



UNIVERSITY OF
TEXAS
ARLINGTON

**DEPARTMENTAL AUDIT OF STUDENT ACTIVITIES,
UNIVERSITY EVENTS & THE LEADERSHIP CENTER**

JUNE 24, 2013

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MEMORANDUM

TO: Dr. Vistasp Karbhari
President

FROM: Ken Schroeder *Ken Schroeder*
Director of Internal Audit

DATE: June 28, 2013

SUBJECT: Departmental Audit of Student Activities, University Events and The Leadership Center Report Dated June 24, 2013

Executive Summary

As part of FY 2013 Audit Plan, we have completed the Departmental Audit of Student Activities, University Events and The Leadership Center (hereinafter referred to as “Departments”). This audit was included in the annual audit plan at the request of the Vice President for Student Affairs to determine if these departments were operating with requisite internal controls to ensure sound fiscal management.

The overall objective of this audit was to determine if the departments have implemented sound internal control activities including:

- a control conscious environment;
- segregation of duties;
- authorization and approval;
- safeguarding of assets, and
- monitoring.

Based on the review, we noted that the Departments have implemented sound internal controls in their operations. However, we identified a few areas that showed room for improvement. These areas are addressed with our recommendations and management responses. These findings are not considered “significant to the institution” but are reportable. We believe these recommendations will help enhance the Departments’ internal control activities.

We appreciate the courtesy and cooperation we received from Student Activities, University Events and The Leadership Center staff throughout this audit. If you have any questions, please contact me at extension 2-2018.

MEMORANDUM: June 28, 2013

SUBJECT: Departmental Audit of Student Activities, University Events and The Leadership Center Audit Report Dated June 24, 2013

cc: Dr. Ronald L. Elsenbaumer, UT Arlington, Provost and Vice President for Academic Affairs
Ms. Kelly Davis, UT Arlington, Vice President for Business Affairs and Controller
Mr. John Hall, UT Arlington, Vice President for Administration and Campus Operations
Dr. Frank Lamas, UT Arlington, Vice President for Student Affairs and Dean of Students
Ms. Lisa Nagy, UT Arlington, Assistant Vice President for Student Affairs
Mr. Jeff Sorenson, UT Arlington, Assistant Vice President for Student Affairs
Mr. Seth Ressler, UT Arlington, Director, Student Activities, Fraternity & Sorority Life, EXCEL
Campus Activities
Mr. Patrick Kelly, UT Arlington, Director, University Events
Ms. Kerri Ressler, UT Arlington, Director, The Leadership Center
Dr. Pedro Reyes, UT System, Executive Vice Chancellor for Academic Affairs
Mr. Alan Marks, UT System, Attorney – General Law Section
Mr. J. Michael Peppers, UT System, Chief Audit Executive
Ms. Moshmee Kalamkar, UT System, Audit Manager
Mr. Ed Osner, Legislative Budget Board
Mr. Jonathan Hurst, Governor’s Office of Budget, Planning and Policy
Internal Audit Coordinator, State Auditor’s Office
Mr. Ken Levine, Sunset Advisory Commission
Report File

Background Information

The Division of Student Affairs fosters student success and lifelong learning through inclusive programs, services, traditions, and events that engage students in the University community and support their academic goals. The Division of Student Affairs is composed of 23 departments. The audit focused on 3 of the 23 departments: Student Activities, University Events, and The Leadership Center.

Student Activities is the center for out-of-classroom activities at UT Arlington. Participating in co-curricular activities, helps students gain valuable leadership skills that complement their academic work to enhance and enrich their collegiate experience. The Student Activities area includes Excel Campus Activities and the Office of Fraternity and Sorority Life. Over 20,000 students participate in EXCEL events and activities and almost 900 students are part of the Fraternity & Sorority community.

