

Departmental Change in Management Audit Fiscal Year 2013



November 2013

**The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117**

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**Departmental Change in Management Audit
Project Number: 805.13**



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe Street, Suite 2.302 • Austin, TX 78701 • (512)471-7117 • FAX (512)471-8099

November 18, 2013

President William C. Powers, Jr.
University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Powers,

We have completed two additional audits of departmental units at the University. Our scope included 8 units selected based on a risk assessment and changes in departmental management as part of our Fiscal Year 2013 Audit Plan. Our audit process included surveying department heads by questionnaire, interviewing management and staff in each unit, reviewing electronic office structure, and transaction testing.

Due to the nature of each review, we have attached the following reports for your information:

1120-000 Department of Kinesiology and Health Education
1425-000 Nuclear Engineering Teaching Laboratory

We appreciated the cooperation and assistance of all University personnel involved in this review and hope that the information presented herein is beneficial.

Sincerely,

A handwritten signature in blue ink, appearing to read "Michael W. Vandervort".

Michael W. Vandervort, CPA
Director

cc: Internal Audit Committee Members




OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe Street, Suite 2.302 • Austin, TX 78701 • (512)471-7117 • FAX (512)471-8099

MEMORANDUM

To: Dr. John Bartholomew, Department Chair
Department of Kinesiology and Health Education

From: Mr. Michael Vandervort, CPA 
Director

Subject: Final Report – Change in Management Audit, Fiscal Year 2013
Unit #1120-000: Department of Kinesiology and Health Education
(Project # 805.13)

Date: November 18, 2013

We have completed our audit of your compliance with and awareness of certain policies and procedures of The University of Texas at Austin (UT Austin).

We reviewed internal controls in the following areas:

- Electronic Office Structure,
- General Departmental Information/Organization/Activities,
- Account Reconciliations,
- Endowed /Gift Administration,
- Outside Employment/Conflict of Interest,
- Cash and Cash Equivalent Handling,
- Inventory,
- Controlled Items,
- Purchasing Activities,
- Procurement Cards,
- Travel Expenditures,
- Entertainment and Official Occasion Expenditures,
- Authorization for Individual Services,
- Time Reporting, and
- Information Systems Security.

We performed the following procedures to complete this audit:

- Surveyed via questionnaire to ascertain your reported strength in internal controls and compliance with UT Austin rules;
- Tested account certifications, entertainment and official occasion expenditures, travel expenditures, Procard expenditures, annual physical inventory completion, account reconciliation, and information systems security;
- Reviewed your electronic office structure and employees' appointment statuses; and
- Clarified follow-up issues with you and your staff.

This audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

Based on the above procedures, the Department of Kinesiology Health Education appears to have opportunities for improvement in most areas. Sixteen opportunities for improvement were noted.

Information Systems Security – Administrative Access

All faculty and staff have administrative access to their machines; this was confirmed on six of six computers tested. When users operate with administrative rights at all times, it is difficult to protect against unauthorized access to data, software installations, and systems configuration changes to workstations.

According to Section 5.4.1 of UT Austin’s *Information Resources Use and Security Policy*, “Individuals who use accounts with special privileges (for example System Administrators) must use these accounts only for their intended administrative purposes.”

Recommendation 1: Management should ensure that users operate workstations with the least privileges necessary to conduct business related functions. If deemed necessary, users with administrator privileges should use separate computer accounts only to perform administrative functions and not for day-to-day activities.

Management Response: The College management team has determined that the benefit of allowing faculty and staff administrative access to their computers is an acceptable risk. We will defer to the College’s expertise on this matter.

Implementation Date: September 9, 2013

Information Systems Security – Disaster Recovery Plan (DRP), Backup Recovery of Systems and Data

The Learning Technology Center (LTC)¹ DRP has not been updated since 2009 and is not being tested on an annual basis. The DRP does not include individual College of Education departments (including Kinesiology Health Education). Without an updated DRP, LTC may not be able to adequately recover critical systems and data in the event of a disaster.

