



UNIVERSITY OF HOUSTON SYSTEM

Internal Auditing Department  
Houston, Texas 77204-0930  
(713)743-8000  
Fax: (713)743-8015

## MEMORANDUM

TO: Board of Regents

FROM: Don F. Guyton  
Chief Audit Executive

DATE: January 25, 2012

SUBJ: Internal Audit Activity - Briefing Booklet for February 15, 2012, Audit & Compliance Committee Meeting

Attached for your information is a briefing booklet describing the activities of the Internal Auditing Department since the November 16, 2011, meeting of the Audit & Compliance Committee of the Board of Regents, and an explanation of the external review process and proposed peer review team. This booklet includes Activity Outline/Audit Plan Status and the Executive Summaries, Summary of Recommendations by Area, and Management Action Plans of the following Internal Audit Reports with risk levels ranked **High/Medium/Low**:

- AR2012-09 Follow-up Status Report
- AR2012-10 Construction Award Status Report
- AR2012-11 UHD Information Security Standards
- AR2012-12 UH Provost Office, Endowments
- AR2012-13 UH Football Attendance, 2011 Season
- AR2012-14 UH Academic Affairs and Provost, Departmental Reviews

The Internal Audit Reports included in this booklet will be filed with the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee within the next 30 days, as required by the Texas Government Code, Section 2102.0091. I shall be pleased to discuss the contents of the booklet with you at the upcoming Board of Regents meetings.

Please let me know if you have any questions.

Attachment

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

BOARD OF REGENTS  
AUDIT & COMPLIANCE COMMITTEE  
MEETING

INTERNAL AUDIT BRIEFING  
MATERIALS

February 15, 2012

**University of Houston System  
Internal Auditing Department**

**Board of Regents  
Audit & Compliance Committee Meeting**

**Internal Audit Briefing Materials**

**February 15, 2012**

**INDEX**

1. Internal Audit Activity Outline / Audit Plan Status
2. Internal Audit Report Executive Summaries
3. Summary of Recommendations by Area
4. Management Action Plans
5. Internal Audit Reports
6. Internal Audit External Peer Review Team

**University of Houston System  
Internal Auditing Department**

**Board of Regents  
Audit & Compliance Committee Meeting**

**ACTIVITY OUTLINE  
February 15, 2012**

1. Audit Reports Issued since November 16, 2011, Board of Regents Meeting
  - AR2012-09 Follow-up Status Report
  - AR2012-10 Construction Award Status Report
  - AR2012-11 UHD Information Security Standards
  - AR2012-12 UH Endowments (Provost)
  - AR2012-13 UH Football Attendance, 2011 Season
  - AR2012-14 UH Office of Academic Affairs & Provost, Departmental Reviews
  
2. Reports in Progress
  - UH Texas Learning Computation Center (*May 2012*)
  
3. Fieldwork in Progress (*scheduled distribution date to Board of Regents*)
  - UH Texas Institute for Measurement, Evaluation and Statistics (*May 2012*)
  - UH Athletics, Rules Compliance (*May 2012*)
  - TAC 202, Information Security Standards (UHCL, UHV) (*May 2012*)
  - UH Financial Reporting (*May 2012*)
  - UH College of HRM, Operational Review (*May 2012*)
  - UH Endowments (Non-College Specific, System Administration) (*May 2012*)
  - UHS / UH Chancellor / President Travel, FY 2012
  - UHS Board of Regents Travel, FY 2012
  
4. Planning in Progress
  - Student Accounting & Receivables (UH, UHCL, UHD, UHV)
  - UH Center for Advanced Materials
  - UHV Departmental Review (President, Education, Arts & Sciences, Business)
  - Financial Aid (UHCL, UHD, UHV)
  
5. Special Projects in Progress:
  - Assistance to External Auditors – State Auditor’s Office Annual Statewide Audit
  - Assistance to External Auditors – State Auditor’s Office SACS Review, UHCL
  - Assistance to Management – Various Special Projects
  - FEMA Audit - Allison

**AUDIT PLAN STATUS, FY 2012  
AS OF JANUARY 19, 2012**

<u>AUDIT AREA</u>	<u>STATUS</u> <u>(See Note)</u>	<u>AUDIT AREA</u>	<u>STATUS</u> <u>(See Note)</u>
<u>ANNUAL AUDIT ACTIVITY</u>		<u>DEPARTMENTAL REVIEWS</u>	
Annual External Audits - Liaison		Effectiveness of New Departmental Review Process	4
Athletics - Football Attendance Audit	4	UH Research	
Board of Regents Travel, FY 2012	2	UH University Advancement	
Chancellor/President's Travel, FY 2012	2	UHCL Education	
Follow-up Reviews	2	UHCL President's Office	
Special Projects/Police Investigations	2	UHD Administration & Finance	
State Auditor's Office Liaison:		UHD Employment Services & Operations	
Regional Accrediation Review - SACS (UHCL)	2	UHD President's Office	
Audit Assistance - General	2	UHD Public Service	
Follow-up Reports	2	UHD Student Services & Enrollment Management	
		UHV Arts & Sciences	1
		UHV Business Administration	1
		UHV Education	1
		UHV President's Office	1
<u>ALL COMPONENTS</u>		<u>CARRYFORWARD AUDITS</u>	
Auxiliary Contract Administration		Athletics - NCAA Rules Compliance	2
Formula Funding		Board of Regents Travel, FY 2011	4
Endowments		Chancellor/President's Travel, FY 2011	4
UH College of Architecture		Contract & Grants Admin. (UHCL, UHD, and UHV)	
UH College of Business		Departmental Reviews	
UH Graduate College of Social Work		UH Academic Affairs/Provost Division	4
UH College of Hotel & Restaurant Management		UH College of Hotel & Restaurant Management	4
UH College of Law		UH Graduate College of Social Work	4
UH Texas Center for Superconductivity		Endowments (UH):	
Financial Aid (UHCL, UHD, and UHV)	1	UH Engineering	4
General Accounting		UH Non-College Specific	2
		UH Provost	4
		UH System	2
		Financial Reporting (all components)	2
		Financial Aid, Direct Loans (UHCL, UHD, and UHV)	1
		Research Centers	
<u>RESEARCH CENTERS</u>		UH Center for Advanced Materials	1
UH Center for Materials Chemistry		UHCL/UH Environmental Institute of Houston	
UH/UHCL Institute for Space System Operations		UH Texas Inst. for Measurement, Eval. & Statistics	2
UH Texas Center for Superconductivity		UH Texas Learning & Computation Center	3
		Student Accounting & Receivables (all components)	1
		TAC 202 (UHD)	4
		TAC 202 (UHCL and UHV)	2
		UH College of HRM, Operational Review	2
<u>INFORMATION TECHNOLOGY</u>			
IT - Review and Monitor of IT Systems			
PeopleSoft Student & Academic Administration			
- Post-Implementation Review			
UH Desktop Computing Support, User Support			
Services, Training, Computer Store			
UH Information Security			
UH Web Support Services			
TAC 202 (UH)			
<u>QUALITY ASSURANCE REVIEWS</u>			
Internal Auditing Internal Quality Assurance Review			
Internal Auditing External Quality Assurance Review			

Notes:

- 1 Planning in progress.
- 2 Fieldwork in progress.
- 3 Reporting in progress.
- 4 Completed.

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

**EXECUTIVE SUMMARIES**

REPORT NOS. AR2012-09 through AR2012-14

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**INTERNAL AUDIT REPORTS - EXECUTIVE SUMMARIES**

**Internal Audit Report – Follow-up Status Report**

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented October 1, 2011, to December 31, 2011, in all audit reports with open recommendations. This status report addresses 20 management actions in 10 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 13 of these management actions have been completed, 6 partially implemented and 1 not implemented.

**Internal Audit Report – Construction Award Status Report**

The internal audit review of construction procurement of major construction projects covers the time period from October 1, 2011 to December 31, 2011. We perform the following procedures for each major construction project:

- We review the RFQ / RFP posted on the State Comptroller's Electronic State Business Daily, noting evaluation criteria and submission deadlines and other requirements.
- We review the Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP.
- We review the Purchasing Department's recommendation of RFQ / RFP to the EVP for reasonableness.
- We review the EVP's evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness.

We noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

**Internal Audit Report – UHD, Information Security Standards**

Texas Administrative Code Title 1, Part 10, Chapter 202 – Information Security Standards (TAC 202), requires all institutions of higher education to comply with the regulations set forth in Subchapter C - Security Standards for Institutions of Higher Education. For this engagement, we evaluated the information security policies, practices and procedures at the University of Houston–Downtown for the following areas: security standards policy, management and staff responsibilities, managing security risks, managing physical security, business continuity planning, information resources security safeguards, security incidents, user security practices, and removal of data from data processing equipment. In our opinion, the University of Houston–Downtown's information security program in these areas helps ensure compliance with TAC 202, Subchapter C. Although we noted no matters that we considered to be significant audit

findings, we did note that the University is in the process of finalizing its Business Continuity Plan.