University Events collaborates with other university departments and organizations to produce major campus events that engage students, staff and faculty, and strengthen ties to the University and the community. This includes coordinating major University events such as the Fall Concert Series, MavsMeet After Party, Homecoming, The Big Event, Alternative Breaks, Graduation Celebration, and more. They also share available academic resources and workshops with student executive boards.

The Leadership Center offers a range of programs and services which foster student engagement for the purpose of developing relational and ethical leaders who facilitate the growth and development of the organizations they serve, and are compelled to initiate positive change in their local and world communities.

Objectives

The overall objective of this audit was to determine if Student Activities, University Events and The Leadership Center have implemented sound internal control activities including:

- a control conscious environment;
- segregation of duties;
- authorization and approval;
- safeguarding of assets, and
- monitoring.

Scope and Methodology

The audit was performed in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*. The *Standards* set criteria for internal

audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UTS 129 titled “Internal Audit Activities” requires that we adhere to the *Standards*.

We used UT Arlington’s *Handbook of Operating Procedures* (HOP) and the University Procedures (Procedure) to assess the performance of Student Activities, University Events and The Leadership Center. We utilized an Internal Control Questionnaire (ICQ), which was completed by the management of the Departments to gather preliminary information on the existing internal controls they have in place.

To achieve the listed objectives, we reviewed revenues and expenditures for the period of September 1, 2011 through August 31, 2012, and performed a fluctuation analysis against the comparable prior year period. We also reviewed key operating controls established by the department in the following areas:

- control-conscious environment regarding departmental management, policies, procedures, organization and staffing;
- segregation of duties over expenditures, cash receipts, capital assets and time reporting;
- procurement card expenditures;
- revenues and expenditures, including the monthly Statement of Account reconciliations;
- capital assets;
- cash receipts;
- time reporting; and
- personal use of University resources, including University phone lines.

Audit Results

Control Conscious Environment

Departmental Management

To determine if the Departments have established a control-conscious environment, we determined whether employees responsible for the department’s accounts completed the online compliance training. All employees in our test samples completed the required training. Additionally, the Departments prepared Unit Effectiveness Process (UEP) plans in accordance with the UEP Calendar for 2012 through 2013. A risk assessment was also developed by the Office of the Vice President for Student Affairs that oversees the Departments. The risk assessment identified the key risks for all the departments within Student Affairs including the Departments audited.

Policies and Procedures

The Departments have policies and procedures manuals that provide adequate guidance for employees, including financial and administrative procedures. The fraud policy was communicated to the employees through the compliance training. Additionally, outside employment forms were completed by a majority of the sample of employees selected for testing. For those sampled employees who had not completed their forms, we ensured they were remitted during our fieldwork.

Organization and Staffing

The written job descriptions for the “Administrative and Professional” employees in the Departments were reviewed noting that the responsibilities for internal control were included in the job descriptions. We reviewed a sample of performance evaluations for the Departments and noted that they were completed annually.

No issues were found during the above three areas of review signaling that a control conscious environment exists in the Departments.

Segregation of Duties/Authorization and Approval

To determine if adequate segregation of duties have been established over key processes, including departmental expenditures, cash receipts, asset management and time reporting, we reviewed the responses to the ICQs and compared them with the actual functions observed in the Departments in each of these areas. There is adequate separation of duties in each of the above areas. However, we feel that the internal controls over departmental Procurement Card (ProCard) purchases can be improved for Student Activities and University Events.

Departmental Expenditures

In the case of ProCard purchases, we noted that the person placing the order for supplies/goods is also signing for and receiving them. According to the Fiscal Management section of the Management Leadership Tool, proper segregation of duties in a department ensures that no single individual handles all aspects of a transaction or business process, thus reducing the possibility of undetected errors and/or fraudulent activity.

1. **Recommendation:**

In addition to the ProCard holder who orders supplies/goods, we recommend that another employee verify and sign-off on the delivery receipts upon receipt of the supplies/goods. Having another set of eyes review ProCard purchases will ensure a “checks-and-balance system” on every transaction.

