

February 28, 2014

Dr. Daniel,

We have completed an audit of the Lena Callier Trust for the Hard of Hearing and the Deaf 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 objectives of the audit were to ensure compliance with the criteria established by the Trust and certain UT Dallas policies and procedures. Also, to determine if revenues are recognized and expenses are incurred in accordance with the term of the Trust for fiscal year ending August 31, 2013. This audit is required annually by the Trust Agreement.

Overall, we found that UT Dallas generally complies with the Trust agreement requirements. We found that prior audit recommendations had been implemented, and we offer no recommendations for improvement.

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  
Executive Director of Audit and Compliance

*UT Dallas Responsible Parties:*

Dr. Bert Moore, Dean of the School of Behavioral and Brain Sciences  
Dr. Thomas Campbell, Executive Director of the Callier Center

*Members of the UT Dallas Audit and Compliance Committee:*

Dr. Hobson Wildenthal, Executive Vice President and Provost  
Dr. Calvin Jamison, Vice President for Administration  
Mr. Terry Pankratz, Vice President for Budget and Finance  
Dr. Andrew Blanchard, Vice President for Information Resources and Chief Information Officer  
Dr. Bruce Gnade, Vice President for Research  
Dr. Darrelene Rachavong, Vice President for Student Affairs  
Dr. James Marquart, Vice Provost  
Dr. Sue Taylor, Acting Chief Information Security Officer  
Mr. Timothy Shaw, University Attorney  
Ms. Lisa Choate, Partner, Ultimate Health Resources

*The University of Texas System:*

Dr. Pedro Reyes, 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

*Bank of America*

Trust Operations

## Executive Summary

### Lena Callier Trust for the Hard of Hearing and the Deaf, Report No. 1410

**Audit Objective and Scope:**

The objectives of the audit were to ensure compliance with the criteria established by the Trust and certain UT Dallas policies and procedures. Also, to determine if revenues are recognized and expenses are incurred in accordance with the term of the Trust for fiscal year ending August 31, 2013. This audit is required annually by the Trust Agreement.

**Audit Results:**

Overall, we found that UT Dallas generally complies with the Trust agreement requirements. We found that prior audit recommendations had been implemented, and we offer no recommendations for improvement.

**Conclusion:**

UT Dallas is in compliance with the criteria established by the Trust and certain UT Dallas policies and procedures. Revenues were properly recognized on a material basis consistent with that of the previous fiscal year, and expenses were incurred in accordance with the term of the Trust for fiscal year ending August 31, 2013.

**Responsible Vice President:**

Dr. Hobson Wildenthal, Executive Vice President and Provost

**Responsible Party:**

Dr. Thomas Campbell, Executive Director of the Callier Center

**Staff Assigned to Audit:**

Toni Stephens, CPA, CIA, CRMA; Executive Director; student interns from the Internal Auditing Education Partnership Program at the Naveen Jindal School of Management: Kyle Mozur and Connie Wheeler



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## Background

The Lena E. Callier Trust for the Hard of Hearing and the Deaf (Trust) was created by the will of Lena E. Callier (Will) on May 1, 1975. The will established the Trust, and the Trust is perpetual and irrevocable. The Trustee, Bank of America, has determined UT Dallas to be the recipient of the net income earned by the Trust. UT Dallas is the sole recipient of net income of the Trust per the Agreement between the Trustee and UT Dallas. The Agreement is revocable and can be cancelled by either party with six months written notice. The Agreement requires UT Dallas to provide the Trustee “evidence satisfactory to Trustee that said funds, when paid, will be used for the purposes herein set forth.” As a result, UT Dallas performs procedures to ensure that funds received from the Trust are spent for Trust purposes.

The Trust is a portfolio composed of monies from oil and gas rights, mineral properties, real estate, money market funds, and various other securities. See the Appendix on page seven for a summary of the Will and Trust provisions. The table below illustrates the net income received from the Trustee, including interest income and expenses over the last four fiscal years. The expenses for fiscal year 2013 included maintenance and operation and capital outlay.

	2013	2012	2011	2010
<b>Revenue</b>	\$202,442	\$189,907	\$150,192	\$197,275
<b>Expenses</b>	\$289,135	\$71,866	\$292,159	\$359,103
<b>Market Value</b>	\$5,884,845	\$5,525,976	\$5,343,300	\$4,733,323

## Audit Objective

The objective of our audit is to ensure compliance with the criteria established by the Trust and certain UT Dallas policies and procedures. Also, to determine if revenues are recognized and expenses are incurred in accordance with the terms of the Trust for fiscal year ending August 31, 2013. This audit is required annually by the Trust Agreement.

