



UNIVERSITY OF HOUSTON SYSTEM

Internal Auditing Department

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MEMORANDUM

TO: Board of Regents

FROM: Don F. Guyton
Chief Audit Executive

DATE: July 24, 2012

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

Attached for your information is a briefing booklet describing the activities of the Internal Auditing Department since the May 15, 2012, meeting of the Audit & Compliance Committee of the Board of Regents. 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**:

- AR2012-30 Follow-up Status Report
- AR2012-31 Construction Award Status Report
- AR2012-32 UH Texas Institute for Measurement, Evaluation, and Statistics
- AR2012-33 UH Texas Center for Superconductivity, Endowments
- AR2012-34 UHD Advancement and External Relations, Departmental Review
- AR2012-35 UHD President's Office, Departmental Review
- AR2012-36 UHS Financial Reporting
- AR2012-37 UHD College of Public Service, Departmental Review
- AR2012-38 Information Technology Audit Activity Report, FY 2012
- AR2012-39 UHD Employment Services and Operations, Departmental Review

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

August 15, 2012

**University of Houston System
Internal Auditing Department**

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

Internal Audit Briefing Materials

August 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

**University of Houston System
Internal Auditing Department**

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

**ACTIVITY OUTLINE
August 15, 2012**

1. Audit Reports Issued since May 16, 2012, Board of Regents Meeting
 - AR2012-30 Follow-up Status Report
 - AR2012-31 Construction Award Status Report
 - AR2012-32 UH Texas Institute for Measurement, Evaluation, and Statistics
 - AR2012-33 UH Texas Center for Superconductivity, Endowments
 - AR2012-34 UHD Advancement and External Relations, Departmental Review
 - AR2012-35 UHD President's Office, Departmental Review
 - AR2012-36 UHS Financial Reporting
 - AR2012-37 UHD College of Public Service, Departmental Review
 - AR2012-38 Information Technology Audit Activity Report, FY 2012
 - AR2012-39 UHD Employment Services and Operations, Departmental Review
2. Reports in Progress
 - UH Texas Center for Superconductivity (*October 2012*)
3. Fieldwork in Progress (*scheduled distribution date to Board of Regents*)
 - UHS / UH Chancellor / President Travel, FY 2012
 - UHS Board of Regents Travel, FY 2012
 - UH College of Architecture, Endowments (*October 2012*)
 - UH College of Business, Endowments (*October 2012*)
 - UH College of Social Work, Endowments (*October 2012*)
 - UH College of Hotel & Restaurant Management, Endowments (*October 2012*)
 - UH College of Law, Endowments (*October 2012*)
 - UH Center for Advanced Materials (*October 2012*)
 - UHD Student Services and Enrollment Management, Departmental Reviews
 - Student Accounting & Receivables - UH
4. Planning in Progress
 - Student Accounting & Receivables (UHCL, UHD, UHV)
 - Financial Aid (UHCL, UHD, UHV)
 - UHD Administration and Finance, Departmental Reviews
5. Special Projects in Progress:
 - Assistance to External Auditors – State Auditor's Office Annual Statewide Audit
 - Assistance to Management – Various Special Projects
 - FEMA Audits – Allison & Ike

AUDIT PLAN STATUS, FY 2012
AS OF July 13, 2012

<u>AUDIT AREA</u>	<u>STATUS</u> <u>(See Note)</u>
<u>ANNUAL AUDIT ACTIVITY</u>	
Annual External Audits - Liaison	2
Athletics - Football Attendance Audit	4
Board of Regents Travel, FY 2012	2
Chancellor/President's Travel, FY 2012	2
Follow-up Reviews	2
Special Projects/Police Investigations	2
State Auditor's Office Liaison:	
Regional Accrediation Review - SACS (UHCL)	4
Audit Assistance - General	2
Follow-up Reports	2
<u>ALL COMPONENTS</u>	
Auxiliary Contract Administration	
Formula Funding	
Endowments	
UH College of Architecture	2
UH College of Business	2
UH Graduate College of Social Work	2
UH College of Hotel & Restaurant Management	2
UH College of Law	2
UH Texas Center for Superconductivity	4
Financial Aid (UHCL, UHD, and UHV)	1
General Accounting	
<u>RESEARCH CENTERS</u>	
UH Center for Materials Chemistry	5
UH/UHCL Institute for Space System Operations	5
UH Texas Center for Superconductivity	3
<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	4
Internal Auditing External Quality Assurance Review	4

Notes:

- 1 Planning in progress.
- 2 Fieldwork in progress.
- 3 Reporting in progress.
- 4 Completed.
- 5 Cancelled - Center no longer exists.

Internal Audit

<u>AUDIT AREA</u>	<u>STATUS</u> <u>(See Note)</u>
<u>DEPARTMENTAL REVIEWS</u>	
Effectiveness of New Departmental Review Process	4
UH Research	
UH University Advancement	
UHCL Education	
UHCL President's Office	
UHD Administration & Finance	1
UHD Employment Services & Operations	4
UHD President's Office	4
UHD Public Service	4
UHD Student Services & Enrollment Management	2
UHV Arts & Sciences	4
UHV Business Administration	4
UHV Education	4
UHV President's Office	4
<u>CARRYFORWARD AUDITS</u>	
Athletics - NCAA Rules Compliance	4
Board of Regents Travel, FY 2011	4
Chancellor/President's Travel, FY 2011	4
Contract & Grants Admin. (UHCL, UHD, and UHV)	
Departmental Reviews	
UH Academic Affairs/Provost Division	4
UH College of Hotel & Restaurant Management	4
UH Graduate College of Social Work	4
Endowments (UH):	
UH Engineering	4
UH Non-College Specific	4
UH Provost	4
UH System	4
Financial Reporting (all components)	4
Financial Aid, Direct Loans (UHCL, UHD, and UHV)	1
Research Centers	
UH Center for Advanced Materials	2
UHCL/UH Environmental Institute of Houston	
UH Texas Inst. for Measurement, Eval. & Statistics	4
UH Texas Learning & Computation Center	4
Student Accounting & Receivables (all components)	2
TAC 202 (UHD)	4
TAC 202 (UHCL and UHV)	4
UH College of HRM, Operational Review	4

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

INTERNAL AUDIT REPORTS

EXECUTIVE SUMMARIES

REPORT NOS. AR2012-30 through AR2012-39

**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 April 1, 2012, to June 30, 2012, in all audit reports with open recommendations. This status report addresses 12 management actions in 8 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 9 of these management actions have been completed and 3 partially implemented.

Internal Audit Report – Construction Award Status Report

The internal audit review of construction procurement of major construction projects covers the time period from April 1, 2012 to June 30, 2012. 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 completeness, 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.

Other than the interview process for selecting the firm for architectural and engineering services for the Football Stadium, we noted no other unusual items or matters we considered non-compliant with university policies and procedures. In our opinion, management is complying with the provisions of the Texas Education Code in selecting its contractors for its major construction projects.

Internal Audit Report – UH Texas Institute for Measurement, Evaluation, and Statistics

The Internal Audit Department conducted a review of the Texas Institute for Measurement, Evaluation, and Statistics to determine whether its activities help it accomplish its goals and objectives and whether the department's resources are being effectively and efficiently deployed under an adequate system of internal controls. In our opinion, 1) TIMES activities are helping accomplish its goals and objectives, 2) TIMES resources are effectively and efficiently deployed under an adequate internal control environment, 3) TIMES activities do not always comply with regulations and policies, and 4) TIMES controls over information resources and assets were adequate. We noted a significant engagement observation related to effort reporting and an opportunity for improvement related to financial and administrative oversight. The Division of

Research is in the process of implementing a new automated effort reporting system and procedures to improve the financial and administrative oversight of Centers and Institutes. We also noted that TIMES was not in compliance with certain policies. Management informed us that it would take the necessary action in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

Internal Audit Report – UH Texas Center for Superconductivity, Endowments

We performed a review of the endowments that are managed by the Texas Center for Superconductivity at the University of Houston (TcSUH). The primary objective of our review was to determine whether TcSUH is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements. In our opinion, TcSUH is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements. Although we noted no matters we considered to be significant engagement observations, we noted that funds from certain endowments have not been expended for several years. Management is in the process of addressing this opportunity for improvement.

Internal Audit Report – UHD Advancement and External Relations, Departmental Review

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in Advancement and External Relations. 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 Advancement and External Relations was not in compliance with certain policies. Management 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 Audit Report – UHD President’s Office, Departmental Review

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the President’s Office. 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 President’s Office was not in compliance with certain policies. Management 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 Audit Report – UHS Financial Reporting

We performed a review of the Annual Financial Report (AFR) process that is coordinated by Financial Reporting, a department within the University of Houston Division of Administration and Finance. The primary objective of our review was to determine whether the AFR is prepared efficiently and effectively under an adequate system of internal controls and whether the AFR and footnotes are accurate, supported by documentation, and in compliance with statutes, regulations, and policies. In our opinion, Financial Reporting is preparing the AFR that is compliant with statutes, regulations, and policies, but we believe that it could be prepared more efficiently and effectively by using a Data Warehouse application and better supported by

complete documentation. We noted no matters we considered to be significant engagement observations. Management is in the process of addressing these opportunities for improvement.

Internal Audit Report – UHD College of Public Service, Departmental Review

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Public Service. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted a significant engagement observation related to effort reporting. The Office of Research and Sponsored Programs is in the process of implementing procedures to help ensure effort is being reported as required by federal regulations. We also noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas 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 Audit Report – Information Technology Audit Activity Report, FY 2012

The Board of Regents policy on internal auditing states that internal audit activity will assist the system in maintaining effective controls by evaluating their effectiveness and efficiency. One of the methods the Internal Auditing Department uses to address this objective is to participate in the design, development, implementation and operation of major computer based systems to ensure that adequate controls are incorporated into the systems, thorough system testing is performed at the appropriate stages, and system documentation is complete and accurate. During FY 2012, we provided assistance in the following areas: Texas Administrative Code 202 – Information Security, departmental computing, integrated audits, audits conducted by the State Auditor’s Office, and requests made by UHS management.

Internal Audit Report – UHD Employment Services and Operations, Departmental Review

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in Employment Services and Operations. 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 Employment Services and Operations was not in compliance with certain policies. Management 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
August 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	Segreg. Reconcil. of Duties	Cash Handling	Safeguard Assets	Other	Job Descr.	Training	Other
Follow-up Status Report	AR2012-30																		
Construction Award Status Report	AR2012-31		X																
UH Texas Institute for Measurement, Evaluation, and Statistics	AR2012-32				X		X		X					X		X		X	
UH Texas Center for Superconductivity, Endowments	AR2012-33																		
UHD Advancement and External Relations, Departmental Review	AR2012-34						X									X			
UHD President's Office, Departmental Review	AR2012-35						X									X			
UHS Financial Reporting	AR2012-36			X				X								X			
UHD College of Public Service, Departmental Review	AR2012-37		X		X		X									X		X	
Information Technology Audit Activity Report, FY 2012	AR2012-38																		
UHD Employment Services and Operations, Departmental Review	AR2012-39						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. AR2012-30 through AR2012-39
(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 Texas Institute for Measurement, Evaluation, and Statistics - AR2012-32
Action Plan**

Est. Compl.	Responsibility for Action	
<u>Date</u>	<u>Name/Title</u>	<u>Action To Be Taken</u>
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Risk Level: High Medium Low </div>		
Action Complete	Michele Hoffman, Department Business Administrator	Obtain reimbursement from the faculty member for overpayments made relating to reimbursement requests.
January 1, 2013	Michele Hoffman, Department Business Administrator	Review effort reported by Research personnel on grants administered by TIMES and prepare payroll reallocations when effort is significantly different from the amount of salary charged to the grant.
Action Complete	Michele Hoffman, Department Business Administrator	Restore deficit budgetary balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.

