

College of Education
Change in Management Audit

Audit Report # 19-107
August 22, 2019



The University of Texas at El Paso
Office of Auditing and Consulting

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August 22, 2019

Dr. Heather Wilson
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Wilson:

The Office of Auditing and Consulting Services has completed a limited- scope audit of the College of Education. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the College in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by College of Education staff during our audit.

Sincerely,

A handwritten signature in blue ink, reading 'Lori Wertz', is positioned below the 'Sincerely,' text.

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of the College of Education. The audit scope was limited to selected administrative, operating, and IT security control activities for the period of September 1, 2017 to February 28, 2019.

During the audit, we noted the following:

- **Administrative Operations**

- No exceptions: The College has implemented strong controls over administrative record retention and compliance requirements.

- **Operating Expenditures**

- ProCard transactions did not always comply with UTEP Procurement Card Program Policies and Procedures Manual. Exceptions included:
 - missing receipts,
 - unallowable purchases,
 - a transaction over the limit,
 - a payment of state sales tax,
 - items purchased not sent to central receiving, and
 - reconciliations not reviewed.
- Expense reimbursements did not always comply with UTEP travel and entertainment expense policies and procedures. Exceptions included:
 - missing supporting documentation, and
 - funds not encumbered.

- **IT Security Controls**

- Three of eleven computers tested were not encrypted.

BACKGROUND

The University appointed Dr. Clifton Tanabe as Dean of the College of Education in July 1, 2018. The College is comprised of six departments:

1. College of Education
2. College of Education Dean's Office
3. Educational Leadership and Foundations
4. Educational Psychology and Special Services
5. Teacher Education
6. Center for Student Success

Programs that are offered by the College include the following:

- Student Teaching Program
- Bachelor of Arts in Applied Learning and Development
- Secondary and All Level Education
- Alternative Certification Program
- Professional Certifications

AUDIT OBJECTIVES

The objectives of this audit were to determine whether the College of Education complied with federal, state, and university policies and procedures for:

- Administrative operations
- Operational expenditures
- IT security controls

SCOPE AND METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors.

The scope of the audit was from September 1, 2017 to February 28, 2019.

Audit methodology included the following:

- Performing a risk analysis.
- Interviewing key personnel.
- Reviewing applicable regulations, institutional policies, and procedures.
- Verifying the existence of appropriate support documentation using data analytics.

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority – 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.

High – A finding identified by internal audit that is considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.

Medium – A finding identified by internal audit that is considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Low – A finding identified by internal audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

