



# Chemistry

Internal Audit Report No. R2011  
May 26, 2020



## Executive Summary

**Audit Objective:** Our objective was to evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls.

**Conclusion:** Based on the audit work performed, we conclude that internal controls within the Chemistry and Biochemistry department are generally adequate and functioning as intended; however, the audit resulted in opportunities to improve controls over expenses, property, and departmental governance.

**Observations by Risk Level:** Management has reviewed the observations and has provided responses and anticipated implementation dates.

Observation	Risk Level	Management's Implementation Date
1. Improve Controls over Expenditures	Medium	Implemented
2. Develop and Enhance Departmental Inventory Procedures	Medium	Implemented
3. Improve Business Processes and Operations	Low	Implemented

*For details, engagement methodology, and explanation of risk levels, please see the attached report.*



### Observation #1: *Improve Controls over Expenditures*

**Medium Risk:** Noncompliance with the University's procurement policies and procedures may lead to misuse of funds and to ineffective and inefficient operations.

In FY18, the Chemistry and Biochemistry department had \$187,709 in One Card expenses and \$754,430 in eProcurement expenses. We tested One Card and eProcurement expenses for compliance with [UTDBP3057 Purchasing Policies](#) and the [One Card Program Guide](#). The Internal Audit team noted the following issues which stem from absence of departmental purchasing procedures:

- 23% of the One Card expenses tested were not reconciled by the cardholder.
- 91% of One Card expenses tested were not approved by a supervisor, whether in Citibank or on the Expense Report.
- A few instances were noted where One Card purchase and reimbursement receipts were not itemized or the supporting documentation did not have a business purpose.
- At least 13% of One Card purchases and eProcurement expenses did not have the proper account code assigned. Account codes should comply with descriptions outlined in the [UTD Chart of Accounts](#).

**Recommendation:** Comply with university policies and procedures and institute departmental procedures to strengthen internal controls for expenses.

**Management's Action Plan:** All One Card holders were asked to review, reconcile, print the expense report, attach the support for the expenses, sign and submit to the ASO. The report is used for cost center reconciliation and uploaded on to the shared drive for future access by the concerned authorities.

**Person Responsible for Implementation:** Individual card holders, Department ASO, and Department Head. AAll and Secretary III who submit the requisitions on Procurement site advised to update themselves on the use of account codes.

**Estimated Date of Implementation:** Implemented beginning of FY19.



## Observation #2: *Develop and Enhance Departmental Inventory Procedures*

**Medium Risk:** If property is not tagged or accounted for, and if obsolete inventory is maintained in storage and is not used, there is an increased risk of theft of the property and of research data, inefficiency in operations, and misuse of university resources.

The Chemistry and Biochemistry department is responsible for property inventory totaling approximately \$12.1 million. [UTDBP3066, Property Administration](#), requires both capital (items \$5,000 or greater) and controlled assets (items valued between \$500 and \$5,000) to be inventoried and tagged. The Department Head is accountable for the property, and the Technical Staff Associate is responsible for ensuring an annual inventory is performed for these assets.

While the department does a good job verifying their property during the annual inventory, opportunities exist to improve the process. In testing a sample of assets totaling \$665,431, we noted:

- ✓ 37% of assets tested, totaling \$162,679, were not in use and appeared to be obsolete. One item has been located in a storage facility and has not been physically verified for about four years. Items that are not in use should be deleted from inventory records and sent to Inventory Surplus.
- ✓ 6% of assets tested were not properly tagged. University procedures require all controlled assets to be tagged.

**Recommendation:** Develop departmental inventory procedures. When conducting the annual inventory, determine if property is obsolete by discussing with the designated custodians and work with UTD Inventory personnel to move it to surplus as needed. Ensure all property is tagged upon receipt and during the annual inventory process.

**Management's Action Plan:** Per the department's longest serving Technical staff member, the equipment is not obsolete, it's not used on a regular basis and would cost UTD quite a bit if discarded and this will change only if the concerned faculty retires and the existing faculty are not working in that line of research.

The Receiving Unit tags the items. Department makes sure items are tagged but cannot make sure of proper tags.

