

FY16 Departmental Change in Management Review

Center for STEM Education



August 2016

**The University of Texas at Austin
Office of Internal Audits
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This report has been distributed to Internal Audit Committee members, the Legislative Budget Board, the State Auditor's Office, the Sunset Advisory Commission, the Governor's Office of Budget and Planning, and The University of Texas System Audit Office for distribution to the Audit, Compliance, and Management Review Committee of the Board of Regents.

**FY16 Departmental Change in Management Review: Center for STEM Education
Project Number: 16.210**



OFFICE OF INTERNAL AUDITS
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August 30, 2016

President Gregory L. Fenves
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Fenves,

We have completed our review of the Center for STEM Education, unit code #2960-000. Our scope included controls and operations in place for fiscal year 2016.

Based on limited procedures performed, we conclude that the Center for STEM Education has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for Cash and Cash Equivalent Handling, Account Reconciliations, Inventory, Procurement Cards, and Travel Expenditures. Our report provides detailed observations for each area under review. Please note that Information Technology results will be reported separately. Suggestions are offered throughout the report for improvement in the existing control structure.

We appreciate the cooperation and assistance of the Center for STEM Education throughout the review and hope that the information presented herein is beneficial.

Sincerely,



Michael W. Vandervort, CPA
Chief Audit Executive

cc: Institutional Audit Committee Members
Ms. Nancy Brazzil, Deputy to the President and Chief of Staff, Office of the President
Dr. Manuel Justiz, Dean, College of Education
Dr. Victor Sampson, Director, Center for STEM Education
Ms. Patricia Ohlendorf, Vice President for Legal Affairs
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EXECUTIVE SUMMARY

The Office of Internal Audits (Internal Audits) has completed a review of internal controls and basic operating procedures in the Center for Science, Technology, Engineering, and Mathematics (STEM) Education, unit code #2960-000. This unit was chosen as part of our annual audit plan for fiscal year 2016. The review consists principally of an examination of the unit's completed Unit Head Questionnaire. A review is substantially less in scope than an audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.

Conclusion

Based on the limited procedures performed, we conclude that the Center for STEM Education has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for Account Reconciliations, Cash and Cash Equivalent Handling, Inventory, Procurement Cards, and Travel Expenditures.

Summary of Recommendations

Each issue found has been ranked according to The University of Texas System Administration Audit Issue Ranking guidelines. Please see Appendix B for ranking definitions. Internal Audits identified two notable issues which led to the following recommendations:

- Cash and Cash Equivalent Handling - Separation of Duties (Audit Issue Ranking: High); and
- Cash and Cash Equivalent Handling - Check Logs (Audit Issue Ranking: High).

Five additional recommendations are also provided, but are considered minor in significance. Information Technology results will be reported separately.

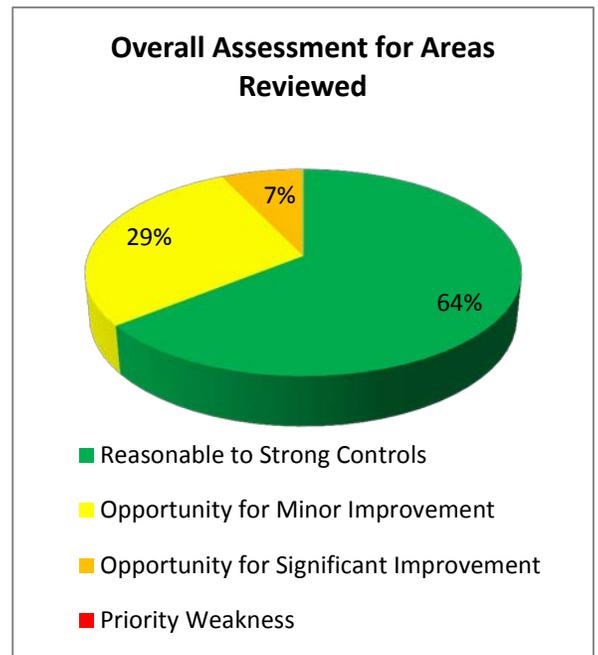
Management agreed with our observations and has provided corrective action plans that are expected to be implemented on or before September 1, 2016.

Scope and Objective of Limited Review

Departmental Change in Management reviews are conducted annually, and units are chosen based on assessment of risk when a change in management in the period reviewed has occurred. The objective is to evaluate the adequacy and effectiveness of the unit's structure, processes, and internal controls and to determine compliance with relevant policies and procedures.

Background Summary

The Center for STEM Education at The University of Texas at Austin is a research, teaching, and service unit located in the College of Education. The mission of the Center is to improve the teaching and learning of Science, Technology, Engineering, and Mathematics (STEM).¹ The Center has approximately 25 employees and a total departmental budget of \$12.8 million.



