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July 20, 2015

Dr. Hobson Wildenthal, President *ad interim*
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of the Center for BrainHealth as part of our fiscal year 2014 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 an adequate and effective system of controls was in place in responding to risks within the Center's governance, operations, and information systems.

Overall, controls should be improved within the Center. The attached report details recommendations that will enhance the achievement of the Center's objectives, the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations and programs, the safeguarding of assets, and compliance with laws, regulations, policies, and procedures.

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:

Dr. Sandra Chapman, Chief Director of the Center for BrainHealth

Members of the UT Dallas Institutional Audit Committee:

External Members:

Mr. Bill Keffler
Mr. Ed Montgomery
Ms. Julie Knecht
Dr. Inga Musselman, Acting Provost
Dr. Calvin Jamison, Vice President for Administration
Mr. Terry Pankratz, Vice President for Budget and Finance
Mr. David Crain, Vice President and Chief Information Officer
Dr. Bruce Gnade, Vice President for Research
Dr. George Fair, Vice President for Diversity and Community Engagement; Compliance Officer
Dr. Gene Fitch, Vice President for Student Affairs
Mr. Timothy Shaw, University Attorney

The University of Texas System:

Dr. Steven Leslie, Executive Vice Chancellor for Academic Affairs
Alan Marks, Attorney
Mr. J. Michael Peppers, CIA, CRMA, CPA, FACHE, Chief Audit Executive
Ms. Moshmee Kalamkar, CPA, CIA, Audit Manager

State of Texas Agencies:

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



Executive Summary

Center for BrainHealth, Report No. 1517

Audit Objective and Scope: The objective of our audit was to provide assurance that an adequate and effective system of controls was in place in responding to risks within the Center’s governance, operations, and information systems. Our scope covered fiscal year 2013, 2014, and current operations.

The following is a summary of the audit recommendations by priority and risk type. See Appendix A for additional details.

High (0)	High/Medium (1)	Medium(7)	Low(0)
Recommendation	Priority and Risk Type	Estimated Implementation Date	
(1) <i>Develop Memoranda of Understanding</i>	High/Medium; Reputational	August 31, 2015	
(2) <i>Improve Controls and Compliance over Donations and Gift Processing</i>	Medium; Compliance	<ul style="list-style-type: none"> • Gift Support Documentation - June 1, 2015 • Donation Tracking System - August 1, 2015 • Segregation of Cash Handling Duties - September 1, 2015 	
(3) <i>Improve Controls over Cash Handling</i>	Medium; Designed Controls	<ul style="list-style-type: none"> • Cash Handling Policy - September 1, 2015 • Deposit Improvements - December 31, 2015 	
(4) <i>Improve Compliance and Controls over Expenses</i>	Medium; Compliance	<ul style="list-style-type: none"> • Partially Implemented • Delegation of Authority – August 31, 2015 	
(5) <i>Enhance Information Security Controls</i>	Medium; Information Security	May 15, 2017	
(6) <i>Enhance Safety Controls</i>	Medium; Life Safety	September 30, 2015	
(7) <i>Implement a Process for Background Checks on Volunteers</i>	Medium; Compliance	<ul style="list-style-type: none"> • Background Checks - Implemented • Written Policy – August 31, 2015 	
(8) <i>Improve Accounting for Cash Advances</i>	Medium; Designed Controls	December 31, 2015	
Responsible Vice President: Dr. Bruce Gnade, Vice President for Research		Responsible Party: Dr. Sandra Chapman, Chief Director of the Center for BrainHealth	
Staff Assigned to Audit: Polly Atchison, CPA, CIA; Audit Manager. Staff Assigned: Ashley Mathew; Ray Khan			



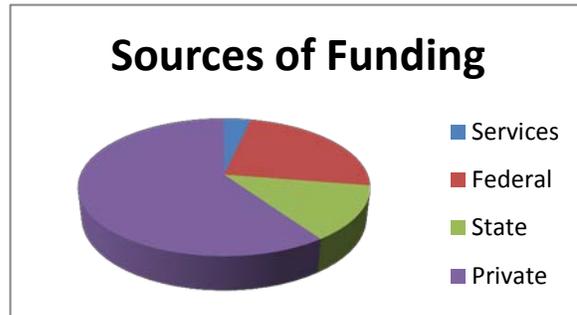
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Background

The [Center for BrainHealth](#), created in 1999, has a mission to “*understand, protect and heal the brain.*” The Center is housed off the main UT Dallas campus in the Francis and Mildred Goad Building, which features state-of-the art research space dedicated to studying the brain. In 2013, The UT System Board of Regents approved construction of the [Brain Performance Institute](#), which is an extension of the Center.