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**

**UHS Financial Reporting - AR2012-36
Action Plan**

Est. Compl.	Responsibility for Action	
<u>Date</u>	<u>Name/Title</u>	<u>Action To Be Taken</u>
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Risk Level: High Medium Low </div>		
April 1, 2013	David Ellis Executive Director Financial Reporting	Develop complete, well documented, and well codified policies and procedures including standards for supporting documentation related to footnotes and schedules.
April 1, 2013	David Ellis Executive Director Financial Reporting	Develop additional procedures that address deficiencies in the processes for reviewing, analyzing, and verifying reported amounts and information, including the activation of a PeopleSoft delivered Trial Balance report to replace the current nVision ledger balance verification report, standardized system-wide Statement of Cash Flows template, which includes security control features, and standardized system-wide account balance fluctuation analysis templates, with security features.
August 31, 2014	David Ellis Executive Director Financial Reporting	Use a Data Warehouse application to prepare the AFR.

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**

**Departmental Review
UHD College of Public Service - AR2012-37
Action Plan**

Est. Compl.	Responsibility for Action	
<u>Date</u>	<u>Name/Title</u>	<u>Action To Be Taken</u>
<div style="border: 1px solid black; padding: 5px; text-align: center;"> Risk Level: High Medium Low </div>		
December 31, 2012	Sandra Garcia AVP for Research and Sponsored Programs	Implement procedures to help ensure that effort is reported and salary charges are consistent with effort reported.
June 28, 2013	Sandra Garcia AVP for Research and Sponsored Programs	Develop and implement an electronic effort reporting system that will be interfaced with the PeopleSoft payroll module.
December 31, 2012	Paulette Purdy College Business Administrator II	Develop written procedures for the billing, accounting, collecting and monitoring of all accounts receivable.
December 31, 2012	Paulette Purdy College Business Administrator II	Record all continuing education accounts receivable in the university's financial system; and create a reserve for doubtful accounts.
September 28, 2012	Paulette Purdy College Business Administrator II	Work with the appropriate office to deactivate expired grant cost centers.

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

AR2012-30	Follow-up Status Report
AR2012-31	Construction Award Status Report
AR2012-32	UH Texas Institute for Measurement, Evaluation, and Statistics
AR2012-33	UH Texas Center for Superconductivity, Endowments
AR2012-34	UHD Advancement and External Relations, Departmental Review
AR2012-35	UHD President's Office, Departmental Review
AR2012-36	UHS Financial Reporting
AR2012-37	UHD College of Public Service, Departmental Review
AR2012-38	Information Technology Audit Activity Report, FY 2012
AR2012-39	UHD Employment Services and Operations, Departmental Review

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 April 1, 2012 to
June 30, 2012

REPORT NO. AR2012-30

**UNIVERSITY OF HOUSTON SYSTEM
FOLLOW-UP STATUS REPORT
(Actions Scheduled from April 1, 2012, to June 30, 2012)**

**Board of Regents Audit Committee Meeting
August 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
(Actions scheduled from April 1, 2012, to June 30, 2012)**

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 April 1, 2012, to June 30, 2012, in all audit reports with open recommendations. This status report addresses 12 management actions in 8 individual reports. In ascertaining whether appropriate action was taken, we interviewed personnel, reviewed documentation and performed other audit procedures as necessary. We determined that 9 of these management actions have been completed and 3 partially 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 or Partially 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
July 5, 2012

Attachment

**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>
<u>INTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u>				
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		
AR2009-18	04/14/09	UH Division of Administration & Finance - Dept. Reviews	AR2012-01	
AR2009-20	04/14/09	UHD Information Securities Standards	AR2012-15	
AR2009-22	08/11/09	UHS Facilities Development Project		
AR2010-02	11/05/09	UHCL TAC 202	AR2012-21	
AR2010-03	11/05/09	UH TAC 202		
AR2010-07	11/05/09	UH, CLASS - Departmental Reviews		
AR2010-17	05/12/10	UH Law Center, Departmental Reviews	AR2012-09	
AR2010-26	08/11/10	UH Athletics, NCAA Rules-Compliance	AR2012-15	
AR2011-05	02/16/11	UH, Division of Student Affairs Departmental Reviews		
AR2011-11	02/16/11	UH College of Optometry Departmental Review	AR2012-30	X
AR2011-16	02/16/11	UHD Office of Academic Affairs & Provost Departmental Reviews	AR2012-09	
AR2011-17	02/16/11	UHV, Financial Aid Pell Grants	AR2012-01	
AR2011-18	02/16/11	UHCL, Financial Aid Pell Grants	AR2012-01	
AR2011-19	02/16/11	UHD, Financial Aid Pell Grants	AR2012-01	
AR2011-22	05/18/11	UHCL, Office of Academic Affairs & Provost Dept. Reviews	AR2012-01	
AR2011-23	05/18/11	Executive and Foreign Travel, All Components	AR2012-01	
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	AR2012-15	
AR2011-29	08/17/11	UH Library, Endowments	AR2012-01	
AR2011-34	08/17/11	UH College of Natural Sciences & Mathematics, Endowments	AR2012-09	
AR2012-07	11/16/11	UH, Graduate College of Social Work - Departmental Review	AR2012-30	X
AR2012-17	05/16/12	UH, TLC ²		X
AR2012-18	05/16/12	UH, Non-College Specific Endowments		
AR2012-19	05/16/12	Hilton University of Houston Hotel		
AR2012-20	05/16/12	UHV Information Security Standards	AR2012-30	X
AR2012-22	05/16/12	UHV, President's Office - Departmental Reviews		X
AR2012-23	05/16/12	UH System Administration, Endowments		
AR2012-24	05/16/12	UH National Research University Fund		
AR2012-25	05/16/12	UH Athletics NCAA Rules-Compliance		
AR2012-27	05/16/12	UHV, School of Ed. and Human Development - Dept. Review	AR2012-30	X
AR2012-29	05/16/12	Internal Auditing Internal Quality Assessment Review		
<u>EXTERNAL AUDIT REPORTS WITH OPEN RECOMMENDATIONS:</u>				
SAO Report #05-010	11/02/04	UH - The Protection of Confidential Information and Critical Systems	AR2012-01	
CCM #0901	01/31/09	Calhoun Lofts Residence Hall Interim Construction Audit	AR2012-01	
SAO Report #12-328	2/21/2012	Federal Portion of the Statewide Single Audit, FY2011	AR2012-15	

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
as of June 30, 2012**

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: High Medium Low			
AR2011-11	College of Optometry, Departmental Review	2a	3	6/30/2012	Mary Juarez College Business Administrator	UH	Work with the Division of Research to deactivate expired grant cost centers.	Action Complete
AR2011-24	UH Research Administration	4	6	4/30/2012	Dr. Roth Bose VC/VP for Research & Technology Transfer	UH	Review the IDC allocation model as part of the annual university budget development process.	Partially Implemented - Updated Management's Response: We are revising MAPP 08.01.01, Sponsored Research Activities, to address various items related to research administration including, the IDC allocation model. Estimated completion date: January 31, 2013.
AR2011-25	Athletics Department, Endowments	3b	3	4/30/2012	Jeramiah Dickey Associate Athletics Director for Development	UH	Work with University Advancement to modify the terms of the endowment that has changed.	Partially Implemented - Updated Management's Response: Athletics informed University Advancement that the donor lost the agreement the university sent him in January 2012. Athletics is currently working with University Advancement to prepare a new agreement and re-start the signature process between the donor and university personnel. Estimated completion date: September 30, 2012.
AR2012-07	Graduate College of Social Work, Departmental Review	1	1	7/1/2012	Marsha Christ College Business Administrator, Graduate College of Social Work	UH	Restore deficit fund equity balances to zero or positive amounts and implement procedures to prevent spending funds that are not available.	Action Complete
AR2012-17	Texas Learning and Computation Center	10	18	4/30/12	Robert Honeyman, Associate Director for Research Administration and Finance	UH	Obtain supervisory or unit head approval for direct reimbursements to employees.	Action Complete

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: High Medium Low			
AR2012-17	Texas Learning and Computation Center	11	18	4/30/12	Robert Honeyman, Associate Director for Research Administration and Finance	UH	Obtain reimbursement from the faculty member for overpayments made relating to reimbursement requests.	Action Complete
AR2012-17	Texas Learning and Computation Center	13	18	3/31/12	Robert Honeyman, Associate Director for Research Administration and Finance	UH	Transfer equipment purchased by other university departments to the TLC ² property inventory.	Action Complete
AR2012-17	Texas Learning and Computation Center	16	18	4/30/12	Robert Honeyman, Associate Director for Research Administration and Finance	UH	Work with the Division of Research to determine the allowability of expenses that do not appear to be directly related to a grant.	Action Complete
AR2012-17	Texas Learning and Computation Center	17	18	5/31/12	Robert Honeyman, Associate Director for Research Administration and Finance	UH	Review effort reported by Research personnel on grants administered by TLC ² and prepare payroll reallocations when effort is significantly different from the amount of salary charged to the grant.	Partially Implemented - Updated Management's Response: TLC ² will review effort reported by Research personnel on grants administered by TLC ² and prepare payroll reallocations as needed. Estimated completion date: August 31, 2012.
AR2012-20	UHV Information Security Standards	1	1	6/1/2012	Joe Ferguson Sr. Director of Information Technology	UHV	Implement procedures to help ensure monthly information security incident reports are submitted to the DIR and submit previous reports that have not been sent to the DIR.	Action Complete
AR2012-22	President's Office, Departmental Reviews	1	2	9/1/2012	Ashley Walyuchow, Athletics Director	UHV	Update the Student-Athlete's Handbook to include current university and NAIA policies and procedures.	Action Complete

**University of Houston System
Internal Auditing Department**

**Follow-up Status Report
as of June 30, 2012**

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: High Medium Low			
AR2012-27	School of Education and Human Development, Departmental Review	1	1	6/1/2012	Dyana Cochrum Administrative Assistant School of Education and Human Development	UHV	Perform grant cost center verifications.	Action Complete

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

CONSTRUCTION AWARD STATUS REPORT

Activity from April 1, 2012 to
June 30, 2012

REPORT NO. AR2012-31

University of Houston System
Internal Auditing Department
Construction Award Status Report
April 1, 2012 through June 30, 2012

Background: UHS procures construction services under the provisions of the Texas Education Code, Sections 51.778 – 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 April 1, 2012 through June 30, 2012.

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.

Unusual Item

Observation: The Purchasing Department coordinates the interview process for the vendors selected to respond to RFP's by scheduling the meetings with each prospective vendor and the members of the selection team. The standard practice has been that only persons attending these meetings were a representative from the Purchasing Department, the selection team members and the prospective vendor. For the Football Stadium architectural and engineering process, a selection team member from the Athletics Department requested and received permission from the Purchasing Department to have the Athletic Director and a former member of the UHS board of regents with expertise in architectural and engineering services attend the vendor interviews, though they were not on the selection committee nor were they allowed to participate in the vendor evaluation and selection process. The Executive Vice Chancellor/Vice President Administration and Finance, during his evaluation of the Purchasing Department's recommendation for Architectural and Engineering Services for the New Football Stadium, communicated to the Purchasing Department, FP&C and Internal Audit the following: "I have reviewed the RFQ, the evaluations and the recommendation. I

agree that the criteria selected for the evaluation of responses to the RFQ appear appropriate for this request. Because of the irregularity in the interview process I am not able to confirm that there was no outside influence in the evaluation process. The committee's recommendation was presented to the Chancellor, she consulted with members of the Board, and supports the recommendation." The Purchasing Department's written policies and procedures / guidelines did not specifically indicate which individuals can attend vendor interviews. **Action taken by management:** The Purchasing Department has modified its written policies and procedures / guidelines to indicate that only representatives from the Purchasing Department, the selection committee, and the vendor may attend vendor interviews.