**Internal Audit Report – UH Provost Office, Endowments**

We performed a review of the endowments managed by the UH Provost Office. The primary objective of our review was to determine whether the Provost Office is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements. In our opinion, the Provost Office is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements.

**Internal Audit Report – UH Football Attendance, 2011 Season**

The Internal Auditing Department conducted a review to certify attendance for each home football game as required by 2011-12 NCAA Bylaws. The average paid attendance for the 2011 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).

**Internal Audit Report – UH Academic Affairs and Provost, Departmental Reviews**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed eight departmental reviews in the Office of Academic Affairs and Provost. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the Office of Academic Affairs and Provost was not in compliance with certain policies. Management agreed to implement an action plan for an area of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.



**Internal Auditing Department**  
**Internal Audit Report Recommendations - Summarized by Area**  
**February 15, 2012**

REPORT NAME	Rpt. No.	Modify Policies and Procedures			Noncompliance with Guidelines			Efficiency of Resources	Contracts / Agreements	EDP / System Issues			Basic Internal Controls				Human Resources			
		UHS	Campus	Dept.	Fed./Other	State	UHS			Modif.	Security	Other	Reconcil. of Duties	Segreg. Handling	Cash Assets	Safeguard Other	Job Descr.	Training	Other	
Follow-up Status Report	AR2012-09																			
Construction Award Status Report	AR2012-10																			
UHD Information Security Standards	AR2012-11					X														
UH Provost, Endowments	AR2012-12																			
UH Football Attendance, 2011 Season	AR2012-13																			
UH Office of Academic Affairs & Provost, Departmental Reviews	AR2012-14						X		X					X			X		X	X

UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

**ACTION PLANS**

(Who is responsible for performing certain action by a specific date)

REPORT NOS. AR2012-09 through AR2012-14  
(If Applicable)

Note: The Internal Auditing Department will perform follow-up procedures to determine whether management's actions addressing the recommendations have been implemented by the dates indicated in the management action plan. Follow-up status reports are included in the Internal Auditing Briefing Booklets for regularly scheduled Board of Regents Audit & Compliance Committee meetings.

**University of Houston System  
Internal Auditing Department**

**UH Office of Academic Affairs and Provost, Departmental Reviews - AR2012-14  
Action Plan**

<b>Est. Compl.</b>	<b>Responsibility for Action</b>	<b>Action To Be Taken</b>
<u>Date</u>	<u>Name/Title</u>	
<b>Risk Level:    High    Medium    Low</b>		
Action Complete	Lisa Shumate, Executive Director/General Manager of Houston Public Media	Submit a plan to address the deficit funds groups to the Executive Vice President for Administration and Finance for approval.

**Note:** Supporting documentation for actions implemented or updated management's responses for actions partially or not implemented should be furnished to the Internal Auditing Department by the estimated completion date.

# UNIVERSITY OF HOUSTON SYSTEM INTERNAL AUDITING DEPARTMENT

## INTERNAL AUDIT REPORTS

AR2012-09	Follow-up Status Report
AR2012-10	Construction Award Status Report
AR2012-11	UHD Information Security Standards
AR2012-12	UH Provost Office, Endowments
AR2012-13	UH Football Attendance, 2011 Season
AR2012-14	UH Academic Affairs and Provost, Departmental Reviews

Note: These internal audit reports are submitted to the Board of Regents and the Chancellor for their review in order to comply with the Board of Regents policy and the Texas Government Code, Section 2102.008. These internal audit reports are also submitted to the Governor's Office of Budget and Planning, the Legislative Budget Board, the State Auditor, and the Sunset Advisory Committee in order to comply with the Texas Government Code, Section 2102.0091.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

FOLLOW-UP STATUS REPORT

Actions Scheduled from October 1, 2011 to  
December 31, 2011

REPORT NO. AR2012-09

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
(Actions scheduled from October 1, 2011, to December 31, 2011)**

The Standards for the Professional Practice of Internal Auditing require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. We performed such procedures for all items included in management action plans which were scheduled to be implemented October 1, 2011, to December 31, 2011, in all audit reports with open recommendations. This status report addresses 20 management actions in 10 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 13 of these management actions have been completed, 6 partially implemented and 1 not implemented.

The main portion of this report is a follow-up status matrix which lists the report number, report title, action number, total actions in each report, estimated completion date, name/title/entity responsible for action, action to be taken and status. The status of the action items included in the matrix has been categorized as either ***Action Complete, Partially Implemented or Not Implemented***. In cases where the action item has been partially implemented or not implemented, an updated management's response with an estimated completion deadline is included in the status column, where appropriate.

The "Listing of Audit Reports Containing Management Action Plans" indicates all reports where management has addressed all actions in the action plan during the current fiscal year and all reports which are addressed in this status report. All of the management action plans for internal audit reports contain a footnote indicating that documentation of implementation of actions will be furnished to the Internal Auditing Department on the same date as the estimated completion date of the action being implemented.

---

Don F. Guyton  
Chief Audit Executive  
January 19, 2012

Attachment

**UNIVERSITY OF HOUSTON SYSTEM  
FOLLOW-UP STATUS REPORT  
(Actions Scheduled from October 31, 2011, to December 31, 2011)**

**Board of Regents Audit Committee Meeting  
February 15, 2012**

**Table of Contents**

1. Report
2. Listing of Audit Reports Containing Management Action Plans
3. Follow-up Status Matrix

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2011**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: <b>High</b> <b>Medium</b> <b>Low</b>								
AR2009-12	College of Natural Sciences & Mathematics Departmental Reviews	22i	48	11/30/2011	Jennifer Chin-Davis Department Business Administrator Physics Department	UH	Work with the Office of Contracts and Grants to close expired project cost centers and with the Budget Office to close expired HEAF cost centers.	<b>Partially Implemented - Updated Management's Response:</b> The department is working with the Office of Contracts and Grants and the Budget Office to close expired project and HEAF cost centers. Estimated completion date: March 31, 2012.
AR2009-22 (PRT)	UHS Facilities Development Project	15b	24	11/1/2011	Chris McCall AVP Facilities Management	UHD	Perform campus-wide room walk-through, to ensure that reported room area (square footage) is accurate and verifiable.	<b>Action Complete</b>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	12e	114	12/31/2011	Steven Wallace Director Theater Department	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	<b>Not Implemented - Updated Management's Response:</b> At year end FY 2011, Department H0085 Fund Group 2 contained a deficit equity balance of \$270,726; and Department H0085 Fund Group 4 contained a deficit equity balance of \$285,012. The CLASS Dean's Office has taken on the financial responsibility of the School of Theatre and Dance. A budget has been agreed upon and monthly meetings will be held with the CLASS Department Business Administrator (DBA) and the Director of the School of Theatre and Dance. Revenues and expenses will be closely monitored and budgets will be reduced if necessary. The CLASS DBA is working with the Department Chair to reduce the deficit equity balances. Estimated completion date: August 31, 2012.
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	13e	114	12/31/2011	Steven Wallace Director Theater Department	UH	Restore project/grant cost center budgetary balances to zero or positive amounts and work with the appropriate office to close expired project/grant cost centers.	<b>Action Complete</b>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	26d	114	12/31/2011	Geoffrey Pierce Department Business Administrator Communication Sciences & Disorders	UH	Restore deficit budgetary balances to zero or positive amounts, implement procedures to prevent spending funds that are not available, and work with the appropriate office to close expired project/grant cost centers.	<b>Action Complete</b>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	39c	114	12/31/2011	Linda Garza & Elizabeth Shepard Department Business Administrators Dean's Office	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted.	<b>Action Complete</b>



**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2011**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: <b>High</b> <b>Medium</b> <b>Low</b>								
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	67b	114	12/31/2011	Lynn Smith Department Business Administrator Anthropology Department	UH	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available, in accordance with university policies.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	78d	114	12/31/2011	Isaac Davis Department Business Administrator Psychology Department	UH	Restore deficit budgetary balances to zero or positive amounts, implement procedures to prevent spending funds that are not available, and work with the appropriate office to close expired project/grant cost centers.	<i>Action Complete</i>
AR2010-07	College of Liberal Arts & Social Sciences Departmental Reviews	89b	114	12/31/2011	Linda Garza & Elizabeth Shepard Department Business Administrators Dean's Office	UH	Restore deficit balances to zero or positive amounts and implement procedures to help prevent spending funds that are not budgeted. (Religious Studies)	<i>Action Complete</i>
AR2010-17	Departmental Reviews UH Law Center	1a	13	2/1/2012	Mybao Nguyen Director of College Business Operations	UH	Ensure timely completion of all required training, in accordance with university policies.	<i>Action Complete</i>
AR2010-26	Athletics NCAA Rules- Compliance	1b	5	10/1/2011	Kevin Klotz Associate Athletics Director of Compliance & Eligibility Athletics Department	UH	Ensure that recruiting records are collected and maintained for all prospective student athletes, in accordance with the Athletic Compliance policies and procedures.	<b>Partially Implemented - Updated Management's Response:</b> All recruiting records are recorded through ACS InControl Software system. Recruiting reimbursements are not processed without recruiting activity being logged in system. All coaches are required to log recruiting activities using ACS InControl System. This information will be included in the Athletic Compliance policies and procedures manual that is scheduled to be released week two of the Spring 2012 semester. Estimated Completion Date: February 1, 2012.