According to Section 5.5.2 of UT Austin’s *Information Resources Use and Security Policy*, “Each college, school, or unit responsible for a system(s) should maintain a [DRP]. The recovery plan includes the following:

- Procedures for recovering data and applications in case an unexpected event occurs such as natural disaster, power or system disk failure, espionage, data entry error, human error, or other systems operations errors;

¹ The Learning Technology Center supports College of Education students and faculty by providing technology facilities, data networking services, and digital media equipment.
<http://www.edb.utexas.edu/education/centers/ltc/>

- Assignments of operational responsibility for backup of all systems connected to the respective network;
- Requirements for off-site storage needs;
- Physical and network access controls for on-site and off-site storage;
- Processes to ensure backups are viable and can be recovered (for example, routine testing of backup and recovery procedures.)”

Recommendation 2: Management should ensure that a comprehensive documented DRP exists within UT Austin’s Restarting Texas DRP application² for all critical information resources and that it is tested at least annually. Additionally, the DRP should be kept up-to-date as staff and/ or systems change.

Management Response: The Department will begin working on a disaster recovery plan for the unit and expect to have one in place by January 1, 2014.

Implementation Date: January 1, 2014.

Information Systems Security – Securing Unattended Devices

Three of six computers tested did not have password-protected screensaver settings enabled. Unauthorized access to unattended devices may result in harmful or fraudulent disclosure, modification, or deletion of sensitive electronic data. In addition, it may lead to the misuse of critical applications or email accounts.

According to Section 5.18.5 of UT Austin’s *Information Resources Use and Security Policy*, “Unattended computing devices must be secured from unauthorized access. Logical security options include screen saver passwords and automatic session time-outs.”

As a best practice, password-protected screensavers should activate after 15 minutes of idle time.

Recommendation 3: Management should ensure that the password-protected screensaver settings are enabled to activate after 15 minutes of idle time.

Management Response: On August 26th John Bartholomew, the Department Chair, made an announcement to all Kinesiology and Health Education faculty, staff and students to set password protected screensavers to activate no later than 15 minutes of idle time. Patty Coffman, the Department Executive Assistant reminded faculty and staff that the screen saver settings that are configured when the computer is deployed satisfy the University's policies and should not be altered.

² Restarting Texas is an application provided by the Information Security Office and is designed for departmental disaster recovery planning.

Implementation Date: August 26, 2013 Bartholomew announcement.
September 9, 2013 Coffman communication.

Information Systems Security – Position of Special Trust

A Position of Special Trust (PoST) form has not been completed by 14 of 22 employees whose position is designated as having access to Category I data. If the form is not completed, employees may not be aware of their responsibilities for handling Category I data. This could lead to a loss or misuse of the data.

According to Section 5.4.4 of UT Austin’s *Information Resources Use and Security Policy*, “all individuals assigned special privileges should acknowledge their responsibilities by signing a form such as a Position of Special Trust form.”

Recommendation 4: Management should ensure that all individuals with access to Category I data complete a PoST form annually.

Management Response: After learning of this by Internal Audits, Patty Coffman, the Department Executive Assistant, monitors the status of PoST forms monthly and sends emails to all employees, and their immediate supervisor, with instructions to sign the Position of Special Trust (PoST) form. Ms. Coffman sends follow up emails until forms are completed.

Implementation Date: July 1, 2013.

Information Systems Security – Compliance Training

Five of 110 employees tested had not completed TX Class CW 170 – IT Security Awareness training. There is an increased risk of security incidents if employees are not properly trained regarding the use of department information resources.

According to Section 5.22 of UT Austin’s *Information Resources Use and Security Policy*, all employees are required to take Security Awareness General Compliance training within the first 30 days of employment and every two years thereafter.

Recommendation 5: Management should ensure that all employees complete TX Class CW 170 – IT Security Awareness within the first 30 days of employment and every two years thereafter.

Management Response: Patty Coffman, the Department Executive Assistant, requested access to generate compliance status reports. Ms. Coffman established a schedule to run compliance status reports monthly and sends emails to all employees, and their immediate supervisor, with instructions to complete compliance training and sends follow up emails weekly until training is complete.

Implementation Date: September 6, 2013.

Prior to this access, upon receipt of the list of outstanding employees provided by HR, Ms. Coffman sent an email to the employee and

immediate supervisor requesting completion and followed up until training was complete.