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: Other than the interview process for selecting the firm for architectural and engineering services for the Football Stadium, we noted no other unusual items or matters we considered non-compliant with university policies and procedures. In our opinion, management is complying with the provisions of the Texas Education Code in selecting its contractors for its major construction projects.

Don F. Guyton
Chief Audit Executive
July 6, 2012

UHS Construction Projects
Internal Audit Activity
April 1, 2012 to June 30, 2012

Project Description	(\$ millions) Amount	BOR Approval			Pre-award Milestones						
		FCMP Comm. (Scope) Date	F&A Comm. (Financing) Date	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.
CMAR - Stadium	105	3/27/2012		1/31/2012	2/15/2012	3/27/2012	✓	4/3/2012	5/22/2012	5/23/2012	✓
CMAR - Stadium - AE		3/27/2012		2/1/2012	2/15/2012	3/27/2012	✓	N/A	5/3/2012	5/17/2012	■
CSP - Lamar Flemming Renovations 4th and 5th floors in Health and Biomedical Building	8 21	N/A 5/15/2012	5/15/2008 5/16/2012	N/A	N/A	N/A	▲	6/11/2012			✓
UHV Academic and Economic Development Building	12.5	5/15/2012	5/16/2012								

✓ (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.

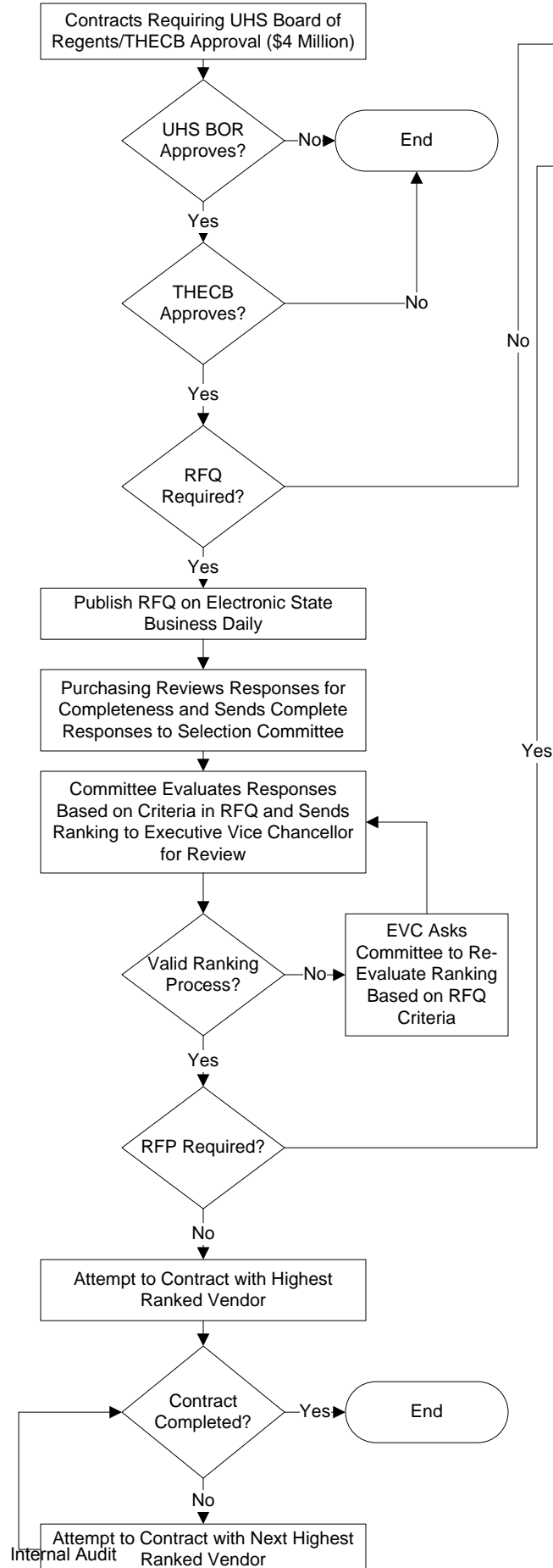
■ (1) Confirmed date of posting RFQ to ESBD, (2) Confirmed evaluation criteria and weights used by selection team, (3) Checked clerical accuracy of Purchasing Department's compilation of selection team evaluation, (4) Reviewed EVC AF evaluation of purchasing recommendation for reasonableness. The EVC AF communicated the following to Purchasing, FP&C and Internal Auditing: "I have reviewed the RFQ, the evaluations and the recommendation. I agree that the criteria selected for the evaluation of responses to the RFQ appear appropriate for this request. Because of the irregularity in the interview process I am not able to confirm that there was no outside influence in the evaluation process. The committee's recommendation was presented to the Chancellor, she consulted with members of the Board, and supports the recommendation."

▲ Internal Audit did not perform a review of this process because it was done prior to Internal Audit's involvement with construction awards.

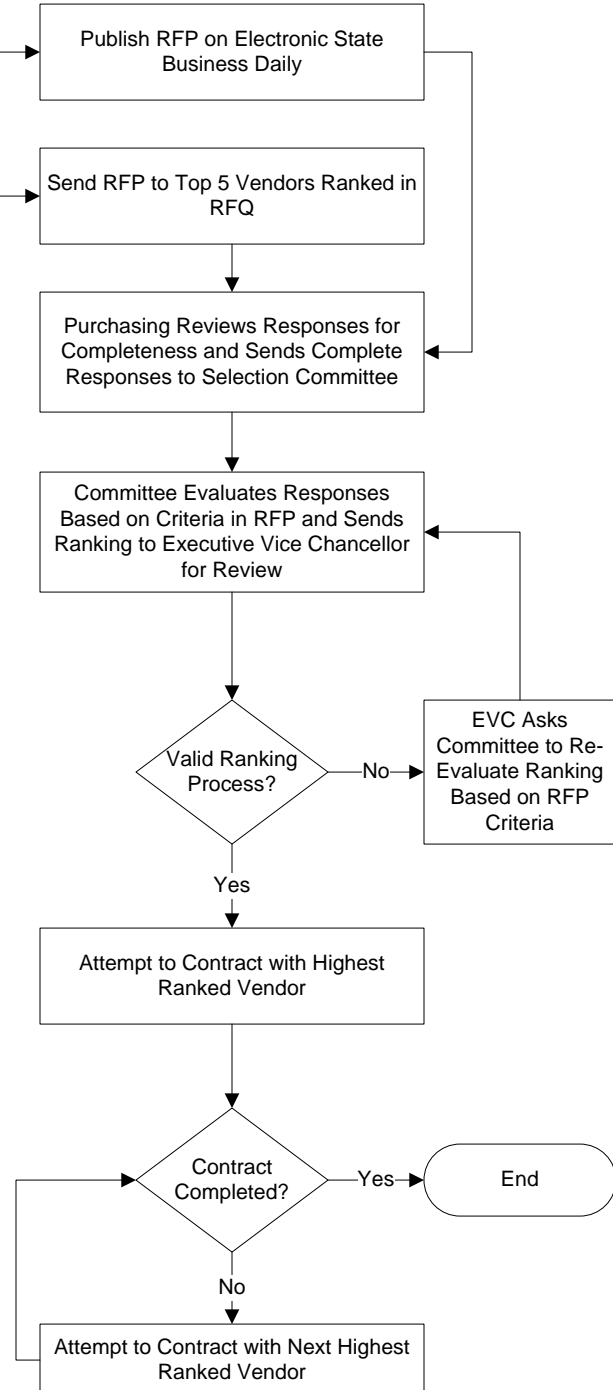
Acronyms

DB - Design-Build
CMAR - Construction Manager at Risk
CSP - Competitive Sealed Proposal

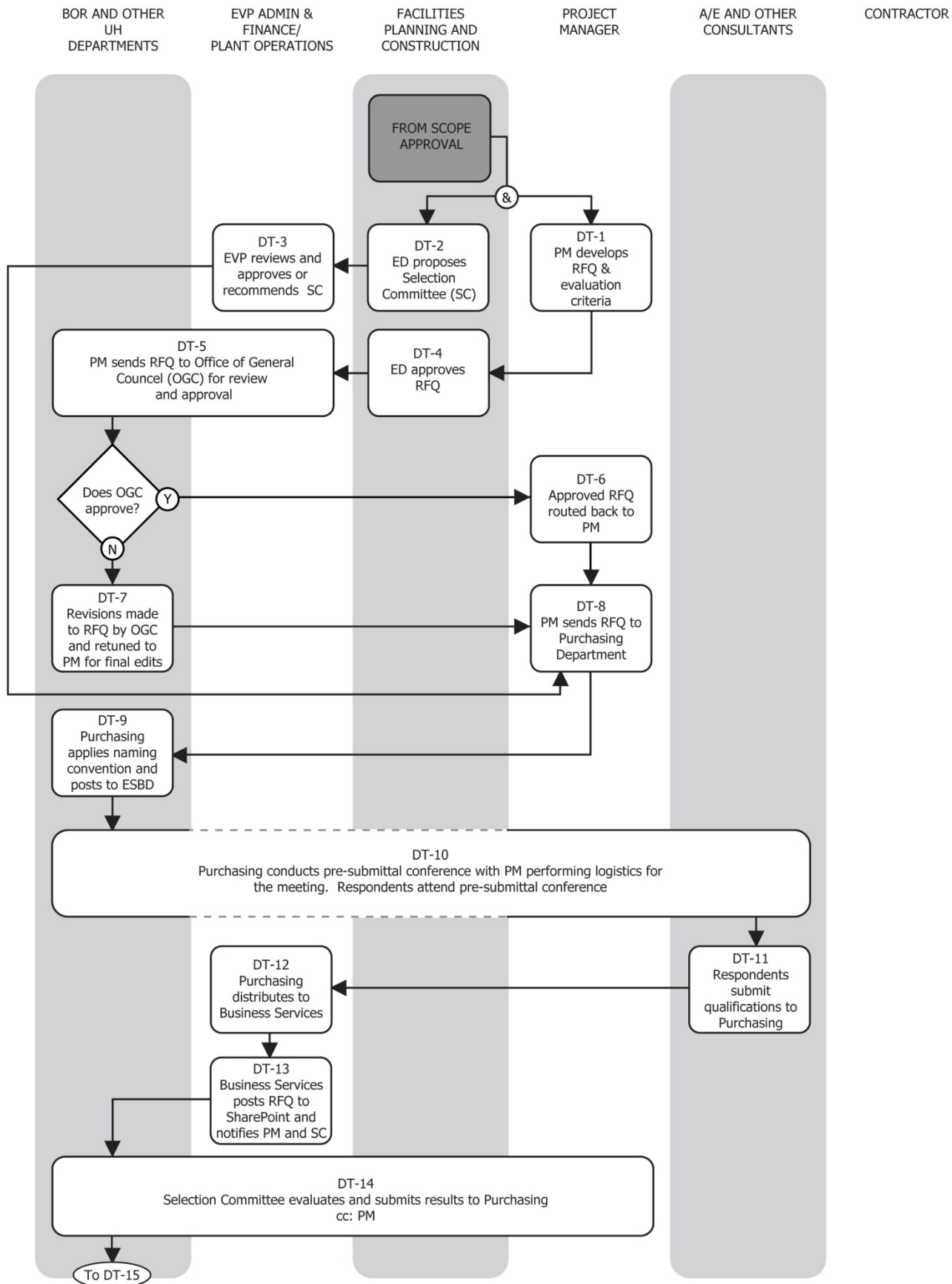
Request for Qualifications (RFQ)