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2011**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: <b>High</b> <b>Medium</b> <b>Low</b>								
AR2010-26	Athletics NCAA Rules-Compliance	3b	5	10/1/2011	Kevin Klotz Associate Athletics Director of Compliance & Eligibility Athletics Department	UH	Work with the Sport Administrators to obtain all camp and clinic documentation to conduct a thorough review of the administration of the camp/clinic in order to make the Athletics Director, camp director or head coach and the camp director's or head coach's direct supervisor aware of any concerns related to the administration of the camp/clinic, including potential violations of NCAA legislation, in accordance with Athletic Compliance policies and procedures.	<i>Action Complete</i>
AR2010-26	Athletics NCAA Rules-Compliance	5b	5	10/1/2011	Kevin Klotz Associate Athletics Director of Compliance & Eligibility Athletics Department	UH	Obtain documented prior written approval to operate all camps/clinics and on Student-Athlete Employment Approval Forms for all student-athletes that plan to work at camps/clinics, in accordance with Athletic Compliance policies and procedures.	<i>Action Complete</i>
AR2011-11	College of Optometry, Departmental Review	2	3	12/31/2011	Mary Juarez College Business Administrator	UH	Work with the Division of Research to deactivate expired grant cost centers.	<i>Partially Implemented - Updated Management's Response:</i> Of the original list of 55 open expired grant cost centers, 37 have been closed. Of the remaining 18 cost centers that need to be resolved, the majority have equity or cash issues that we are working with the Office of Contracts and Grants to resolve. Estimated completion date: June 30, 2012.
AR2011-16	Departmental Reviews UHD Office of the Vice President for Academic Affairs and Provost	1a	1	12/31/2011	Elaine Pearson Division Business Administrator III Office of the Vice President for Academic Affairs and Provost	UHD	Develop and implement procedures to require the formal review and approval of fees charged for new continuing education courses and for the annual review of existing courses to help ensure fees are sufficient to recover the costs of providing the course.	<i>Action Complete</i>
AR2011-24	UH Research Administration	1a	6	12/31/2011	Selesta Hodge, Business Administrator, Division of Research	UH	Develop procedures to monitor grant cost centers to help ensure that deficit budgets are addressed in a timely manner.	<i>Partially Implemented - Updated Management's Response:</i> The Division of Research has drafted procedures to monitor grant cost centers that have expired or have deficit budgets. The procedures have been developed but they have not been adequately publicized or placed on the Division of Research website. Estimated completion date: February 29, 2012.

**University of Houston System  
Internal Auditing Department**

**Follow-up Status Report  
as of December 31, 2011**

Internal Audit Report Number	Report Title	Action No.	Total Actions	Est. Compl. Date	Responsibility For Action		Action To Be Taken	Status
					Name / Title	Entity		
Risk Level: <b>High</b> <b>Medium</b> <b>Low</b>								
AR2011-24	UH Research Administration	2a	6	12/31/2011	Selesta Hodge, Business Administrator, Division of Research	UH	Develop procedures to help ensure that expired grant cost centers are closed in a timely manner.	<b>Partially Implemented - Updated Management's Response:</b> The Division of Research has drafted procedures to monitor grant cost centers that have expired or have deficit budgets. The procedures have been developed but they have not been adequately publicized or placed on the Division of Research website. Estimated completion date: February 29, 2012.
AR2011-25	Athletics Department, Endowments	2a	3	11/30/2011	Jeramiah Dickey Associate Athletics Director for Development  T.J. Meagher Associate Athletics Director for Internal Operations/Chief Financial Officer Athletics Department	UH	Notify on an annual basis, endowment restrictions to all Athletic personnel responsible for endowments to help ensure compliance with terms.	<b>Action Complete</b>
AR2011-25	Athletics Department, Endowments	3a	3	11/30/2011	Jeramiah Dickey Associate Athletics Director for Development	UH	Work with University Advancement to modify the terms of the endowment that has changed.	<b>Partially Implemented - Updated Management's Response:</b> The modified endowment agreement is currently in the university signature process. Estimated completion date: April 30, 2012.
AR2011-34	UH College of Natural Sciences and Mathematics, Endowments	2a	3	12/1/2011	Fred McGhee Executive Director of College Business Operations UH College of Natural Sciences and Mathematics	UH	Work with University Advancement to provide accurate and complete information to the donor.	<b>Action Complete</b>

**UNIVERSITY OF HOUSTON SYSTEM  
AUDIT REPORTS CONTAINING MANAGEMENT ACTION PLANS  
FOLLOW-UP STATUS  
FY 2012**

<u>Report Number</u>	<u>Report Date</u>	<u>REPORT TITLE</u>	<u>All Actions Complete Final Disposition Rept. No.</u>	<u>Some Actions Addressed in this Report</u>
<b><u>INTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u></b>				
AR1999-08	02/18/99	UH, Physical Plant Department, 3rd FU		
AR2009-02	12/09/08	UH College of Technology - Departmental Reviews		
AR2009-12	02/10/09	UH NSM - Departmental Reviews		X
AR2009-18	04/14/09	UH Division of Administration & Finance - Dept. Reviews	<b>AR2012-01</b>	
AR2009-20	04/14/09	UHD Information Securities Standards		
AR2009-22	08/11/09	UHS Facilities Development Project		X
AR2010-02	11/05/09	UHCL TAC 202		
AR2010-03	11/05/09	UH TAC 202		
AR2010-07	11/05/09	UH, CLASS - Departmental Reviews		X
AR2010-17	05/12/10	UH Law Center, Departmental Reviews	<b>AR2012-09</b>	X
AR2010-26	08/11/10	UH Athletics, NCAA Rules-Compliance		X
AR2011-05	02/16/11	UH, Division of Student Affairs Departmental Reviews		
AR2011-11	02/16/11	UH College of Optometry Departmental Review		X
AR2011-16	02/16/11	UHD Office of Academic Affairs & Provost Departmental Reviews	<b>AR2012-09</b>	X
AR2011-17	02/16/11	UHV, Financial Aid Pell Grants	<b>AR2012-01</b>	
AR2011-18	02/16/11	UHCL, Financial Aid Pell Grants	<b>AR2012-01</b>	
AR2011-19	02/16/11	UHD, Financial Aid Pell Grants	<b>AR2012-01</b>	
AR2011-22	05/18/11	UHCL, Office of Academic Affairs & Provost Dept. Reviews	<b>AR2012-01</b>	
AR2011-23	05/18/11	Executive and Foreign Travel, All Components	<b>AR2012-01</b>	
AR2011-24	05/18/11	UH Research Administration		X
AR2011-25	05/18/11	Athletics Department, Endowments		X
AR2011-26	05/18/11	College of Education, Endowments		
AR2011-29	08/17/11	UH Library, Endowments	<b>AR2012-01</b>	
AR2011-34	08/17/11	UH College of Natural Sciences & Mathematics, Endowments	<b>AR2012-09</b>	X
AR2012-07	11/16/11	UH, Graduate College of Social Work - Departmental Review		
<b><u>EXTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u></b>				
SAO Report #05-010	11/02/04	UH - The Protection of Confidential Information and Critical Systems	<b>AR2012-01</b>	

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CONSTRUCTION AWARD STATUS REPORT

Activity from October 1, 2011 to  
December 31, 2011

REPORT NO. AR2012-10

University of Houston System  
Internal Auditing Department  
Construction Award Status Report  
October 1, 2011 through December 31, 2011

**Background:** UHS procures construction services under the provisions of the Texas Education Code, Sections 51.779 – 51.785. These statutes address the following construction contract methods: Design-Build, Construction Manager-Agent, Construction Manager-At-Risk, Construction Services through Competitive Sealed Proposals and Job Order Contracts. The UHS Facilities, Planning and Construction Department and the Purchasing Department have developed policies and procedures to help ensure compliance with these statutes. For major construction projects, UHS primarily uses the Design-Build and Construction Manager-At-Risk contract methods. The Internal Auditing Department reviews the construction RFQ / RFP evaluation process on an ongoing basis.

**Objective:** The objectives of this review are to determine whether UHS is complying with its policies and procedures and the Texas Education Code in selecting its contractors for its major construction projects.

**Scope of Work:** The internal audit review of construction procurement of major construction projects covers the time period from October 1, 2011 through December 31, 2011.