¹ <http://stemcenter.utexas.edu/about/>



PURPOSE OF REVIEW

The Office of Internal Audits (Internal Audits) has completed a review of internal controls and basic operating procedures in the Center for Science, Technology, Engineering, and Mathematics (STEM) Education, unit code #2960-000. This unit was chosen as part of our annual audit plan for fiscal year 2016. The review consists principally of an examination of the unit's completed Unit Head Questionnaire. A review is substantially less in scope than an audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*. The purpose of this review is to inform the department of areas that can be strengthened to improve the overall internal control environment.

BACKGROUND

The Center for STEM Education is a research, teaching, and service unit located in the College of Education. The mission of the Center is to improve the teaching and learning of Science, Technology, Engineering, and Mathematics by providing support for, and fostering collaboration among, researchers interested in conducting externally-funded interdisciplinary research on STEM teaching and learning, the conditions that influence it, and innovations that can maximize it.² The Center has approximately 25 employees and a total departmental budget of \$12.8 million.

SCOPE, OBJECTIVES, AND PROCEDURES

The scope of this limited review included controls and operations of the department in place during fiscal year 2016. Our objectives were to evaluate the adequacy and effectiveness of the unit's structure, processes, and internal controls and to determine compliance with relevant policies and procedures.

To achieve these objectives, Internal Audits:

- Surveyed the unit via questionnaire to ascertain reported strength in internal controls and compliance with UT Austin rules;
- Reviewed the department's electronic office structure and employees' appointment statuses;
- Conducted limited testing on account certifications, account reconciliations, payroll/HR, cash and cash equivalent handling, inventory, purchasing, procurement card expenditures, travel expenditures, and entertainment and official occasion expenditures; and
- Clarified follow-up issues through e-mails, meetings, and other correspondence.

² <http://stemcenter.utexas.edu/about/>



REVIEW RESULTS

We conducted a limited review of internal controls in 19 areas regarding departmental operations and financial processes, of which five areas were not applicable to the Center for STEM Education. The overall assessment for each of the remaining 14 areas reviewed can be found in Appendix A and is summarized below:

- 9 (64%) areas had reasonable to strong controls in place,
- 4 (29%) areas had overall opportunity for minor improvement,
- 1 (7%) area had overall opportunity for significant improvement, and
- 0 (0%) areas had a priority weakness.

Recommendations were made in areas where opportunities for improvements were noted and are detailed in the remainder of this report. The area of cash and cash equivalent handling has multiple issues noted and ranked. Information Technology issues will be reported separately. Each issue found has been ranked according to The University of Texas System Administration (UT System) Audit Issue Ranking guidelines. Please see Appendix B for ranking definitions.

Cash and Cash Equivalent Handling – Separation of Duties **Issue Ranking: High**

One employee is responsible for both cash handling and record-keeping within the department. The department's current procedures do not address separation of duties regarding cash handling. If cash handling and record-keeping functions are not separated, then there is an increased risk of mishandling and misappropriation of funds.

Section 6.1B of UT Austin's *Handbook of Business Procedures* states "The cash handling and record-keeping functions should be separated."

Recommendation 1: Management should ensure that the cash handling and record-keeping functions are separated.

Management's Corrective Action Plan:

Department policy changes have already begun and will officially go into effect September 1, 2016. The *Business Office and Travel Support Specialist* is responsible for logging all checks that are received in the Cvent registration system and running a tape for the daily batch. The batch is then handed over to the *Business Office and Accounting Support Specialist*, who is responsible for logging all checks on a separate spreadsheet and verifying tape matches official log. When that process is done and confirmed, *Business Office and Accounting Support Specialist* creates VC1 document and scans all checks within the batch with the VC1 cover sheet for departmental record keeping. The *Manager of Business Operations and Human Resources* approves the doc, and the batch is taken to the bursar's office by 4:00 the same day by *Business Office and Travel Support Specialist*.



Responsible Person: *Business Office and Travel Support Specialist; Business Office and Travel Accounting Specialist; and Manager of Business Operations and Human Resources*

Planned Implementation Date: 09/01/2016

Post Review: Internal Audits will follow-up in the second quarter of FY17.

Cash and Cash Equivalent Handling – Check Log

Issue Ranking: High

The department does not keep supporting documentation for deposits of checks received by mail. Employees were not aware that a check log or copies of checks are required. When documentation is not maintained of incoming checks by mail, there is a risk of misuse or loss of funds.

UT Austin's *Handbook of Business Procedures* Section 6.3 states "The person opening the mail shall prepare a check log or make copies of the checks as a permanent record of incoming checks. This is not required if receipts are issued. The name of the paying party, the name of the bank or financial institution, the date received, the check number, and the amount of the check shall be recorded in the check log."