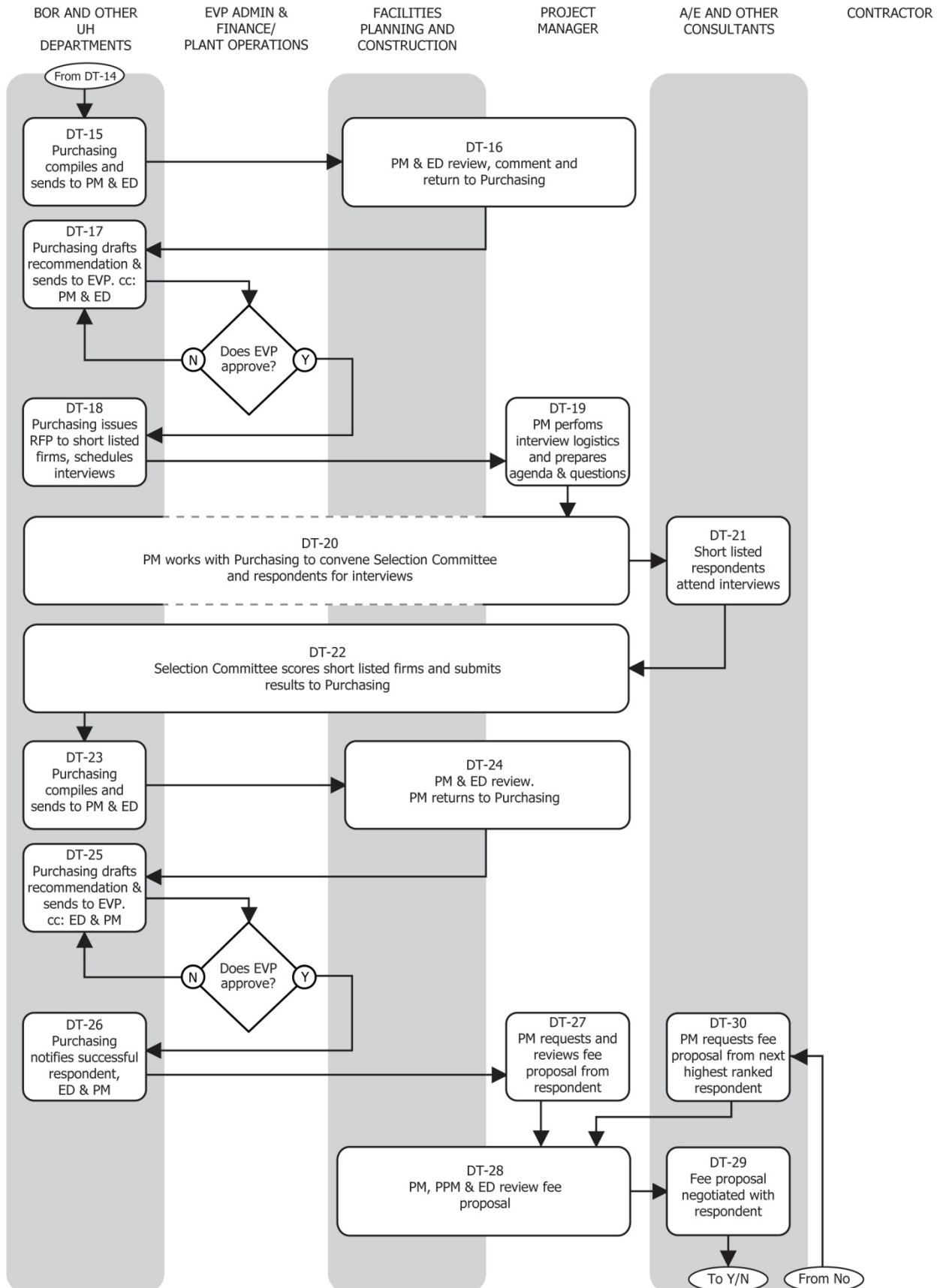
Request for Proposal (RFP)



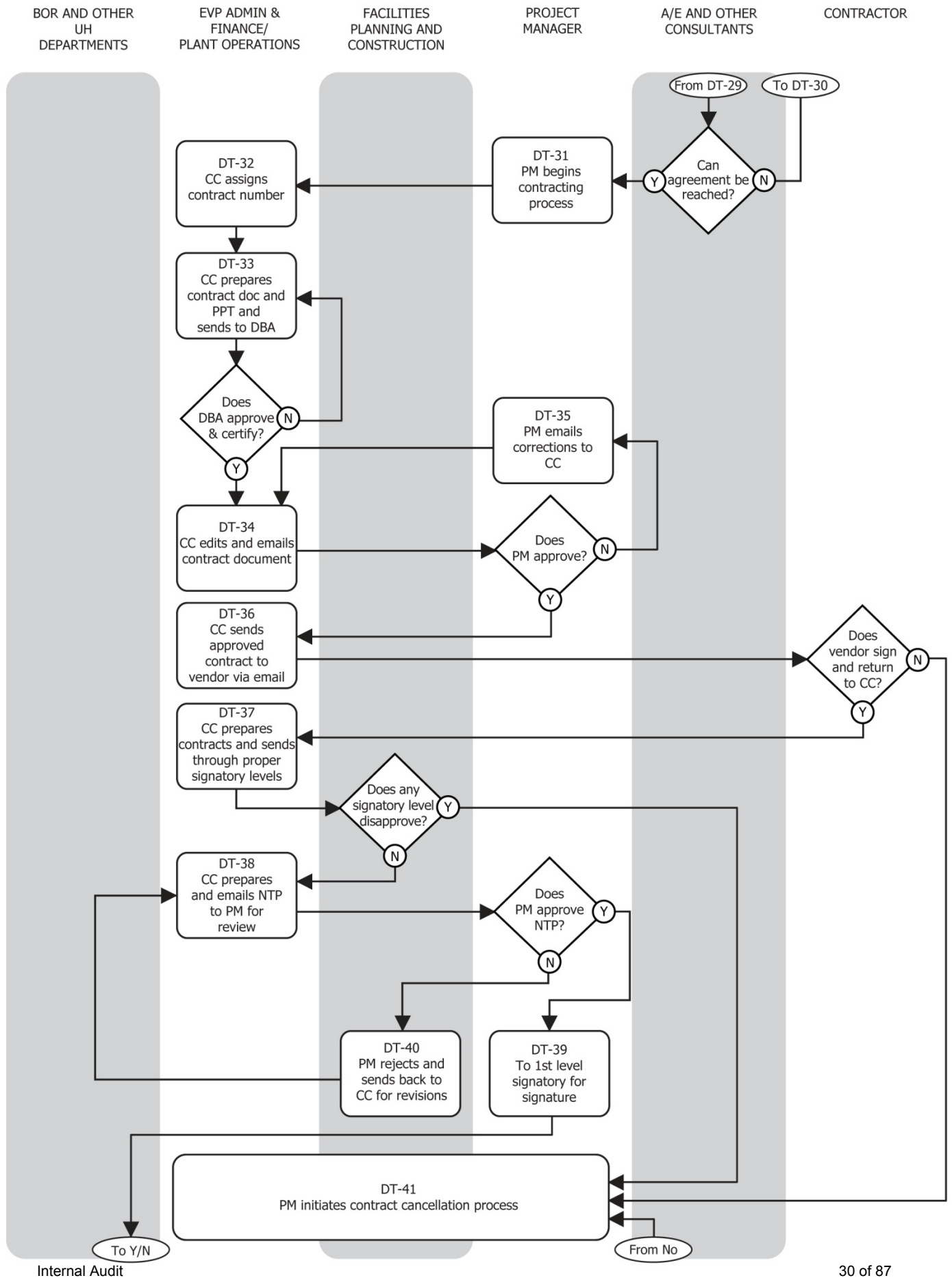
DESIGN TEAM SELECTION FLOWCHART



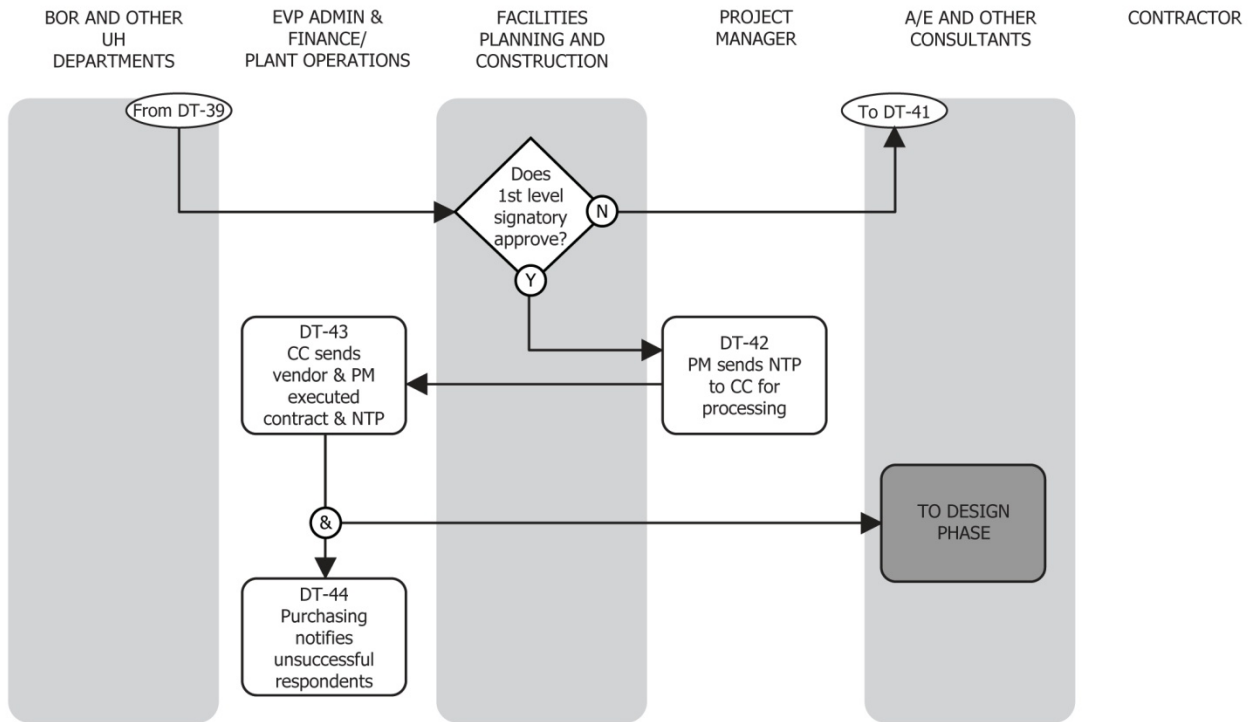
DESIGN TEAM SELECTION FLOWCHART



DESIGN TEAM SELECTION FLOWCHART



DESIGN TEAM SELECTION FLOWCHART



UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

TEXAS INSTITUTE FOR MEASUREMENT,
EVALUATION, AND STATISTICS

REPORT NO. AR2012-32

**UNIVERSITY OF HOUSTON SYSTEMS
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
TEXAS INSTITUTE FOR MEASUREMENT, EVALUATION, AND STATISTICS**

BACKGROUND:

The Internal Audit Department conducted a review of the Texas Institute for Measurement, Evaluation, and Statistics (TIMES). The primary objective was to determine whether the TIMES activities help it accomplish its goals and objectives and whether the department's resources are being effectively and efficiently deployed under an adequate system of internal controls. The audit was included in the Internal Audit Plan for fiscal year 2011, which was approved by the Board of Regents on August 17, 2010.

OBJECTIVES:

The objectives of our review were as follows:

1. Determine whether TIMES activities are helping to accomplish its goals and objectives.
2. Determine whether resources are being effectively and efficiently deployed under an adequate system of internal controls.
3. Determine whether the TIMES activities comply with statutes, regulations, and policies.
4. Determine whether there are sufficient controls over information resources and assets.

SCOPE OF WORK:

We conducted interviews of the Division of Research and TIMES personnel, reviewed financial records and other documentation, and performed other audit procedures, as appropriate.