The Center’s Founder and Chief Director reports to the Vice President for Research and engages community support from a leadership council and an advisory board. The Center’s primary source of funding is through grants from governmental, foundation, and private sources. Other financial information is show below.



FY 2014 Departmental Information	
Number of Employees	155
Revenues	\$9.9 Million
Expenditures	\$10.2 Million

Audit Objective

The objective of our audit was to provide assurance that an adequate and effective system of controls was in place in responding to risks within the Center’s governance, operations, and information systems.

Scope and Methodology

The scope of this audit was fiscal years 2013, 2014, and current operations, and our fieldwork concluded on April 16, 2015. To satisfy our objectives, we performed the following:

- Gained an understanding of the Center’s operations through discussions with responsible personnel, review of applicable policies and procedures, and review of other documentation as necessary.
- Performed a risk assessment of the Center’s operations and developed audit procedures to provide assurance on the key risk areas.
- Evaluated and tested policies and procedures, including criminal background checks, events, conflicts of interest, account reconciliations, property, and time and effort certifications.



- Determined if expenses complied with applicable policies and procedures, grant and gift restrictions, and were reasonable to the mission of the Center.
- Reviewed and tested the adequacy of controls over cash handling and donations to ensure compliance with policies and procedures and accuracy of financial reporting.
- Verified that research projects were properly approved by the Institutional Review Board, maintained in a confidential manner, and followed approved protocols.
- Reviewed the process for human subject payments and tested supporting documentation for cash advances and related payments to ensure internal controls were in place.
- Determined if adequate controls were in place over lab safety and emergency management.
- Assessed controls over information security, including access to confidential data.
- Followed up on previous audit recommendations.

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

Audit Recommendations

The Center for BrainHealth has grown tremendously since it was created in 1999, making great strides in improving brain health and identifying and treating brain injury and disease. Opportunities exist to improve controls over the Center's operations to help it further succeed in its mission.

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.*"¹

We have no **UT System Priority Findings** resulting from this audit.

¹ Appendix A defines the priority and risk ranking used for all internal audit recommendations.



Audit Recommendations

See Appendix A for the Priority Findings and Risk Matrix defining the various risk factors and risk levels for each audit recommendation.

(1) **Develop Memoranda of Understanding**

Risk Factor: Reputational; Risk Rating: **High/Medium**★

In 2013, The UT System advisory task force report, *Best Practices Regarding University-Affiliated Foundation Relationships*², was issued. The report contains five recommendations for university-affiliated foundation relationships to ensure mission alignment, transparency, exemplary governance, and consistently applied gift acceptance policies that honor donor intent. Key to these best practices is the development of a Memorandum of Understanding (MOU) that clearly defines the relationship between the University and its affiliated foundations.

The Center has affiliations with outside entities, but formal MOUs do not exist. This increases the risks of potential misunderstandings, improper use of University resources, conflicts of interest not being properly managed, inefficiencies, records not being properly safeguarded, inadequate accounting and recordkeeping, and noncompliance with donor intent. Examples noted during our audit included the following:

- QuickBooks software, used for accounting for the Foundation for BrainHealth, was purchased using University funds.
- The Accounting Manager performs accounting duties for the Foundation as part of his university job duties.
- The conflict of interest disclosure for the Chief Director did not indicate her affiliation with the Foundation. Conflict of interest forms for executive management in the Center were never prepared. Two of these employees have a relationship with a company that processes donations for the Center.
- One affiliated foundation, the Communities Foundation of Texas, reimbursed Center employees for business expenses from foundation funds, rather than Center employees requesting reimbursement via Procurement Management from university funds.

Recommendation: The Center should work with the Offices of the University Attorney and the Vice President for Advancement and Communications to ensure that MOUs are developed with all affiliated entities with the seven minimum requirements recommended by the task force, the MOUs should be periodically updated, and that all best practices recommended in the UT System report should be adopted.

