



# School of Arts & Humanities

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Audit Report No. R2207 | *May 25, 2022*



## 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.

### Controls and Strengths

- Cost center reconciliations were performed in a timely manner.
- Wages paid to hourly student workers were accurate and properly authorized.

### Overall Conclusion

The effectiveness and efficiency of controls over property, conflicts of interest, and financial and management operations within the School can be improved.

### Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates. Detailed information is included in the attached report.

Observation	Risk Level	Management's Implementation Date
1. Property Management	High	May 1, 2022
2. Conflicts of Interest and Conflicts of Commitment	Medium	May 1, 2022
3. Financial and Management Operations	Medium	December 31, 2022

*For details about the audit and methodology, explanation of risk levels, and report distribution, please see Appendices A, B, and C, respectively, in the attached report.*



## Detailed Audit Results

Observation	Risk/Effect	Recommendation <sup>1</sup>
<p><b>1. Property Management</b></p>		
<p>According to <a href="#">UTDBP3066 - Property Administration</a>, <i>“each department head is responsible for the proper custody, maintenance and safekeeping of UTD property assigned to his/her department.”</i> The School of Arts and Humanities is currently responsible for 571 assets with a total estimated value of \$1,779,880.</p> <p>A formal departmental process for property inventory does not exist. A sample of assets were tested to ensure controls were in place based on property inventory records and the following was noted:</p> <ul style="list-style-type: none"> <li>• The School does not maintain departmental records for property inventory. Mobile assets that are located off campus for remote work are not being tracked and do not match the location as listed in the University’s property inventory records.</li> <li>• The School reported 144 missing assets, valued at \$494,002, in 2020 and 2021. Of those reported missing, 89 assets valued at \$356,516 were gifts in kind that were donated to the School. Although the dean signed off on the Missing or Stolen Asset</li> </ul>	<p>Lack of formal procedures over property, including periodic inventories, 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.</p>	<p style="text-align: center;"><b>High</b></p> <p>Develop internal procedures to strengthen controls and departmental reporting over property, including conducting periodic internal inventories. The School should also work closely with the Office of Development to ensure gifts in kind are properly accounted for and tracked by the School.</p>

<sup>1</sup> See Appendix B on page 10 for definitions of observation risk rankings. Minimal risk observations were communicated to management separately.



Observation	Risk/Effect	Recommendation <sup>1</sup>
<p>Report, there was not a documented attempt to locate the assets, and no reason was documented as to why the assets were missing.</p>		
<p><b>Management’s Action Plan:</b></p> <p><u>Mobile Technology</u>          Develop and implement semi - annual inventory review and asset management form for mobile technology. Created Qualtrics form for faculty and staff to complete for better tracking of mobile assets. Asset clerk and admin staff will perform semi - annual inventory check to ensure records are up to date.</p> <p><u>Gifts in Kind</u>          Develop methodology for managing GIK to prevent loss or stolen property of A -UT Dallas. Met with AH's Development Officer, Holly Miori, and located gifts reported missing. Items are on campus but locations need to be updated in inventory. To prevent future misreports/ losses an annual review of Raisers Edge/ GIK report from Office of Development will be completed. During moves, repairs, renovations, etc. GIK are to be tagged and noted to spreadsheet as of date and location of moved item. If item is loaned it will be updated to internal spreadsheet of new manager and location.</p> <p><b>Responsible Party Name and Title:</b></p> <ul style="list-style-type: none"> <li>• Bryan Wolfe, Financial Analyst, School of Arts and Humanities</li> <li>• <u>Mobile Technology:</u> Technology Manager/Administrative Staff</li> <li>• <u>Gifts in Kind:</u> Administrative Staff/Gift Services</li> </ul> <p><b>Estimated Date of Implementation:</b></p> <p>May 1, 2022 (both areas)</p>		



Observation	Risk/Effect	Recommendation <sup>1</sup>
<b>2. Conflicts of Interest and Conflicts of Commitment</b>		<b>Medium</b>
<p>UT Dallas conflict of interest and commitment policies for all employees is outlined on the Office of Institutional Compliance, Equity, and Title IX Initiatives website.<sup>2</sup> All UTD employees are required to disclose potential conflicts of interest and any outside activities. If any conflicts are noted, a management plan must be in place with appropriate approvals from both the School and University management.</p> <p>Two of the School’s faculty with leadership roles did not report potential conflicts of interest or commitment as required. One employee participates on a board and the other employee started their own company; both did not disclose this as required by University policy.</p>	<p>Noncompliance with conflict of interest and commitment policies could result in loss of funding, misuse of university funds, poor decision making, and reputational harm.</p>	<p>Require conflicts of interest and commitment to be reported in compliance with University policies and monitor the reports for completeness.</p>
<p><b>Management’s Action Plan:</b>          Send out annual notice to staff/ faculty. Possible Qualtrics form. AH will send out an annual policy notice to faculty and staff requesting they report any and all activities that could be viewed as a conflict of interest to UT Dallas.</p> <p><b>Responsible Party Name and Title:</b></p> <ul style="list-style-type: none"> <li>• Bryan Wolfe, Financial Analyst, School of Arts and Humanities</li> <li>• Administrative Staff</li> </ul> <p><b>Estimated Date of Implementation:</b>          May 1, 2022</p>		