**Audit Procedures:** We perform the following procedures for each major construction project:

1. We review the RFQ / RFP posted on the State Comptroller's Electronic State Business Daily, noting evaluation criteria and submission deadlines and other requirements.
2. We review the Purchasing Department's compilation of the selection team members' rankings of RFQ / RFP for clerical accuracy and agreement of evaluation criteria to RFQ / RFP.
3. We review the Purchasing Department's recommendation of RFQ / RFP to the EVP for reasonableness.
4. We review the EVP's evaluation of the Purchasing Department's recommendation of RFQ / RFP for reasonableness.

**Appendices:** Attached is an analysis of internal audit activity related to the construction projects awards evaluations (Appendix 1), the Purchasing Department Flowchart for construction activity (Appendix 2) and the FP&C Selection of Design-Build Team Flowchart (Appendix 3).

**Conclusion:** We noted no unusual items or other matters that we considered non-compliant with university policies and procedures or state statutes.

---

Don F. Guyton  
Chief Audit Executive  
January 19, 2012

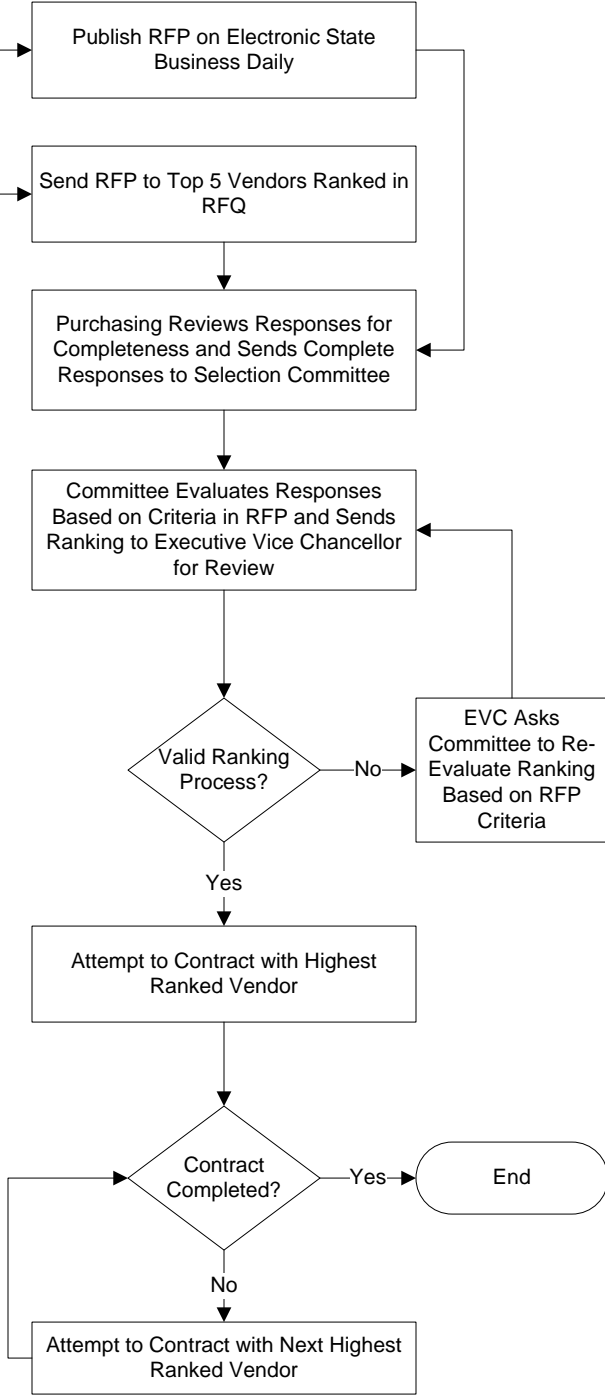
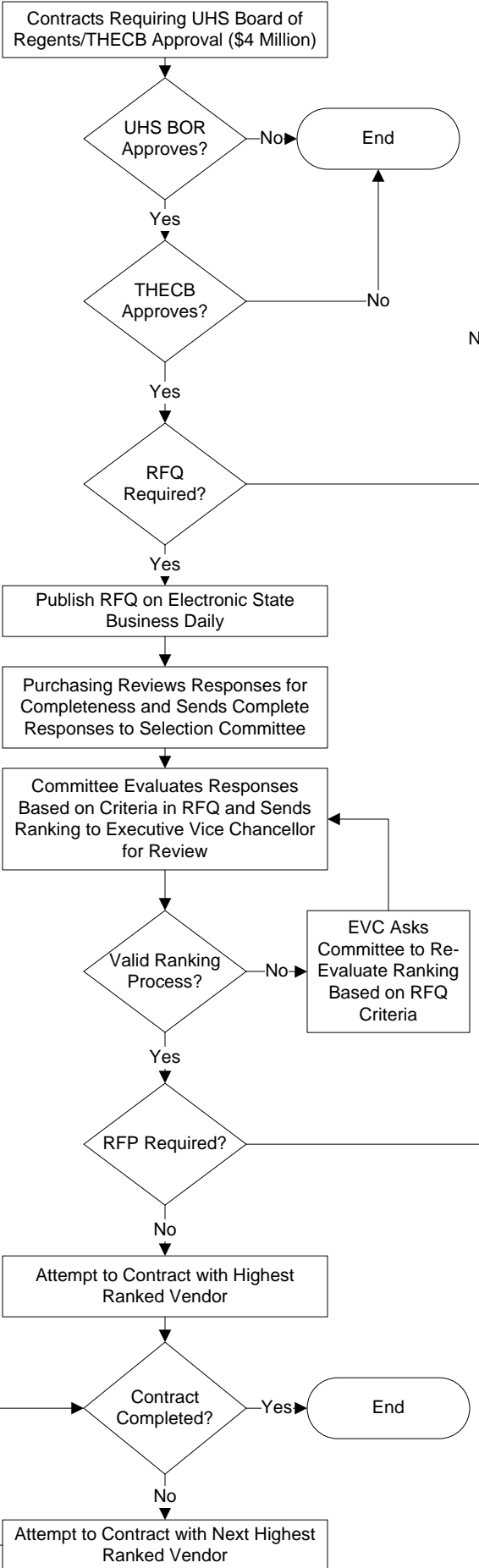
UHS Construction Projects  
Internal Audit Activity  
October 1, 2011 to December 31, 2011

<u>Project Description</u>	(\$ millions) <u>Amount</u>	BOR Approval		Pre-award Milestones							
		FCMP Comm. (Scope) <u>Date</u>	F&A Comm. (Financing) <u>Date</u>	Posting of RFQ to ESBD	Eval. of Qualification Rankings by Purchas.	Eval. of Purchasing Rec. by EVC AF	Review by Int. Aud.	Posting of RFP to ESBD	Eval. of Propoal Rankings by Purchas.	Eval. of Purchasing Rec. by EVC AF	Review by Int. Aud.
DB - UHV Residential Housing Complex	12	5/17/2011	8/17/2011	3/15/2011	5/11/2011	5/11/2011	✓	7/26/2011	9/12/2011	9/13/2011	✓
DB - Cougar Place	38	5/17/2011	8/17/2011	5/11/2011	6/21/2011	6/21/2011	✓	6/24/2011	8/1/2011	8/1/2011	✓
DB - Cougar Village II	50	5/17/2011	5/17/2011	6/3/2011	7/19/2011	7/19/2011	✓	7/21/2011	9/1/2011	9/1/2011	✓
Multi-Modal Parking Garage	16.5	8/16/2011	8/17/2011	9/21/2011	11/17/2011	11/17/2011	✓	11/21/2011			

✓ (1) Confirmed date of posting RFQ/RFP to ESBD, (2) Confirmed evaluation criteria and weights used by selection team, (3) Checked clerical accuracy of Purchasing Department's compilation of selection team evaluation, (4) Reviewed EVC AF evaluation of purchasing recommendation for reasonableness.