CONCLUSION:

In our opinion, 1) TIMES activities are helping accomplish its goals and objectives, 2) TIMES resources are effectively and efficiently deployed under an adequate internal control environment, 3) TIMES activities do not always comply with regulations and policies, and 4)

TIMES controls over information resources and assets were adequate. We noted a significant engagement observation related to effort reporting and an opportunity for improvement related to financial and administrative oversight. The Division of Research is in the process of implementing a new automated effort reporting system and procedures to improve the financial and administrative oversight of Centers and Institutes. We also noted that TIMES was not in compliance with certain policies. Management informed us that it would take the necessary action 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 TIMES research center review:

- Significant Engagement Observation
- Opportunity for Improvement
- Compliance Matrix
- Instances of Non-Compliance
- Action Plan
- Research Center Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
May 21, 2012

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
TEXAS INSTITUTE FOR MEASUREMENT, EVALUATION, AND STATISTICS
SIGNIFICANT ENGAGEMENT OBSERVATION**

Effort Reporting

OMB Circular A-21 requires institutions to maintain an acceptable effort reporting system to provide a reasonable basis for the salary charges to sponsored projects. UH utilizes the “After the Fact Activity Records” method. Effort reports are the source documents to support the after the fact reporting of the activity for which the employee is compensated. To confirm that the activity represents a reasonable estimate of the work performed by the employee, the effort reports must be signed by the employee, principal investigator, or a responsible official having direct knowledge that the work was performed.

Several years ago, DoR assessed the feasibility of implementing an automated effort reporting system. DoR created an effort reporting system in its Research Information System (RD2K). However, the current effort reporting system and related procedures need improvement to help ensure compliance with OMB Circular A-21. During the review, we noted the following:

- Effort reports are not being completed by all employees required to complete effort reports.
- All employees required to complete effort reports are not in the effort reporting system for their associated grant.
- Reconciliations of planned to actual effort are not performed.
- Actual effort does not reconcile to the amount charged to grants.
- Effort reports are not completed appropriately.
- Data of committed and actual effort is not being entered into RD2K.

Note: We noted 14 instances where actual effort did not reconcile to salary charged to the grant resulting in potential questioned costs of \$158,337 plus related indirect costs.

Action Being Taken By Management (DoR): DoR is leading the effort to implement a new automated effort reporting system that will interface with our current PeopleSoft payroll module and PeopleSoft Grants Management. Estimated implementation date is August 31, 2013.

DoR is now ensuring that the current effort system is utilized by all responsible parties. This process will entail a rigorous monitoring of all compliance issues and generating reports leading to escalating notices on delinquent effort reports. Notifications will be forwarded first to the PI and DBA, then to department chairs, and finally to college deans. If compliance is not achieved in a timely manner, DoR will deem those payroll charges as unallowable expenses due to the lack of supporting documentation. These unallowable expenses will be removed from those sponsored awards in question. DoR may decline all administrative services to and

withhold IDC for those noncompliant PIs until full compliance is achieved. Our aim is for all payroll transactions to be allowable in accordance with OMB Circular A-21.

In addition, DoR is currently developing a monitoring and compliance program, including the current effort reporting process, with management reports and escalating said reports to university administration. Estimated completion date is August 31, 2012.

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
TEXAS INSTITUTE FOR MEASUREMENT, EVALUATION, AND STATISTICS
CENTER
OPPORTUNITY FOR IMPROVEMENT**

Financial and Administrative Oversight

The Division of Research (DoR) manages and administers business policies and processes at the division and unit (research centers/institutes) levels. MAPP 01.02.01, Business Administration, states that division business managers are charged with ensuring the adherence to university policies and procedures within their division. MAPP 01.03.01, Baseline Standards, states that in a decentralized organizational structure the division business manager has primary responsibility for management and oversight of the financial processes, while the unit business managers have primary responsibility for the execution of the financial processes. The division business manager is responsible for the following: 1) communicating policy and procedures changes to units, 2) ensuring that units have adequate support to fulfill their responsibilities, and 3) ensuring that units have appropriate procedures in place to comply with minimum processing standards. In addition, the division business administrator is ultimately responsible for the control procedures in place at each unit. In order to help ensure compliance with university business processes and policies, dual reporting relationships are established by MAPP 01.02.01, such that the unit business administrators report to the division administrator and their respective unit head. Chief division business administrators report to the Executive Vice President for Administration and Finance in addition to their respective Division head.

During our review, we noted that the DoR did not have adequate procedures in place to help ensure that all business functions were adequately performed by TIMES. We noted numerous non-compliance issues in TIMES. Listed below are examples of certain instances of non-compliance with university policies and guidelines.

- Effort reporting is not being accounted for appropriately.
- Grant cost centers had deficit budgetary balances.
- Employees were reimbursed per diem for meals and also for business meals that occurred during travel on a different voucher.
- Direct reimbursements were not always processed appropriately.
- 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.

Action Being Taken By Management (DoR): In FY 2012, the Vice Chancellor/Vice President for Research and Technology Transfer initiated individual monthly meetings with research center directors and group monthly meetings with research center directors. These meetings help enhance effective interaction and communication regarding center activities and

research compliance. In addition, in FY 2012 the Vice Chancellor/Vice President for Research and Technology Transfer implemented his review process for evaluating DoR centers and institutes. Sustainability and feasibility for centers and institutes are currently under review. In parallel to Academic Affairs, DoR introduced and implemented the monthly checklist of operating procedures that must be adhered to in order to ensure sound business practices. The checklist became a mandatory requirement as of September 1, 2011. Using a decentralized administrative management model, DoR hosts monthly Research Business Administrators meetings to disseminate policy/guideline changes, address concerns from the units, and provide periodic training. Effective March 1, 2012, DoR has implemented a more centralized management approach by requiring bi-weekly meetings with the division administrator and each multidisciplinary center business officer. In addition, DoR will implement procedures to determine whether the monthly checklists are accurate by July 31, 2012.

**University of Houston System
Internal Auditing Department**

**University of Houston
Texas Institute for Measurement, Evaluation, and Statistics**

COMPLIANCE MATRIX	
Compliance Area	
Management Oversight	Ø
Operational Activities	N/A
Policies, Procedures, Required Training, And Reporting	(1)
Cost Center Management	✓
Payroll	(2)
Human Resources	✓
Change Funds And Cash Receipts	(2)
Procurement And Travel Cards	✓
Departmental Expenses	(5)
Contract Administration	(2)
Property Management	✓
Departmental Computing	✓
Scholarships	N/A
Incidental And Lab Fees	N/A
Research	(2), Ø

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

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
TEXAS INSTITUTE FOR MEASUREMENT, EVALUATION, AND STATISTICS
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 action plans to address the areas 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.

MANAGEMENT OVERSIGHT/OPERATIONAL ACTIVITIES

(See Opportunities for Improvement)

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.
- Time and effort reports were not dated.

CHANGE FUNDS AND CASH RECEIPTS

- Receipts totaling \$100 or more were not deposited within one working day after receipt.
- Copies of checks containing bank routing and account numbers that were not removed/obliterated were uploaded to PeopleSoft.

DEPARTMENTAL EXPENSES

- Employees were reimbursed without appropriate documentation.
- Direct reimbursements were not approved by the employee's supervisor or unit head.
- Employees were reimbursed for full meal per diem and also for business meals. *
- Expenses for reimbursement were submitted to the business office more than 60 days after the date of the expense.
- An alcohol expense was coded incorrectly and charged to a disallowable fund group.

CONTRACT ADMINISTRATION

- A contract and contract cover sheet were not signed prior to the contract effective date.
- A Recommendation for Award form was not completed.

RESEARCH

- Effort reporting is not being accounted for appropriately.*
- Grant cost centers had deficit budgetary balances.*

**University of Houston System
Internal Auditing Department**

**University of Houston
Texas Institute for Measurement, Evaluation, and Statistics
Background Information**

The Director provided the following background:

The primary mission of the Texas Institute for Measurement, Evaluation, and Statistics (TIMES) is to advance scientific discovery through the development and application of measurement, evaluation, and statistical research methods. TIMES is committed to the advancement of knowledge and the improvement of the behavioral, psychological, educational and developmental outcomes of children and adults through the creation and application of high quality, cutting-edge research methods, and the delivery of state-of-the art research and statistical support services. To achieve these objectives, TIMES promotes, develops, and advances statistical knowledge and its application in research and decision making, and provides a university-based resource in measurement, evaluation, and statistics for faculty and administrators at the University of Houston and its partners in academia, government, and business.

In light of its broader mission, in addition to conducting primary research, TIMES provides essential research support services in four major areas. These include the design of advanced longitudinal and quasi-experimental studies, such as those used for researching developmental and educational questions in natural settings (e.g., such as children in classrooms), as well as the design of more traditional “true” experimental studies. Secondly, TIMES specializes in the application of advanced statistical models for (a) measuring longitudinal outcomes (e.g., student growth in achievement or changes and trends in residential energy demand), (b) predicting risk and failure (e.g., predicting poor student outcomes at the earliest possible point in development, or predicting schools that will fail), (c) measuring key constructs and their impact on desired outcomes (e.g., assessing the importance of teacher behaviors in advancing student achievement, quantifying energy consumption at the household level and determining whether a particular household is best characterized as an energy hog or an energy conserver), and (d) modeling and improving institutional effectiveness (e.g., evaluating the efficacy of school wide reform efforts, such as Reading First and the Rodeo Institute for Teacher Effectiveness). Third, TIMES is a leader in the use of advanced psychometric models and technology tools to create research instruments. Finally, TIMES supports the primary data collection efforts of researchers and educators through (a) automated data entry, (b) electronic data storage, (c) computerized data management, and (d) essential reporting services.

TIMES is envisioned as a provider of Core Services to primary researchers. As such, TIMES is in a position to provide critical design, analysis, measurement, and information management support to UH researchers and their collaborators, including but not limited to, those involved in educational and developmental research consistent with TIMES current research funding.

Availability of these services to UH researchers will make projects submitted for external funding more competitive. In addition, the establishment of TIMES as a University Research Center created an infrastructure for providing outreach services to school districts that are involved in educational reform but need support for proper evaluation of their reform efforts, as well as to business and other enterprises in need of statistical and research services, such as the Texas Children's Hospital and Blue Bird Clinic, Texas Women's University, the Methodist Hospital Research Institute, and the Houston Center for Clinical and Translational Science, to name but a few. Support is offered in the form of design, measurement, and analysis consultation and assistance in establishing suitable data structures, data collection systems, and information management systems. These consultative efforts are undertaken with the clear expectation that they will lead to new TIMES collaborations, grants, and contract research activities.

TIMES has a relatively lean administrative structure consisting of a Director (David Francis) and an Administrative Committee comprised of individuals who are TIMES members and are appointed to the following positions:

1. Associate Director of Research Programs (Dr. Jack Fletcher)
2. Associate Director of Research Services (Dr. Coleen Carlson)
3. Associate Director for Administration and Finance (Ms. Michele Hoffman)
4. Coordinator of External Relations (Dr. Lolin Wang Bennett)
5. Director of Educational Services (Dr. Lee Branum-Martin)

At present, all administrative posts are non-compensated for tenure track faculty (Francis and Fletcher). Significant effort from research faculty, specifically Dr. Carlson, is accommodated by placing a percentage of her salary (typically about 10%) on TIMES internal funding accounts. The Director of Educational Services position requires minimal effort (less than 2%). This person is responsible for coordinating the TIMES colloquium, which meets bi-weekly. Dr. Wang Bennett and Ms. Hoffman are fully supported on TIMES internal funds (i.e., cannot be supported on grant funds). Dr. Wang Bennett's position is split with Psychology. Ms. Hoffman is part of team that jointly provides services to TIMES and the Texas Learning and Computation Center (TLC2). This team is led by Mr. Robert Honeyman, who is physically housed in PGH on the main campus. Four individuals within this unit are housed within TIMES: Michele Hoffman, TIMES DBA, Adilia Vargas, Accounts Reconciliation, Blair Stauffer, Purchasing, Travel, and Reimbursement, and Sandra Semiens, Personnel/HR and contracts. TIMES also maintains staff for support of information technology. Portions of these staff salaries are supported directly on grants where possible, for example when specific grants need IT support services related to data collection and/or reporting, and or maintenance of project specific computing hardware and/or software. For services provided to TIMES administration or that serve all TIMES based projects, staff are paid from internal TIMES sources, such as the TIMES Line Item budget, or TIMES IDC accounts. Two such projects are the afore mentioned Sedona project and a TIMES led project to integrate research financial reporting with HR/Personnel records to yield integrated reports for PIs that can span fiscal years and grant years and are used to streamline account reconciliations.

