

Internal Audit Report

College of Engineering Operations Audit

January 2021

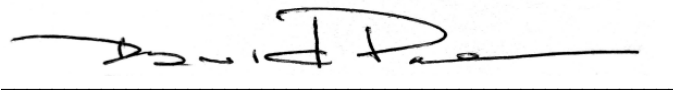
Distribution – College of Engineering Operations Audit

To: Teik Lim *President ad interim, UTA*
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From: David Price *Chief Audit Executive, UTA*



cc: Seyedali Abolmaali *Dr. Tseng Huang Endowed Professor and Department Chair, Civil Engineering, UTA*
Jennifer Chapman *Compliance Officer, UTA*
Paul Compton *Professor and Department Chair, Industrial, Manufacturing, and Systems Engineering, UTA*
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Auditor in Charge:
Jason Dooley *Senior Auditor II, UTA*

Background – College of Engineering Operations Audit

The University of Texas at Arlington's (UTA) College of Engineering was established in 1959.

The College of Engineering offers 11 bachelors, 14 masters, and 9 doctoral degrees and consists of the following departments:

- Bioengineering
- Civil Engineering
- Computer Science & Engineering
- Electrical Engineering
- Industrial, Manufacturing & Systems Engineering
- Materials Science & Engineering
- Mechanical & Aerospace Engineering

Along with distinguished faculty and staff, the College of Engineering boasts over 34,000 successful alumni who have started companies, flown in space, developed popular computer games, led major corporations, and patented innovative processes and applications.

This audit was limited to a review of the Department of Civil Engineering and the Department of Industrial, Manufacturing & Systems Engineering.

Audit Objectives, Scope, Methodology and Ranking Criteria

Audit Objectives:

Our audit objective was to determine whether the Department of Civil Engineering and the Department of Industrial, Manufacturing & Systems Engineering complied with the following:

- ✓ UTA Procedure BF-PGC-PR12: Purchasing Card (ProCard) Program;
- ✓ UTA Procedure BF-AS-PR7: Cost Center and Project Statement;
- ✓ the terms of Federal and State Research contracts.

Audit Scope and Methodology:

Our audit scope was from September 1, 2019, through June 30, 2020. Additionally, the audit scope included interviewing key personnel, reviewing processes, reports and procedures, as well as performing testing of supporting documentation. Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

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 these rankings are as follows:

	Priority	An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole.
	High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
	Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
	Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

None of the findings from this review were deemed as a "Priority" finding.

Summary – College of Engineering Operations Audit

Overall, the Department of Civil Engineering and the Department of Industrial, Manufacturing & Systems Engineering generally complied with the procedures reviewed, as well as the Federal and State Research contract terms. However, our review disclosed two opportunities for improvement for the Department of Civil Engineering and the Department of Industrial, Manufacturing & Systems Engineering.

1. Opportunity to improve compliance with ProCard procedures

Page 6


2. Opportunity to improve compliance with Statements of Account procedures

Page 7



Further details are outlined in the *Observation* section. Other less significant opportunities for improvement were communicated to management separately.

2

Observations

 High

0

 Medium

0

 Low

2

We appreciate the courtesy and cooperation received from the College of Engineering throughout this audit.

Observation 1 – Opportunity to Improve Compliance with ProCard Procedures

Low

As part of our audit, we reviewed two months of ProCard transactions from five Civil Engineering cardholders and three Industrial, Manufacturing & Systems Engineering cardholders. Our objective was to determine whether cardholders and reviewers complied with UTA Procedure BF-PGC-PR12: *Purchasing Card (ProCard) Program*.

Transactions were reviewed to determine whether:

- purchases were properly approved,
- contained adequate supporting documentation, and
- were within allowable limits.

Our review disclosed that one Civil Engineering cardholder had two disallowed purchases that totaled \$608 (one in October and one in November 2019). The cardholder did not obtain approval (official exception) from Business Affairs. As a result, the unit head properly denied these purchases. However, the cardholder did not reimburse UTA for the denied charges. According to Procedure BF-PGC-PR12: *Purchasing Card (ProCard) Program Section III D*, cardholders must reimburse the University for disallowed purchases within ten working days.