² <http://www.utsystem.edu/documents/docs/board-regents/best-practices-regarding-university-affiliated-foundation-relationships>



Management's Response:

We agree to the audit finding and have been working closely with the University Attorney, Tim Shaw, on developing a Memoranda of Understanding for all entities affiliated to the Center. Drafts of the MOU's will be forwarded to Sandra Chapman, Ph.D. and Kimber Hartmann, J.D. within two to three weeks of the date of this letter and will be finalized over the summer of 2015 at the latest. As agreed upon with the Office of Institutional Equity and Compliance, the Conflict of Interest forms will be completed for executive staff as soon as the MOU's are executed. All other business process and staff effort issues listed in the report, including the use of foundation resources to pay for university expenses and vice versa, will be addressed during MOU negotiation and execution.

Estimated Date of Implementation: *August 31, 2015*

Person Responsible for Implementation: *Dr. Sandra Chapman, Chief Director*

(2) Improve Controls and Compliance over Donations and Gift Processing

Risk Factor: Compliance; Risk Rating: **Medium** ★

The Center receives most of its funding from private sources. During FY 2014, almost \$6 million was received from private donations. The Center handles most of the collections and accounting for donations, which can be made in several different ways:

- Donations may be made directly to the Center³ via their website, mail, or on the phone. Approximately \$136,285 of the donations in FY 2014 was made directly to UT Dallas.
- Donations may also be made to the Center via outside foundations, such as the Communities Foundation of Texas (CFT). Approximately \$5.8 million of the donations were made to the Center in FY 2014 using an outside party.

We reviewed controls over donation processing and compliance with the UT Dallas Gifts and Grants from Private Philanthropic Sources Policy,⁴ noting the following opportunities for improvement:

- Due to the way donations are handled by the Center and outside foundations, not all donor letters and other information regarding donor restrictions are sent to the Office of Development which will eventually handle their processing. The Office of Development is the responsible University department for handling gifts. This increases the risk that donor intentions may not be properly monitored.

³ http://www.brainhealth.utdallas.edu/donate/ways_to_donate/

⁴ <https://policy.utdallas.edu/utdbp3004>



- Differences occurred between the donation logs maintained by the Center, the Office of Development records, and the records maintained by CFT. According to the Event and Donor Relations Specialist, the donation log is used by the Center to initially record all donations, their details, restrictions, and check information.
 - 38 donations from the donation log for CFT were not on the bank statements. These deposits totaled \$331,305.
 - Three deposits to CFT were not marked in the donation log. These totaled \$121,000. There was also a reversal for \$5,000 that was not marked in the log.
 - Ten donations totaling \$167,750 were reversed out according to the CFT statements. There was no reversal or omission contained in the log.
 - Revenues for ticket sales totaling \$151,893 were coded as donations.
- Separation of duties in the donation handling process can be improved to minimize the risks of errors and abuse:
 - The Event and Donor Relations Specialist handles all donation receipt, processing, and depositing duties. She also maintains all donation related records and the spreadsheet of all donations received by the Center.

Recommendation: The Center should work with the Office of Development to ensure donations are being handled in accordance with UT Dallas policies and that the Office of Development is aware of all gifts, their restrictions, donors, and handling of tax information. The donation handling process should be improved to ensure a proper separation of duties

Management's Response:

We agree to the findings of the audit, and have made actions to implement the following plans:

- *Starting June 1, 2015, all support documents will be scanned and sent to the Office of Development at least once every two weeks. The said documents will be sent with the list of donations that the center has been sending before. All support documents prior to the said date are in paper form and kept at the center for filing and safe keeping. This procedure has been agreed upon by the Associate Vice President of Development.*
- *The procedures for logging all cash and checks when received will be handled on item number 3 below under the Cash Handling Policy. Additionally, we will implement improvements on reconciling our internal gift tracking system by adding more date fields to be able to track the status of a particular gift and match accordingly to external statements. The said system is done in Microsoft Access and has been in use and reconciled on a regular basis since April 2014.*
- *The segregation of duties will be covered on Item number 3 below under the Cash Handling Policy, which will be sent to the UT Dallas Office of Treasury for approval.*



Estimated Date of Implementation:

Gift support documentation – June 1, 2015

Improvements on donation tracking system – August 1, 2015

Segregation of duties related to cash handling – September 1, 2015

Person Responsible for Implementation: *Al Abundo, Financial Manager*

(3) Improve Controls over Cash Handling

Risk Factor: Designed Controls; Risk Rating: **Medium** ★

The Center collected approximately \$2.3 million in cash and checks during fiscal year 2014 for events, donations, sales and services. We tested for appropriate controls over the cash handling process and compliance with the UT Dallas Cash Handling Policy⁵. Compliance with the policy helps to ensure the risks of loss, error, and abuse. The following opportunities to improve controls exist:

- When events are conducted off-site or during non-working hours, cash and checks are collected by the available employee on-site, and then stored in a locked bag with supporting documentation in the employee's home until being returned the next day. The employee that collected the funds gives the bag to another person for reconciliation. There is no documented reconciliation or accounting of the funds prior to the employee taking the funds home.
- Checks being sent to the Communities Foundation are not restrictively endorsed upon receipt
- No policy unique to the Center exists for cash handling or petty cash.
- Donations and other funds collected are not deposited in compliance with the UT Dallas Cash Handling policy. Instead, the deposits are made once a week or less.

Recommendation: Strengthen controls over cash handling to ensure compliance with UT Dallas policies and implement a proper segregation of duties over cash handling functions.

⁵ <http://policy.utdallas.edu/utdbp3040>



Management's Response:

We partially agree to the findings of the audit, and have made actions to implement the following plans:

- *Accepting cash and checks are now strictly discouraged during off-site events and are required to be done online using any of the websites approved by UT Dallas or covered by the MOU (item number 1 above). The donor/payer must not have the ability to provide any other means of payment except cash or check in order to be considered as an exception, which will be included on the Cash Handling Policy to be approved by the UT Dallas Office of Treasury.*
- *We communicated the finding to restrictively endorse checks that go to Communities Foundation of Texas (CFT), and both of CFT's Data Management Director and Fund Administration Director were neither comfortable for UT Dallas to endorse checks nor provide any restrictive language on checks before they come to CFT because technically the donor is making the check to CFT on behalf of the Center for BrainHealth at UT Dallas, and the latter does not retain any control of these gifts. We will make sure this process is documented on the MOU to relieve any possible conflict in the future.*
- *The Center's cash handing and petty cash policy is currently being updated to include the recent findings from this audit report and will be sent to the UT Dallas Office of Treasury for approval.*
 - *We are working with the UT Dallas Office of Treasury to review the current business process and evaluate the feasibility of options anticipated to strengthen compliance with the University's cash handling policy. The options currently under review include but are not limited to the following:*
 - *Using the Armored Transport service currently used by Callier (an additional stop at CBH)*
 - *Making deposits in a local BOA branch*
 - *Setting up remote scanners for check deposits*
 - *A combination of any of the above*

It is estimated that the feasibility study will be concluded by August 31, 2015 with full implementation of corrective measures by December 31, 2015.

Estimated Date of Implementation:

Center's cash handling policy - September 1, 2015

Deposit improvements completion – December 31, 2015

Person Responsible for Implementation: *Al Abundo, Financial Manager*



(4) **Improve Compliance and Controls over Expenses**

Risk Factor: Compliance; Risk Rating: **Medium** ★

We tested expenses, including travel, entertainment, and purchasing card transactions, for proper controls and compliance with University procedures, noting the following opportunities for improvement:

Authorization and Approval of Expenses:

- UT Dallas employees are required to submit travel authorizations to their immediate supervisors prior to travel. Travel authorizations were not always being approved by the employee's immediate supervisor, and in some cases were not approved until after the travel had occurred.
- Both the Director and the Accounting Manager approve expense vouchers and travel authorizations. In some cases, they have approved the Chief Director's travel authorizations and travel and expense reimbursements. While their job responsibilities would allow the approval of Center expenses, they should not approve their supervisor's expenses. The Chief Director's expenses should be approved by her supervisor, the Vice President for Research. Also, the Chief Director should designate in writing in the Center's internal procedures the delegation of authority for the Director and accounting Manager to approve travel and entertainment expenses for Center staff. This would include the authorization of travel expenses using travel cards.