TIMES contributes directly to the UH goals of increasing national competitiveness, student success, and community outreach. TIMES' specific goals that contribute to these broader university objectives include:

1. Increasing TIMES' ability to be self-sustaining by increasing the number and amount of extramural proposals and awards, especially federal awards from NIH, NSF, USDE and DOD.
2. Increasing the number and scope of scientific collaborations both within and out.
3. Increasing the productivity and national recognition of TIMES affiliated faculty and UH faculty accessing TIMES services as measured by peer-reviewed publications, chapters in edited volumes, books, invited addresses, national presentations, academic appointments for TIMES post-doctoral fellows, appointment of TIMES faculty to national boards, journal editorial boards and editorships, and receipt of national awards recognizing faculty accomplishments.
4. Increasing financial and educational support for students and increasing training opportunities at the undergraduate, graduate, and post-doctoral levels.
5. Increasing the national competitiveness of UH through the creation of world class research support services as measured by the reliability, efficiency, and quality of TIMES Core services, including support for data collection, data management, statistical analysis and consultation, research financial services, including both preaward (e.g., budgeting, forecasting, proposal preparation and submission) and postaward support systems (e.g., time and effort reporting, project management, travel and reimbursement support, accounts receivable for registered events, and accounting and reporting services).
6. Increasing outreach within and beyond in order to increase awareness of TIMES as an entity and provide greater access to TIMES' services, thereby enabling a broader array of researchers and increasing the number of successful researchers and awarded proposals at UH.

Budget/Financial Summary:

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

Beginning Fund Balance (9/1/2010)	\$ 904,590
Revenues	5,088,158
Expenditures	(5,475,401)
Transfers/Other	848,585
Ending Balance (8/31/2011)	<u>\$ 1,365,932</u>

UNIVERSITY OF HOUSTON
TEXAS INSTITUTE OF MEASUREMENT, EVALUATION, AND STATISTICS
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2011</u>	<u>FY 2010</u>
<u>Revenue</u>			
41600-41899	Federal Grants & Contracts	\$ (3,441,673)	\$ (2,878,664)
41900-42099	Federal Pass Through Grants/Contracts	(762,108)	(1,131,218)
42100-42299	State Grants & Contracts	(360,627)	(2,285,234)
42300-42499	State Pass Through - Other State Agencies	(482,831)	(432,939)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(21,599)	28
43600-43630; 43634-43999	Sales & Services - E & G	(19,320)	(93,938)
Total Revenue		<u>\$ (5,088,158)</u>	<u>\$ (6,821,965)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 2,585,387	\$ 2,391,849
51000-51399	Fringe Benefits	505,737	463,579
Total Payroll		<u>\$ 3,091,124</u>	<u>\$ 2,855,428</u>
<u>M & O</u>			
52000-52199	Professional Services	\$ 3,167	\$ 47,025
52200-52399	General Services	15,708	2,745
52400-52499	Academic Service	500	1,000
52500-52599	Printing, Copying, & Reproduction	6,463	25,962
52600-52799	Utilities & Sanitation	2,635	0
52800-52999	Communication & Transportation	87,145	69,060
53000-53499	Advertising Promotion & Public	0	3,506
53500-53599	Rental Lease & Royalties	45,359	68,871
53700-53799	Routine Repair	1,320	14,098
53800-53849	Pass Through	1,057,665	1,479,862
53850-53899	Contracting Services	2,422	1,072
53900-53999	General Supplies	107,178	2,265,482
54350-54449	Parts & Furnishing	34,532	18,478
54450-54549	Misc Supplies & Material	40	0
54700-54799	Financial Tax & License Cost	126	432
54800-54899	Other Recurring Expenses	14,126	8,980
54900-54999	Employee Expenses	6,372	7,119
55000-55199	Special Program & Events	673	275
56000-56499	Travel	53,661	114,773
56500-56599	Contracts & Grants	924,626	739,342
Total M&O		<u>\$ 2,363,716</u>	<u>\$ 4,868,082</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 20,561	\$ 5,074
Total Capital Outlay		<u>\$ 20,561</u>	<u>\$ 5,074</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 5,475,401</u>	<u>\$ 7,728,583</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

TEXAS CENTER FOR
SUPERCONDUCTIVITY, ENDOWMENTS

REPORT NO. AR2012-33

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON
TEXAS CENTER FOR SUPERCONDUCTIVITY AT THE UNIVERSITY OF
HOUSTON, ENDOWMENTS**

BACKGROUND:

We performed a review of the endowments managed by the Texas Center for Superconductivity at the University of Houston (TcSUH). 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 2012.

As of August 31, 2011, the University of Houston System endowment market value was \$496,668,568, consisting of 1,387 separate endowments. Endowment income distributed during fiscal year 2011 was \$12,443,005. TcSUH endowments totaled 9 with a market value of \$13,963,574 and endowment income distributed during the fiscal year was \$520,034.

OBJECTIVES:

The objectives of our review were as follows:

1. Determine whether TcSUH is managing endowment funds effectively and efficiently under an adequate system of internal controls.
2. Determine whether TcSUH 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.

CONCLUSION:

In our opinion, TcSUH is managing endowment funds effectively and efficiently and is complying with the terms of the endowment agreements. Although we noted no matters we considered to be significant engagement observations, we noted that funds from certain endowments have not been expended for several years. Management is in the process of addressing this opportunity for improvement.

Appendix A contains the observation noted during the audit.

Don F. Guyton
Chief Audit Executive
June 12, 2012

APPENDIX A

OBSERVATION

Availability of Funds

Fund balances for TcSUH's endowment income cost centers have been accumulating for several years. As of August 31, 2011, these fund balances totaled \$7,044,761. During FY 2011, TcSUH received \$520,034 of income and expended \$104,032. During the audit, the Director informed us that they plan to begin using available funds from five endowments (fund balance of \$2,466,178) for scholarships, recruitment of a researcher, and a research forum. We were also informed that the available funds from the other four endowments (fund balance of \$4,578,583) are being kept in reserve for future purposes.

Management's Response: With the exception of one endowment, all endowments are under the control of Dr. Paul Chu. The endowments were established for the following purposes: supplement Dr. Chu's funding for research and related activities, provide fellowships for the Houston International Materials Forum, and award scholarships. Guidelines are accessible on TcSUH's website. The endowment under control of the Director of TcSUH was established to support up to four Welch Distinguished Professorships. None of the endowments require awards be made annually.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON – DOWNTOWN

ADVANCEMENT AND EXTERNAL RELATIONS, DEPARTMENTAL REVIEW

REPORT NO. AR2012-34

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
ADVANCEMENT AND EXTERNAL RELATIONS
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in Advancement and External Relations. 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 Advancement and External Relations was not in compliance with certain policies. Management agreed to implement action plans for certain areas 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 Advancement and External Relations:

- Compliance Matrix
- Instances of Non-Compliance
- Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
June 15, 2012

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
Advancement and External Relations
Departmental Review**

COMPLIANCE MATRIX	
Compliance Area	
Management Oversight	✓
Operational Activities	N/A
Policies, Procedures, Required Training, And Reporting	✓
Cost Center Management	✓
Payroll	✓
Human Resources	✓
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	✓
Departmental Expenses	(1)
Contract Administration	✓
Property Management	✓
Departmental Computing	✓
Scholarships	N/A
Incidental And Lab Fees	N/A
Research	N/A

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

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
ADVANCEMENT AND EXTERNAL RELATIONS
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

DEPARTMENTAL EXPENSES

- Alcoholic beverage expenses were not charged to the appropriate account code.

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
Advancement and External Relations
Background Information**

Background provided by Advancement and External Relations:

The mission of the Division of Advancement and External Relations is to promote the university within the community through marketing and branding initiatives, and establish and maintain relationships that support student enrollment, community engagement and philanthropic giving to the university. The two departments within the division are University Advancement and Public Affairs.

Recent Accomplishments include:

- Major Opportunity campaign to promote and brand the university.
- Re-branded New Horizons newsletter to the UHD Magazine.
- 50% of faculty and staff participated in the inaugural Faculty and Staff Giving Campaign.
- Raised over \$3 million in Fiscal Year 2011.

Budget/Financial Summary:

During fiscal year 2012, with a staff of 9 FTE, Advancement and External Relations administered 27 cost centers with an operating M&O budget of \$984,122.

The following table presents the fund balance reconciliation for Advancement and External Relations for FY 2011:

Beginning Fund Balance (9/1/2010)	\$ 395,513
Revenues	21,428
Expenditures	(1,578,534)
Transfers/Other	1,500,969
Ending Balance (8/31/2011)	<u>\$ 339,376</u>

UNIVERSITY OF HOUSTON - DOWNTOWN
ADVANCEMENT AND EXTERNAL RELATIONS
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2011</u>	<u>FY 2010</u>
<u>Revenue</u>			
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	\$ (21,428)	\$ (14,244)
Total Revenue		<u>\$ (21,428)</u>	<u>\$ (14,244)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 747,665	\$ 798,306
51000-51399	Fringe Benefits	151,167	92,855
Total Payroll		<u>\$ 898,832</u>	<u>\$ 891,160</u>
<u>M & O</u>			
52000-52199	Professional Services	\$ 8,000	\$ 49,500
52200-52399	General Services	50,163	180
52500-52599	Printing, Copying, & Reproduction	48,267	128,291
52800-52999	Communication & Transportation	22,197	48,924
53000-53499	Advertising Promotion & Public	497,599	392,794
53500-53599	Rental Lease & Royalties	2,563	4,250
53850-53899	Contracting Services	6,883	76,062
53900-53999	General Supplies	6,918	26,845
54350-54449	Parts & Furnishing	14,023	21,493
54800-54899	Other Recurring Expenses	15,464	6,194
54900-54999	Employee Expenses	4,258	14,701
55000-55199	Special Program & Events	3,355	42
55300-55499	Financial Aid	0	2,640
56000-56499	Travel	12	3,239
Total M&O		<u>\$ 679,701</u>	<u>\$ 775,155</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 0	\$ 6,748
Total Capital Outlay		<u>\$ 0</u>	<u>\$ 6,748</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 1,578,534</u>	<u>\$ 1,673,064</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON – DOWNTOWN

PRESIDENT'S OFFICE,
DEPARTMENTAL REVIEW

REPORT NO. AR2012-35

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
PRESIDENT'S OFFICE
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the President's Office. 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 President's Office was not in compliance with certain policies. Management 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 President's Office:

- Compliance Matrix
- Instances of Non-Compliance
- Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
June 15, 2012

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
President's Office
Departmental Review**

COMPLIANCE MATRIX	
Compliance Area	
Management Oversight	✓
Operational Activities	N/A
Policies, Procedures, Required Training, And Reporting	✓
Cost Center Management	✓
Payroll	✓
Human Resources	✓
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	✓
Departmental Expenses	(2)
Contract Administration	✓
Property Management	✓
Departmental Computing	✓
Scholarships	N/A
Incidental And Lab Fees	N/A
Research	N/A

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

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
PRESIDENT'S OFFICE
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. Management informed us that it would take the necessary actions in order to help prevent reoccurrences of similar instances of non-compliance with university policies.

DEPARTMENTAL EXPENSES

- Direct expense reimbursements were not processed timely.
- A credit card account number was not removed/obliterated prior to the document being uploaded to PeopleSoft.