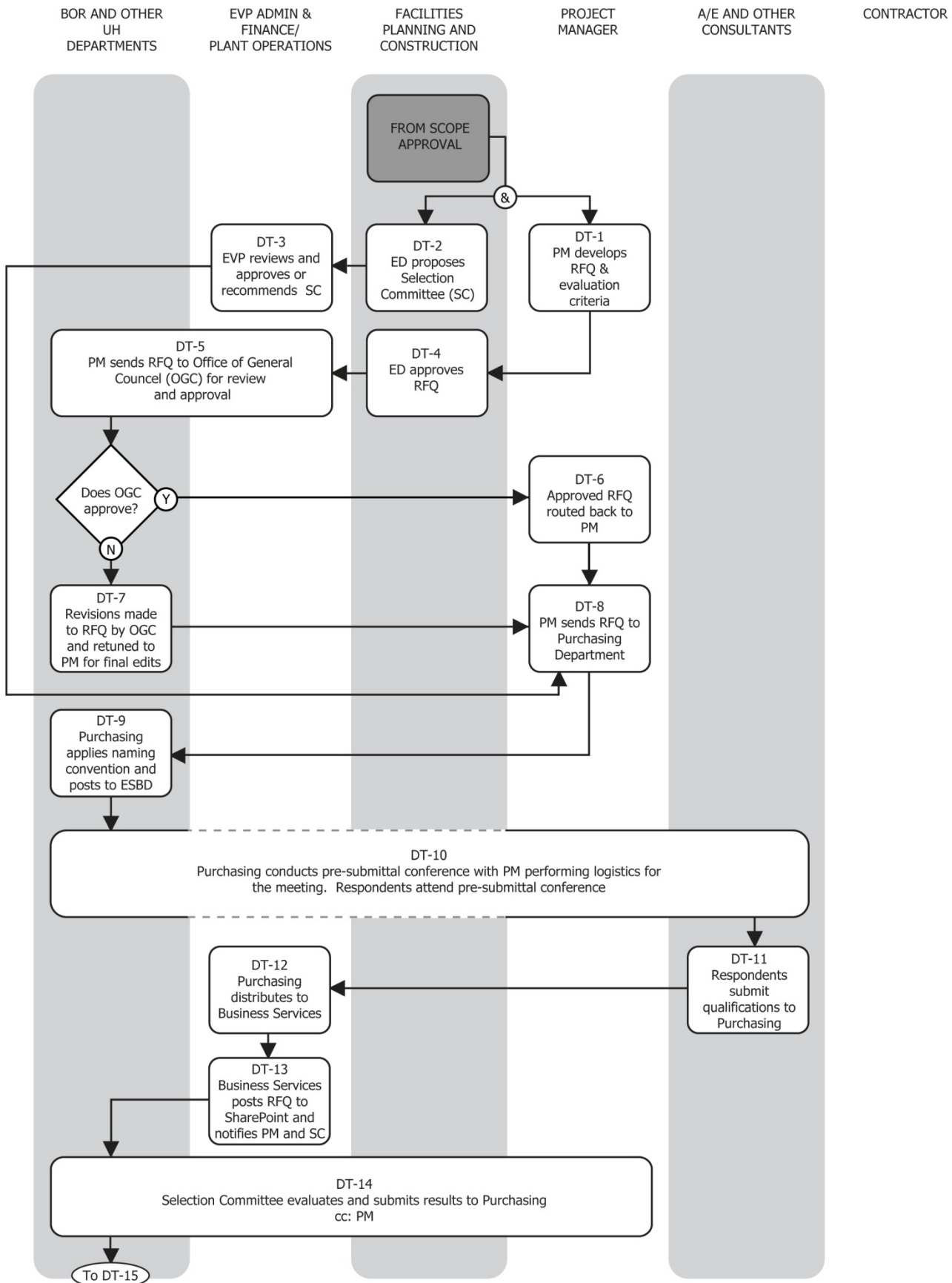
Request for Qualifications (RFQ)

Request for Proposal (RFP)