Compliance with University Procedures:

- Tips were being reimbursed when employees were traveling. The UT Dallas policy on travel⁶ states that employees will not be reimbursed for tips or gratuities.
- Other instances of noncompliance included using university funds for a donation made to an organization, purchasing a parking pass for an employee, purchasing software for the Foundation (noted in recommendation (1) above), splitting purchases on purchasing cards, personal expenses for tuition, fees, and textbooks⁷, account coding errors, and lack of supporting documentation.
- University procedures⁸ require obtaining bids for purchases over \$10,000 to ensure the best price for goods and services. We tested \$255,405 in purchases that required a bid and noted 50% did not comply with the bidding requirements.

⁶ <http://policy.utdallas.edu/utdbp3027>

⁷ The employee had verbal approval to do this from his manager; however, he agreed to reimburse the University for the expenses

⁸ <http://www.utdallas.edu/procurement/departments/purchasing/>



Recommendation: Controls should be improved over compliance with University procedures and authorization of expenses. Internal procedures specific to the Center's approvals should be developed that delegate approval authority from the Chief Director to the designated fiscal officer.

Management's Response:

We partially agree to the findings of the audit, and have made actions to implement the following plans:

- Authorizations are now being approved strictly by the immediate supervisors. This procedure was made effective May 1, 2015, including the Chief Director's expenses that are now approved by the Dean of Behavioral and Brain Sciences, who currently holds her appointment. In addition, we also ensured that approvals were completed prior to the travel.*
- We are in the process of writing the internal procedures to delegate authority for the Director and the Accounting Manager when approving travel and entertainment expenses for Center staff and will seek for a final review from the Office of Procurement Management, the Dean, and the Office of Research.*
- We communicated the audit findings on tips and gratuities to the Office of Procurement Management. The response we received from the Assistant Vice President of Procurement was that the policy referenced (UTDBP3027) was requested to be removed and replaced with one Travel Policy in Policy Navigator and many procedures which are posted in askYoda. Additionally he noted that, while the state of Texas does not permit gratuities when using state funds, UT Dallas policy permits gratuities when using local funds as long as those gratuities are normal and customary and do not exceed 20%.*
- For expenses that may not be covered by the MOU (item number 1 above) or any guidance provided by the Office of Procurement Management's website, we will make sure to notify the Office of Procurement Management, resolve the issue with a written response or approval, and keep all documentations related to the matter.*
- We are working closely with the UT Dallas Purchasing department to ensure compliance with the bidding policy. All purchases that are more than \$10,000 are now being pre-approved by the Purchasing department before a formal request is created on the system. This effort started in March 2015.*

Estimated Date of Implementation:

Travel authorization and approval of expenses – Implemented May 1, 2015
Delegation of Authority to the Director and Accounting Manager – August 31, 2015
Other expense issues that relate to compliance – Implemented May 1, 2015
Bid process for purchases over \$10,000 – Implemented March 2015

Person Responsible for Implementation: *Al Abundo, Financial Manager*



(5) **Enhance Information Security Controls**

Risk Factor: Information Security; Risk Rating: **Medium** ★

We reviewed information security controls surrounding applications critical to the Center to ensure that data is being properly secured and risks over unauthorized access were minimized. We identified the following opportunities for enhancement:

- 14% of users who had access to the BrainHealth user group were no longer affiliated with the Center. This was the result of the checkout process not being communicated to all relevant staff and sponsorship renewals being granted without verifying current affiliation.
- Study Trax, a research platform used by the Center, did not have SSL (secure socket layer) functionality enabled. Without the SSL functionality, data that is communicated over the network could be compromised.
- A backup communication channel to the Center's services and the UT Dallas network no longer exists. Without a backup, a disruption in services would occur if the building's network went down.

Recommendation: Information security controls should be enhanced by improving checkout procedures to ensure access is properly deleted. Sponsorship renewals should be reviewed to ensure affiliations are current before access is granted. SSL should be enabled on the Study Trax system, and the backup communication channel to the UT Dallas network should be resolved.