Implementation Date: April 15, 2013.

Inventory – Annual Physical Inventory

Annual physical inventory for fiscal year 2012 was not completed by the extended deadline. If inventory is not completed on time, the department may be moved to Cycle 1 (Cycle 1 is the first cycle of inventory season) until inventory certification has been completed in a timely manner. The department may also be charged a penalty if over 2% of inventory is reported as missing.

According to Section 16.4.F of UT Austin's *Handbook of Business Procedures*, "Departments failing to submit completed Physical Inventory Services in the Office of Accounting by the established deadline will be considered non-compliant. Non-compliant departments' inventory will be considered lost or stolen as defined in Part 16.3.F of this Handbook and will be accounted for as such."

Recommendation 6: Management should ensure that the annual physical inventory is completed by the established due date.

Management Response: Patty Coffman assigned a new staff member, George Michael Dunn, EID: gmd456, Administrative Associate, to this responsibility.

Implementation Date: July 8, 2013.

Account Reconciliations – Records Retention

The department was not able to present account reconciliation documentation upon request. If reconciliation records are not retained for the duration of the retention schedule, then the department will be considered non-compliant with the records retention schedule established by UT Austin.

According to the *University of Texas Records Retention Schedule (UTRRS)*, reconciliations must be retained for a period of 3 years after the fiscal year-end in which the reconciliation takes place.

Also, according to Section 20.2 of UT Austin's *Handbook of Business Procedures*, "The retention periods provided in UTRRS are required minimums."

Recommendation 7: Management should ensure that reconciliations are retained for a period of 3 years after the end of the fiscal year in which the reconciliation takes place.

Management Response: All administrative staff were notified of the reconciliation process April 15, 2013. The department purchased FileMaker Pro for all staff and created a database for all financial transactions. Patty Coffman hired a temporary employee to help with

reconciliation effective June 10, 2013 and hired a permanent department accountant Michael Dunn, July 8, 2013 to reconcile transactions daily and maintain records. Area administrative staff are required to keep electronic reconciliations and Michael Dunn, the department accountant retains hard copy reconciliations for three years after the end of the fiscal year.

Implementation Date: June 10, 2013.

Cash and Cash Equivalent Handling – Check Log

Checks received by mail are not logged or copied. If the checks are not logged or copied upon receipt, then there is an increased risk of loss of UT Austin funds.

According to Section 6.3.A.1 of UT Austin's *Handbook of Business Procedures*, "The person opening the mail shall prepare a check log or make copies of the checks as a permanent record of incoming checks."

Recommendation 8: Management should ensure that all incoming checks received by mail are logged in a check log or copied.

Management Response: Patty Coffman, the new executive assistant, implemented a check log system for all incoming checks April 15, 2013.

Incoming funds are copied and logged in upon receipt.

Employees who handle cash are required to take the cash management class and are trained to copy checks and cash upon receipt. The department accountant also retains a copy of the checks and files these with the deposit paperwork.

Dr. Bartholomew, our department chair, will remind faculty and staff of the University's cash handling policy in the department's semi-annual meetings. Patty Coffman requested administrative access to training modules in TXClass to confirm staff who handle cash/cash equivalent have completed the CW 505 Cashier Training class. Each area receiving cash/cash equivalent maintains a serial receipt book and submits cash/cash equivalent to Mike Dunn, our department accountant to ensure a separation of duties. Mr. Dunn verifies the funds, provides a receipt and prepares the deposit, which is kept in a locked cabinet until it is hand carried, in a locked bag, by a third party to the cashier's office. Every effort is made to deposit funds the same day as received. Mr. Dunn maintains a deposit transaction database, which will be verified with the serial receipt books, and reconciled in the month end report. Patty Coffman, EA, will monitor these procedures to assure established guidelines are followed.

Implementation Date: April 15, 2013/October 28, 2013

Procurement Cards (Procard) –Transaction Log

Two of seven shared Procards did not have transaction logs for fiscal year 2012. Without a transaction log for each Procard there is an increased risk of loss or misuse of UT Austin funds.

