not meeting the required overall GPA and/or SCH enrollment will be notified.
- If students fail to meet the eligibility requirements, the hiring department may request an exception from the Dean of the Graduate School to allow the student to work for one semester with the understanding that overall GPA and/or enrollment requirements will be met in the following semester. Students who are not enrolled full-time in the spring semester must enroll for at least three (3) hours in the summer semester to be employed during the summer. The student's supervisor is encouraged to contact the Graduate School for guidance in helping the student succeed at UTEP.

If appointed students find that their job responsibilities are not suitable for them, they can voluntarily resign from their position. In cases where poor performance may warrant the termination of a student employee, the hiring department may, but is not obligated to, provide an explanation of the reasons for the decision. The hiring department is encouraged to evaluate students on a semester or annual basis in order to support student professional development. Continued employment is dependent upon the availability of resources in the hiring department. Graduate students who have questions or concerns about employment issues may contact the Graduate School for assistance.

Special Situations – Student Employment Guidelines

Employment of Minors

The minimum age for employment at UTEP is 16 years. Due to federal restrictions on the type of work suitable for those under 18 years, Human Resources must be contacted for review and approval when the hiring department is considering the employment of a person under 18 years of age. Supervisors may require certification of the age in instances in which there is reasonable doubt regarding a minor's age. For additional information, contact Human Resources. Human Resources is located in the Administration Building, Room 216. They can be reached by calling 915-747-5202 or emailing hrs@utep.edu.

Work-Study Employment

Work-study is a need-based program designed to provide employment opportunities for students who are in need of earnings to help pay for their educational expenses. The work-study salary rate is at least the current federal minimum wage, but may be higher, depending on the type of work and skills required. UTEP employs work-study students in many areas on and off campus. It is required that all work-study positions be posted in Job Mine. For additional information, contact the Office of Student Financial Aid, located in the Mike Loya Academic Services Building, Room 204, They can be reached by calling 915-747-5204 or emailing financial@utep.edu.

Training Stipends and Fellowships

These programs provide support to students participating in research or other activities related to their degree programs. Stipend and fellowship recipients may receive financial support while performing independent educational activities, study or research.

These payments must be analyzed for the performance of services. If any amount of the stipend or fellowship requires the performance of services (i.e. teaching, student supervision, etc.) in exchange for the payment, then it constitutes an employee-employer relationship. The student recipient should be appointed as a student employee. For additional information, contact Human Resources, located in the Administration Building, Room 216. They can be reached by calling 915-747-5202 or emailing hrs@utep.edu.

If the stipend or fellowship does not constitute an employee-employer relationship and is solely intended to provide financial support to the individual in support of their

research efforts and/or completion of their degree, then it should be treated as a scholarship. Stipends and fellowships are awarded through use of a Student Notice of Award each semester. For additional information on graduate stipends and fellowships, please contact the Graduate School. The Graduate School is located in the Mike Loya Academic Services Building, Room 223. They can be reached by calling 915-747-5491 or emailing gradschool@utep.edu.

APPENDIX C: PARTICIPANT SUPPORT

2 CFR 200.1 “Participant support costs” means direct costs for items such as stipends or subsistence allowances, travel allowances, and registration fees paid to or on behalf of participants or trainees (but not employees) in connection with conferences, or training projects.

APPENDIX D: PURCHASING MANUAL

Miner Mall is the University's official procurement system. The procurement guidelines are described in detail in Section 7 of UTEP's Purchasing Department Operating Procedures and summarized below:

For purchases over a certain dollar threshold, specific requirements apply:

- Less than \$15,000.00 (Open Market): Non-bid, award to best source
- \$15,000.00 to \$49,999 (Informal): Solicit a minimum of (3) quotes, two of which must be HUBs if available
 - Less than \$15,000.00 (Open Market): Non-bid, award to best source
 - \$15,000.00 to \$49,999 (Informal): Solicit a minimum of (3) quotes, two of which must be HUBs if available
- \$50,000.00 or greater (Formal): A HUB subcontracting plan is required if expected value of purchase exceeds \$100k

Each order submitted for review must be supported by the following documentation, at a minimum: purchase order, change orders, requisitions, quotations, invoices, receiving reports, and appropriate justifications for the purchase. Exceptions may be requested for exclusive acquisitions for the following reasons and must be supported with valid justifications: Sole Source, Emergency Purchase, and Professional Services.

SOFTWARE LICENSING

For all procurements of software that require a separate software license to be executed (i.e. nonshrink wrap software; MS Windows, MS Office, etc.) shall be in the form prescribed by UT System Office of General Counsel and be reviewed, approved and executed by the Purchasing Agent.