Procedure 4-11: *Purchasing Card (ProCard) Program*, states that “if an employee other than the cardholder is allowed to pick-up or sign for receipt of an item purchased with a

ProCard, the cardholder should sign the delivery document as soon as possible and annotate in the transaction log that this was done.” Therefore, the ProCard holder should also continue to sign-off on the delivery receipts.

Department Name	Management Response	Responsible Party	Target Implementation Date
Student Activities	Student Activities will implement a system designating multiple signers for all office deliveries that will require an alternate staff member to receive and sign for office deliveries and then have the ProCard holder sign the delivery receipt and document in the ProCard transaction log this was done.	Director of Student Activities	June 18, 2013
University Events	University Events will implement a system designating multiple signers for all office deliveries that will require an alternate staff member to receive and sign for office deliveries and then have the ProCard holder sign the delivery receipt and document in the ProCard transaction log this was done.	Director of University Events	June 18, 2013

Cash Receipts

The Departments collect cash receipts in the form of ticket sales, event admissions, alternate spring break programs, concessions, ticket fees, sponsorships, and registration fees for leadership retreats and the certified leaders’ institute. Incoming mail (which sometimes includes checks) is opened by a person who does not have access to the accounting records or the deposits. Cash receipts, including checks and currency, are prepared for deposit by the Administrative Assistant who does not have access to the accounting records. The deposits are then taken to the Bursar’s Office by a person who does not prepare the deposit slip or opens incoming mail. Based on this review, there is proper segregation of duties over cash receipts.

Asset Management

Per review of the ICQ, the Departments maintain an up-to-date listing for all capital assets but not for the departmental high-risk assets, which is addressed later in the section “Safeguarding of Assets.” In accordance with Procedure 2-43: *Responsibilities, Inventories, Reporting and Tracking of University Property*, an annual inventory is to be taken for all assets. Asset purchases must be authorized by the Assistant Vice President for Student Affairs. Staff who take equipment off campus are required to complete the "Removal of Equipment" form.

Time Reporting

To test segregation of duties for time reporting, we reviewed the ICQ responses and examined a sample of time cards. No segregation of duties issues were noted in our review.

Disbursement Tests

Maintenance, Operations, & Travel Expenditures

We reviewed the signatory authority on the Departments' accounts and found that departmental management is primarily responsible for the accounts. We judgmentally selected a sample of the largest expenditures from the Maintenance, Operations and Equipment and Travel accounts. The sampled items were tested for 1) proper supervisory and purchasing department approval, 2) adequate supporting documentation, 3) appropriate business purpose, and 4) realization of available discounts. We verified that no traveler was reimbursed for airfare that was centrally billed. No issues were found during the testing except for the following item:

We noted an incorrect accounting treatment of income as an offset to expenditures for The Leadership Center. Generally Accepted Accounting Principles (GAAP) requires that revenue is reported as revenue and expense as expense. Payments for a leadership retreat were treated as a reduction in expenses. The Office of Accounting and Business Services confirmed that the transaction should have been treated as income.

2. **Recommendation:**

We recommend that the accountant for The Leadership Center coordinate with the Office of Accounting and Business Services to ensure the proper accounting treatment and reporting of income.

***Management Response:** All monies received departmentally will be deposited into an income line within the account receiving the funds. Accountant will coordinate training with the OABS department to ensure received funds are handled correctly.*

***Target Implementation Date:** June 21, 2013*

***Responsible Party:** The Director of The Leadership Center and the Accountant II.*

ProCards

We selected a sample of ProCard statements to determine whether 1) the cardholder maintained a transaction log, 2) the transactions logs were reconciled against the ProCard statements, 3) supporting documentation was maintained and deemed adequate, 4) both the cardholder and

cardholder's supervisor signed the transaction log, 5) departmental personnel reconciled and electronically approved documents prior to the established deadline, 6) a Purchasing Card Reconciliation Log was prepared monthly as needed, and 7) whether the expenditures appeared appropriate. All the testing criteria were adequately satisfied.

