

### Departmental Background

*Issues in Science and Technology (Issues)*, a magazine published by The University of Texas at Dallas in collaboration with the National Academies, is a forum for discussion of public policy related to science, engineering, and medicine. *Issues* is published on a quarterly basis and subscriptions can be purchased for students, individuals, and institutions.

Issues in Science and Technology Summary	
FY 2012 Budget	\$509,000
Number of Employees	3



### Objective and Scope

The objective of this audit was to ensure that an adequate system of internal controls is in place in *Issues in Science and Technology* to provide reasonable assurance of sound management.

The scope of this audit was February 2011 – August 2012.

To complete this objective we reviewed selected areas within Issues’ 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 interviews of the staff and review of departmental information, policies and procedures, and other documents relevant to internal controls.
- Conducted a risk assessment of departmental operations.
- Tested a sample from the following areas: account reconciliations, expenses, salaries, and contracts.

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 maintaining a system of internal controls within their department. The following includes best practices in the department regarding internal controls, and ways to strengthen them:

Category	Recommendations
<p><b>Supplemental Payroll</b></p>	<p>The National Academy of Sciences gives \$10,000/year to two employees to help offset out-of-network health costs since they are located in Washington D.C. The supplemental distribution is determined by the Editor.</p> <p>The Editor and Managing Editor each receive salary supplements to help cover out of network health costs. As of September 2011, the Editor is no longer a subscriber to the UT Select medical health plan. As a result of this, he also receives an additional \$58.58 as a supplement since he no longer receives health coverage from the university. The documentation to support the supplements was dated June 2000. Without appropriate and current documentation supporting the salary supplements, the risk of unauthorized payments to employees is increased.</p> <p><b>Recommendation:</b> We recommend merging the supplemental health stipend with the employees’ salaries.</p>

Category	Recommendations
	<p><i>Management's Response and Action Plan: The recommendation suggested was followed.</i></p> <p><i>Estimated Date of Implementation: 9/1/12</i></p>
<p><b>Business Expense Reimbursement</b></p>	<p>By testing a sample of departmental business expense reimbursements, we found a lack of appropriate business purpose for business expense reimbursements. We tested a total of seven business expense reimbursements for both the Editor and Managing Editor. All seven of the reimbursements that were tested did not have appropriate business purposes listed. University procedures<sup>1</sup> require an appropriate business purpose to be included on the business expense reimbursement form.</p> <p><b>Recommendation:</b> We recommend management review the policies, procedures, and guidelines set forth by the Procurement Department for business expense reimbursements<sup>2</sup> and build the necessary controls to ensure established policies are followed going forward.</p> <p><i>Management's Response and Action Plan: Review has been completed in person with editor, who will advise managing editor.</i></p> <p><i>Estimated Date of Implementation: Going forward from 9/1/12</i></p>
<p><b>Contracts and Service Agreements</b></p>	<p>UT Dallas (UTD) and National Fulfillment Services (NFS) have a service agreement in place in which NFS currently provides order fulfillment, accounts receivables, reporting, shipping, and customer service for the <i>Issues</i> magazine. The service agreement between UTD and NFS was not on file with <i>Issues</i> or with the Procurement Department. <i>Issues</i> was able to obtain a copy from NFS that was dated August 21, 2007, but it did not contain signatures authorizing the agreement. Without a signed, current agreement, the risk of unauthorized expenses is increased.</p> <p><b>Recommendation:</b> We recommend management review the policies, procedures, and guidelines set forth by UT System<sup>3</sup> and the Procurement Department for contracts and service agreements. We also recommend</p>

<sup>1</sup> [http://www.utdallas.edu/business/admin\\_manual/pdf/e18.pdf](http://www.utdallas.edu/business/admin_manual/pdf/e18.pdf)

<sup>2</sup> [http://www.utdallas.edu/business/admin\\_manual/pdf/e18.pdf](http://www.utdallas.edu/business/admin_manual/pdf/e18.pdf)

<sup>3</sup> <http://www.utdallas.edu/procurement/contractsmgmt.html>



Category	Recommendations
	<p>that this service agreement be reviewed periodically by management based on the policies and procedures set forth by UT System and UTD.</p> <p><b>Management’s Response and Action Plan:</b> <i>A new, updated contract was put in place August 31, 2012. It will be reviewed annually.</i></p> <p><b>Estimated Date of Implementation:</b> <i>Aug. 31, 2012</i></p>
<b>Other Issues</b>	<p>Other minor issues were discussed with the Vice President, such as policies and procedures manual, check log process, compensatory policy, job descriptions, and expense reimbursement receipts. The Vice President agreed to address these issues within the upcoming months.</p>

We appreciate the courtesy and cooperation received from the management and staff of Issues in Science and Technology.

Toni Messer Stephens  
Executive Director of Audit and Compliance

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