



# School of Behavioral and Brain Sciences

Internal Audit Report No. R2111  
May 28, 2021



## Executive Summary

**Audit Objective:** To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls within the School.

**Conclusion:** The financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls are generally sufficient. Areas for enhancing existing controls include expenses, reconciliations, property, and departmental policies and procedures.

**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. Enhance Controls over Expenses	<b>Medium</b>	August 31, 2021
2. Enhance Cost Center Reconciliation Process	<b>Medium</b>	June 30, 2021
3. Enhance Controls over Property Inventory	<b>Medium</b>	December 31, 2021
4. Create Departmental Policies and Procedures Manual	<b>Low</b>	December 31, 2021

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



**Observation #1: Enhance Controls over Expenses**

Policies and procedures surrounding expenses are generally outlined within university policies and procedures; however, departments should also have their own procedures that outline various responsibilities and procedures unique to operations.

**Medium Risk:** A lack of strong controls over expenses can result in increased risks, including fraud, error, financial loss, noncompliance with gifts, contracts, and grants, reputational harm and donor dissatisfaction.

In testing internal controls over expenses, the following opportunities to enhance controls were noted and shared in detail with management:

- Missing approvals on One Card expense reports and travel authorizations.
- Use of incorrect account codes.
- Lack of appropriate documentation for expenses including supplemental pay.
- VISA fees were paid from a grant, which is unallowable.
- A few purchases included sales tax, which is unallowable.

**Recommendation:** Consider ways to enhance controls over expenses, including improved procedures, reminders for employees, and stricter reviews. Reimburse the grant for the visa fees.

**Management's Action Plan:** 1) Review specific items noted on the UTD Audit; 2) Implement training sessions for BBS staff on expense related topics; 3) Create a reference document that is provided to faculty and staff regarding expenses and the requirements/guidelines for each type of expense.

**Person Responsible for Implementation:** School Fiscal Officer

**Estimated Date of Implementation:** August 2021



### Observation #2: *Enhance Cost Center Reconciliation Process*

Cost center reconciliation and approval demonstrates good stewardship and accountability of financial resources. It is a comparison of the department's monthly financial transactions in PeopleSoft to supporting documentation, which is retained by the department. Reconciliation is essential for an effective internal control environment to ensure:

**Medium Risk:** Without timely completion and approval of cost center reconciliations, the risk error or fraud not being detected in a timely manner is increased.

- The accuracy and validity of the entries and balances.
- The transactions are accurately recorded.
- Unauthorized charges/changes did not occur.
- Resolution of discrepancies occurs in a timely fashion.<sup>1</sup>

Internal Audit reviewed the cost center reconciliations for fiscal years 2019 and 2020 and noted the following:

- FY20 Cost Center Reconciliations:
  - 9% of cost center reconciliations were reconciled 30 days past the closing date with the oldest being reconciled 310 days past the closing date.
  - 14% of cost center reconciliations were approved 30 days past the closing date with the oldest being approved 288 days past the closing date.
- FY19 Cost Center Reconciliations:
  - 9% of cost center reconciliations were reconciled 30 days past the closing date with the oldest being reconciled 258 days past due.
  - 17% of cost center reconciliations were approved 30 days past the closing date with the oldest being approved 352 days past due.
- For FY21, the reconciliations had improved with the following status as of period six (February 2021):
  - 2% of cost center reconciliations were reconciled 30 days past the closing date with the oldest being reconciled 78 days past the closing date.
  - 8% of cost center reconciliations were approved 30 days past the closing date with the oldest being approved 154 days past the closing date.

**Recommendation:** Consider ways to enhance controls over cost center reconciliations, including improved procedures, reminders for employees, and stricter reviews.

<sup>1</sup> <https://finance.utdallas.edu/managing-departmental-finances/cost-center-reconciliation/>



**Management's Action Plan:** 1) Enhance reconciliation process by continuing education (in-person and reference documents) to staff and faculty for reconciliation and approval; 2) Conduct internal BBS audits of cost center reconciliations and approvals to gain continuous updates on improvements or the need for continued education to specific staff and faculty.

**Person Responsible for Implementation:** School Fiscal Officer

**Estimated Date of Implementation:** June 2021



### Observation #3: *Strengthen Controls Over Property Inventory*

**Medium Risk:** A lack of formal procedures over property can lead to the loss or misuse of assets and can result in financial losses, reputational risks, and noncompliance with State and University regulations and policies.

According to [UTDBP3066 - Property Administration](#) “each department head is responsible for the proper custody, maintenance and safekeeping of UTD property assigned to his/her department.” The School of Behavioral and Brain Sciences is currently responsible for 1,086 assets with a total estimated value of \$5,210,502.

A formal process for property inventory does not exist. A sample of assets was tested to ensure accuracy based on property inventory records and the following was noted:

- One asset had been reported stolen over two years ago, but the custodian never provided a police report to the employee in charge of property inventory within the School.
- One asset could not be located during the audit and was reported missing by the custodian.
- Multiple assets were not in the location as listed in the property inventory records.
- Multiple assets were still listed in inventory but were not being used and should have been sent to surplus. These assets were identified and were sent to surplus by department personnel during the audit.

**Recommendation:** Consider developing internal procedures to strengthen controls and departmental reporting over property, including conducting periodic internal inventories.

**Management’s Action Plan:** 1) Develop an internal process to obtain property from faculty and staff when they terminate from UTD (Completed); 2) Review current property inventory with the BBS Facilities and Resource Liaison; 3) Develop a plan to ensure inventory is currently accurate and to update the inventory as assets are purchased, lost, stolen, moved or sent to surplus.