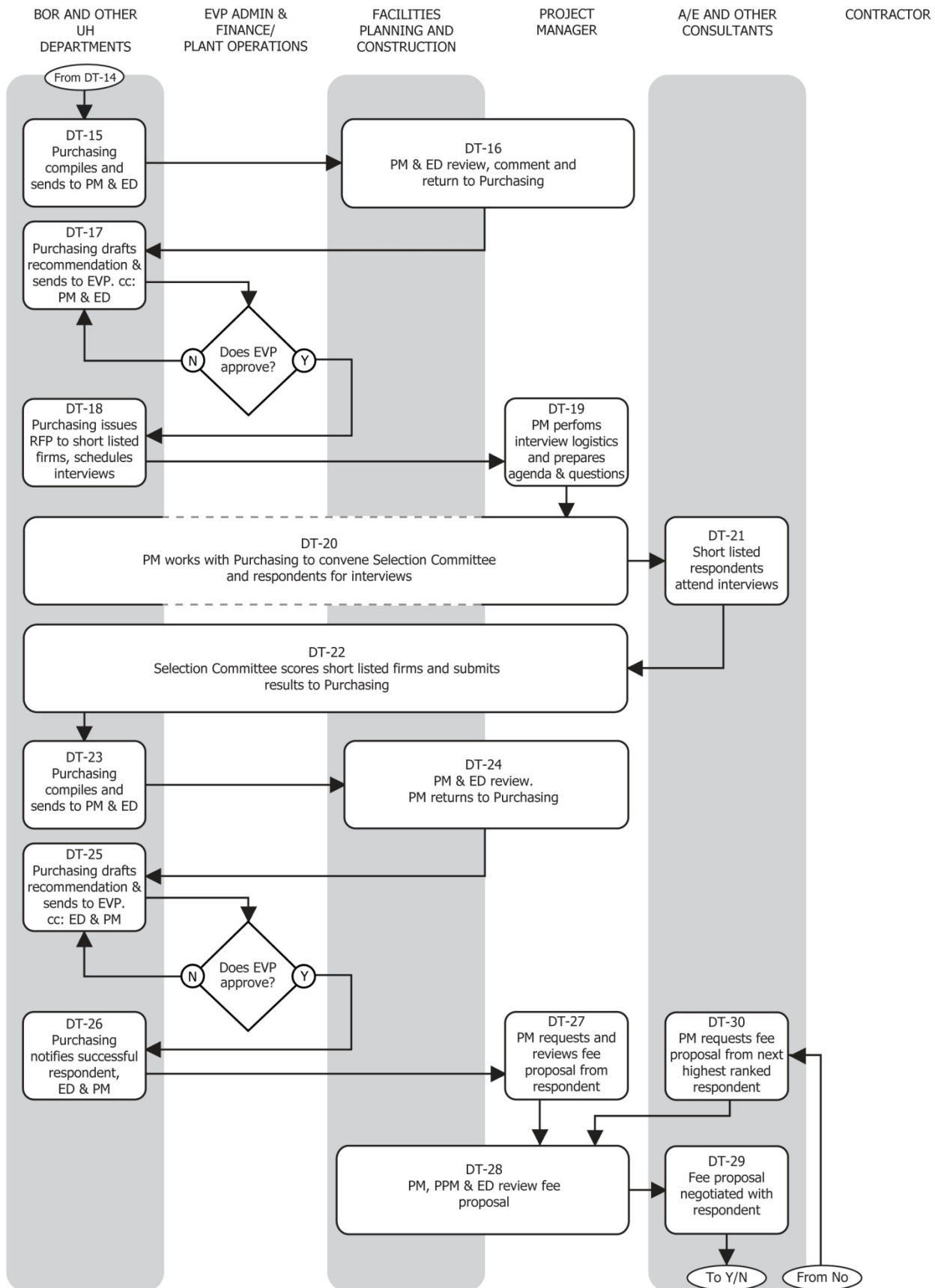




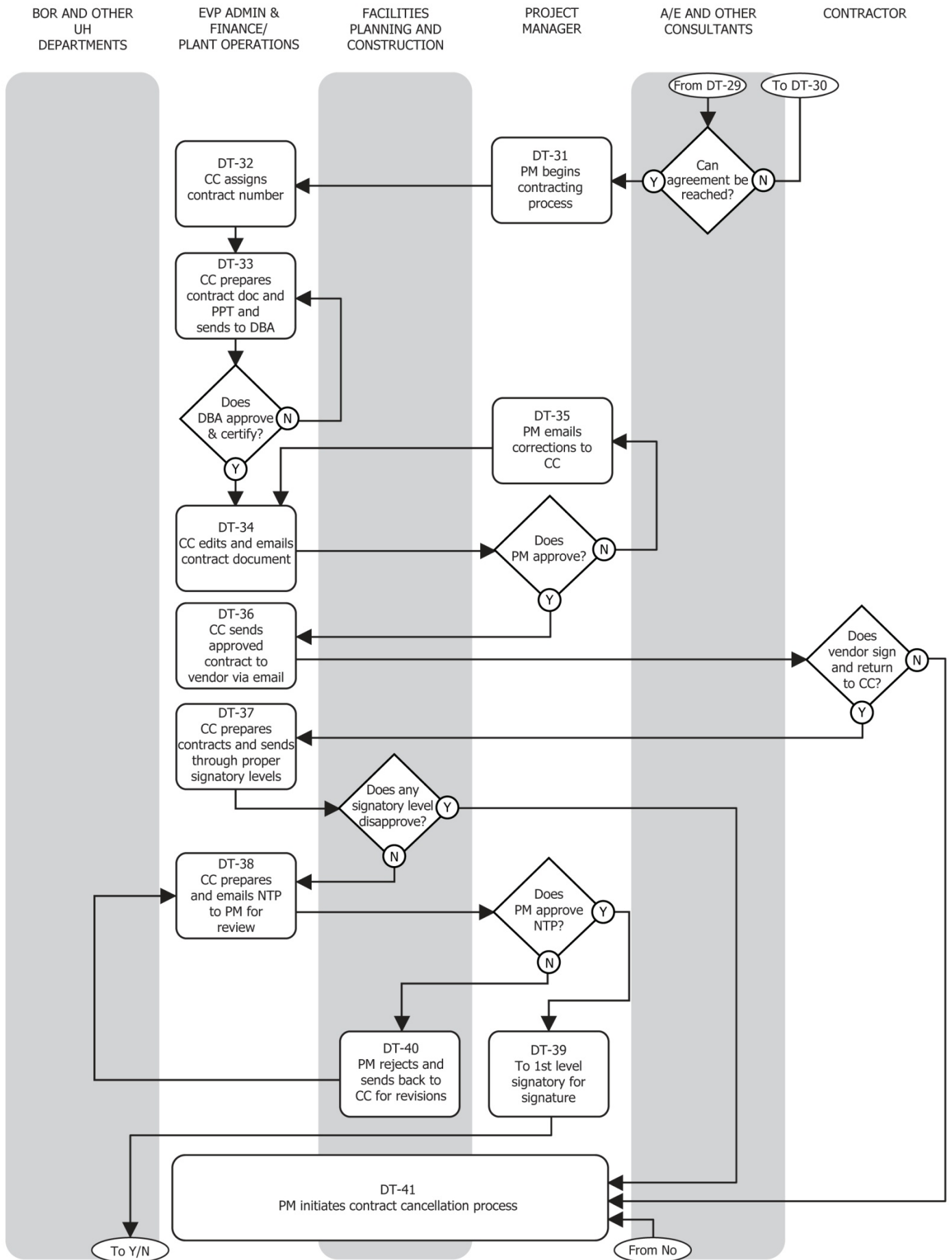
DESIGN TEAM SELECTION FLOWCHART



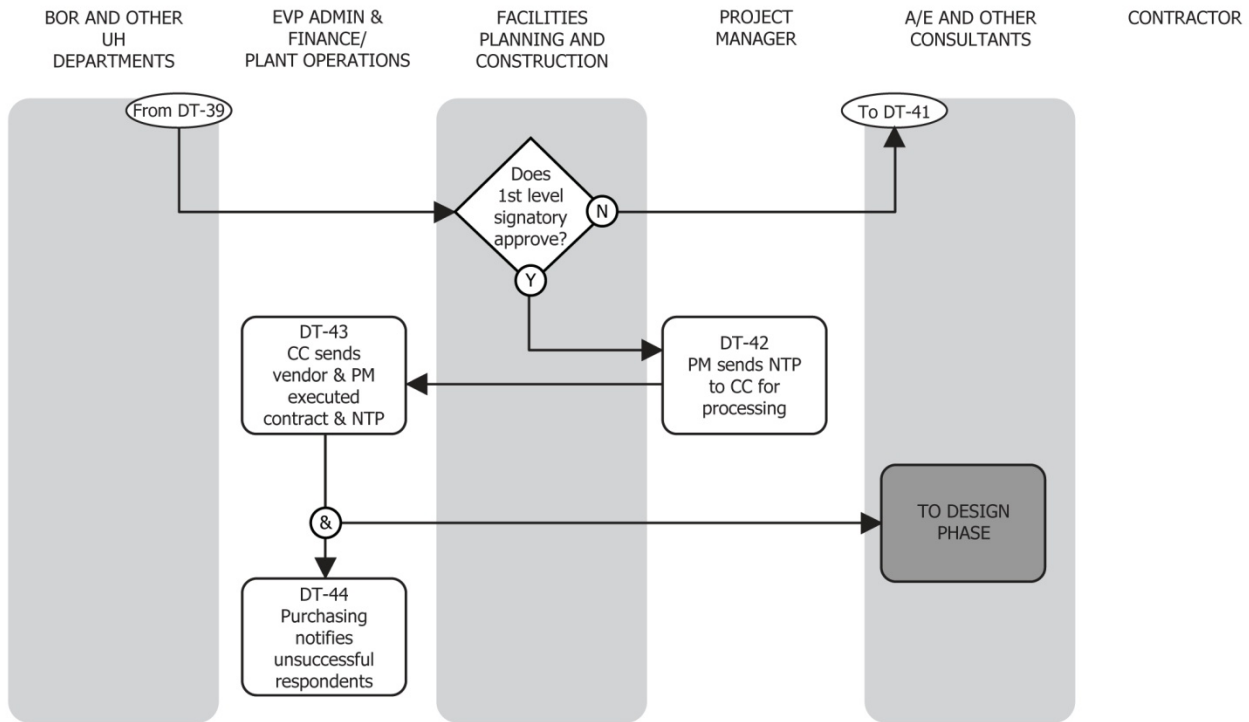
DESIGN TEAM SELECTION FLOWCHART



DESIGN TEAM SELECTION FLOWCHART



DESIGN TEAM SELECTION FLOWCHART



UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON - DOWNTOWN

INFORMATION SECURITY STANDARDS

REPORT NO. AR2012-11

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN  
INFORMATION SECURITY STANDARDS**

Texas Administrative Code Title 1, Part 10, Chapter 202 – Information Security Standards (TAC 202), requires all institutions of higher education to comply with the regulations set forth in Subchapter C - Security Standards for Institutions of Higher Education.

For this engagement, we evaluated the information security policies, practices and procedures at the University of Houston-Downtown for the following areas: security standards policy, management and staff responsibilities, managing security risks, managing physical security, business continuity planning, information resources security safeguards, security incidents, user security practices, and removal of data from data processing equipment. These areas were reviewed using the requirements of TAC 202, Subchapter C. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with regulations in each area.

In our opinion, the University of Houston-Downtown’s information security program in these areas helps ensure compliance with TAC 202, Subchapter C. Although we noted no matters that we considered to be significant audit findings, we did note that the University is in the process of finalizing its Business Continuity Plan. The compliance matrix below lists areas tested, and whether the campus fully complies with TAC 202 rules or the number of instances of non-compliance.

<b>COMPLIANCE MATRIX</b>	
<b>Compliance Area</b>	<b>Instances of Non-Compliance</b>
Security Standards Policy	<b>Fully Complies</b>
Responsibilities	<b>Fully Complies</b>
Managing Security Risks	<b>Fully Complies</b>
Managing Physical Security	<b>Fully Complies</b>
Business Continuity Planning	<b>1</b>
Information Resources Security Safeguards	<b>Fully Complies</b>
Security Incidents	<b>Fully Complies</b>
User Security Practices	<b>Fully Complies</b>
Removal of Data from Data Processing Equipment	<b>Fully Complies</b>

---

Don F. Guyton  
Chief Audit Executive  
January 19, 2012

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

PROVOST OFFICE,  
ENDOWMENTS

REPORT NO. AR2012-12

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
PROVOST OFFICE, ENDOWMENTS**

**BACKGROUND:**

We performed a review of the endowments managed by the Provost Office. Reviews of endowments are scheduled in the annual audit plan over a six year period. This review was scheduled in the annual audit plan for FY 2011.

As of August 31, 2010, the University of Houston System endowment market value was \$442,282,055, consisting of 1,320 separate endowments. Endowment income distributed during fiscal year 2010 was \$12,009,138. The Provost Office had 55 of these endowments with a market value of \$3,120,111 and endowment income distributed during the fiscal year was \$48,384.

**OBJECTIVES:**

The objectives of our review were as follows:

1. Determine whether the Provost Office is managing endowment funds effectively and efficiently under an adequate system of internal controls.
2. Determine whether the Provost Office is complying with the terms of the endowment agreements and University policies and procedures.

**SCOPE OF WORK:**

We interviewed personnel responsible for managing endowments, reviewed policies and procedures, reviewed endowment agreements, analyzed expenditure and budget information, reviewed expenditures, and performed other audit procedures, as appropriate.

The scope of this review did not include endowments relating to scholarships administered by the Office of Scholarships and Financial Aid. The management of these endowments was included in the scope of the UH Financial Aid, Scholarships audit.

**CONCLUSION:**

In our opinion, the Provost Office is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements.

---

Don F. Guyton  
Chief Audit Executive  
January 19, 2012



UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

FOOTBALL ATTENDANCE  
2011 SEASON

REPORT NO. AR2012-13

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
FOOTBALL ATTENDANCE, 2011 SEASON**

**BACKGROUND:**

NCAA Bylaw 20.9.7.3 Football–Attendance Requirements [FBS], states that “once every two years on a rolling basis, the institution shall average at least 15,000 in actual or paid attendance for all home football games.”

NCAA Bylaw 20.9.7.3.1.2 Paid Attendance, states that “for purposes of computing paid attendance figures, tickets must be sold for at least one-third of the highest regular established ticket price as established prior to the season, regardless of whether they are used for admission. Tickets sold at less than one-third of the highest regular established price may be counted as paid attendance only if they are used for admission.” The NCAA interpretations of this Bylaw allow students who pay athletic fees to be included in the paid attendance counts if they attend the event.