AUDIT RESULTS

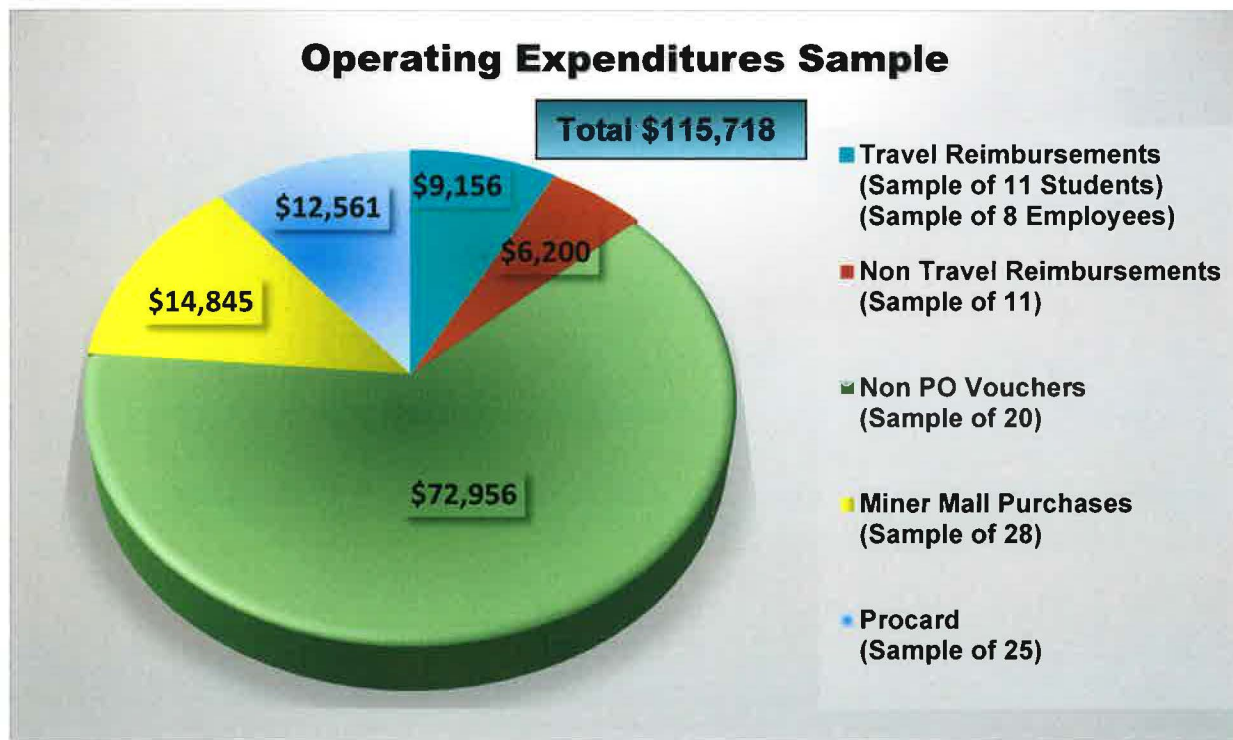
A. Administrative Operations

- The Memorandums of Understanding (MOUs) with the independent school districts of Canutillo, El Paso, Ysleta, and Socorro regarding the student teaching program were reviewed. All MOUs were current. No exceptions were noted.
- A sample of account reconciliations, major fee revenue, and cash handling transactions were tested for compliance with University policies and procedures and state and federal policies. No exceptions were noted.

Overall, the college has a strong process for record retention and compliance requirements.

B. Operating Expenditures

A sample of operating expenditures including ProCard transactions, travel and non-travel expense reimbursements, consultant payments, and Miner Mall purchases were tested for compliance with University policies and procedures, and state and federal regulations.



B.1 ProCard transactions were not always in compliance with procurement procedures

Criteria: UTEP Procurement Card Program Policies and Procedures Manual *“The ProCard may be used for purchase of goods or business services that are of small dollar value, (\$1,000.00 or less), time sensitive, or when a P.O. cannot be generated for the purchase. All purchases must conform to the policies and procedures of this manual, and any set forth by Purchasing & General Services.”*

25 transactions for two ProCard holders were tested. Eleven of the 25 transactions (44%) totaling \$6,430 did not comply with the UTEP Procurement Card Program and Procedures Manual. The following issues were noted.

- Seven transactions were missing receipts; however, four of them were provided during the course of the audit.
- There were two unallowable ProCard purchases made for computer replacements.
- State sales tax was paid for one purchase.
- Four items purchased were shipped directly to the department instead of Central Receiving.
- Six reconciliation logs for one ProCard holder did not have evidence of review.

The exceptions noted above were due to cardholders not following the Procurement Card Program Policies and Procedures Manual and the lack of review over ProCard reconciliations.

Recommendation:

Management should ensure:

- *ProCard Log reconciliations are performed and reviewed at the end of each monthly cycle to detect errors and/or fraud in a timely manner.*
- *The University should never pay Texas state sales tax.*
- *All online ProCard purchases are sent to Central Receiving.*
- *Cardholders who do not follow procedures in the ProCard Manual should attend training so they are fully aware of the policies and procedures to be followed.*

Level/Effect: This finding is considered **MEDIUM** due to the fact that lack of monitoring over ProCard reconciliations can lead to undetected and/or unauthorized purchases. In addition, not shipping purchases to Central Receiving can lead to misappropriation of assets.

Management Response:

Of the sample, there is one cardholder that had the majority of attributes tested that were not in compliance. Due to this, this card holder will not have their Pro Card renewed, which expired in July 2019. The other card holder had issues obtaining a receipt acceptable to policy due to online ordering. This card holder along with the reconciler will ensure policy is being followed in obtain acceptable receipts with online vendors. We will also continue efforts in following all Pro Card policy and procedures.

Responsible Party:

Dr. Clifton Tanabe, Dean College of Education

Implementation Date:

09/01/2019

B.2. Some expense reimbursements were not in compliance

Criteria: UTEP Handbook of Operating Procedure (HOP) Section II Student Affairs: Student Travel Policy for University Organized or Sponsored Events

Chapter 11.4.2: *"Copies of driver licenses for students who will operate motor vehicles must be submitted."*

Chapter 11.6.6.1 *"A copy of a current auto insurance certificate for any vehicle and driver to be used for the proposed travel must be submitted."*

UTEP HOP Section VII Financial Services: Travel Expense Reimbursement

Chapter 6.4.1.3: *"The University requires receipt and documentation of the fare and date for reimbursement of any expenses incurred for transportation."*

Student travel reimbursements exceptions:

- One out of 11 travel reimbursements did not have supporting documentation to verify the student was authorized to operate a motor vehicle.

- One out of 11 travel reimbursements did not have supporting documentation for mileage reimbursement.

