



THE UNIVERSITY OF TEXAS AT DALLAS

OFFICE OF INTERNAL AUDIT

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November 6, 2017

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

We have completed an audit of the School of Natural Sciences and Mathematics (NS&M) as part of our fiscal year 2017 Audit Plan, and the report is attached for your review. This review primarily focused on the Dean's Office, and the objective was to evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls. This review included financial activity for fiscal year 2017.

Overall, internal controls within the Dean's Office are generally adequate and functioning as intended; however, an opportunity exists to enhance controls regarding the School's overall business plan and policies and procedures specific to the Dean's Office.

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, CPA, CIA, CRMA
Chief Audit Executive



Executive Summary

Audit Objective and Scope

The audit objective was to evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls. The audit included financial activities for fiscal year 2017.

Conclusion

Overall, internal controls within the School of Natural Sciences and Mathematics Dean’s Office are generally adequate and functioning as intended; however, an opportunity exists to enhance controls regarding the School’s overall business plan and policies and procedures specific to the Dean’s Office.

Audit Recommendations by Risk Level

Recommendation	Risk Level	Estimated Implementation Date
(1) Business Plan	Medium	Fall 2017
(2) Policies and Procedures	Medium	Fall 2017

Responsible Vice President
Dr. Inga Musselman, Interim Provost

Responsible Party
Dr. Bruce Novak, Dean

Staff Assigned to Audit

Project Leader: Brandon Bergman, CFE, Senior Auditor

Staff: Ray Khan, CIDA, Staff Auditor; Brandi Smithey and Caleb Braughton, Student Interns

Report Distribution

Members of the UT Dallas Institutional Audit Committee

- External Members
- Mr. Gurshaman Bajewa
 - Mr. Bill Keffler
 - Mr. Ed Montgomery
 - Ms. Julie Knecht
- UT Dallas Members
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 - Dr. Kyle Edgington, Vice President for Development and Alumni Relations
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 - Mr. Rafael Martin, Interim Vice President for Research
 - Dr. Inga Musselman, Interim Provost
 - Mr. Terry Pankratz, Vice President for Budget and Finance
 - Mr. Timothy Shaw, University Attorney, ex-officio

- Responsible Parties
- Dr. Bruce Novak, Dean
- External Agencies
- 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



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Background

The School of Natural Sciences and Mathematics (NS&M), established in 1975, has an overall mission to: *“provide excellence in teaching, research, and service in its constituent areas of focus to the people of Texas. NS&M will work to make the University of Texas at Dallas the best public institution in the state for undergraduate education in the sciences and mathematics and will continue to play a pivotal role in UTD’s ascendancy to a nationally recognized research institution over the next decade.”*

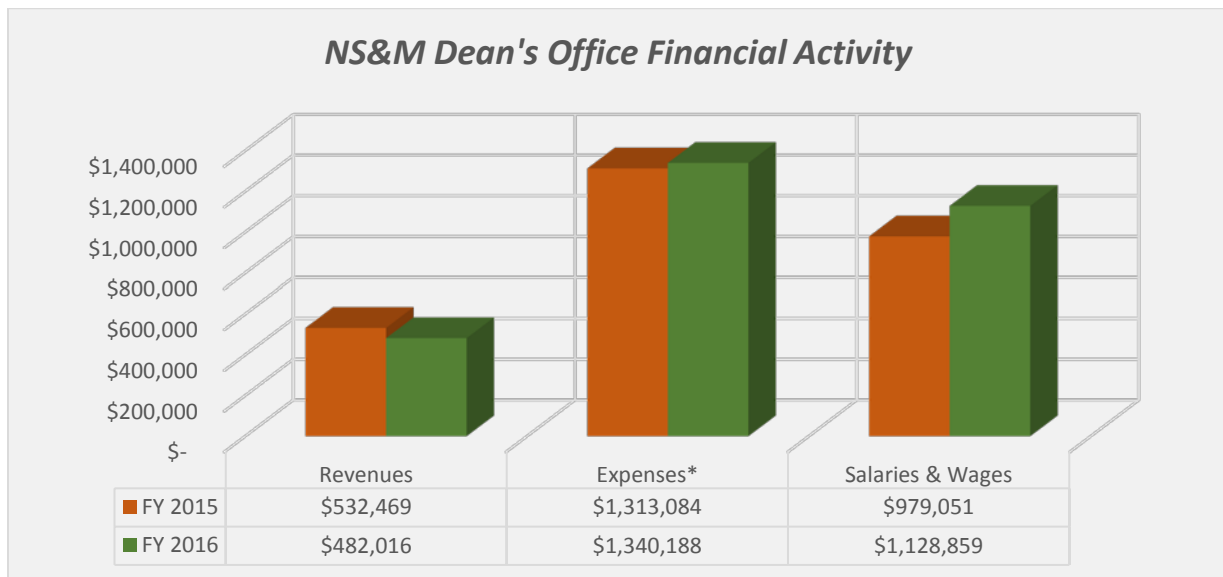
The School offers a full range of 29 degrees across all levels of undergraduate and graduate programs. The School is comprised of six core academic areas: Chemistry, Geosciences, Mathematical Sciences, Molecular & Cell Biology, Physics, and Science/Mathematics Education; and five externally funded centers or institutions (Advanced Imaging Research Center, Alan G. MacDiarmid NanoTech Institute, Center for Lithospheric Studies, Center for Systems Biology, and William B. Hanson Center for Space Studies).