NCAA Bylaw 20.9.7.3.1.2.1 Student Attendance, states that “student attendance must be verified through one of the following methods:

- (a) Such students are issued tickets that are collected on admission to the game and retained;
- (b) Such students enter through and are counted by a turnstile (which is not used by others in attendance) that is monitored by a representative of the department of athletics who verifies in writing the accuracy of the count on a per-game basis; or
- (c) Such students enter through a gate (which is not used by others in attendance) at which a representative of the department of athletics counts them individually with a manual counter, and the representative provides a written statement verifying the accuracy of the count on a per-game basis.” (**Note:** Method (c) used by UH Athletics.)

NCAA Bylaw 20.9.7.3.1.2.1.1 Noncounted Students, states that “student-athletes and cheerleaders scheduled by the institution to be at the game and students performing services at the stadium (e.g., concessionaries, ticket takers, parking-lot attendants, ushers, groundskeepers) shall not be counted toward meeting the attendance requirements.”

NCAA Bylaw 20.9.7.3.2 Certified Audit, states that “in meeting the football-attendance requirements of the Football Bowl Subdivision, an institution must undertake an annual certified audit verifying its football attendance.”

**OBJECTIVE:**

The objective of our review was to certify attendance for each home football game as required by NCAA Bylaws.

**SCOPE OF WORK:**

We reviewed the 2011-12 NCAA Bylaw 20.9.7.3, Football–Attendance Requirements, and interviewed management personnel of the Department of Athletics and worked with the contracted event personnel during the games. We also performed other audit procedures as necessary.

**RESULTS:**

The table below details paid attendance (as defined by NCAA Bylaws and interpretations) at home games for the 2011 season. The table is a summary of the calculation for paid attendance certified by the Athletics Department and the Internal Auditing Department.

2011 Houston Cougar Football Home Game Season

<u>Date</u>	<u>Opponent</u>	<u>Paid Attendance</u>
9/3/11	UCLA	22,460
9/24/11	Georgia State	22,261
10/8/11	ECU	20,269
10/22/11	Marshall	23,404
10/27/11	Rice	25,209
11/19/11	SMU	25,796
Average Home Game Paid Attendance:		<u>23,233</u>

**CONCLUSION:**

The average paid attendance for the 2011 Houston Cougar football home game season calculated using the terms and conditions stipulated by the NCAA exceeds the minimum attendance requirements (15,000 per game average).

---

Don F. Guyton  
Chief Audit Executive  
January 19, 2012

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

ACADEMIC AFFAIRS  
AND PROVOST  
DEPARTMENTAL REVIEWS

REPORT NO. AR2012-14

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON  
OFFICE OF ACADEMIC AFFAIRS AND PROVOST  
DEPARTMENTAL REVIEWS**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed eight departmental reviews in the Office of Academic Affairs and Provost. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted no matters that we considered to be significant engagement observations. We noted that the Office of Academic Affairs and Provost was not in compliance with certain policies. Management agreed to implement an action plan for an area of non-compliance and informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

The attachments listed below contain additional information related to the departmental reviews and the Division:

- Compliance Matrix
- Action Plan
- Instances of Non-Compliance
- Division Background
- Financial Summary of Transactions

---

Don F. Guyton  
Chief Audit Executive  
January 19, 2012

**University of Houston System  
Internal Auditing Department**

**University of Houston  
Office of Academic Affairs and Provost  
Departmental Reviews**

<b>Compliance Area</b>	<b>Provost Business Office</b>	<b>Admissions, OSFA &amp; Welcome Center</b>	<b>Charter School</b>	<b>Cinco Ranch</b>
Management Oversight	✓	✓	✓	✓
Operational Activities	NA	N/A	N/A	N/A
Policies, Procedures, Required Training, and Reporting	✓	✓	(1)	(1)
Cost Center Management	✓	✓	✓	✓
Payroll	✓	✓	(1)	(1)
Human Resources	✓	✓	(1)	✓
Change Funds and Cash Receipts	✓	✓	(1)	(1)
Procurement and Travel Cards	(1)	(2)	(1)	✓
Departmental Expenses	✓	(1)	✓	(1)
Contract Administration	(1)	(1)	✓	✓
Property Management	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓
Scholarships	✓	✓	N/A	N/A
Incidental and Lab Fees	N/A	N/A	N/A	N/A
Research	✓	N/A	✓	N/A

- ✓ **Fully Complies**
- ⊖ **Opportunity for Improvement**
- ( ) **Number of Instances of Non-Compliance**
- N/A **Not Applicable**

**University of Houston System  
Internal Auditing Department**

**University of Houston  
Office of Academic Affairs and Provost  
Departmental Reviews**

<b>Compliance Area</b>	<b>Educational Technology &amp; University Outreach</b>	<b>EMS, EM Product Support &amp; RAR</b>	<b>Houston Public Media</b>	<b>Sugarland</b>
Management Oversight	✓	✓	✓	✓
Operational Activities	✓	N/A	N/A	N/A
Policies, Procedures, Required Training, and Reporting	(1)	✓	(1)	(1)
Cost Center Management	✓	✓	(1)	✓
Payroll	✓	✓	✓	(1)
Human Resources	✓	✓	✓	✓
Change Funds and Cash Receipts	✓	(1)	✓	✓
Procurement and Travel Cards	✓	(1)	(1)	✓
Departmental Expenses	(1)	(1)	✓	✓
Contract Administration	✓	✓	✓	✓
Property Management	✓	✓	✓	✓
Departmental Computing	✓	✓	✓	✓
Scholarships	✓	N/A	N/A	✓
Incidental and Lab Fees	N/A	N/A	N/A	N/A
Research	N/A	N/A	✓	N/A

- ✓ **Fully Complies**
- Ø **Opportunity for Improvement**
- ( ) **Number of Instances of Non-Compliance**
- N/A **Not Applicable**

UNIVERSITY OF HOUSTON  
OFFICE OF ACADEMIC AFFAIRS AND PROVOST  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2011</u>	<u>FY 2010</u>
<u>Revenue</u>			
40100-40299	Student Tuition	\$ 2,278	\$ 0
40300-40499	Designated Tuition	(1,835,451)	(1,664,323)
40700-40999	Other Fees	(5,723,933)	(8,972,924)
55500-55999;56700-57999	Waivers & Expenses	844,718	715,930
41600-41899	Federal Grants & Contracts	(254,168,089)	(123,473,516)
41900-42099	Federal Pass Through Grants/Contracts	(46,662)	(37,415)
42100-42299	State Grants & Contracts	(3,994,185)	(2,306,583)
42300-42499	State Pass Through - Other State Agencies	(22,433,042)	(25,280,477)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(28,167,507)	(20,537,005)
43500-43599	Endowment Income Distribution	(2,301,762)	(2,471,538)
43600-43630; 43634-43999	Sales & Services - E & G	(1,671,204)	(793,357)
43631-43633; 44000-44399	Sales & Services - Auxiliary	19,350	0
44429-44439; 44441-45999; 49504	Other Revenue Sources	(541,462)	(2,098,482)
50050-50099	Recovered Costs	0	(1,330)
Total Revenue		<u>\$ (320,016,951)</u>	<u>\$ (186,921,020)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ (2,272)	\$ 0
Total Cost of Goods Sold		<u>\$ (2,272)</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 25,677,742	\$ 25,815,575
51000-51399	Fringe Benefits	3,726,036	3,400,231
51400-51999	Claims & Payment	87,948	0
Total Payroll		<u>\$ 29,491,726</u>	<u>\$ 29,215,807</u>
<u>M &amp; O</u>			
52000-52199	Professional Services	\$ 490,911	\$ 648,929
52200-52399	General Services	869,620	1,303,925
52400-52499	Academic Service	482,625	312,940
52500-52599	Printing, Copying, & Reproduction	705,281	827,109
52600-52799	Utilities & Sanitation	350,666	397,836
52800-52999	Communication & Transportation	1,417,318	1,422,330
53000-53499	Advertising Promotion & Public	1,564,352	1,354,234
53500-53599	Rental Lease & Royalties	4,557,171	4,015,995
53600-53699	Maintenance	0	120
53700-53799	Routine Repair	308,257	368,248
53800-53849	Pass Through	11,859	0
53850-53899	Contracting Services	985,929	1,039,400
53900-53999	General Supplies	560,196	626,898
54000-54099	Lab Research Supplies	4,308	4,569
54200-54299	Construction Expenses	15,860	9,697
54300-54349	Facilities & Ground Support	15,539	9,524
54350-54449	Parts & Furnishing	661,637	494,729
54450-54549	Misc Supplies & Material	25,799	27,325
54550-54699	Legal Services	192,731	64,239
54700-54799	Financial Tax & License Cost	320,704	319,332
54800-54899	Other Recurring Expenses	1,147,484	1,139,247
54900-54999	Employee Expenses	195,059	206,478
55000-55199	Special Program & Events	241,158	199,394
55300-55499	Financial Aid	315,226,993	185,101,879
56000-56499	Travel	309,418	417,300
56500-56599	Contracts & Grants	50,317	38,450
Total M&O		<u>\$ 330,711,194</u>	<u>\$ 200,350,128</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 10,601,044	\$ 815,696
Total Capital Outlay		<u>\$ 10,601,044</u>	<u>\$ 815,696</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 370,801,692</u>	<u>\$ 230,381,631</u>



**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UH OFFICE OF ACADEMIC AFFAIRS AND PROVOST  
DEPARTMENTAL REVIEWS  
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement an action plan to address the area of non-compliance indicated by an asterisk below. In addition, management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with the remaining areas listed below.