Criteria: UTEP HOP Section VII Financial Services: Travel Expense Reimbursement

Chapter 6.3.1.1 *“Travel expenses will be reimbursed only from funds budgeted for travel.”*

Chapter 6.3.1.2 *“Travel expense reimbursements should identify the nature of the official University business performed within the legal responsibilities of the University.”*

Employee travel reimbursements exceptions:

- One of 8 travel reimbursement encumbrance was not reasonably estimated.
- Two of 8 travel reimbursements did not have sufficient documentation to support expenses were incurred for an official business reason.

Criteria: UT System Rule 20205 Section 6 Timeliness of Requests for Reimbursements. *“A chief administrator must request any reimbursement for travel and entertainment expenses or expenses for the maintenance of University residences within 60 days of the date on which the expense was incurred.”*

UTEP Business Process Guidelines Entertainment Expense *“...The properly completed form, together with all related itemized original receipts should be forwarded to the Accounts Payable Office for processing.”*

Employee travel reimbursements exception:

- One entertainment expense report was not submitted within 60 days and did not have an itemized receipt.

The exceptions noted above were mainly due to employees not following the reimbursement expenses policies and procedures and the lack of review over supporting documentation.

Recommendation:

Management should ensure personnel have a clear understanding of travel and entertainment expense reimbursements policies and procedures. Additionally, they should have controls in place to review expense reimbursements and ensure all the documentation is complete before expenses are approved.

Level/Effect: This finding is considered **MEDIUM** due to the fact that lack of oversight over expense reimbursements can lead to unallowable expenditures being charged to the University. In addition, failure to follow University policies and State regulations may lead to possible financial loss to the University.

Management Response:

Student Travel Reimbursements

Often students do not provide the Business Center with all information needed. For example, should students be operating a motor vehicle, we will be collecting the supporting documentation as policy states, copy of valid driver's license and auto insurance. The Business Center processes student travel and will obtain information from student travelers as well as provide them with information on UTEP's student travel policy and procedures.

Employee Travel and Expense Reimbursements

One of the findings in this area was an encumbrance that was not reasonably estimated. At times the employee traveling will explain that there will be no cost or very limited cost to the university. However, upon return of travel they will request reimbursement. Additionally, in this area there were two of eight of the tested sample where the reimbursements did not have sufficient documentation to support expenses. Furthermore, on an employee expense reimbursement, there was a missing itemized receipt and the request was submitted past 60 days. The Business Center processes employee travel and expenses reimbursement and will obtain information from employee travelers as well as providing them with information on UTEP's employee travel and expense policy and procedures.

Responsible Party:

Dr. Clifton Tanabe, Dean College of Education

Implementation Date:

09/01/2019

C. IT Security Control

A sample of the Dean's office computers were tested to ensure security safeguards were in place, including encryption and antivirus.

In addition, we reviewed the security controls over the access and permission to the college Dean's office network shares by verifying only active and authorized employees had access to the network shares.

C.1 Security safeguards need improvement

Criteria: The University Information Security Standards state the following:

Standard 11 Safeguarding Data: *"All computers and other portable computing devices... that are owned, leased, or controlled by the University, must be encrypted, regardless of data classification, using methods approved by the CISO."*

Standard 8 Malware Prevention: *"Virus protection software must not be disabled or bypassed."*

Standard 4 Access Management: *"Data Owners, System Owners, System Administrators and/or other authorized personnel are responsible for removing the accounts of individuals that change roles within the University or are separated from their relationship with UTEP."*

The following results were noted:

Computer Safeguards:

- Three out of the 11 computers were not encrypted. The three computers were encrypted during the course of the audit.
- The 11 computers had antivirus protection, no exceptions were noted.

Security Controls:

- No exceptions noted during the period covered in the audit.

Recommendation:

Management should ensure all computers in the College are encrypted.

Level/Effect: This finding is considered **MEDIUM** because in the event a computer is lost or stolen the University information could be compromised.

Management Response:

Computer safeguards

- *As of 8/12/19 all computer systems will be verified for proper Hard Drive encryption and antivirus installation.*
- *This process will be enforced by the College of Education's, Technology Implementation Manager, Gerardo Urquiza.*
- *Once every pc system has been verified for proper encryption and antivirus protection, they will be added to a log for project control.*
- *In the event a computer system is off campus, proper steps will be taken in order to verify that the device in question is properly encrypted and secured.*

This process will be executed with each College of Education area/department taking an approximate time of 2 – 3 weeks.

Responsible Party:

Gerardo Urquiza, Technology Implementation Manager

Implementation Date:

09/01/2019

CONCLUSION

Based on the results of audit procedures performed, we conclude that the College of Education was in compliance with federal, state, and university policies and procedures related to administrative operations.

However, we identified an opportunity to strengthen existing University controls over operating expenditures and IT security controls by implementing the recommendations detailed in this report.

We wish to thank the management and staff of the College of Education for their assistance and cooperation provided throughout the audit.