



THE UNIVERSITY OF TEXAS AT DALLAS

Office of Internal Audit

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June 21, 2017

Dr. Richard Benson, President

Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of the Hobson Wildenthal Honors College as part of our fiscal year 2017 Audit Plan, and the report is attached for your review. The audit objective was to evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls. The review included financial activity for the period from fiscal year 2016 – 2017.

Overall, internal controls within the College are generally adequate and functioning as intended; however, an opportunity exists to enhance controls regarding camps.

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 review.

A handwritten signature in blue ink that reads "Toni Stephens".

Toni Stephens

Institutional Chief Audit Executive

UT Dallas Responsible Parties:

Dr. Edward Harpham, Dean and Associate Provost
Ms. Valerie Brunell, Assistant Dean

Members of the UT Dallas Institutional Audit Committee:

External Members: Mr. Bill Keffler, Mr. Ed Montgomery, Ms. Julie Knecht, Mr. Gurshaman Baweja
Dr. Hobson Wildenthal, Executive Vice President
Dr. Inga Musselman, Interim Provost
Dr. Calvin Jamison, Vice President for Administration
Mr. Terry Pankratz, Vice President for Budget and Finance
Mr. Frank Feagans, Vice President and Chief Information Officer
Mr. Rafael Martin, Interim Vice President for Research
Dr. Gene Fitch, Vice President for Student Affairs
Dr. Kyle Edgington, Vice President for Development and Alumni Relations
Dr. George Fair, Vice President for Diversity and Community Engagement; Compliance Officer
Mr. Timothy Shaw, University Attorney

External Agencies:

The University of Texas System Audit Office
Legislative Budget Board, Governor's Office, State Auditor's Office, Sunset Advisory Commission

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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 during fiscal year 2016 and a portion of fiscal year 2017.

Conclusion:

Overall, internal controls within the Hobson Wildenthal Honors College (Honors College) are generally adequate and functioning as intended; however, an opportunity exist to enhance controls regarding camps.

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

Recommendation	Risk Level	Estimated Implementation Date
Comply with Camp Policies and Procedures	Medium	June 10, 2017
Responsible Vice President: Dr. Inga Musselman, Interim Provost	Responsible Party: Dr. Edward Harpham, Dean and Associate Provost	

Staff Assigned to Audit:

Project leader: Brandon Bergman, CFE, Senior Auditor
 Staff: Ray Khan, Staff Auditor

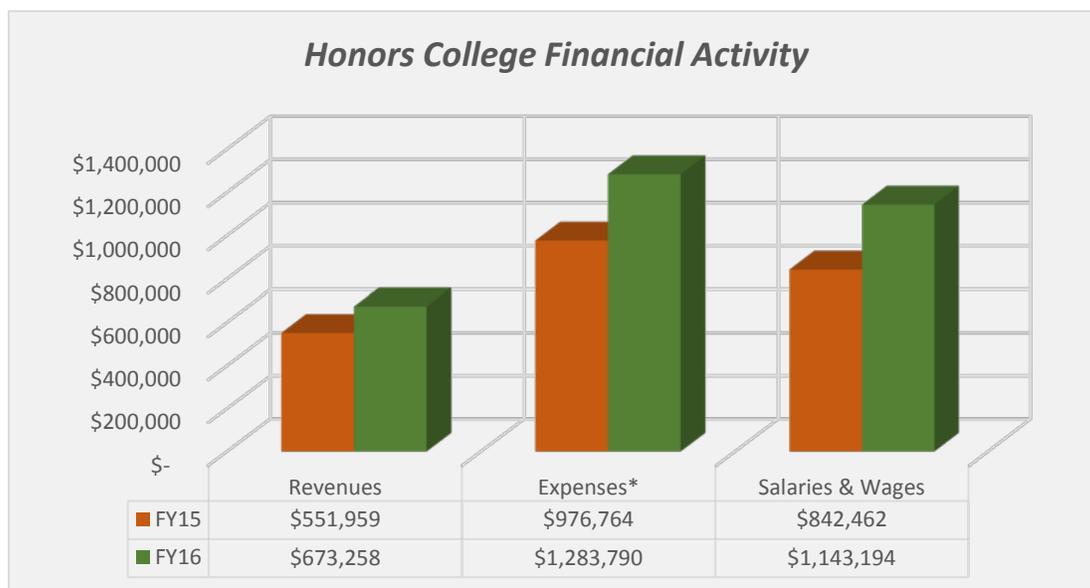
Overall Conclusion

Our audit work indicated that the Honors College has the following controls in place:

- ✓ Documented policies and procedures that are in line with the College's operations and organizational structure.
- ✓ Cost center reconciliations are being performed within a timely manner.
- ✓ Revenues generated from camps, gifts and endowment distributions appear to be properly recognized and associated with appropriate cost centers and account codes.
- ✓ External bank accounts (Phi Kappa Phi) are being managed appropriately to safeguard funds.
- ✓ Camps have obtained the required certificate of insurance.

Summary of Financial Activity

The following is a summary of financial activity during the past two fiscal years.



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

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 during fiscal year 2016 and a portion of fiscal year 2017.

Methodology

The audit methodology included 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.
- Determined if the College is in compliance with policies and procedures related to campus activities involving minors.
- Determined if the university is appropriately managing the funds contained within external bank accounts (Phi Kappa Phi).

Criteria

The review was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* as well as UT System and UT Dallas policies and procedures related to 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.

