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## Office of Internal Audit

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February 13, 2017

Dr. Richard Benson, President,  
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

As part of our fiscal year 2017 Audit Plan, we initiated a review of University research units. The objective was to conduct a risk-based audit of research units to ensure effectiveness, efficiency and alignment to UT Dallas strategic objectives.

However, based upon preliminary work conducted during our review, current UT Dallas policy which regulates such units is no longer fully applicable due to the deletion of UT System Regents' Rule and Regulations, Rule 40602 (Organized Research Units). Therefore, we recommend that the Office of Research implement the recommendations outlined below to enhance controls surrounding research units.

Management has reviewed the recommendation 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:*

Mr. Rafael Martin, Interim Vice President for Research  
Ms. Serenity King, Assistant Provost for Policy and Program Coordination and SACSCOC Liaison  
Dr. Abby Kratz, Associate Provost

*Members of the UT Dallas Institutional Audit Committee:*

External Members:

Mr. Bill Keffler  
Mr. Ed Montgomery  
Ms. Julie Knecht  
Dr. Inga Musselman, Interim Provost  
Dr. Calvin Jamison, Vice President for Administration  
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Mr. Rafael Martin, Interim Vice President for Research  
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Dr. Gene Fitch, Vice President for Student Affairs  
Mr. Timothy Shaw, University Attorney

*The University of Texas System:*

System Audit Office

*State of Texas Agencies:*

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

## Executive Summary

### Audit Objective and Scope:

Perform a risk-based audit of research units to ensure effectiveness, efficiency, and alignment to UT Dallas strategic objectives.

### Conclusion:

Controls governing university research units can be enhanced.

The following is a summary of the audit recommendations by risk level.

Recommendation	Risk Level	Estimated Implementation Date
(1) <i>Revise Research Unit Policy – UTDPP1010</i>	<b>Medium</b>	<b>August 31, 2017</b>
(2) <i>Establish a Comprehensive Listing of Research Units</i>	<b>Medium</b>	<b>December 31, 2017</b>

### Responsible Vice Presidents:

- Dr. Inga Musselman, Interim Provost
- Mr. Rafael Martin, Interim Vice President for Research

### Responsible Parties:

- Mr. Rafael Martin, Interim Vice President for Research
- Ms. Serenity King, Assistant Provost for Policy and Program Coordination and SACSCOC Liaison
- Dr. Abby Kratz, Associate Provost

### Staff Assigned to Audit:

Project Leader: Brandon Bergman, CFE, Senior Auditor

Staff: Ray Khan, Staff Auditor; Raily Rincon and Andy Martinez, Student Interns

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## Background

The University is dedicated to advancing research activities through the establishment of research units (centers, institutes, or laboratories). These units promote and develop research activities that support the academic goals of departments or degree programs. Additionally, research units are mission-oriented, as opposed to discipline-oriented, and have a promise of growth as measured by extramural funding and/or other quantitative measures.

### Notable UT Dallas Research Units

	Center for BrainHealth •\$10.3 Million ( <i>Annual Expenditures</i> )
	Center for Vital Longevity •\$2.8 Million
	Texas Analog Center of Excellence •\$4.6 Million
	William B. Hanson Center for Space Sciences •\$2.5 Million
	Texas Biomedical Device Center •\$4 Million

The University's current policy, "*Policy on University Research Units and Organized Research Units*" (UTDPP1010<sup>1</sup>) is based on the requirements stated within Regents' Rule 40602<sup>2</sup>, "*Organized Research Units*." This rule divided research units into two categories: Organized Research Units (ORUs) and University Research Units (URUs). While there are various differences between these two unit types, the primary difference is the amount in annual expenditures. URUs are designated as having less than \$3 million in annual expenditures, while ORUs have at least \$3 million. On August 25, 2016<sup>3</sup>, the UT System Board of Regents passed a vote to delete Regents' Rule 40602; therefore, they effectively removed governing guidelines regarding institutional research units, leaving policy administration to the institutions.