Management's Response:

We agree to the findings of the audit, and have made actions to implement the following plans:

- *Formal check-out procedures and policies are currently under development and will be implemented over the summer.*
- *Sponsorship and user group maintenance will take place on an ongoing basis through check-out procedures and at least quarterly for all users, including supervisory approval of access and group memberships.*
- *Implementation of SSL functionality for the StudyTrax research platform has already been implemented.*
- *In addition, the Center recognizes and acknowledges the need for a backup communication channel to the UT Dallas network. A proposal to address this problem has been developed and presented with final approval anticipated by November 16, 2015. The proposed solution is a second, distinct circuit that is included in the plan for the Brain Performance Institute and would be implemented alongside the building construction. The expected completion date for both construction projects is May 15, 2017. The new circuit will be bridged with the existing circuit and each will provide backup for the other.*



Estimated Date of Implementation:

May 15, 2017

Person Responsible for Implementation: *Scott Smith, Lead Systems Administrator*

(6) Enhance Safety Controls

Risk Factor: Life Safety; Risk Rating: **Medium** ★

The Center is not located on the UT Dallas main campus, and therefore has additional and unique responsibilities in managing its safety issues. We reviewed various controls over safety and identified the following opportunities to enhance controls:

- Not all labs and research staff were registered within BioRAFT, the University's system for managing and ensuring training in lab safety. The labs do not use chemicals or generate hazardous waste; however, none of the labs had been inspected. With the growth of the Center and certain labs being designated as research labs, training and inspections are essential. Inspections of the Center's labs are now being planned by Research Compliance.
- Special event risk assessments are required by UT Dallas for events sponsored by UT Dallas or a third party, jointly sponsored events, or third parties providing services for an event⁹. These risk assessment forms were not being filled out and submitted for approval by the Center.
- An informal crisis plan has been created; however, the plan is not communicated to the entire staff. In the event of an emergency, staff may not understand how to handle the situation. The UT Dallas Emergency Preparedness Policy¹⁰ was developed in 1997, prior to the creation of the Center, and does not address the unique situation of the Center.

Recommendation: The Center should work with the Office of Research to register their labs and researchers; submit special event risk assessments when needed; and work with Environmental Health and Safety to formalize its crisis management plan and make it available for all employees.

Management's Response:

We partially agree to the findings of the audit, and have made actions to implement the following plans:

- *The Center for BrainHealth acknowledges that laboratory safety is very important. The only space in our building that falls under the purview of BioRAFT is a small blood lab on the second floor of this building. This room was originally setup and approved by the Office of Research Compliance, and properly entered in BioRAFT. Staff using this lab space is currently renewing their training and an inspection was done on June 4, 2015 with the report Grade of Pass and Rating 5/5.*

⁹ <http://www.utdallas.edu/administration/insurance/>

¹⁰ <http://policy.utdallas.edu/utdbp3086>



- *The guidelines for special events will be adhered to and risk assessment forms for special events will be submitted when needed.*
- *A temporary crisis plan will be developed in the next three months. The formal deployment of the Building Safety and Emergency Plan being implemented by the Office of Emergency Management will take place no later than September 30, 2015. This will be a permanent solution that will be updated on an annual basis.*

Estimated Date of Implementation: *September 30, 2015*

Person Responsible for Implementation: *Bruce Jones, Director, Research and Operations*

(7) Implement a Process for Background Checks on Volunteers

Risk Factor: Compliance; Risk Rating: **Medium** ★

In compliance with University policies¹¹, the Center does background checks on both hourly and full-time employees. However, background checks are not performed on student volunteers. The student volunteers are typically interns and have access to confidential research data. Although student volunteers are not specifically mentioned in the policy, since they work with confidential data background checks could help prevent misuse and abuse of this data.

Recommendation: The Center should implement procedures to ensure background checks are performed on student (or any other) volunteers who may have access to confidential data or meet other criteria listed in the UT Dallas policy on criminal background checks.

Management's Response:

We agree to the audit findings and are in the process of updating our written policy on Criminal Background Checks.