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
President's Office
Background Information**

Background provided by the President's Office:

The University of Houston-Downtown (UHD) is one of four separate universities in the University of Houston System. UHD enrolls nearly 13,000 students and offers more than 44 undergraduate and five master's degrees and has been described by *U.S. News and World Report*, 'the most diverse university west of the Mississippi. It is the 2nd largest university in Houston and 14th largest public university in Texas.

President, William V. Flores, became the fifth President of the University of Houston-Downtown in July of 2009, reporting to Chancellor Renu Khator of the University of Houston System. In October of 2009, President Flores initiated and led the university through a process that involved approximately 100 faculty, staff, and students, which revised the mission and developed a new vision for 21st century learning and high-impact experiences as a central feature of the UHD experience. President Flores is heavily engaged in fundraising for UHD and was successful in obtaining funding for UHD initiatives.

During President Flores' tenure he has worked with his Cabinet Leadership Team to increase the number of online degree completion programs from 2 to 12 in two years, with another 10 in development. The Cabinet Team efforts also include a branding and marketing campaign that is underway, and the establishment of a new learning center 40 miles north of the downtown, which offers 15 undergraduate and graduate degrees. The President's Cabinet consists of the following:

- Senior Vice President for Academic Affairs and Provost
- Vice President of Administration and Finance
- Vice President for Employment Services and Operations
- Vice President of Student Success and Enrollment Management
- Vice President of University Advancement and External Relations

President Flores has developed strong positive relationships with the Texas Legislature and called upon them to support changing UHD from an Open Enrollment university to a university with established Admission Standards with the objective of reducing drop-out rates and student indebtedness. With the legislator's support, Admission Standards for UHD were approved by the UH System Board of Regents on February 15, 2012, and are to be implemented in the Fall of 2013. A campus-wide committee under President Flores' leadership developed a new UHD Strategic Plan with metrics and action plans focused on increased enrollment, retention, and graduation rates. Chancellor Khator has approved the UHD Strategic Plan and it will be formally adopted at this year's Fall Convocation. In 2012, UHD was selected to the

President's Honor Roll for Community Service with Distinction, the highest ranking given to institutions from Campus Compact of Texas.

President Flores' Community and Professional Service

2012-present	Chairman and Board member, Campus to Community Coalition of Texas (C3, formerly Campus Compact of Texas)
2011-present	Board member, Avenue Community Development Corporation
2010-present	Founding Board member, National Laboratory for Educational Transformation (NLEL)
2009-present	Governing Board Member, Hispanic Association of Colleges and Universities (HACU)
2010-present	American Association of State Colleges and Universities (AASCU), Council of State Representatives
2010-present	American Council on Education President's Commission on International Initiatives
2010-present	American Association of Colleges and Universities (AAC&U) Liberal Education and America's Promise (LEAP) President's Trust
2010-present	Houston Menninger Clinic Advisory Board
2009-present	Board Member, Texas International Education Consortium (TIEC)
2009-present	Member, Council of Public University Presidents and Chancellors of Texas (CPUPC)
2010-present	Member, Southern Regional Council of the College Board
2010-present	National Post-Secondary Advisory Board, AVID
2009-present	Board Member, Project Grad-Houston
2009-present	Board Member, Buffalo Bayou Partnership, Houston
2009-present	Board Member, Central Houston
2009-present	Advisory Board, Educate-Innovate
2009-present	Board Member, Central Houston

Budget/Financial Summary:

During fiscal year 2012, with a staff of 7 FTE, the President's Office administered 18 cost centers with an operating M&O budget of \$1,233,456.

The following table presents the fund balance reconciliation for the President's Office for FY 2011:

Beginning Fund Balance (9/1/2010)	\$	475,098
Revenues		1,178
Expenditures		(956,469)
Transfers/Other		732,651
Ending Balance (8/31/2011)	\$	<u>252,458</u>

UNIVERSITY OF HOUSTON - DOWNTOWN
PRESIDENT'S OFFICE
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2011</u>	<u>FY 2010</u>
<u>Revenue</u>			
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	\$ (1,178)	\$ (15,916)
Total Revenue		<u>\$ (1,178)</u>	<u>\$ (15,916)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 663,832	\$ 789,815
51000-51399	Fringe Benefits	94,676	117,164
51400-51999	Claims & Payment	0	0
Total Payroll		<u>\$ 758,508</u>	<u>\$ 906,979</u>
<u>M & O</u>			
52000-52199	Professional Services	\$ 0	\$ 103,829
52200-52399	General Services	11,954	24,492
52400-52499	Academic Service	0	879
52500-52599	Printing, Copying, & Reproduction	5,123	8,064
52800-52999	Communication & Transportation	11,385	16,159
53000-53499	Advertising Promotion & Public	10,395	28,780
53500-53599	Rental Lease & Royalties	5,026	2,157
53700-53799	Routine Repair	14,545	848
53850-53899	Contracting Services	4,776	5,031
53900-53999	General Supplies	10,773	30,196
54200-54299	Construction Expenses	610	610
54300-54349	Facilities & Ground Support	1,032	0
54350-54449	Parts & Furnishing	22,508	15,879
54450-54549	Misc Supplies & Material	60	0
54700-54799	Financial Tax & License Cost	0	6
54800-54899	Other Recurring Expenses	46,311	78,884
54900-54999	Employee Expenses	14,195	39,656
55000-55199	Special Program & Events	8,786	37,927
55300-55499	Financial Aid	0	22,089
56000-56499	Travel	23,695	22,923
Total M&O		<u>\$ 191,173</u>	<u>\$ 438,406</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 6,788	\$ 23,668
Total Capital Outlay		<u>\$ 6,788</u>	<u>\$ 23,668</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 956,469</u>	<u>\$ 1,369,053</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

FINANCIAL REPORTING

REPORT NO. AR2012-36

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UHS
FINANCIAL REPORTING**

BACKGROUND:

Financial Reporting, a department within the University of Houston Division of Administration and Finance, prepares the Annual Financial Report (AFR) for UH and UH System Administration, and the consolidated financial statements for the UH System. Financial Reporting coordinates and supervises the AFR process for all components of the UH System to help ensure the integrity and accuracy of all reported information and to verify that reports are prepared in accordance with statutes, regulations, UH System policies, and generally accepted accounting and reporting standards.

OBJECTIVES:

The objectives of our review were as follows:

1. Determine whether the AFR is prepared efficiently and effectively under an adequate system of internal controls.
2. Determine whether the AFR and footnotes are accurate, supported by documentation, and in compliance with statutes, regulations, and policies.

SCOPE OF WORK:

We interviewed personnel responsible for producing the AFR, reviewed policies and procedures, PeopleSoft nVision mapping processes, reconciliation processes, financial statements and footnotes, and performed other audit procedures, as appropriate.

CONCLUSION:

In our opinion, Financial Reporting is preparing the AFR that is compliant with statutes, regulations, and policies, but we believe that it could be prepared more efficiently and effectively by using a Data Warehouse application and better supported by complete documentation. We noted no matters we considered to be significant engagement observations. Management is in the process of addressing these opportunities for improvement.

Appendix A contains areas where there are opportunities for improvement, recommendations that will enhance the control environment, management's responses, instances of non-compliance, and observations noted during the audit.

Don F. Guyton
Chief Audit Executive
June 13, 2012

APPENDIX A

OPPORTUNITIES FOR IMPROVEMENT

Documentation Improvement

Financial Reporting uses nVision, a report writing tool within the PeopleSoft Finance system, to prepare financial statements for the AFR. After the nVision tool extracts data from the general ledger in PeopleSoft, Financial Reporting staff reviews, verifies, and analyzes the data before it is included in preformatted financial statements. This process is controlled by a series of reporting requirements, manuals, procedures, and checklists that are designed to help ensure and maintain data accuracy and integrity.

During the audit, we noted that Financial Reporting did not have complete, well documented, and well codified policies and procedures for the AFR and it did not have standards for organizing supporting documentation related to footnotes and schedules, which led to process inefficiencies and also made it difficult for us to audit. Financial Reporting has a mechanism in place to report data for the AFR; however, the data is not easily auditable due to incomplete policies and procedures, incomplete supporting documentation, and not enough control checklists to help ensure integrity of the data reported in the AFR.

Recommendation: Management should develop complete, well documented, and well codified policies and procedures including standards for supporting documentation related to footnotes and schedules in order to help make the AFR reporting process more auditable, efficient, and effective.

Management's Response: We will augment our existing inventory of documented AFR reporting processes and procedures by developing additional written procedures. Our goal will be to address each element of the financial statements, schedules, and footnotes, so that every item is supported by established and consistent procedures. We will also develop additional checklists which will aid in the monitoring, review, and verification of completed tasks. All documentation will be placed electronically in an online, secured environment, so that authorized UH System personnel will have ready access to the content. We will analyze the criticality of each process in order to determine an order of priority and timeline for preparation. This will enable us to continuously add documented procedures throughout the 2013 fiscal year, and we expect to complete the action items by April 1, 2013.

Quality Assurance

Line item amounts reported on financial statements are controlled by data parameters and qualifiers that have been specified by Financial Reporting staff in order to comply with established industry reporting requirements. Most sections of the financial statements are prepared using nVision and are reviewed and validated for accuracy by Financial Reporting staff. The Statement of Cash Flows is manually prepared using an Excel spreadsheet template. Throughout the financial report preparation process, the financial statements are reviewed and discussed with various members of executive-level financial management. Financial statements

prepared by staff at other UHS campuses are reviewed for accuracy and consistency by their management and by Financial Reporting. The AFR is presented to members of the UHS Board of Regents for their review prior to its statutory submission to the State Comptroller.

During the audit, we were informed that there is no mechanism in place to compare control totals from the general ledger in PeopleSoft to control totals in the nVision generated financial statements. We were also informed that Financial Reporting is required to submit explanations for financial statement line item variances identified by the Comptroller's Office. Currently, Financial Reporting does not have internal standards to conduct variance analyses for management requests. Additionally, Financial Reporting currently does not use a standardized and secured Statement of Cash Flows Excel spreadsheet template to help ensure accuracy and consistency across all campuses. We noted the AFR is reviewed by Financial Reporting and other personnel across the UH System; however, the review and AFR certification processes are not well documented.

Recommendation: Management should develop quality assurance standards to ensure that control totals from the general ledger in PeopleSoft match control totals on the nVision generated financial statements, variance analysis standards are created and adhered to, the Statement of Cash Flows template is standardized with secured formulas before distribution to component campuses, and the AFR review and certification process is documented.

Management's Response: We will develop additional procedures that address deficiencies in the processes for reviewing, analyzing, and verifying reported amounts and information. Actions to be implemented include the activation of a PeopleSoft delivered Trial Balance report to replace the current nVision ledger balance verification report. A standardized system-wide Statement of Cash Flows template, which includes security control features, will be developed and distributed for use by all UHS campuses. Standardized system-wide account balance fluctuation analysis templates, with security features, will be developed and distributed for use by all UHS campuses throughout the entire financial report preparation process. Instructions and procedures for each of these processes will be written and added to the documentation manual. We will improve the documentation of the AFR management review process to include checklists, task sign-offs, and written certifications of completed processes and reports. For this recommendation, we will again determine an order of critical priority. We will be able to implement several action items for the FY2012 AFR preparation process. We expect to achieve complete implementation of these tasks by April 1, 2013.

Best Practices

The nVision report writer tool is the current data extraction mechanism for the AFR and is labor intensive to use and to maintain. This tool analyzes and extracts summarized transactional data, which is then populated into a predefined report format using parameters specified by the end user to comply with reporting regulations. The university has been able to support this functionality with only limited personnel and IT resources. Oracle is undecided on its long term commitment to future support of the nVision module within PeopleSoft. During the audit, we noted if Oracle no longer supports the nVision module it could have a major impact on future AFR reporting processes. We were also informed that summary level information from the

Data Warehouse would suffice for AFR reporting requirements and would significantly streamline the current AFR reporting process.

