



Office of Internal Audit

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July 25, 2016

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

We have completed an audit of University Housing as part of our fiscal year 2015 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The objective of our audit was to provide assurance that the student housing contract administration process is effective to ensure compliance with applicable laws and regulations and effective and efficient operations.

Overall, while the student housing contract administration process is effective, establishing a formal contract monitoring process and implementing the plan to monitor and remove terminated employees' user access from the StarRez system would enhance existing processes to ensure compliance. The attached report details recommendations that will enhance contract monitoring.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens
Institutional Chief Audit Executive

UT Dallas Responsible Parties:

Mr. Matthew Grief, Assistant Vice President for Student Affairs
Mr. Ryan White, Assistant Vice President, Residential Life
Mr. Kevin Kwiatkowski, Director of Housing Operations

Members of the UT Dallas Institutional Audit Committee:

External Members:

Mr. Bill Keffler
Mr. Ed Montgomery
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Dr. Calvin Jamison, Vice President for Administration
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Dr. Inga Musselman, Senior Vice Provost
Mr. Timothy Shaw, University Attorney

The University of Texas System:

System Audit Office

State of Texas Agencies:

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



Executive Summary

University Housing, Report No. R1622

Audit Objective and Scope: To provide assurance that the student housing contract administration process is effective to ensure compliance with applicable laws and regulations and effective and efficient operations.

The following is a summary of the audit recommendations by risk level. See the Appendix for additional details.

Recommendation	Risk Level	Estimated Implementation Date
(1) <i>Develop A Formal Contract Monitoring Plan</i>	Low	Early Fall 2016
(2) <i>Implement Plan to Ensure User Access Is Appropriate</i>	Low	Early Fall 2016
Responsible Vice President: <ul style="list-style-type: none"> • Dr. Gene Fitch, Vice President for Student Affairs 	Responsible Parties: <ul style="list-style-type: none"> • Mr. Matthew Grief, Assistant Vice President, Student Affairs • Mr. Ryan White, Assistant Vice President, Residential Life • Mr. Kevin Kwiatkowski, Director of Housing Operations 	
Staff Assigned to Audit: Polly Atchison, CPA, CIA, Audit Manager/Project Leader		



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Background

The mission of UT Dallas [Housing Operations](#) is “The University of Texas at Dallas strives to build and maintain a community environment for our residential student that encourages their personal growth and academic success. The University is committed to providing safe, economical, and well-maintained on-campus housing that will enhance the collegiate experience for residential students.”¹

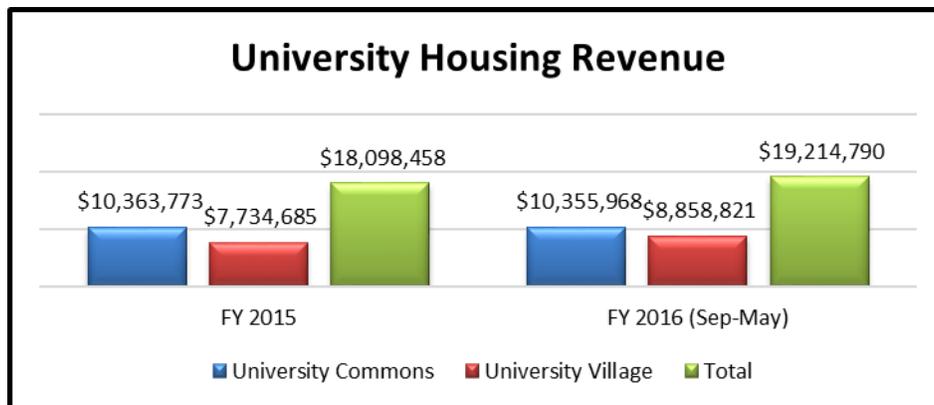
Housing Operations resides in Student Affairs under the Associate Vice President for Housing Operations and Residential Life, and has oversight of the University's [residence halls \(University Commons\) and apartments \(University Village\)](#).

UT Dallas has a contract with American Campus Communities (ACC) to manage University Commons and University Village in all aspects other than Residential Life. Housing partners with ACC through frequent collaboration and by reviewing management, maintenance, and financial reports provided by ACC as part of the contract. Housing also establishes University housing policies and procedures.

Housing Operations began partnering with American Campus Communities (ACC) to manage housing properties in 2007, when Phases V-IX of Waterview Park Apartments were purchased by UT Dallas. In addition to purchasing the remaining phases of the apartments, five residence halls have been built since 2009. All of these properties were added to the contract with ACC and provide approximately 4,750 on-campus beds.

In November 2015, a new contract went into effect for a two-year period, with three one-year options for renewal. Approximately 130 ACC staff are on-campus and include an area manager, two general managers (one for each property), assistant general and maintenance managers, and maintenance, housekeeping, and office support staff.

Revenues by property for fiscal years 2015 and 2016 (through May 2016) are depicted in the chart below.



¹ <http://www.utdallas.edu/housingoperations/>



Audit Objective

To provide assurance that the student housing contract administration process is effective to ensure compliance with applicable laws and regulations and effective and efficient operations.