## Scope and Methodology

The scope of this audit was Fiscal Year 2013, and our fieldwork concluded on February 18, 2014. To satisfy our objectives, our audit procedures included, but were not limited to, the following:

- Gained an understanding of the Trust requirements.

- Ensured Trust income (including interest income earned) was accurate, deposited in accordance with UT Dallas policies and procedures, and properly recorded within the university’s accounting system.
- Tested expenditures for:
  - ✓ compliance with Trust criteria and UT Dallas policies and procedures
  - ✓ proper authorization
  - ✓ adequate supporting documentation
- Determined if account reconciliations for the Lena Callier Trust cost centers were being performed in accordance with UT Dallas guidelines and in a timely manner.
- Determined if previous internal audit recommendations had been implemented.

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

Overall, we found that UT Dallas generally complies with the Trust agreement requirements. We found that prior audit recommendations had been implemented, and we offer no recommendations for improvement.

## Status of Prior Audit Recommendations

The following is the status of implementation of the recommendations resulting from Internal Audit Report No. 1320, Lena Callier Trust, dated April 23, 2013

Recommendation	Implemented?
The Lena Callier Trust cost center reconciliations should be reviewed and approved in a timely manner in accordance with University guidelines.	Yes

## **Conclusion**

Based on the audit work performed, UT Dallas is in compliance with the criteria established by the Trust and certain UT Dallas policies and procedures. Revenues were properly recognized on a material basis consistent with that of the previous fiscal year, and expenses were incurred in accordance with the term of the Trust for fiscal year ending August 31, 2013.

We appreciate the courtesy and cooperation received from the management and staff of the Callier Center, the Development Office, and Budget and Finance during this audit.

## **Appendix: *Will and Trust Provisions***

The following is a summary of the Lena Callier Will and Trust provisions. The funds should be used for the following purposes:

The principal of the Trust Estate shall not be consumed or expended, but the net income shall be used only for charitable purposes.

- (1) Personnel, maintenance purchases.
- (2) Medical research in hearing and deafness.
- (3) Hearing aids to those in financial need.
- (4) Salaries of teachers and operating personnel.
- (5) General operating expenses.
- (6) Maintenance, upkeep, and repair of facilities.
- (7) Expansion or acquisition of equipment, physical facilities, building, and grounds.
- (8) Medical or scientific research into the cause, treatment, prevention, cure of hearing impairments or defects and deafness.
- (9) Contributions to non-profit corporations or unincorporated organizations or associations engaged in such research.
- (10) Contributions to individual physicians, surgeons, and scientists engaged in such research to be used by them for such purposes, provided results are made available to the public without charge.
- (11) Teaching of lip reading.
- (12) Teaching of language and speech.
- (13) Furnishing of educational facilities and services designed in whole or in part to meet the special problems and situations incident to the learning process.
- (14) Furnishing of general educational facilities designed to afford the hard of hearing and the deaf opportunities comparable to those afforded by public institutions to the general public.
- (15) Furnishing of psychological and psychiatric services to persons who are hard of hearing or deaf.

- (16) Furnishing of medical and surgical treatment and care and hospitalization for relief, amelioration, prevention, or cure of defects or impairments in hearing where, in the opinion of the Trustee, financial circumstances of recipient are inadequate.
- (17) Provide hearing aids or other hearing instruments to persons who are hard of hearing or deaf, who in the Trustee's opinion do not have adequate financial resources.
- (18) Provide scholarships, subsidies, loans, or grants to individuals who are hard of hearing or deaf for purposes of enabling them to pursue courses of advanced study where financial circumstances are inadequate for the person to cover, and the character of the recipient is such that upon completion of such studies he may, in the opinion of the Trustee, be expected to advance and enlarge the field of knowledge in which studies have been pursued.
- (19) Contribution to any non-profit charitable corporation or university or organization or association whose functions or services are for the betterment of the physical, mental, or educational condition of the hard of hearing and the deaf.

### ***Geographical Limits***

Applied only in the State of Texas and preferably Dallas County

### ***Publicity***

At least annually, publish in a newspaper of general circulation in Dallas County or in the State of Texas, a statement of receipts and disbursements and a general summary of activities of the Trustee.

### ***Trustee***

Bank of America

### ***Trustee Request***

At the request of the Trustee in a letter dated January 27, 1987, UTD is to "provide us with an annual accounting for our files that provides the necessary background to ensure to the Trustee that income is being used only for the purposes expressed in the Will of Mrs. Callier."