



## Audit Summary

The Center for Behavioral and Experimental Economic Science applied internal controls consistently prior to its closing on August 31, 2012.

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## Departmental Background

The Center for Behavioral and Experimental Economic Science (CBEES) focused on providing controlled experiments within the University community to learn about economic behavior. CBEES was a research laboratory housed within the School of Economic, Political and Policy Sciences that conducted experiments using a variety of economic settings. Their fiscal year 2012 budget was \$13,721, and they had 15 employees. CBEES closed its laboratory operations effective August 31, 2012.

## Objective and Scope

At the request of the former Dean for the School of Economics, Political and Policy Sciences and current Vice Provost, the objective of this audit was to provide assurance to UT Dallas management that sound fiscal controls existed within the Center prior to the Center's closing. The scope of this audit was fiscal year 2012.

To complete this objective we reviewed selected areas of CBEES operations regarding the reliability and integrity of financial and operating information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws and regulations. Specifically we performed the following:

- Gained an understanding of operations through interview of staff, review of departmental information, policies and procedures, and other documents relevant to internal controls.
- Considering the closing of the Center, we conducted a risk assessment of Center operations and focused our testing on key risk areas given the specific circumstance. We reviewed the following areas:
  - Account Reconciliations - To ensure that the department is completing account reconciliations in a timely manner and in accordance with UT Dallas and UT System policies; we analyzed cost center account reconciliations for July and August of 2012.
  - Expenses - To ensure an internal control process for Center expenditures existed, we judgmentally selected a sample of 12 expenses for review.
  - Purchasing Cards - To determine if adequate controls existed over purchasing cards, we reviewed all transactions for the months of July and August 2012.
  - Inventory - To determine if the controls over property inventory are adequate, we judgmentally selected 30 assets for physical inspection.



- Closing procedures - We examined the Center for dedicated policies and procedures governing its closing.

Where applicable, our examination was conducted in accordance with guidelines set forth in The Institute of Internal Auditors' *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 of audit work, and management of the internal auditing department.

## Audit Results

Internal controls are designed to provide reasonable assurance regarding the achievement of departmental objectives in the following categories: a) effectiveness and efficiency of operations; b) reliability of financial reporting; and c) compliance with laws and regulations. Department heads are ultimately accountable for the internal controls in place in their department. The following were observations shared with management:

- Center account reconciliations were approved and up-to-date without exception.
- Center expenses were properly authorized.
- Purchasing card transactions appeared appropriate. However, management was informed that two of the five transactions did not properly reflect the correct account code on the cardholder activity report.
- Asset inventory is appropriately safeguarded with the exception of one item. Management has been requested to update property records to reflect a missing laptop identified during our review.
- The Center did not have a formal closing process to follow. We identified a deficit balance of over \$10,000 for one of the Center's assigned cost centers for FY 13. Management has been requested to work with the Office of Budget and Finance to properly address the remaining deficit.

We appreciate the courtesy and cooperation received from the management and staff of the Center for Behavioral and Experimental Economic Science.

Toni Messer Stephens  
Executive Director of Audit and Compliance



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