<sup>2</sup> <https://institutional-initiatives.utdallas.edu/compliance/conflicts-of-interest/>



Observation	Risk/Effect	Recommendation <sup>1</sup>
<b>3. Financial and Management Operations</b>		<b>Medium</b>
<p>Internal Audit tested School of Arts and Humanities financial and management controls and conducted interviews as well a survey of the employees in the School. The following observations were noted:</p> <ul style="list-style-type: none"> <li>• Most of the financial responsibilities for the School are performed by one employee and approved by the dean. Further separating duties and managing the workload would provide additional controls for financial operations.</li> <li>• Four department codes under the School are no longer in use and can be deleted (Center for Translation Studies, CISM, Centraltrak, and the Confucius Institute).</li> <li>• Scholarship awards did not always have documentation that matched the exact award recipient and amounts.</li> <li>• Of the 45 expenses tested, two did not have appropriate documentation.</li> <li>• The School was unable to provide documentation detailing the gift purpose for four of the gifts tested. Documentation was also not available in Development and Alumni Relations.</li> <li>• The Business Continuity Plan for the School has not been updated in over two years.</li> </ul>	<p>A lack of strong controls over expenses and communication can result in increased risk or fraud, error, noncompliance with gifts, contracts, awards and reputational harm and donor dissatisfaction.</p>	<p>Management should strengthen financial and management operations, especially in the areas of separation of duties, documentation for gifts and expenses, business continuity planning, policies and procedures, departmental communications, and completion of the School’s strategic plan.</p>



Observation	Risk/Effect	Recommendation <sup>1</sup>
<ul style="list-style-type: none"> <li>• There are no department-specific policies and procedures.</li> <li>• Communication from management to staff and faculty members can be improved.</li> <li>• The School’s strategic plan should be completed and distributed.</li> </ul>		
<p><b>Management’s Action Plan:</b>            Meet with administrative staff to review and reassess roles. Discuss record keeping practices, policies, and procedures. Upcoming planned merger between AH and ATEC will provide the opportunity to re-evaluate roles and transfer responsibilities. Meeting with fiscal officer and staff to discuss changes is forthcoming.</p> <p><b>Responsible Party Name and Title:</b></p> <ul style="list-style-type: none"> <li>• Bryan Wolfe, Financial Analyst, School of Arts and Humanities</li> <li>• Administrative Staff</li> </ul> <p><b>Estimated Date of Implementation:</b>            December 31, 2022</p> <p><b>Auditor’s Note:</b> Due to the upcoming merger between the School of Arts and Humanities and the School of Arts, Technology, and Emerging Communication, the implementation date could be extended to June 1, 2023 per comments from the Provost. The Office of Audit and Consulting Services will assess the status of implementation in the second quarter of FY23.</p>		

## Overall Conclusion

The effectiveness and efficiency of controls over property, conflicts of interest, and financial and management operations within the School can be improved.

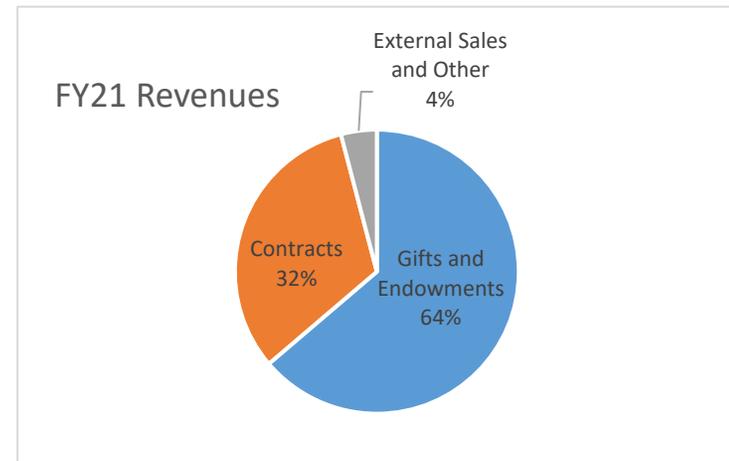
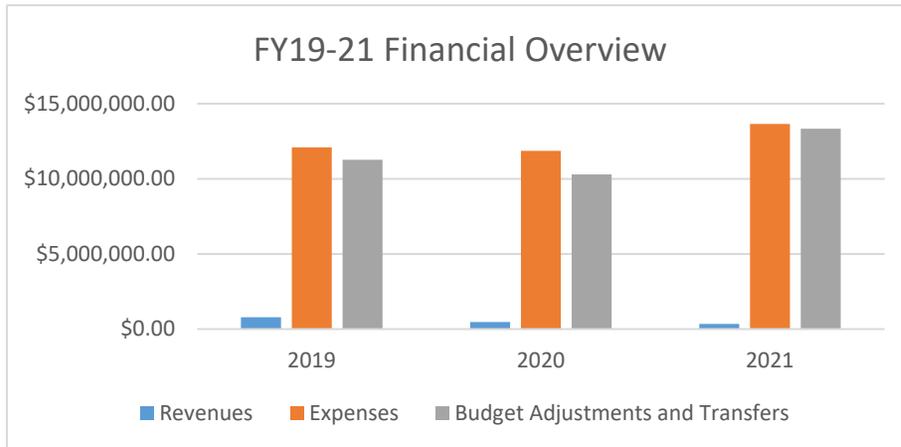