**Person Responsible for Implementation:** Technical Staff Associate.

**Estimated Date of Implementation:** *(Implemented)* On going



### Observation #3: *Improve Business Processes and Operations*

Based on employee feedback and review of current business processes, the following opportunities exist for improvement:

- No formal policies and procedures are in place or clearly established regarding departmental financial duties and responsibilities and potential cross training for staff in the event of absences.
- Communication from management to staff and training can be improved by providing formal expectations and policies and procedures.
- Employees do not always have a clear understanding of the department's mission, vision, and strategic plan.
- Employees did not feel they had the correct cost center or PeopleSoft access in order to do their job to the best of their abilities.

**Low Risk:** A lack of formal business processes and operations can lead to confusion, inconsistency, and inefficiencies within operations and employee performance.

**Recommendation:** Create a formal guidebook for business processes, responsibilities, and operations in order for employees to better understand their role within the department.

**Management's Action Plan:** Financial duties are sole responsibilities of the individual PI's and the ASO helps them with access, requesting changes, the AAll helps with placing orders on One Card and Procurement. The Standard Operating Procedures for individual job duties are on the shared drive in each employee's folder. Department follows the University and School policies and procedures.

**Person Responsible for Implementation:** ASO. Dept Head also makes sure to share in faculty meetings the fiscal responsibilities and expectations of faculty and staff.

**Estimated Date of Implementation:** Since the new ASO joined the department (11/2018), cross training has been provided to staff and interested faculty. Not every employee is expected to have PeopleSoft and cost center access and knowledge.

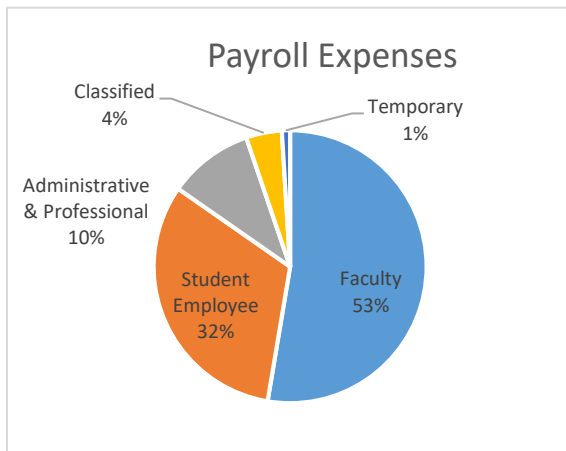
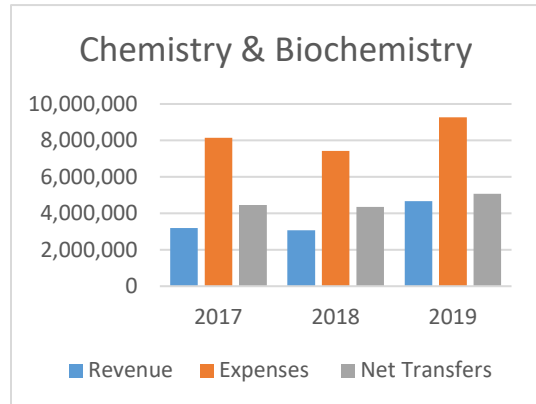


## Appendix A: Methodology

### Background

The Chemistry and Biochemistry department reports to the Dean of the School of Natural Science and Mathematics. The department offers bachelor's, master's, and doctoral degrees within the field of chemistry. Also, many students who attend UT Dallas are required to take General Chemistry or Organic Chemistry as part of their degree plan.

The department operates a Chemical Stockroom that supplies chemicals, lab supplies and project supplies to the teaching labs across the university. The stockroom operates as a service center for the department, and for FY19 the revenue for the stockroom totaled \$142,213.



The Chemistry and Biochemistry department has 33 faculty employees, 15 administrative employees, and 94 student employees. The department also has seven classified employees and four temporary employees.