The 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

Executive Summary – Hobson Wildenthal Honors College¹

Area	Risk Score	Area	Risk Score
Control Environment			
Policies and Procedures		Governance	
Risk Awareness and Monitoring			
Risk Assessment		Monitoring	
Control Activities			
Budget Management		Privacy	
Conflicts of Interest		Property	
Contracting		Purchasing Cards	
Cost Center Reconciliations		Records Management	
Development		Research	
Expenditures		Revenues and Receipts	
Human Resources		Safety	
Information Systems		Segregation of Duties	
Key and Card Access		Travel and Entertainment	
Payroll / Time Reporting			
Information & Communication			
Communication			

Key to Risk Ratings

 Priority
  High
  Medium
  Low
  Not Tested

¹ See Appendices 1 and 2 for description of ratings areas.

Audit Results and Management’s Responses

	Observation	Risk	Recommendation	Management’s Response and Action Plan
Control Activities				
	<p style="text-align: center;">Safety</p> <p>Comply with Camp Policies and Procedures</p> <p>Instances of noncompliance with camp policies and procedures were noted regarding a camp hosted by the Honors College:</p> <ul style="list-style-type: none"> • Three camp workers did not have documentation showing the successful completion of required Child Protection Training². • One camp worker did not have the required criminal background check³ performed within one year of the camp start date. 	<p>Enhanced risk and liability to the University regarding the safety of camp attendees.</p>	<p>Procedures should be strengthened to ensure that required criminal background checks and Child Protection Training is completed for all workers prior to interactions with camp attendees.</p>	<p>Management’s Response:</p> <ul style="list-style-type: none"> • We will collect copies of forms proving completion of Child Protection Training for the Camp. • We will work with PACE and check to be sure that all camp workers have undergone a required criminal background check. <p>Estimated Date of Implementation: 6/10/2017</p> <p>Person Responsible for Implementation: Scott Herndon, Debate Coach and Camp Director</p>

² <http://www.statutes.legis.state.tx.us/Docs/ED/htm/ED.51.htm>

Appendix 1: Risk Scorecard

Risk Level	Definition
 Priority	Unreliable controls. High probability of occurrence that would significantly impact UT Dallas or UT System. If not addressed timely, could directly affect achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole.
 High	Significant improvement to controls needed. Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations.
 Medium	Improvement to controls recommended. The risks are considered to be undesirable and could moderately expose UT Dallas.
 Low	Effective controls. Low probability of various risk factors occurring.
 N/A	Not applicable. Based on the risk assessment that was conducted during the audit, testing of this area was not completed.

Appendix 2: Expected Condition - Ratings

Area	Expected Condition (Effective Rating)
Control Environment	
Policies and Procedures	Departmental policies and procedures, including job descriptions, are documented to provide guidance on employee responsibilities.
Governance	An organization structure is in place that supports the achievement of the department and the University's strategic and operating objectives.
Risk Assessment	
Risk Assessment	Management has identified the most significant risks, including those related to fraud, affecting the department's ability to achieve its strategic and operating objectives and has put appropriate controls in place.
Budget Management	Budgets are prepared that align with university and departmental strategic and operating objectives and monitored for appropriateness.
Control Activities	
Conflicts of Interest	Departmental employees follow the conflict of interest and outside employment policies.
Contracting	The department follows university policies regarding contracting for goods and services.
Cost Center Reconciliations	Monthly cost center reconciliations are prepared and reviewed in a timely manner by authorized employees with appropriate job knowledge.
Development	Gifts and endowment revenues are properly recorded and expended in accordance with donor restrictions.
Expenditures	Expenditures are necessary, reasonable, and directly related to the goals and mission of the department.
Human Resources	Departmental employees are hired in accordance with university policies and receive adequate training to perform their jobs responsibilities.
Information Systems	Only authorized employees with a business purpose have access to departmental and university systems.
Key and Card Access	Effective record-keeping systems are in place to ensure periodic reviews of building/office access are in place, including both keys and card access.
Payroll/Timesheets	As applicable, hours worked by employees (including overtime), wage and salary rates, and employee leave reports are properly documented and approved in accordance with university policies.
Privacy	Departmental information that is considered sensitive and confidential is properly safeguarded in accordance with FERPA, HIPAA, and/or TAC 202 procedures.

Area	Expected Condition (Effective Rating)
Property	Departmental property custodians monitor departmental property inventories on a periodic basis to ensure assets are properly safeguarded and accounted for in the property system.
Purchasing Cards	Purchasing cards expenses are adequately documented, comply with university procedures, reconciled in a timely manner, and approved by someone other than the cardholder.
Records Management	The department follows the records retention schedule and properly maintains and safeguards departmental information.
Research	The department compliance with contract and grant policies and procedures.
Revenues and Receipts	Deposits are made timely in accordance with University policies, and appropriate documentation is on file.
Safety	Departmental safety issues, including emergency preparedness, lab safety, workplace safety, etc. are properly documented, up-to-date, and distributed to employees within the department.
Segregation of Duties	An adequate segregation of duties exists in the areas of cash management, procurement, budgeting, and human resources processes.
Travel and Entertainment	Travel and entertainment expenses are reasonable, benefit the strategic and operating objectives of the department, contain appropriate documentation, and are properly authorized in accordance with university procedures.
Information and Communication	
Communication	Processes exist to ensure the timely communication of departmental information to employees.
Monitoring	
Monitoring	Management has processes in place that appropriately monitor departmental operations and takes adequate and timely actions to correct deficiencies.