## Appendix A: Information Related to the Audit

### Background

According to their website, the School of Arts & Humanities (A&H) strives to teach their students to cultivate interdisciplinary thinking that's adaptive, practical, and proactive. A&H students can explore their artistic and intellectual passions, making the most of a liberal arts experience within a major research university<sup>3</sup>. The School offers five bachelor's degrees (with 16 options for minors), three master's degrees, and four doctoral degrees. A&H is also home to five academic centers, a museum of Asian art, an institute of art history, and an art gallery. The Director of the Ackerman Center for Holocaust Studies within A&H became the Interim Dean for A&H on September 1, 2019, and presently continues to serve in both positions.

As noted in the graphs below, A&H showed a similar total reduction in revenue and expenses from FY19 to FY20. From FY20 to FY21, total revenue showed a smaller reduction, but total expenses showed a large increase. Most of the School's revenues come from gifts and endowments.



<sup>3</sup> <https://ah.utdallas.edu/about-ah/>



## Objective

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

## Scope

The scope of the audit was FY21 through November 2021. Fieldwork was conducted from October 2021 to March 2022, and the audit concluded on April 14, 2022.

## Methodology

The audit was conducted in conformance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with generally accepted government auditing standards (GAGAS). Both standards are required by the Texas Internal Auditing Act, and they require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

GAGAS also requires that auditors assess internal control when it is significant to the audit objectives. We used the Committee of Sponsoring Organizations of the Treadway Commission (COSO) framework in assessing internal controls<sup>4</sup>.

Our audit methodology included interviews, observations of processes, reviews of documentation, and testing. The following table outlines our audit procedures and overall controls assessment for each of the audit area objectives performed.

Audit Area	Methodology	Observations Related to the Audit Area
Expenses	Tested departmental expenses to ensure proper controls over authorization,	Observation #3

<sup>4</sup> <https://www.coso.org/Documents/990025P-Executive-Summary-final-may20.pdf>



Audit Area	Methodology	Observations Related to the Audit Area
	compliance with policies and procedures, compliance with applicable gift/grant restrictions, segregation of duties, documentation, and business purpose.	
Payroll	Tested payroll expenses to ensure proper authorization and time reporting for hourly/student workers.	None
Cost Center Reconciliations	Determined if cost center reconciliations performed in a timely manner by authorized employees.	None
Property Management	Tested property to proper safeguarding and accounting.	Observation #1
Conflicts of Interest	Determined if conflicts of interest and commitment had been disclosed in accordance with university policies.	Observation #2
Scholarships	Tested scholarship awards to ensure compliance with university policies.	Observation #3

### 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.



## Appendix B: Observation Risk Rankings

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
<b>Priority</b>	If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC).
<b>High</b>	High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Medium</b>	Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Low</b>	Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Minimal</b>	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting.



## Appendix C: Report Submission and Distribution

We thank the School of Arts and Humanities management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

### Distribution List

*Members and ex-officio members of the UT Dallas Institutional Audit Committee*

#### *Responsible Vice President*

Dr. Inga Musselman, VP of Academic Affairs and Provost

#### *Persons Responsible for Implementing Recommendations:*

Dr. Nils Roemer, Interim Dean

Mr. Bryan Wolfe, Financial Analyst

#### *External Parties*

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

#### *Engagement Team*

Mr. Robert M. Hopkins, CFE, Audit Manager

Ms. Caitlin Cummins, Internal Auditor III, Project Leader

Ms. Julia Lawshae, Internal Auditor II