Recommendation 2: When checks are received by mail, Management should ensure that either check logs or copies of checks are maintained to document their receipt.

Management's Corrective Action Plan:

Department policy changed immediately upon realization that this was not already happening. Please see the response in recommendation 1 for details regarding this correction, as now all VC1 documents that are created also include scanned copies of each check within each batch.

Responsible Person: *Business Office and Travel Accounting Specialist, and Manager of Business Operations and Human Resources*

Planned Implementation Date: started 05/06/2016

Post Review: Internal Audits will follow-up in the second quarter of FY17.

Cash and Cash Equivalent Handling – Procedures

Issue Ranking: Medium

Current cash handling procedures do not adequately address controls to provide reasonable assurance that cash handling improprieties will be prevented and detected. The department was not aware of all required aspects for cash handling procedures, to include segregation of duties, receiving funds, custody of funds, depositing and



reconciling funds. If proper cash handling procedures are not established, then there is an increased risk for fraud or misappropriation of assets.

Section 6.1.D of UT Austin's *Handbook of Business Procedures, Documentation File* states "Each department accepting cash shall maintain a documentation file. This file shall include: Departmental cash handling procedures. The procedure will be reviewed by the Office of Internal Audits in the normal course of its activities."

Recommendation 3: Management should ensure all aspects of cash handling are included in their current procedures.

Management's Corrective Action Plan:

Department policy changes have already begun and will officially go into effect September 1, 2016. Document provided by auditors will be used as a template for specific department action and procedures including those listed in the action plans of recommendation 1 and recommendation 2.

Responsible Person: *Manager of Business Operations and Human Resources*
Planned Implementation Date: 09/01/2016

Post Review: Internal Audits will follow-up in the second quarter of FY17.

Account Reconciliations – Electronic Account Certifications

Issue Ranking: Medium

The department does not consistently reconcile all accounts. Unreconciled accounts may be the result of oversight during staff changes. When required accounts are not consistently reconciled, there is an increased risk of misuse or loss of funds.

UT Austin's *Segregation of Duties and Reconciliation of Accounts Monitoring Plan* states, "As part of University account reconciliation (review) controls, University Business Officers (Officers) will determine that reconciliation (review) duties are segregated and that required account reconciliations (reviews) are completed in the departments/units within their schools."

Recommendation 4: Management should ensure that all departmental accounts are reconciled on a monthly basis.

Management's Corrective Action Plan:

Reconciliation emails are sent to *Manager of Business Operations and Human Resources* on the 15th day of each month. *Manager of Business Operations and Human Resources* will check all accounts in all department unit codes on the 15th day of each month whether or not that email notification is received.

Responsible Person: *Manager of Business Operations and Human Resources*



Planned Implementation Date: Department policy changes and actions have already gone into effect.

Post Review: Internal Audits will follow-up in the second quarter of FY17.

Inventory – Inventory Certification Forms **Issue Ranking: Medium**

Inventory certification forms were not consistently completed for two Principal Investigator's (PI) sub-unit codes in all three years examined. The two missing certification forms were related to the PIs moving to a different university in the middle of the year resulting in an oversight by management to complete the certification for these sub-unit codes. Without adequate oversight over inventory, there is an increased risk that UT Austin property may be misused or misappropriated.

UT Austin's *Handbook of Business Procedures* Section 16.1.C, *Inventory Control and Property Management Overview, Accountability and Responsibility for Property in the University's possession* states, "Unit administrators must establish internal controls that ensure...inventory is taken periodically with documented changes, reconciliation, and annual physical inventory certification."

Recommendation 5: Management should ensure that inventory certification forms are completed each year for all sub-unit codes.

Management's Corrective Action Plan:

Inventory functions will be transferred to the *IT Manager* for maintenance, upkeep, and performance of the inventory management. This will provide better focus and understanding of the department's assets, as this position handles the initial purchase requests from directors for equipment the department owns.

Responsible Person: *IT Manger* with oversight by *Manager of Business Operations and Human Resources*

Planned Implementation Date: 09/01/2016

Post Review: Internal Audits will follow-up in the second quarter of FY17.

Procurement Cards – Supporting Documentation **Issue Ranking: Medium**

For two of five (40%) Procard samples selected for testing, the department did not retain supporting documentation for purchases. STEM physically moved office locations and some hard copy items that were believed to be already scanned were missed. Without adequate supporting documentation for Procard purchases, there is an increased



risk that goods purchased with UT Austin funds may not be used to conduct UT Austin business.

UT Austin's *Handbook of Business Procedures* Section 7.8 B, *Procurement Card (Procard) Program Policies and Guidelines*, states "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 6: Management should ensure Procard holders maintain receipts and/or documentation for all purchases.