FY 2016 ACADEMIC HIGHLIGHTS

Fall 2016 Enrollment	3,510
Graduate	602
Undergraduate	2,908
Degrees Granted	572
Bachelors	411
Certificates	9
Masters	116
Doctoral	36

Overall responsibility for the school lies with the Dean, whose direct reports include a number of Associate and Assistant Deans that have oversight responsibilities over academic and research areas. The School Fiscal Officer provides oversight over all financial processes and reports to the Dean.

The following is a summary of the Dean’s Office financial activity for the previous two fiscal years.



*Expenses calculation includes cash advances, reimbursements, non-salaries & wages journal transactions, and vouchers.



Audit Objective

The audit objective was to evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls.

Scope and Methodology

The scope of this audit included financial activities for fiscal year 2017 and our fieldwork concluded on July 17, 2017. To satisfy our objectives, we performed the following:

- Reviewed the College’s control environment to determine:
 - If policies and procedures (*including unique job descriptions*) are in place.
 - If organizational structure aligns with management’s strategic and operational objectives.
- Determined if the College has an effective risk assessment/awareness process in place.
- Reviewed control activities to determine if controls are adequate and effective in responding to risks regarding:
 - Achievement of strategic objectives
 - Reliability and integrity of financial and operational information
 - Effectiveness and efficiency of operations and program
 - Safeguarding of assets
 - Compliance with laws, regulations, policies, procedures and contracts.
- Determined if internal information and communication methods are effective.
- Determined the effectiveness of management’s monitoring of internal controls.

We conducted our examination in conformance with the guidelines set forth in The Institute of Internal Auditor’s *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Finally, this review was also conducted based on the integrated framework guidance provided by The Committee of Sponsoring Organizations of the Treadway Commission (COSO). COSO is a joint initiative of five sponsoring organizations and is dedicated to providing thought leadership through the development of frameworks and guidance on enterprise risk management, internal controls and fraud deterrence.

COSO Integrated Framework Areas:

- Control Environment
 - Risk Assessment
 - Control Activities
- Information and Communication
 - Monitoring Activities



Audit Results and Management’s Responses

Our audit work indicated that the Dean’s Office has the following controls in place:

- ✓ Cost center reconciliations are performed within a timely manner.
- ✓ Internal controls surrounding expenses have proper authorization, reasonableness, separation of duties, and are compliant with applicable regulations.
- ✓ Departmental information and communication methods appear effective.
- ✓ Management’s monitoring of internal controls appear sufficient as the School is currently performing a SWOT (Strengths, Weakness, Opportunities, Threats) analysis of the following aspects of the organization:
 - Undergraduate recruiting and retention
 - Graduate recruiting and research
 - General business operation processes

Although the above strengths and controls were noted, other opportunities to enhance operations and compliance are recommended below. Risk Levels are defined in the [Appendix](#) on page 8.

Observation and Risk Level	Risk/Effect	Recommendation	Management’s Response and Action Plan
<p>1. Business Plan (Strategic and Operating Objectives) (Medium)</p> <p>No formal business plan is in place defining the School’s overall mission, strategic and operational objectives.</p>	<p>Without a plan in place, the School may have difficulties supporting its achievements and aligning itself with the University’s overall mission, strategic and operating objectives.</p>	<p>The School should draft and implement an organizational business plan, including its mission, strategic and operating objectives.</p>	<p>Management’s Response and Action Plan: <i>The documents exist. There was confusion over the words Strategic and Business. The office staff was unsure of what a “Business Plan” constitutes. Apologies for our confusion.</i></p> <p>Estimated Date of Implementation: <i>The 2012 version is attached. We are revising our 2012 plans during Fall 2017</i></p> <p>Internal Audit Response: <i>As noted, the 2012 version was provided for consideration. Due to document length (62 pages) and the inclusion of privileged information, this external document was not included within this report as an appendix.</i></p> <p>Person Responsible for Implementation: <i>Bruce Novak</i></p>



Observation and Risk Level	Risk/Effect	Recommendation	Management's Response and Action Plan
<p>2. Policies and Procedures (Medium)</p> <p>The Dean's Office does not have a formally written departmental policies and procedures manual specific to business operations, including detailed and unique job descriptions.</p>	<p>Documented policies and procedure manuals assist the office in meeting its mission through clear communication of operational processes. A lack of this manual may lead to inefficiencies and unsteady internal controls.</p> <p>Additionally, documenting detailed job descriptions provide clear communication of employee responsibilities. This documentation is especially helpful during annual evaluations or periods of turnover. A lack of an accurate job description can increase uncertainty of job expectations, along with confusion of criteria used during performance evaluations.</p>	<p>The Dean's Office should formally draft a policy and procedures manual, including job descriptions, to provide guidance on employee responsibilities.</p>	<p>Management's Response and Action Plan: <i>Documents exist. Again, we apologize for our confusion.</i></p> <p>Estimated Date of Implementation: <i>The 2012 version is attached. We are revising our 2012 plans during Fall 2017</i></p> <p>Internal Audit Response: <i>As noted, the 2012 version was provided for consideration. Due to document length (71 pages) and the inclusion of privileged information, this external document was not included within this report as an appendix.</i></p> <p>Person Responsible for Implementation: <i>Bruce Novak</i></p>

Conclusion

Based on the audit work performed, we conclude that internal controls within the School of Natural Sciences and Mathematics Dean's Office are generally adequate and functioning as intended; however, an opportunity exists to enhance controls regarding the School's overall business plan and policies and procedures specific to the Dean's Office.

We appreciate the courtesy and cooperation received from the management and staff in School of Natural Sciences and Mathematics Dean's Office as part of this audit.



Appendix 1

Priority Findings and Risk Matrix

Risk Level	Definition
Priority	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	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.