Scope and Methodology

The scope of this audit was FY 2015 through current operations and our fieldwork concluded on June 13, 2016. To satisfy our objectives, we performed the following:

- Interviewed staff and examined documentation to gain an understanding of current operations on campus and the processes for monitoring contract terms
- Reviewed the current and previous contract with ACC
- Reviewed available policies and procedures
- Determined monitoring of and compliance with certain terms of the contract including
 - Payments to ACC were accurately calculated, supported by documentation, and approved by Housing
 - Requests for distribution and monthly reports were compliant with the contract and monitored by University Housing
 - User access for the StarRez software system was appropriate and allowed for proper segregation of duties
 - A process was in place to assess adequacy of liability and Workers' Compensation insurance requirements for the housing management contract and whether the manager (ACC) maintains proof of subcontractor insurance
 - A process was in place to monitor timeliness of rent collection and delinquencies
 - Capital purchases by ACC were monitored by Housing for compliance with contract requirements
 - A process was in place for reporting incidents and/or claims
 - Preventive maintenance plans were prepared and monitored
 - Inspections were conducted and findings monitored for correction

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



Audit Results and Management’s Responses

Controls

Our audit work indicated that the following controls currently exist:

- A valid contract is in place with the management company
- Housing and ACC work closely together on all aspects of Housing Operations
- ACC staff are assigned the annual and job specific compliance training that is required of UT Dallas employees
- Monthly and weekly reports communicated to Housing by ACC contain comprehensive financial and performance information

Audit Recommendations

Priority Findings – UT System: A UT System priority finding is defined by the UT System Audit Office as: “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.”² We have **no UT System Priority Findings** resulting from this audit.

However, although the above controls are in place, opportunities exist to improve operations by implementing the recommendations outlined below.

(1) **Develop A Formal Contract Monitoring Plan**

Risk Rating: Low ★

Housing Operations monitors the ACC contract through weekly and monthly status and financial reports and through frequent meetings with ACC management. They appear to have a good relationship with the contractor; however, the monitoring processes are not formally and consistently documented.

Per the [Texas State Comptroller's Contract Management Guide](#), “Monitoring the performance of the contractor is a key function of proper contract administration...to ensure that the contractor is performing all duties in accordance with the contract.” This guide is a good resource for identifying the key terms of contracts, including which key terms of the contract should be monitored, how they should be monitored, and the types of documentation to maintain.

² The appendix defines the risk levels for all internal audit recommendations.



Without formalized monitoring procedures, the contractor may not be performing all duties in accordance with the contract, and UT Dallas may not be aware of problems or issues with the services provided to the students and could result in exposure of UT Dallas to fines and litigation, or damage to student relations or the University's reputation. In addition, comprehensive written policies and procedures increase the likelihood of job specific knowledge transfer should turnover occur.

Recommendation: Housing Operations should work with UT Dallas Contract Administration to develop a contract monitoring plan.

Management's Response and Action Plan: The Department of Housing and Residential Life understands and concurs with recommendation and will immediately begin working with Contract Administration to develop a documented contract monitoring plan.

Estimated Date of Implementation: *Early Fall 2016*

Person Responsible for Implementation: *Kevin Kwiatkowski, Director of Housing Operations*

(2) Implement Plan to Ensure User Access Is Appropriate
Risk Rating: Low ★

StarRez is a web-based system used for online housing applications for new and returning students, and for University Commons residents to submit work orders. Housing and ACC staff also use StarRez for work order processing and for monitoring student accounts, as well as other uses relating to University Housing. Access requests and removals are initiated by the Assistant Director of Housing through the electronic Campus Access Tool (eCAT) provided by the Office of Information Technology and are routed for approval by the system.

Through testing of the StarRez system, it was found that of the 197 users, 103 staff/peer advisors were flagged by Housing as no longer active in the system. Housing has initiated a new process to remove user access as part of the staff checkout procedure. In addition, Housing has begun removing the 103 inactive users. The majority of these (approximately 95%) had minimal access privileges and limited write/edit access.

Per the Information Security and Acceptable Use policy (UTDBP3096), Data Owner responsibilities include "approving or denying requests to access their data and periodically reviewing access assignments and taking corrective action if inappropriate access is detected." Former users may still be able to view and possibly edit information in the system after they no longer work in Housing or for ACC.

Recommendation: To ensure that access is limited to authorized users, and that users are removed upon leaving Housing or ACC, management should proceed with the plan



to include removal of StarRez access to eCAT requests upon the person's departure. In addition, Housing should develop a periodic monitoring process to verify that users have the appropriate access based on their job responsibilities and employment status.

Management's Response and Action Plan: The Department of Housing and Residential Life understands the concerns with our new process which began spring 2016. Our plan is to implement a stronger documented process once an employee (ACC or University) submits their resignation or is terminated. The process will include having an eCat originated to remove all access to information technology, including StarRez. In fact, a portion of this plan has already been initiated. This eCat will be executed on the last day of employment for the resigning/terminated employee. Our plan after each update to StarRez access is to audit the list of employees that currently have access to the StarRez system to verify its accuracy.

Estimated Date of Implementation: *Early Fall 2016*

Person Responsible for Implementation: *Ryan White, Asst. Vice President Residential Life*

Status of Prior Audit Recommendations

The following is the status of implementation of the recommendations resulting from Internal Audit Report No. R1218, *Assistant VP for Student Affairs: Housing Operations*, dated June 15, 2012.

Recommendation	Implemented?
Continue to provide FERPA training to the management company employees.	Yes
Investigate opportunities to add an additional staff member who can assist in the monitoring of contract terms.	Yes
Consider ways to store and transmit the student information on the flash drive in a secure manner.	Yes



Conclusion

Based on the audit work performed, we conclude that the student housing contract administration process is generally effective to ensure compliance with applicable laws and regulations and effective and efficient operations.

We appreciate the courtesy and cooperation received from the management and staff in University Housing, Student Affairs, Procurement Management, and Environmental Health and Safety offices well as American Campus Communities as part of this audit.



Appendix: Priority Findings and Risk Matrix

Definition of Risks

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