**Person Responsible for Implementation:** School Administrator

**Estimated Date of Implementation:** December 2021



**Observation #4: *Create Departmental Policies and Procedures Manual***

**Low Risk:**  
Without a formal policies and procedures, employees may not understand their responsibilities, leading to risks that include noncompliance with university policies, duplication of efforts, lack of productivity, and low morale.

Documented policies and procedures assist the organization in meeting its mission through clear communication of operational processes. The School is currently in the process of drafting a policies and procedures manual specific to operations. While such manuals are not required by University policy, it is helpful to departmental staff and considered a best practice to have policies and procedures specific to departmental operations available to help employees, especially newer staff members, to understand their responsibilities.

**Recommendation:** Continue to work toward finalizing the policies and procedures manual and ensure this information is available to faculty and staff within the School.

**Management’s Action Plan:** 1) Develop inventory of policies and procedures needed; 2) Develop a timeline to create the needed policies and procedures; 3) Create a central location where the policies and procedures will be maintained and can be accessed by faculty and staff.

**Person Responsible for Implementation:** School Administrator

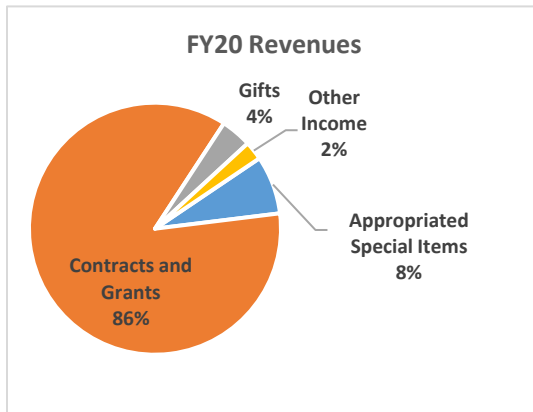
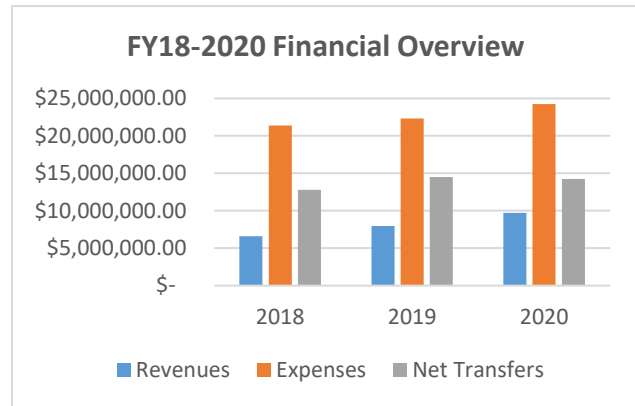
**Estimated Date of Implementation:** December 2021



## Appendix A: Methodology

### Background

The mission of the School of Behavioral and Brain Sciences is to study the biology and psychology of thought and language, development and aging, social interaction, and perception in healthy adults and children both in illness and atypical development. The School strives to enhance the health, education, and quality of life of adults and children, their families and their communities.<sup>2</sup> The School offers five Bachelor degrees, four Masters degrees, four Doctorates of Philosophy degrees, and one Doctorate of Audiology degree to students as well as a plethora of labs and research opportunities.



The School has recently welcomed a new dean and a new school administrator who are enhancing the School’s organizational structure by changing the previous areas of studies into official departments.

As noted in the graphs, most of the School’s revenues come from contracts and grants.

### Controls and Strengths

Our audit work indicated the following controls currently exist:

- Strong leadership who are making positive changes to make the school the best it can be.
- The addition of the school administrator role, assisting both the dean and the fiscal officer.
- A reorganized departmental structure designed to align with peer institutions and increase national and international visibility.
- Supportive and proud staff who care about the advancements of the School.

<sup>2</sup> <https://bbs.utdallas.edu/about-us/>





---

## Scope and Procedures

The scope of this audit was FY19 to present and our fieldwork concluded on April 15, 2021. To satisfy our objectives, we performed the following:

- Reviewed the School’s control environment to determine if:
  - Policies and procedures are in place.
  - The organizational structure aligns with management’s strategic and operational objectives.
- Determined whether the School 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 and conducted a school-wide survey to determine processes for monitoring operations and internal controls.
- Reviewed and analyzed financial data related to the School.
- Tested selected controls including the following areas:
  - Cost Center Reconciliations
  - Supplemental and Additional Pay
  - Budgeting Process
  - Performance Evaluations
  - General Expenditure Testing
  - Property Management
  - Card and Key Access
  - Conflicts of Interest

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

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. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



## Thank You

We appreciate the courtesies and considerations extended to us from management and staff in the School of Behavioral and Brain Sciences during our engagement. Please let me know if you have any questions or comments regarding this audit.

A handwritten signature in blue ink that reads "Toni Stephens". The signature is fluid and cursive, with the first name "Toni" and last name "Stephens" clearly legible.

Toni Stephens, CPA, CIA, CRMA  
Chief Audit Executive



## Appendix B: Report Distribution

<p style="text-align: center;"><b>Members of the UT Dallas Institutional Audit Committee</b></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>• Dr. 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;"><b>UT Dallas Responsible Parties</b></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>• School Administrator (to be determined)</li> <li>• Ms. Susie Milligan, School Fiscal Officer</li> </ul> <p><i>Other Relevant Persons</i></p> <ul style="list-style-type: none"> <li>• Dr. Steven Small, Dean of the School of Behavioral and Brain Sciences</li> </ul> <p style="text-align: center;"><b>External Agencies</b></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>3</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><b>Engagement Team</b></p> <p>Project Leader: Robert M. Hopkins, CFE, Audit Manager</p> <p>Staff: Caitlin Cummins, Internal Auditor II</p>	

<sup>3</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.