Recommendation:

Management should help ensure that the cardholder reimburses the University for the two disallowed purchases. During the course of the audit, a deposit was made by the cardholder on September 8, 2020 in the amount of \$608. A copy of the receipt evidencing the reimbursement was provided to Internal Audit.

Management should also follow the procedure to ensure that future disallowed transactions without a proper exception from Business Affairs are reimbursed within ten working days.

Management Response:

The aforementioned charge of \$608 was never approved by the CE Department; indeed, the CE Department denied the purchases during the ProCard approval process. The faculty member who made the purchase reimbursed the charges as indicated above. Thus, the Management followed the proper procedure.

Target Implementation Date:

12/01/2020 - Management has followed the proper procedure by denying the aforementioned charges and will continue to do so. However, starting immediately, we will make certain that faculty will reimburse disallowed charges within 10 working days.

Responsible Party:

Civil Engineering Department Chair

Observation 2 – Opportunity to Improve Compliance with Statements Of Account Procedures

Low

Statements of Account and supporting documents were reviewed to determine compliance with UTA Procedure BF-AS-PR7: *Cost Center and Project Statements*.

We reviewed 24 statements from Civil Engineering and 12 from Industrial, Manufacturing & Systems Engineering. Each statement was reviewed to determine whether:

- reconciliations were performed on a timely basis.
- the reconciler and the unit head signed the statements.

Additionally, supporting documents for expenditures were reviewed to validate that transactions were posted to the correct account.

Our review disclosed that 13 statements did not comply with Procedure BF-AS-PR7: *Cost Center and Project Statements*.

Civil Engineering: Ten statements were not reconciled by the deadline established by Business Affairs.

- Six were signed within one week or less of the deadline.
- Two were signed within one to two weeks of the deadline.
- Two were signed within one to three and a half months of the deadline.

Industrial, Manufacturing & Systems Engineering: Three statements were not properly signed.

- One statement was not signed by the unit head. However, it was not dated by the reconciler. As a result, we could not determine the timeliness of the reconciliation.
- Two statements were not signed by the unit head. However, they were signed on a timely basis by the reconciler.

Observation 2 – Opportunity to Improve Compliance with Statement Of Account Procedures (Continued)

Low

Recommendation 2A - Civil Engineering

As of May 2020, all monthly statements of account are available through the SAHARA module in UT Share. Reconciliations are now required to be signed and approved electronically. Civil Engineering management should ensure that monthly statements are reconciled under the deadlines established by Business Affairs, signed by the reconciler, and approved by the unit head as required by Procedure BF-AS-PR7 Cost Center and Project Statements.

Management Response:

The CE Department concurs with the Recommendation 3A, which is completely in line with management response.

Target Implementation Date:

12/01/2020

Responsible Party:

Civil Engineering Department Chair

Observation 2 – Opportunity to Improve Compliance with Statement Of Account Procedures (Continued)

Low

Recommendation 2B - Industrial, Manufacturing & Systems Engineering

As of May 2020, all monthly statements of account are available through the SAHARA module in UT Share. Reconciliations are now required to be signed and approved electronically. Industrial, Manufacturing & Systems Engineering management should help ensure that monthly statements are reconciled under the deadlines established by Business Affairs, signed by the reconciler, and approved by the unit head as required by Procedure BF-AS-PR7 Cost Center and Project Statements.

Management Response:

Industrial, Manufacturing & Systems Engineering had previously batched monthly accounting reviews to address numerous errors in the records due to the switch to the new accounting system. This was continued as a habit even after the majority of errors were addressed.

Industrial, Manufacturing & Systems Engineering will change back to monthly reviews. In addition, when the Industrial, Manufacturing & Systems Engineering accountant has all accounts ready for department approval, they will send a notice to both the Industrial, Manufacturing & Systems Engineering Administrative Manager and Department Chair to ensure all are notified the accounts are ready for approval.

Target Implementation Date:

12/01/2020

Responsible Party:

Industrial, Manufacturing & Systems Engineering Professor and Chair