### Scope and Procedures

The scope of this audit was fiscal year 2018 through fiscal year 2019, and our fieldwork concluded on November 19, 2019. To satisfy our objectives, we performed the following:

- Reviewed the department's control environment to determine if:
  - Policies and procedures, including unique job descriptions, are in place.
  - The organizational structure aligns with management's strategic and operational objectives.
- Determined whether the department has an effective risk assessment and awareness process in place.



- Determined whether internal information, communication and reporting methods are effective.
- Reviewed control activities to determine if they are adequate and effective.
- Reviewed management’s monitoring of internal controls.
- Interviewed key personnel to determine processes for monitoring operations and internal controls, and tested selected controls in the following areas:
  - Financial processes, including expenses, revenues and budget
  - Property Management
  - Chemical Stockroom Service Center
  - Liquid Nitrogen Service Center
  - Mass Spectrometer Service Center

We conducted our examination in conformance with the Texas Internal Auditing Act 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.

## Follow-up Procedures

The recommendations were implemented during the audit; therefore, no follow-up procedures are necessary.

## Thank You

We appreciate the courtesy and cooperation received from the management and staff in Chemistry and Biochemistry as part of this audit. Please let me know if you have any questions or comments regarding this audit.

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

Toni Stephens, CPA, CIA, CRMA  
Chief Audit Executive



## Appendix B: Report Distribution

<p style="text-align: center; color: #4F81BD;">Members of the UT Dallas Institutional Audit Committee</p> <p><i>External Members</i></p> <ul style="list-style-type: none"> <li>• Ms. Lisa Choate, Chair</li> <li>• Mr. Gurshaman Baweja</li> <li>• Mr. John Cullins</li> <li>• Mr. Bill Keffler</li> <li>• Ms. Julie Knecht</li> </ul> <p><i>UT Dallas Members</i></p> <ul style="list-style-type: none"> <li>• Dr. Richard Benson, President</li> <li>• Mr. Rafael Martin, Vice President and Chief of Staff</li> <li>• Dr. Kyle Edgington, Vice President for Development and Alumni Relations</li> <li>• Mr. Frank Feagans, Vice President and Chief Information Officer</li> <li>• Dr. Gene Fitch, Vice President for Student Affairs</li> <li>• Dr. Calvin Jamison, Vice President for Facilities and Economic Development</li> <li>• Dr. Inga Musselman, Provost and Vice President for Academic Affairs</li> <li>• Ms. Sanaz Okhovat, Chief Compliance Officer</li> <li>• Dr. Joseph Pancrazio, Vice President for Research</li> <li>• Mr. Terry Pankratz, Vice President for Budget and Finance</li> <li>• Mr. Timothy Shaw, University Attorney, ex-officio</li> </ul>	<p style="text-align: center; color: #4F81BD;">UT Dallas Responsible Parties</p> <p><i>Responsible Vice President (VP)</i></p> <ul style="list-style-type: none"> <li>• Dr. Inga Musselman, Provost and Vice President for Academic Affairs</li> </ul> <p><i>Persons Responsible for Implementing Recommendations</i></p> <ul style="list-style-type: none"> <li>• Dr. Kenneth Balkus, Department Head of Chemistry and Biochemistry</li> </ul> <p><i>Other Relevant Persons</i></p> <ul style="list-style-type: none"> <li>• Dr. A. Dean Sherry, Interim Dean of Natural Sciences and Mathematics</li> </ul> <p style="text-align: center; color: #4F81BD;">External Agencies</p> <p><i>The University of Texas System</i></p> <ul style="list-style-type: none"> <li>• System Audit Office</li> </ul> <p><i>State of Texas Agencies<sup>1</sup></i></p> <ul style="list-style-type: none"> <li>• Legislative Budget Board</li> <li>• Governor’s Office</li> <li>• State Auditor’s Office</li> </ul>
<p style="color: #4F81BD;"><u>Engagement Team</u></p> <p>Project Leader: Brandon Bergman, CFE, Audit Manager          Staff: Caitlin Cummins, Internal Auditor II</p>	

<sup>1</sup> Per Texas Internal Auditing Act Requirements





## Appendix C: 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 Risk Management Committee (ACRMC).  Priority findings reported to the ACRMC 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.