- *Specifically, all volunteers with guest, intern, or volunteer status are required to complete the UT Dallas Criminal Background Check form, which is sent to the UT Dallas Police Department. For personnel who are on UT Dallas payroll, the Office of Human Resources coordinates the process performed by Hire Right. An approved status of Criminal Background Check is required before a staff or volunteer can start any form of work with the Center.*

Estimated Date of Implementation:

The process was implemented on May 4, 2015

Written policy on Criminal Background Checks – August 31, 2015

¹¹ <http://policy.utdallas.edu/utdbp3000>



Person Responsible for Implementation:

*Process Implementation - Wendy Newton, Human Resources Coordinator
Written Policy – Al Abundo, Financial Manager*

(8) Improve Accounting for Cash Advances

Risk Factor: Designed Controls; Risk Rating: **Medium** ★

Research participants are paid by the Center for various research experiments. Approval to pay participants for these research projects is given by the Institutional Review Board. After approval, a researcher requests a cash advance from Procurement Management to have the funds available to pay these participants. When the funds are spent, a voucher is submitted to Procurement Management detailing the payments. Any funds not spent must be returned to the University, and if necessary additional advances may then be requested.

We reviewed the cash advance process and noted the following:

- For FY 2014, the Center's records listed 27 advances totaling \$32,620; but records maintained in PeopleSoft by Procurement Management listed 21 advances totaling \$28,540, a difference of \$4,080.
- For FY 2015, the Center's records showed 23 advances totaling \$30,330, but PeopleSoft records showed 26 advances totaling \$35,090, a difference of \$4,760.

Both the Center and Procurement Management staff stated that the discrepancies were due to problems inherent to PeopleSoft. The University recently implemented the Greenphire system to handle research payments to reduce the need for cash advances. The Center has plans to use this system in the future.

Recommendation: The Center should work with Procurement Management to ensure proper accounting and reconciliation of cash advances. Using the University's new Greenphire system for handling research payment should resolve these issues.

Management's Response:

We agree to the findings of the audit, and have made actions to implement the following plans:

- *All open cash advances will be closed and the Center for BrainHealth will implement the Greenphire system for all research studies to handle future payments to study participants.*

Estimated Date of Implementation:

December 31, 2015

Person Responsible for Implementation: *Bruce Jones, Director, Research and Operations*



Status of Prior Audit Recommendations

The following is the status of implementation of the recommendations resulting from a review of the Center for BrainHealth, dated December 5, 2008.

Recommendation	Implemented?
<p>Account Reconciliations: The Center should ensure that a process is in place such that all accounts are reconciled and reviewed in a timely manner. Furthermore, the process should require that either the reconciler or reviewer be a responsible person on the account and have specific knowledge of the activity of the account.</p>	✓
<p>Expenses:</p> <ul style="list-style-type: none"> • To mitigate the risks of fraud or abuse, all cards purchased and given out should be tracked. Gift cards should be treated as cash and maintained in a secure location at all times. Proof of the recipient (signature or other adequate documentation) should be obtained and kept as supporting documentation with the gift card tracking. • The Center should ensure that travel authorizations be submitted prior to travel, and only persons with signature authority on the account should approve expenses and IDT's to minimize the risk of error or abuse. Correct object codes should be used, and if necessary, Procurement Management should be consulted. • PI's and account reconcilers should work together to ensure gift funds are used as the donor requested. Also, expenses which are not in compliance with grant restrictions should be removed from the account and paid for with other unrestricted funds. 	<p>Gift cards are no longer used.</p> <p style="text-align: center;">Partially implemented. See recommendation (4) above.</p> <p style="text-align: center;">✓</p>
<p>Purchasing Cards: We recommend that:</p> <ul style="list-style-type: none"> • Adequate supporting documentation be maintained • Cardholder activity reports should be dated by the reviewer to document that review was conducted in a timely manner. • Adequate signature authority should be followed. • All applicable policies be adhered to (no split transactions, and paid taxes) • Expenses should be coded with the correct object code that best reflects the expense purpose. 	Partially implemented. See recommendation (4) above.
<p>Human Resources:</p> <ul style="list-style-type: none"> • Policies should be developed and documented to ensure that payroll is accurate and that a proper segregation of duties exists over time reporting. • Performance appraisals should be performed in accordance with UTD policies. 	<p style="text-align: center;">Partially implemented, but will be moving to PeopleSoft time reporting.</p> <p style="text-align: center;">Probationary evaluations are not being completed.</p>