APPENDIX E: ORSP RECHARGE POLICY

4.0 Rate Development

4.1 Basic Philosophy to Meet Federal Regulations

1) **Surpluses and Deficits:**

A recharge center must develop rates so that revenues offset expenses over a reasonable period of time. A recharge center's surplus or deficit for a given fiscal year should not exceed 10% of annual operating expenses. To the extent that a surplus or deficit is within the break-even range of plus (+) or minus (-) 10%, that surplus or deficit must be carried forward and the rates adjusted in the following period. **A mid-year review should be performed and any adjustments made to the rate as required to insure the 10% threshold is not exceeded at year end.** Otherwise, Federal regulations specify a reimbursement to Federal grants and awards on the excess charged.

2) **Working Capital:**

In addition to full recovery of actual costs, recharge centers may establish and maintain through its charges a fund balance for working capital needs. The surplus fund balance should not exceed 60 days working capital excluding depreciation/use allowance.

3) **Transfers:**

Recharge centers which have accumulated surplus funds through billing to internal users may not transfer these funds out of the recharge center operating account. The balance must be carried forward and used to adjust subsequent billing rates.

4) **Multiple Services:**

A recharge center providing more than one service may sometimes make a surplus on some services and a loss on others. Recharge centers must ensure that there is no cross-subsidization between user groups. Combining the results of various services is not acceptable if the mix of users of each service is different.

4.2 Recharge Center Rate

This rate is the cost per unit of output used to recover the expense of the recharge center using the following equation:

$$\frac{\text{Budgeted Expenses +/- Prior Year Under/Over Recoveries (within +/- 10\%)}}{\text{Budget Usage Base}}$$

4.3 Budget Usage Base

This is the volume of work expected to be performed, expressed in units (e.g., units of output, labor hours, machine hours, CPU time, or any other reasonable measurement). This rate, based on budgeted activity, is applied to the actual activity when charging users.

4.4 Nondiscriminatory Rates

A recharge center must charge all internal users at the same rate for the same level of services or products purchased in the same circumstances. Rates should not differentiate among internal users. The use of special rates such as for high volume users or less demanding non-scientific applications are allowed but they must be equally available to all users who meet the criteria. See section 4.6 below.

External users may be charged a higher rate than that charged to internal users; however, revenues and costs associated with external users should be tracked separately to avoid the perception of overcharging. This can be accomplished by recording externally generated revenue as Sales & Services Revenue as opposed to Intra-Institutional Revenue codes.

The calculation of a rate for external users should include costs associated with Facilities and Administrative (indirect) cost components such as Operations & Maintenance of Plant, Building Depreciation, General Administration, and Departmental Administration.

4.5 Subsidized Users

All users must be billed for services received. If the University chooses to provide a service to a particular internal group of users (such as faculty who require audio visual services as part of an instructional program) at no charge or at a lower rate than other users, the recharge center billing rate must be calculated for all internal users based on total recharge center expenses and total units of output. The services used by the subsidized user group must be billed out at the full rate, but the amount representing the subsidy should be billed to an account representing the appropriate direct cost activity

(For example, instructional budget). The recharge center must ensure that the rate charged to this user group is consistent with that charged to others, including accounts ultimately charged to federal awards.

4.6 Discounted Rates

Discounted rates are only allowable if there is an exchange of resources or other consideration (e.g., a departmental subsidy) which provides a definitive rationale for providing the discount. Letter Agreements should be executed to clearly delineate the reason and methodology of the discount. This letter agreement must be signed by the Department Chair and copied to the designated representative of the VPBA in order to be valid. Invoices should reflect the discounted amount and be posted to a designated expense account or a contra-revenue account.

APPENDIX F: ORSP COST SHARE POLICY

ORSP Cost Share Policy

Sec. 1

Purpose. The purpose of this Policy is to provide requirements, guidelines, and procedure for monitoring, tracking, and reporting cost sharing agencies for all sponsored programs, federal, State, and private, at The University of Texas at El Paso. This includes the understanding of cost sharing commitments and determining when cost sharing is appropriate and allowable.

Sec. 2

Policy Statement. Pursuant to the Uniform Guidance, Title 2 -> Subtitle A -> Chapter II -> Part 200 -> Subpart A -> § 200.29 and §200.306 Cost sharing is the portion of sponsored project cost not borne by the sponsor. Cost sharing occurs when a sponsor requires or the institution commits funds beyond the awarded amount by the sponsor. It is the policy of The University of Texas at El Paso that cost sharing is proposed, approved, administered, available, and accounted for in a consistent and reasonable manner throughout the project/program. To comply with all the applicable federal laws and regulations and sponsoring agency guidelines, The University of Texas at El Paso must be accountable for documenting and verifying cost sharing commitments.