Cash Receipts

We judgmentally selected a sample of cash receipts from DEFINE and vouched the cash receipts to supporting documentation such as validated deposit slips, Bursar's cash receipts and check log noting timeliness of deposits. We found no errors except that the Departments did not maintain a log of checks received through the mail. As a result of the audit, a log is now maintained for checks received through the mail by the Departments. As an additional audit step, we tried to select a sample of cash receipts to determine if they could be matched to entries in DEFINE but were unsuccessful in that attempt due to the condition of the records during the September 2011 through August 2012 time period. For that time period, the Departments did not have an adequate method to verify the receipts. The Departments used generic cash receipts books as opposed to the University required cash receipt books as noted in Procedure 2-14, *Cash and Check Handling*. The cash receipts were not traceable to the deposit slips. This was brought to the Departments' attention in the fall of 2012. To determine if proper handling of cash receipts has now been implemented, we selected a sample of current cash receipts for January and February 2013 for tracing to entries in DEFINE. During this process, we noted that the University required deposit slips were being used, there was agreement between the deposit slips and monthly statements of account, and the deposits were made timely. No errors were found during this testing and the entries were properly recorded in DEFINE.

A working fund of \$300 is utilized by Student Activities, University Events, The Leadership Center, and Fraternity/Sorority Life. A count of the fund revealed no errors found.

Safeguarding of Assets

Asset Inventory for the Departments are maintained under the same unit code, 0463 in DEFINE. We judgmentally selected a sample of assets and verified their existence, location, and asset tag without exception. We also traced a sample of assets in the department to the inventory listing. The assets tested were accurately inventoried in DEFINE.

In the course of the testing, we learned that the Departments do not maintain a listing of its "high-risk" assets. The high-risk assets include data projectors, stereo systems, cameras, video cameras, TV/VCR/camcorders/laserdisc players, and printers (not Apple). According to Procedure 2-43: *Responsibilities, Inventories, Reporting and Tracking of University Property*, Departmental High-Risk Assets are those "controlled assets with a value of less than \$500. These assets should be tagged with a departmental tag and a listing of the assets should be maintained in the department." If these assets are not inventoried, they cannot be accounted for and monitored, which results in a higher chance for theft or misplacement.

3. Recommendation:

The Departments High-Risk Assets (those controlled assets with the value of less than \$500) should be inventoried with a departmental tag so that they can be accounted for and be tracked easily. A periodic physical inventory of these items should also be done so that the chances of misplacement or theft are minimized.

Department Name	Management Response	Responsible Party	Target Implementation Date
Student Activities	Department will create a list of high-risk (non UTA tagged items) assets within their area and maintain a bi-annual physical inventory to minimize security risks.	Director of Student Activities	August 1, 2013
University Events	Department will create a list of high-risk (non UTA tagged items) assets within their area and maintain a bi-annual physical inventory to minimize security risks.	Director of University Events	August 1, 2013
The Leadership Center	Department will create a list of high-risk (non UTA tagged items) assets within their area and maintain a bi-annual physical inventory to minimize security risks.	Director of The Leadership Center	August 1, 2013

Monitoring

Accounting and Financial Reporting

We selected a sample of Statement of Account (SOA) reconciliations to verify whether they were prepared in accordance with Procedure 2-3: *Statement of Accounts*. We tested whether 1) both revenues and expenditures are reconciled on a monthly basis; 2) the person preparing the reconciliation signs-off; 3) the Account Administrator reviews the monthly statements and reconciliations, and signs-off to document this review; and 4) adequate supporting documentation is maintained. No exceptions were noted.