According to Section 7.8.B of UT Austin’s *Handbook of Business Procedures*, “A Procard is issued to an individual employee who has sole responsibility for the control and use of the card. The cardholder must keep all receipts or documentation for any purchases made and is responsible for verifying that all transactions listed on bank statements are valid and accurate.”

Also, according to UT Austin’s *Procurement Card Program*³, “If the procurement card is used by more than one person, a transaction log must be maintained by the approving official.”

Recommendation 9: Management should ensure that a transaction log is maintained for each Procard, if used by more than one person.

Management Response: All procard holders are required to keep a transaction log. FileMaker Pro was purchased for all staff and we created a uniform database for all staff to enter procard transactions. Receipts are verified against the purchase, signed by the end user and the procard holder. If the procard holder and the end user are the same, a second signature is required.

Implementation Date: April 15, 2013.

Procurement Cards – Proper Documentation

One of 25 Procard transactions tested did not have proper supporting documentation on file. Without proper documentation for each Procard transaction there is an increased risk of loss or misuse of UT Austin funds.

According to Section 7.8.B of UT Austin’s *Handbook of Business Procedures*, “The cardholder must keep all receipts or documentation for any purchases made and is responsible for verifying that all transactions listed on bank statements are valid and accurate.”

Recommendation 10: Management should ensure that proper supporting documentation is maintained for all Procard transactions.

Management Response: Card holders verify that all transactions are legitimate and we established a system for two people to sign on all Procard purchases. The department accountant confirms all paperwork is complete before accepting and reconciling the voucher.

³ Purchasing Office Website -

http://www.utexas.edu/admin/purchasing/procard/pg_postpurch.html#records

Implementation Date: April 15, 2013.

Procurement Cards – Official Occasion Expense Form

Three of 25 Procard transactions tested did not obtain prior approval from the dean or official delegate for entertainment and official occasion-related items. Without the submission of an approved Official Occasion Expense Form (OOEF), the dean or official delegate may not be aware of these types of expenditures.

According to Section 9.1.1.K.1.B of UT Austin’s *Handbook of Business Procedures*, “When using the Procard for entertainment and official occasion-related items, departments must attach a signed Official Occasion Expense Form (OOEF) for each purchase and include the form as a basic part of the back-up documentation retained for the Procard at the departmental level.”

Recommendation 11: Management should ensure that a properly approved OOEF is maintained at the departmental level for entertainment and official occasion-related Procard transactions.

Management Response: All Administrative staff have been trained on the rules for Official Occasion Expenses on the Procard and understand the requirements. The department accountant confirms the paperwork is complete when accepting and reconciling Procard vouchers.

Implementation Date: April 15, 2013.

Travel Expenditures – Request for Travel Authorization

Three of 18 travel transactions tested did not have proper approval obtained from the immediate supervisor prior to travel. Without submission of a Request for Travel Authorization (RTA) to the immediate supervisor, the supervisor may not be aware that an employee is absent from campus for business travel.

According to Section 11.2.A of UT Austin’s *Handbook of Business Procedures*, “Prior approval for all business travel is required for absences of employees from the campus or other designated headquarters for periods of half a day or more during the normal working period, whether or not there is a cost to The University. An electronic Request for Travel Authorization (RTA) should be completed. Approval is delegated to the immediate supervisor.”

Recommendation 12: Management should ensure that all RTAs are submitted and approved by an immediate supervisor prior to travel.

Management Response: Dr. Bartholomew, KHED Chair, notified all faculty and staff that approval for travel must be obtained prior to travel.

Implementation Date: July 1, 2013 with a reminder August 26, 2013.

Travel Expenditures – Reimbursement

One of 18 travel transactions tested indicated that an alcoholic beverage was reimbursed on a travel voucher. Without ensuring that all submitted expenses are allowable, there is an increased risk of misuse of UT Austin funds.

According to Section 11.5.2.C of UT Austin's *Handbook of Business Procedures*, alcoholic beverages are a non-reimbursable expense.

Recommendation 13: Management should ensure that employees are not reimbursed for non-reimbursable expenses.

Management Response: Administrative staff have been informed of this policy. The department accountant confirms all claimed expenses are allowable.

Implementation Date: July 1, 2013.