Sec. 3

Compliance. The regulations require the institutions to be accountable in documenting and verifying cost sharing commitments with the same diligence as actual expenditures on contracts and grants.

Sec. 4

Limitations. The University of Texas at El Paso strongly discourages cost sharing arrangements for all sponsored programs, as these arrangements involve unique accounting procedures and require funding resources from The University of Texas at El Paso. Cost sharing arrangements also necessitate increased monitoring to ensure compliance.

Sec. 5

Overview. Cost sharing is a financial commitment toward the total cost of a project from a source other than the granting organization. Contributions for cost sharing include other departmental designated funds, gifts, or endowment income.

Sec. 6

Procedures.

6.1

Pre-Award

- a. Consideration should be given to the administrative requirements and responsibilities inherent in the cost sharing commitment to determine the cost effectiveness and the expected benefits of cost sharing, prior to making such commitments. Departments must obtain approval for cost sharing commitments from the appropriate office that is willing to cover the cost share, prior to proposal submission.
- b. Accounting for Cost Sharing
 - i. Cost sharing expenses for each project are accounted for by separate methods established specifically for that purpose.
 - ii. Allowable costs must be timely and accurately charged to the appropriate cost sharing account and must be certified by the PI.
- c. Monitoring, Tracking, and Reporting Cost Sharing
 - i. The Office of Contracts and Grants Accounting is obligated to monitor, track, maintain documentation of the mandatory and voluntary committed cost sharing, and report to the sponsor.
 - ii. The tracking, reporting, and certifying of cost sharing are subject to audit under, sponsor guidelines, or terms of the sponsored agreement.

6.2

VPR and/or his authorized delegate reserve the right to grant exceptions on a case by case basis regarding voluntary uncommitted cost sharing. VPR will make final decision when cost sharing absolutely needed to meet project objectives.

APPENDIX G: ORSP F&A POLICY

F&A - costs are those that are incurred for common or joint objectives and, therefore, cannot be identified readily and specifically with a particular sponsored project, an instructional activity, or any other institutional activity.

"Facilities" is defined as depreciation and use allowances, interest on debt associated with certain buildings, equipment and capital improvements, operation and maintenance expenses, and library expenses.

"Administration" is defined as general administration and general expenses, departmental administration, sponsored projects administration, student administration and services, and all other types of expenditures not listed specifically within one of the subcategories of Facilities.

APPENDIX H: UTEP INFORMATION RESOURCES USE AND SECURITY POLICY STANDARDS

UTEP Standard 2: Acceptable Use of Information Resources (AUP)

2.1 Acceptable Use Policy Requirements. All Institutions must adopt and incorporate for all purposes the UT System model Acceptable Use Policy that follows.

The University of Texas at El Paso INFORMATION RESOURCES ACCEPTABLE USE AND SECURITY POLICY AGREEMENT All individuals granted access to or use of System Information Resources must be aware of and agree to abide by the following acceptable use requirements: [Definitions, General, Confidentiality & Security of Data, Email, Incidental Use of Information Resources, Additional Requirements for Portable and Remote Computing, Password Management...]

User Acknowledgment I acknowledge that I have received and read the Information Resources Acceptable Use Policy. I understand and agree that my use of University Information Resources is conditioned upon my agreement to comply with the Policy and that my failure to comply with this Policy may result in disciplinary action up to and including termination of my employment.

UTEP Standard 12: Security Incident Management

12.6 Monitoring Techniques and Procedures. Custodians must implement monitoring controls and Procedures for detecting, reporting, retaining, and investigating incidents.

UTEP Standard 15: Passwords

15.1

(b) All passwords, including initial passwords, must be constructed and implemented according to the following rules:

- i. Your password must be between 8 and 20 characters in length;
- ii. You may not re-use any of your last 4 passwords;
- iii. Your password must contain letters (upper and lower case), numbers, and special characters. Special characters that are permitted are: ! @ # \$ % & * ()-+=,<>:;“”.
- iv. Your password cannot contain any words found in a dictionary or common proper nouns of four letters or longer. In addition, common letter transpositions are not allowed (e.g., @ for a, ! for l, or zero for O);
- v. Your password cannot contain your first or last name;

- vi. Your password cannot contain your birthday in any form; vii. Your password cannot contain your Social Security Number;
- viii. Administrators must have a password that is a minimum of 17 characters.