**PROVOST BUSINESS OFFICE**

**Procurement and Travel Cards**

- An expense report was not signed by the preparer and approved by the certifying signatory by the 20<sup>th</sup> of the month.

**Contract Administration**

- A contract and cover sheet were not signed prior to the contract effective date.

**ADMISSIONS, OFFICE OF SCHOLARSHIPS AND FINANCIAL AID & WELCOME CENTER**

**Procurement and Travel Cards**

- Expense reports were not approved by the certifying signatories by the 20<sup>th</sup> of the month.
- A card contained a liability account balance at fiscal year-end.

**Departmental Expenses**

- Travel Request Forms were not timely approved.

**Contract Administration**

- A contract cover sheet was not timely signed.

**CHARTER SCHOOL**

**Policies, Procedures, Required Training and Reporting**

- Required annual training was not completed by all employees.

**Payroll**

- An employee worked additional hours after signing and dating their time and effort report.

**Human Resources**

- A terminating ePAR was not completed timely.

**Change Funds and Cash Receipts**

- A check was not made payable to the University of Houston.

**Procurement and Travel Cards**

- An expense report was not approved by the certifying signatory by the 20<sup>th</sup> of the month.

**CINCO RANCH****Policies, Procedures, Required Training and Reporting**

- Required role-based training was not completed by all applicable employees.

**Payroll**

- An employee worked additional hours after signing and dating their time and effort report.

**Change Funds and Cash Receipts**

- A deposit exceeding \$100 was not made within one working day of receipt.

**Departmental Expenses**

- A travel related expense reimbursement was coded as an entertainment expense.

**EDUCATIONAL TECHNOLOGY & UNIVERSITY OUTREACH****Policies, Procedures, Required Training and Reporting**

- Required disclosure forms were not completed by all applicable employees.

**Departmental Expenses**

- A Travel Request Form was not timely approved.

**ENROLLMENT MANAGEMENT SERVICES, ENROLLMENT MANAGEMENT  
PRODUCT SUPPORT & REGISTRATION AND ACADEMIC RECORDS****Change Funds and Cash Receipts**

- Bank routing and account numbers were not removed/obliterated from copies of deposited checks uploaded to PeopleSoft.

**Procurement and Travel Cards**

- Cards contained liability account balances at fiscal year-end.

**Departmental Expenses**

- A travel related expense reimbursement was not processed timely.

**HOUSTON PUBLIC MEDIA****Policies, Procedures, Required Training and Reporting**

- Required annual training was not completed by all employees.

**Cost Center Management**

- A plan to address deficit fund groups was not submitted to the Executive Vice President for Administration and Finance for approval.\*

**Procurement and Travel Cards**

- An expense report was not signed by the cardholder by the 20<sup>th</sup> of the month.

**SUGARLAND****Policies, Procedures, Required Training, and Reporting**

- Required role-based training was not completed by all applicable employees.

**Payroll**

- Employees worked additional hours after signing and dating their time and effort reports and, in certain instances, after they were approved by the employee's supervisor.

**University of Houston System  
Internal Auditing Department**

**University of Houston  
Office of Academic Affairs and Provost  
Background Information**

**Background provided by the Office of Academic Affairs and Provost:**

Departments within the Division of Academic Affairs include: Office of the Provost, Academic and Faculty Affairs, Academic Budgets and Administration, Enrollment Management Services, Continuing Education, Education Technology and University Outreach, Public Broadcasting, Charter School, Sugar Land Center, and Cinco Ranch.

The Division of Academic Affairs provides oversight, guidance, and support for:

- Academic policies and procedures
- Faculty appointments
- Promotion and tenure
- Learning support and instructional delivery support to faculty (online and classroom)
- Student recruitment and retention
- Student financial aid
- Online student services
- Student academic records
- International education
- Institutional research
- Quality academic access for southwest Houston region
- Charter School (K-5)
- Houston Public Media
- College business operations (financial/administrative)

**Budget/Financial Summary:**

During fiscal year 2012, with a staff of 474 FTE, the Division administered 971 cost centers with an operating M&O budget of \$63,557,656.

The following table presents the fund balance reconciliation for the Division for FY 2011:

Beginning Fund Balance (9/1/2010)	\$ 37,808,009
Revenues	320,016,951
Expenditures	(370,801,692)
Transfers/Other	65,850,904
Ending Balance (8/31/2011)	<u>\$ 52,874,172</u>

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT  
EXTERNAL PEER REVIEW**

**BACKGROUND:** The Texas Internal Auditing Act establishes guidelines for a program of internal auditing at all state agencies. The internal auditing program is required to conform to the Standards for the Professional Practice of Internal Auditing (Standards) as promulgated by the Institute of Internal Auditors and generally accepted governmental auditing standards. The Standards require the internal auditor to take part in a comprehensive external peer review every five years. Generally accepted governmental auditing standards state that these reviews should be conducted at least once every three years. The Standards state that these reviews should be conducted by qualified persons who are independent of the organization and have a high level of competence and experience in the internal auditing profession. Upon completion of the external review, the review team should issue a formal report and an opinion as to whether the department is in compliance with the Standards. The report will contain recommendations for improvement, where appropriate, and responses from the Chief Audit Executive that include an action plan and an implementation date. This report will be presented to management and the Board of Regents and will be included in the Annual Internal Audit Activity Report which is filed with the Office of the Governor, Legislative Budget Board, State Auditor's Office, and Sunset Advisory Commission. The external peer review is scheduled to take place during the week of May 14, 2012. The Chief Audit Executives of three institutions were asked to participate on the peer review team.

**PEER REVIEW TEAM MEMBERS:** I am pleased that the following individuals have agreed to serve on the peer review team of the University of Houston System Internal Auditing Department. These individuals have agreed to volunteer their time to perform the peer review without compensation. They will be reimbursed for out of pocket expenses, including travel expenses.

**Sabrina Hearn, CPA, CIA, General Auditor for The University of Alabama System**

In her capacity as General Auditor, Sabrina oversees the internal audit operations at The University of Alabama (UA), the University of Alabama at Birmingham (UAB), the University of Alabama in Huntsville (UAH) and the UAB Health System (UABHS). She coordinates external audit activities on behalf of the Audit Committee of the Board of Trustees.

Ms. Hearn joined the UAS audit team in 1998. She recently served as the Director for Internal Audit for UAB and UABHS. Prior to joining the UAS audit team, Sabrina had twenty years of experience in financial management in the public accounting, healthcare, manufacturing, construction and scrap metals recycling industries.

Sabrina earned her BS degree from UA and her MBA from UAB, and holds numerous professional certifications and memberships.

**Toni Messer**, CPA, CIA, Executive Director of Audit and Compliance at The University of Texas at Dallas (UTD).

Toni worked for the Texas State Auditor's Office. She received her BBA degree in Accounting from Texas A&M University. She has over 25 years of experience auditing institutions of higher education.

Toni is currently the Association of College and University Auditors (ACUA) President and has also been a board member, the Professional Education Chair, and the Annual Conference Director. Toni is active with the Dallas Institute of Internal Auditors (IIA) on the board and on the certifications committee. She has worked with the UTD Internal Auditing Education Partnership (IAEP) Program since 2003 by giving presentations to students, mentoring them, and providing them with experience working on actual audits. She is also a member of the UTD School of Management IAEP Advisory Board. Honors include the ACUA Excellence in Service Award and the Dallas Chapter of the IIA Aaron Saylor's Award for Outstanding Contribution to the Chapter. She has been performing quality assurance reviews on higher education institutions for over 15 years.

**Brian Mikell**, CPA, is the Chief Audit Executive for the Office of Audit and Compliance Review at the University of Florida.

Brian has been with the university and the Office of Audit and Compliance Review since April 2004, serving as CAE since February 2009. Prior to joining UF, Brian was employed by the Florida Auditor General's Office for 22 years where he served in various positions, including the Audit Coordinator supervising the financial statement, federal and operational audits of UF.

As Chief Audit Executive, Brian administers the activities of the university's internal auditing office, which serves as a central point for activities that promote accountability, integrity and efficiency for the University of Florida.

Brian is a Certified Public Accountant and has a Bachelor's degree in Accounting from the University of Florida. Brian is a member of the North Central Florida Chapter of Institute of Internal Auditors, currently serving as treasurer. He is also a member of the Association of College and University Auditors.