Recommendation	Implemented?
<p>Revenues:</p> <ul style="list-style-type: none"> If approval and a reason for a free assessment are not documented, then the risk of abuse is increased. The reason for giving free assessments should be documented along with the Director's approval. Receivables should be monitored and unpaid invoices should be followed-up on in a timely manner. Written procedures should be developed. CBH staff should clearly document incoming revenue so that an audit trail of funds received, deposited, etc. is produced to support the activity and the final revenue deposited. 	<p>No longer applicable.</p> <p>✓</p> <p>See recommendation (2) above.</p>
<p>Contracts and Grants:</p> <ul style="list-style-type: none"> All expenditures should be reviewed by the Contract and Grant Specialist. In addition, the school should consider revising the monitoring procedures so that the Contract and Grant Specialist can learn of any expenses that have taken place without her review/approval. In addition, the Center should formally document contract and grant monitoring procedures/policies so that they can be adequately communicated to all the stakeholders. 	<p>✓</p>
<p>Property:</p> <ul style="list-style-type: none"> We recommend that policies and procedures over property management should be developed, documented, and communicated to employees. Gifts of property, including artwork, should be recorded as gifts-in-kind and recorded in the property records at UTD. 	<p>Procedures were developed; however, they are currently out of date. Gifts are now being recorded.</p>
<p>Compliance with Policies and Procedures:</p> <ul style="list-style-type: none"> Policies and procedures should be documented. Job descriptions specific to the position should be developed. We recommend that expenses comply with the university's entertainment policy. We recommend that documentation with account restrictions be developed for non-endowed gift accounts, so that compliance with donor's wishes can be monitored by the Office of Development. 	<p>Partially implemented. See related recommendations above.</p>



Recommendation	Implemented?
<p>Cash Handling:</p> <ul style="list-style-type: none"> The Center for Brain Health should improve cash handling procedures. All petty cash funds at the Center should comply with UTD Business Procedure Memorandum (BPM) No. 27. The Center should contact the Office of Finance to bring funds into compliance. All petty cash fund custodians should be reminded of petty cash fund procedures. Donor requests for their donations to be used in a specific manner should always be met if possible. If not possible, clear communication with the donor should be made to determine agreement of the use of funds. In addition, all gift accounts assigned to the Center should have clear and documented purposes such that the use of the account funds can be matched to the donor's requests. Written procedures should also be documented outlining the Center's treatment (what account or accounts the donations can be applied to) of donations that come in without any specific requests by the donor. The Center should obtain a restrictive endorsement stamp to be used on all incoming checks at the time of receipt to minimize the risk of fraud. 	<p>Partially implemented. See recommendations (2) and (3) above.</p>
<p>Information Resources: We recommend that the disaster recovery plan be improved to ensure data recoverability and that Information Resources work with the Center and with UTD management to ensure they have the resources required to achieve their mission, goals and objectives.</p>	<p>✓</p>
<p>Contracts: A new contract between the Dallas Foundation and the Center should be prepared and signed in accordance with UT System policies.</p>	<p>Not implemented. See recommendation (1) above.</p>
<p>Conflict of Interest: Conflict of Interest forms should be filled out thoroughly.</p>	<p>Not implemented. See recommendation (1) above.</p>

Conclusion

Overall, controls should be improved within the Center. Implementation of the recommendations will enhance the achievement of the Center's objectives, the reliability and integrity of financial and operational information, the effectiveness and efficiency of operations and programs, the safeguarding of assets, and compliance with laws, regulations, policies, and procedures.

We appreciate the courtesy and cooperation received from the management and staff in the Center for Brain Health as part of this audit.



Appendix: Priority Findings and Risk Matrix

Definition of Risks

Risk Level	Definition
High	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/Medium	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.

Risk Factors

- Reputation - damage to the image of UT Dallas and/or UT System
- Information Security - integrity, confidentiality and availability of information
- Compliance – compliance with external legal or regulatory requirements
- Accomplishment of Management’s Objectives – goals being met, projects being successful
- Effectiveness and Efficiency – objectives at risk and/or resources being wasted
- Capital Impact - loss or impairment of the use of assets
- Life Safety – including loss of life, injury, toxics/infectious disease
- Management Oversight
- Operational Alignment – management’s alignment of people, process and technology to efficiently accomplish organization objectives
- Designed Controls – adequacy of controls within critical operations
- Payments/Expenditures – including fines and legal costs
- Lost Revenue – actual and/or opportunities