



Office of Internal Audit

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December 11, 2015

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

We have completed the Texas Higher Education Coordinating Board (THECB) Facilities Audit as part of our fiscal year 2016 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 determine if UT Dallas complied with the THECB rules relating to facilities development projects.

We found that UT Dallas complies with the THECB rules over facilities development projects. 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. Rick Dempsey, Associate Vice President for Facilities Management
Dr. James Wright, Assistant Vice President for Environmental Health & Safety
Ms. Teresa Johnston, Director of Business Services

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:

System Audit Office

State of Texas Agencies:

Legislative Budget Board
Governor's Office
State Auditor's Office
Sunset Advisory Commission
Texas Higher Education Coordinating Board



Executive Summary

THECB Facilities Audit, Report No. 1607

Audit Objective and Scope: The objective of our audit was to determine if UT Dallas complied with the THECB rules relating to facilities development projects. Our audit covered the projects reported to the THECB from FY 2011 through 2015.

We have no audit recommendations. UT Dallas complies with the THECB rules over facilities development projects.

Responsible Vice President:
 Dr. Calvin Jamison, Vice President
 for Administration

Responsible Party:
 Mr. Rick Dempsey, Associate Vice
 President for Facilities
 Management

Staff Assigned to Audit:

- Toni Stephens, CPA, CIA, CRMA, Project Leader
- Ray Khan, Staff Auditor



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Background

The [Texas Education Code, Section 61.0583](#), requires that the THECB conduct periodic comprehensive audits of all education and general facilities and verify the accuracy of the facilities inventory for each institution of higher education. As part of these audits, the THECB works with internal audit offices to review projects over the preceding five years (since the last audit) to determine if they were submitted for appropriate approvals and re-approvals and were performed within the parameters specified in the project application.

The [THECB Rules, 17.10 – 17.14](#), require that higher education institutions receive THECB approval or re-approval for real property acquisitions, new construction, additional projects, and repair and renovation projects financed from any source of funds. Effective 9/2/14, the thresholds for property acquisitions requiring approval from the THECB was raised from zero to only those projects costing \$1 million or more. Thresholds related to new construction was raised from \$4 million to \$10 million.

Total project costs reported to the THECB on the December 2014 report totaled \$398,300,000.

Audit Objective

The objective of our audit was to determine if facilities development projects were submitted and approved by the Texas Higher Education Coordinating Board (THECB), and were completed within the parameters specified in the project applications approved by THECB.

Scope and Methodology

The scope of this audit was projects reported to the THECB from FY 2011 through FY 2015 (through November 2014), and our fieldwork concluded on November 13, 2015. To satisfy our objectives, we performed the following:

- Gained an understanding of the THECB reporting process by interviewing Facilities Management staff.
- Reviewed applicable policies and procedures.
- Tested a sample of projects for compliance with the THECB rules and observed necessary documentation to support the amounts reported to the THECB.

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

We tested six of the 12 projects reported for approvals/re-approvals and accuracy. We found that all six projects were properly approved, and documentation existed to support the information reported to THECB.

Status of Prior Audit Recommendations

The following is the status of implementation of the recommendations resulting from Internal Audit Report No. R1324, *THECB Facilities Development Projects*, dated May 24, 2013.

Recommendation	Implemented?
(1) <i>Improve Specificity of Fund Sources in Submitting Approvals</i>	Yes
(2) <i>Document Methodology to Determine Fund Sources</i>	Yes

Conclusion

Based on the audit work performed, we conclude that UT Dallas complies with the THECB rules over facilities development projects.

We appreciate the courtesy and cooperation received from the management and staff in Facilities Management as part of this audit.