Time Reporting

Per Procedure 3-2: *Definitions of Terms*, “*Exempt employee refers to an employee who, because of his/her position classification, qualifies as being exempt from the overtime provisions of the Fair Labor Standards Act. Exempt employees are not required to maintain*

weekly time cards and generally do not receive overtime pay for work performed in excess of the normal 40-hour work week. Nonexempt employee refers to an employee who, because of his/her position classification is subject to the overtime provisions of the Fair Labor Standards Act. This employee is required to maintain bi-monthly/monthly time cards and will be paid at one and one-half times the hourly rate or will be granted compensatory time for work performed in excess of 40 hours during the normal work week at a rate of time and a half."

We examined a sample of timecards for exempt and nonexempt employees to determine whether they were properly approved by the supervisor and if the time recorded was mathematically correct. We noted some inaccuracies in the calculation of the hours worked for some of the staff in Student Activities and University Events, posting the hours to incorrect lines on the time sheets, and inadequate review and approval by the supervisor. Per Procedure 3-7: *Time Reports*, "all nonexempt employees, both hourly and salaried, must complete monthly/semi-monthly time cards. Time sheets must accurately reflect total number of hours worked and the total number of hours absent from work during any given workweek. Each time sheet must be signed by the employee and his/her supervisor. Since time records are official documents and are subject to review by Federal and State authorities, accuracy and completeness are essential."

Additionally, we verified whether the vacation, sick leave and compensatory (comp) hours reported on the time cards sampled were accurately reported in DEFINE. Vacation and sick leave reported was accurate, but we noted that comp time taken was not recorded in DEFINE, even though the Departments kept an internal record of comp time earned and used. The *Payroll Services* section of the DEFINE Education Handbook for Administrative and Support Staff states that "vacation, sick, overtime and comp time is recorded by the department in command ETA (Entry of Manual Adjustments) in *DEFINE."

4. **Recommendation:**

We recommend that the staff take additional training in recording and managing time sheets. Additionally, the accountant should input the comp time accruals and deductions in DEFINE along with vacation and sick leave adjustments as defined in the DEFINE training manuals.

Department Name	Management Response	Responsible Party	Target Implementation Date
Student Activities	Accountant will schedule additional training in recording time and managing time sheets for all staff that are responsible for processing this task. Accountant will document comp time in DEFINE system.	Director of Student Activities & Accountant II	No later than August 31, 2013 due to OABS training availability
University Events	Accountant will schedule additional training in recording time and managing time sheets for all staff that are responsible for processing this task. Accountant will document comp time in DEFINE system.	Director of University Events & Accountant II	No later than August 31, 2013 due to OABS training availability
The Leadership Center	Accountant will schedule additional training in recording time and managing time sheets for all staff that are responsible for processing this task. Accountant will document comp time in DEFINE system.	Director of The Leadership Center & Accountant II	No later than August 31, 2013 due to OABS training availability

Personal use of Property

We reviewed the responses to the ICQs and selected a sample of phone bills to verify whether phone charges (long distance) were being monitored for personal use. Based on the sample selected, phone bills are monitored for personal use without exception.

Analytical Review

We performed analytical reviews of the revenue and expenditures for FY 2011 and FY 2012 for all three departments which had a percentage change of greater than 10% to determine unusual trends. For University Events, it was noted that the department began operating under its own accounts in FY 2012. Therefore, the results of the variance analysis were not meaningful to determine unusual trends between FY 2011 and FY 2012.

For Student Activities and The Leadership Center, we reviewed the fluctuations by functional category such as salaries & wages, maintenance & operations, revenue, travel, scholarships, etc., between the two years for reasonableness, and noted no material exceptions.

Conclusion

Based on our review, we noted that the Departments have implemented sound internal controls in their operations. However, we identified a few areas that showed room for improvement.

These areas are addressed with our recommendations and management responses. These findings are not considered “significant to the institution” but are reportable. We believe these recommendations will help enhance the Departments’ internal control activities.

We appreciate the courtesy and cooperation we received from the staff of Student Activities, University Events and The Leadership Center throughout the audit.