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<sup>1</sup> <https://policy.utdallas.edu/utdpp1010>

<sup>2</sup> <http://www.utsystem.edu/sites/utsfiles/offices/board-of-regents/rules-regulations/40602.pdf>

<sup>3</sup> <http://www.utsystem.edu/sites/utsfiles/offices/board-of-regents/board-meetings/posted-meeting-notifications/8-24-25-2016bormeeting.pdf>

Currently, the university has at least 110 active research units within the eight academic schools. These research units are required per current policy to be evaluated every five years using the university-wide assessment tool. The reports are submitted to the Offices of the Provost and the VP for Research for evaluation. For ORU's, ad hoc committees are formed to further evaluate the units, and a report is sent to the President, Provost, and VP for Research. The President also submits the ad hoc committee's report to UT System's Executive Vice Chancellor for Academic Affairs.

## Audit Objective

Perform a risk-based audit of research units to ensure effectiveness, efficiency, and alignment to UT Dallas strategic objectives.

## Scope and Methodology

The scope of this audit was active institutional research units, and our fieldwork concluded on January 20, 2017. To satisfy our objectives, we performed the following:

- Gained an understanding of policies, procedures, and processes related to research units.
- Conducted interviews with institutional personnel who have knowledge of research units at UT Dallas.
- Reviewed multiple internal sources to gain an understanding of the number of research units (centers, institutes, or laboratories) currently at the institution.
- Reviewed financial information for a select number of research units.
- Gained an understanding of how research units are handled and governed at other institutions of higher education.

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.

## Conclusion

Based on the audit work performed, we conclude that controls governing university research units can be enhanced. Specific findings and recommendations are detailed below in the Audit Results and Management's Responses section of the report.

We appreciate the courtesy and cooperation received from the management and staff in the Office of Research and the Provost's Office as part of this audit.

## Audit Results and Management’s Responses

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

Risk Level	Observation	Risk/Effect	Recommendation	Management’s Action Plan
Medium	<p><b>1. Revise Research Unit Policy – UTDP1010</b>                      The current policy regarding research units is no longer accurate due to the deletion of Regents Rule 40602. Additionally, assessment reports related to Organized Research Units have not been completed or sent to the UT System Executive Vice Chancellor for Academic Affairs per currently policy.</p>	<p>Without a relevant and formal policy for guidance, institutional research units have no formal process to follow to help ensure their effectiveness, efficiency, and alignment to the institution’s strategic objectives.</p>	<p>Management should review the current policy to ensure its effectiveness and alignment with the institution’s strategic objectives. Additionally, references to the prior Regents Rule should be removed.</p>	<p><b>Management’s Response and Action Plan:</b> <i>The policy will be reviewed and revised as appropriate after consultation with all relevant stakeholders, including the Office of Research, the Provost’s Office, the Academic Senate, and the HOP Committee.</i></p> <p><b>Estimated Date of Implementation:</b> <i>Summer 2017</i></p> <p><b>Person Responsible for Implementation:</b></p> <p><i>Primary: Rafael Martin or designee in Research Office</i></p> <p><i>Secondary: Serenity King or designee in Provost’s Office; Abby Kratz chair of HOP Committee</i></p>

Risk Level	Observation	Risk/Effect	Recommendation	Management's Action Plan
<p><b>Medium</b></p>	<p><b>2. Establish a Comprehensive Listing of Research Units</b>                      UT Dallas does not have a comprehensive listing of research units associated with the university.</p>	<p>Without a comprehensive listing of research units, the institution has no way of knowing what units it has and if these units are aligned to the institution's strategic objectives.</p>	<p>Management should create and maintain a comprehensive listing of research units associated with the university.</p>	<p><b>Management's Response and Action Plan:</b> <i>The Office of Research will compile a comprehensive listing of Research Units as defined by the revised policy.</i></p> <p><b>Estimated Date of Implementation:</b> <i>Fall 2017 (or 6 months after the adoption of a replacement for UTDPP1010)</i></p> <p><b>Person Responsible for Implementation:</b> <i>Rafael Martin</i></p>

## Appendix: Priority Findings and Risk Matrix

### Definition of Risks

Risk Level	Definition
<b>Priority</b>	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>
<b>High</b>	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.
<b>Medium</b>	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
<b>Low</b>	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.