Entertainment and Official Occasion Expenditures – The Carillon Restaurant

One of 21 entertainment transactions tested was for The Carillon Restaurant and did not have an OOEF on file. Without the submission of an OOEF the dean or official delegate may not be aware of these types of expenditures.

According to Section 9.1.1.K.1.C of UT Austin's *Handbook of Business Procedures*, "...for entertainment IDT charges from The Carillon and Housing and Food 40 Acres Catering, departments are not required to send the signed Official Occasion Expense Form (OOEF) to the Office of Accounting. Departments must attach a signed OOEF for each purchase and include the form as a basic part of the backup documentation retained at the departmental level. Backup documentation is subject to review and must be provided upon request for auditing purposes."

Recommendation 14: Management should ensure that an OOEF is submitted and retained as backup documentation at the departmental level for meals and events held at The Carillon Restaurant.

Management Response: Administrative staff have been reminded of the OOEF requirement. The department accountant confirms paperwork is complete when approving vouchers.

Implementation Date: July 1, 2013.

Entertainment and Official Occasion Expenditures – Proper Approval

One of 21 entertainment transactions tested did not have proper approval from the dean or official delegate on the OOEF. Without proper approval of an OOEF the dean or official delegate may not be aware of these types of expenditures.

According to Section 9.1.1.D of UT Austin's *Handbook of Business Procedures*, "Oversight of entertainment expenditures is required at the senior administrative level, i.e. by vice president and deans. Authority may be delegated by the vice president or dean for approval of charges under \$100 to associate/assistant vice presidents,

associate/assistant deans, department heads, or other staff in leadership roles. Entertainment expenses may require approval prior to the function as determined by the dean or vice president.”

Recommendation 15: Management should ensure that all OOEFs are approved by the dean or official delegate and on file as supporting documentation.

Management Response: Administrative staff have been reminded of the OOEF requirement. The department accountant confirms all paperwork is complete when approving vouchers.

Implementation Date: July 1, 2013.

Travel Expenditures – Gratuity

One of 18 travel transactions tested showed a 20% gratuity was given on a restaurant transaction, and was paid using a local (-19) account. Without ensuring that all submitted expenses are allowable there is an increased risk of misuse of UT Austin funds.

According to Section 11.5.2.B of UT Austin’s *Handbook of Business Procedures*, “Local accounts may reimburse tips and gratuities incurred during travel for official business. The amount of the reimbursement may not exceed 15%.”

Recommendation 16: Management should ensure that no more than 15% gratuity is reimbursed using UT Austin funds in a local account.

Management Response: Administrative staff have been informed of this policy. The department accountant confirms all claimed expenses are allowable.

Implementation Date: July 1, 2013.

Attached you will find a Change in Management Report Card, which is based on our understanding of the controls in place in your unit at the time of our review. If fully implemented, the recommendations above would improve your overall evaluation.

We appreciate the assistance and cooperation of you and your staff in this audit and hope that the information presented herein is beneficial. If you have any questions, please contact Miranda Pruett at 512-471-8975 or miranda.pruett@austin.utexas.edu.

MV: mp

Attachment

cc: Dr. Gregory Fenves, Executive Vice-President and Provost
Dr. Manuel Justiz, Dean, College of Education
Dr. Charles A. Roeckle, Deputy to the President

Change in Management Report Card
 Department of Kinesiology and Health Education, Unit #1120-000

Areas Reviewed	Reasonable to Strong Controls in Place	Opportunity for Improvements	Significant Deficiencies	Material Weaknesses ⁴	Not Applicable to the Unit
Electronic Office Structure					
General Departmental Information/Organization/Activities					
Account Reconciliation					
Endowed /Gift Administration					
Outside Employment/Conflict of Interest					
Cash Registers/Cashiers					
Cash and Cash Equivalent Handling					
Accounts Receivable					
Petty Cash					
Merchandise for Resale					
Inventory					
Controlled Items					
Purchasing Activities					
Procurement Cards					
Travel Expenditures					
Entertainment and Official Occasion Expenditures					
Authorization for Individual Services					
Contracts					
Time Reporting					
Information Systems Security					

⁴ A weakness that significantly impacts the UT Austin's operations or finances