Management's Corrective Action Plan:

Steps are being made to scale back the number of procards within the department, as recommended by our finance dean. This will help in the overall maintenance and reconciliation of procard purchases and will aid in the VP7 creation. *Business Office and Accounting Support Specialist* will be responsible for gathering all receipts for all purchases and credits, make the proper entries into the mainframe regarding accounts and object codes, and route to *Business Office and Travel Support Specialist* for scanning and secure department filing.

Responsible Person: *Business Office and Accounting Support Specialist, Business Office and Travel Support Specialist, and the Manager of Business Operations and Human Resources*

Planned Implementation Date: 09/01/2016

Post Review: Internal Audits will follow-up in the second quarter of FY17.

Travel Expenditures – Travel Requests Approvals
Issue Ranking: Medium

For one of three (33%) Request for Travel Authorizations (RTA) tested, approval was not obtained from the immediate supervisor. Principal Investigators (PI) are not currently included in the routing for travel requests even though the PI may be an employee's direct supervisor in human resource records. Without submission of an RTA to the immediate supervisor, the supervisor may not be aware that an employee is absent from campus for business travel.

Section 11.2.A of UT Austin's *Handbook of Business Procedures* states, "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."

Recommendation 7: Management should ensure that all travel requests are submitted to the employee's immediate supervisor for approval.



Management's Corrective Action Plan:

Department policy changes have already begun and will officially go into effect September 1, 2016. Internal routing of all travel documents now require approval signature from each traveler's direct supervisor (this includes project PIs) before going to the *Business Office and Travel Support Specialist* for processing.

Responsible Person: Each traveler for each trip is responsible for obtaining approvals from all necessary parties before the trip begins; *Business Office and Travel Support Specialist, Data Systems Administrator* (oversees electronic approval routing process)

Planned Implementation Date: 09/01/2016

Post Review: Internal Audits will follow-up in the second quarter of FY17.

CONCLUSION

Based on the procedures performed, we conclude that the Center for STEM Education has reasonable to strong controls in most of the areas reviewed. However, opportunities for improvement were noted for Cash and Cash Equivalent Handling, Account Reconciliations, Inventory, Procurement Cards, and Travel Expenditures.

A Unit Head Report Card can be found in Appendix A. The evaluation is based on our understanding of the controls currently in place in the Center for STEM Education. If fully implemented, then the recommendations above would improve the overall evaluation.

In accordance with directives from The University of Texas System Board of Regents, the Office of Internal Audits will perform follow-up procedures to confirm that recommendations have been implemented.



APPENDIX A UNIT HEAD REPORT CARD*

Areas Reviewed	Issue Ranking: Priority ^a	Issue Ranking: High	Issue Ranking: Medium	Overall Assessment ^b
Electronic Office Structure	0	0	0	
General Departmental Information/Organization/Activities	0	0	0	
Payroll/HR	0	0	0	
Account Reconciliation	0	0	1	
Endowed Positions /Gift Administration	NA	NA	NA	
Outside Employment/Conflict of Interest	0	0	0	
Cash and Cash Equivalent Handling	0	2	1	
Cash Registers/Cashiers	NA	NA	NA	
Petty Cash	NA	NA	NA	
Accounts Receivable	0	0	0	
Merchandise for Resale	NA	NA	NA	
Inventory	0	0	1	
Controlled Items	NA	NA	NA	
Purchasing Activities	0	0	0	
Authorization for Individual Services	0	0	0	
Contracts	0	0	0	
Procurement Cards	0	0	1	
Travel Expenditures	0	0	1	
Entertainment and Official Occasion Expenditures	0	0	0	
[a] A priority weakness that significantly impacts UT Austin's operations or finances will be reported to UT System.				
[b] Overall assessment is determined by the number of issues in one area or by the highest level ranking across multiple areas.				
Overall Assessment				
Reasonable to Strong Controls	9			
Opportunity for Minor Improvement	4			
Opportunity for Significant Improvement	1			
Priority Weakness	0			
Not Applicable	5			

* The Office of Internal Audits has completed a review of internal controls and basic operating procedures in this department. The review consists principally of an examination of the unit's completed Unit Head Questionnaire. A review is substantially less in scope than an audit in accordance with the *International Standards for the Professional Practice of Internal Auditing* and with *Government Auditing Standards*.



APPENDIX B

Audit Issue Ranking

Audit issues are ranked according to the following definitions, consistent with UT System Audit Office guidance. These determinations are based on overall risk to UT System, UT Austin, and/or the individual college/school/unit if the issues are left uncorrected. These audit issues and rankings are reported to UT System directly.

- **Priority** – A Priority Issue is an issue that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Austin or the UT System as a whole.
- **High** – An issue that is considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
- **Medium** – An issue that is considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
- **Low** – An issue that is considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level. Issues with a ranking of “Low” are reported verbally to the unit and are not included in the final report.