Recommendation: Management should use a Data Warehouse application to prepare the AFR. Management should also identify a “champion” to lead this project and serve as a liaison between Financial Reporting and the Data Warehouse team.

Management’s Response: We concur with your finding that a Data Warehouse application would provide an improved solution for financial statement reporting over our current PeopleSoft report writer module. We will upgrade our current financial system to make use of the Data Warehouse module to perform the UH System’s financial statement reporting requirements. Management believes that implementing this upgrade will also improve our ability to address and resolve the process and procedure enhancements identified in the previous responses. We have begun the process of developing the specifications and parameters for classifying and categorizing our general ledger financial data for inclusion within a data warehouse database. Although the specification and parameter documentation exists for our current report writing tool, we will need to transition this information to the functional requirements of a new software product. Effective and efficient implementation of new software typically requires an extended time frame. It will be our intent to ensure the total accuracy and integrity of any data contained within or reported from an automated information system. We will advise you of our timeline as soon as we have evaluated our resources and established our functional requirements. Presently, we anticipate that an enhanced solution may be able to replace our current software solution for the 2014 AFR reporting cycle.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON – DOWNTOWN

COLLEGE OF PUBLIC SERVICE,
DEPARTMENTAL REVIEW

REPORT NO. AR2012-37

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
COLLEGE OF PUBLIC SERVICE
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are Conducting financial and administrative activities in compliance with university policies. We performed one departmental review in the College of Public Service. We conducted interviews, reviewed documentation, and performed other audit procedures, as necessary, in testing compliance with various policies for each compliance area. We noted a significant engagement observation related to effort reporting. The Office of Research and Sponsored Programs is in the process of implementing procedures to help ensure effort is being reported as required by federal regulations. We also noted that the College was not in compliance with certain policies. Management agreed to implement action plans for certain areas 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 College of Public Service:

- Significant Engagement Observation
- Compliance Matrix
- Instances of Non-Compliance
- Action Plan
- Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
June 29, 2012

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
COLLEGE OF PUBLIC SERVICE
SIGNIFICANT ENGAGEMENT OBSERVATION**

Effort Reporting

OMB Circular A-21 requires institutions to maintain an acceptable effort reporting system to provide a reasonable basis for the salary charges to sponsored projects. According to UHD Policy Statement 06.A.06, Guidelines for the Administration of Sponsored Research, § 4.5, “the PI of the Sponsored Program is responsible for documenting time and effort spent on the program for all employees involved even if the employees are not compensated for their effort from grant funds. Time and effort sheets must be signed by the Principal Investigator or Principal Investigator’s designee for employees paid from sponsored program cost centers. The designee must be an individual with knowledge of 100 percent of the employee’s activities.” However, we determined that this policy has not been implemented by UHD and that effort reports are not being completed by employees required to complete effort reports. In addition, a monitoring mechanism has not been implemented to help ensure effort is reconciled to payroll records.

Recommendation: The Office of Research and Sponsored Programs should implement procedures to require employees to complete effort reports as required by OMB Circular A-21. The Office of Research and Sponsored Programs should also establish monitoring procedures to help ensure salary charges are consistent with effort reported, including the processing of payroll reallocations, when appropriate.

Management Response: The Office of Research and Sponsored Programs (ORSP) will be implementing procedures to require employees to complete effort reports as required by OMB Circular A-21 at least three times annually. ORSP will also establish monitoring procedures to help ensure salary charges are consistent with effort reported, while working closely with the payroll department. Timeline for implementation will be December 31, 2012.

ORSP is currently in the process of researching electronic modules to utilize that are compatible with PeopleSoft software to compile effort reporting certifications according to payroll records. ORSP intends to have a fully functional electronic system in place to document and certify T&E certifications according to payroll records by June 28, 2013. The electronic module will ensure PIs are certifying their time and effort based on payroll records.

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
College of Public Service
Departmental Review**

COMPLIANCE MATRIX	
Compliance Area	
Management Oversight	✓
Operational Activities	(2)
Policies, Procedures, Required Training, And Reporting	(1)
Cost Center Management	✓
Payroll	✓
Human Resources	✓
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	✓
Departmental Expenses	(2)
Contract Administration	✓
Property Management	✓
Departmental Computing	✓
Scholarships	✓
Incidental And Lab Fees	✓
Research	(3), Θ

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

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
COLLEGE OF PUBLIC SERVICE
DEPARTMENTAL REVIEW
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 action plans to address the areas 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.

OPERATIONAL ACTIVITIES

- There are no written continuing education accounts receivable procedures.*
- All continuing education accounts receivable are not recorded in the university's financial system; and a reserve for doubtful accounts has not been created.*

POLICIES, PROCEDURES AND REPORTING

- Required annual training was not completed by all employees.

DEPARTMENTAL EXPENSES

- A Travel Request Form was not completed for travel taken.
- Expenses for reimbursement were submitted to the business office more than 60 days after the date of the expense.

RESEARCH

- Annual Certification of Compliance with the Policy on Conflict of Interest for Academic Staff disclosure forms were not timely completed.
- Employees are not reporting their effort.*
- An expired grant cost center has not been deactivated.*

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
College of Public Service
Background Information**

Background provided by the College of Public Service:

Created in 2003, the College of Public Service is a community based center for higher learning dedicated to preparing students to enter professional careers in criminal justice and education and to take on executive leadership in Security Management. The faculty members believe that an educated society creates thoughtful policy and humanistic practices for the betterment of its diverse constituents. Our graduates have high ideals and a strong commitment to improve the quality of life in the community. They are exceptional leaders, mentors, and innovators in their fields of service.

The College of Public Service includes two academic departments and an Executive master's degree program that is administered by the dean of the College. The Departments of Criminal Justice and Urban Teacher Education offer bachelors and masters degrees. The major centers in the College include:

- The Center for Professional Development and Technology trains elementary, secondary and bilingual teachers, and provides staff development and technology support for public school partners.
- The Criminal Justice Training Center (CJTC) is a nationally recognized police academy that prepares individuals to become Texas peace officers. With a state licensing exam passing rate of 98%, the pre-service cadets are highly sought after employees. The Texas Commission on Law Enforcement Officers Standards and Education consistently refers out-of-state peace officers and federal agents seeking certification in Texas to the CJTC's exam review program.

UHD's College of Public Service strives to engage faculty and students in its bachelor's degrees and its three master's degrees in dynamic research that will improve the quality of our area schools and justice institutions, and instill scholarship, integrity and responsibility in tomorrow's leaders. In recognition of our progress toward this goal the college has received the following recent honors:

- The 2010 Texas Higher Education Coordinating Board Star Award for its cutting edge teacher certification partnership that redefines seamless transition from the community college to the university. By enhancing the University of Houston-Downtown/Lone Star College joint admissions program, this Teacher Education Collaborative focuses on recruiting paraprofessionals already known to the school district, as well as high school seniors and local adults who might not otherwise enter higher education due to work and family constraints.

- Urban Education Students Publish in Journal Urban Education students Claudia Tierrablanca and Jose Linares were recently published in the Winter 2012 edition of the Houston Area Association for the Education of Young Children's online and print journal, "The Advocate." Tierrablanca and Linares wrote the article, "Teacher Candidates in an Urban Education Program Engage in the Project Approach," with Leigh Van Horn, associate professor of Urban Education. The article relates to the students' experiences with working with young children in a course-related project for READ 3306, Language and Literacy Development.

In support of its mission, the dean promotes the College of Public Service to external Agencies and community organizations and develops external support for the College's programs. High priorities for the College include:

- Ensuring high quality teaching in classroom and field-based environments that will instill scholarship, integrity and responsibility in tomorrow's leaders;
- Ensuring high impact service-learning experiences for our majors to enhance their educational experiences through service to the community;
- Supporting faculty in engaging in research that will improve the quality of our area schools and justice institutions;
- Gaining approval for new educational programs that respond to the needs of the community; and
- Developing, leading and encouraging fundraising in support of the College's goals and the goals of the departments and programs as well as outreach and public service efforts.

Budget/Financial Summary:

During fiscal year 2012, with a faculty of 49 FTE and a staff of 19 FTE, the College administered 95 cost centers with an operating M&O budget of \$6,658,982.

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

Beginning Fund Balance (9/1/2010)	\$ 1,539,952
Revenues	1,560,891
Expenditures	(6,755,880)
Transfers/Other	5,271,362
Ending Balance (8/31/2011)	<u>\$ 1,616,325</u>

UNIVERSITY OF HOUSTON - DOWNTOWN
COLLEGE OF PUBLIC SERVICE
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2011</u>	<u>FY 2010</u>
<u>Revenue</u>			
40700-40999	Other Fees	\$ (227,379)	\$ (224,615)
41600-41899	Federal Grants & Contracts	(47,770)	(94,444)
41900-42099	Federal Pass Through Grants/Contracts	(197,974)	(219,857)
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	(401,955)	(496,358)
43500-43599	Endowment Income Distribution	(40,996)	(44,631)
43600-43630; 43634-43999	Sales & Services - E & G	(644,818)	(825,460)
Total Revenue		<u>\$ (1,560,891)</u>	<u>\$ (1,905,364)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 5,125,403	\$ 4,753,916
51000-51399	Fringe Benefits	462,930	293,898
Total Payroll		<u>\$ 5,588,332</u>	<u>\$ 5,047,814</u>
<u>M & O</u>			
52000-52199	Professional Services	\$ 0	\$ 663
52200-52399	General Services	34,436	22,578
52400-52499	Academic Service	300	400
52500-52599	Printing, Copying, & Reproduction	11,023	12,191
52800-52999	Communication & Transportation	20,998	23,197
53000-53499	Advertising Promotion & Public	20,363	39,246
53500-53599	Rental Lease & Royalties	19,527	25,069
53700-53799	Routine Repair	106	0
53850-53899	Contracting Services	198,187	209,085
53900-53999	General Supplies	142,703	173,794
54350-54449	Parts & Furnishing	116,613	60,483
54450-54549	Misc Supplies & Material	71,208	66,455
54700-54799	Financial Tax & License Cost	1,571	2,252
54800-54899	Other Recurring Expenses	2,927	7,854
54900-54999	Employee Expenses	23,410	28,962
55000-55199	Special Program & Events	10,738	12,884
55300-55499	Financial Aid	414,403	875,283
56000-56499	Travel	65,226	67,321
56500-56599	Contracts & Grants	13,808	17,330
Total M&O		<u>\$ 1,167,548</u>	<u>\$ 1,645,048</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 0	\$ 0
Total Capital Outlay		<u>\$ 0</u>	<u>\$ 0</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 6,755,880</u>	<u>\$ 6,692,862</u>

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON SYSTEM

INFORMATION TECHNOLOGY AUDIT
ACTIVITY REPORT, FY 2012

REPORT NO. AR2012-38

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**INFORMATION TECHNOLOGY AUDIT ACTIVITY REPORT
FISCAL YEAR 2012**

The Board of Regents policy on internal auditing states that internal audit activity will assist the system in maintaining effective controls by evaluating their effectiveness and efficiency. One of the methods the Internal Auditing Department uses to address this objective is to participate in the design, development, implementation and operation of major computer based systems to ensure that adequate controls are incorporated into the systems, thorough system testing is performed at the appropriate stages, and system documentation is complete and accurate.

During FY 2012, we provided the following assistance in the areas of information technology:

- Texas Administrative Code 202 (TAC 202) Reviews: The information security program review at UHD, UHV, and UHCL were completed.
- Departmental Computing: Performed audit procedures related to departmental computing during departmental reviews. During FY 2012, we performed a total of 24 departmental reviews at the UH, UHCL, and UHD campuses. Results of these departmental reviews were included in 12 Departmental Review audit reports.
- Integrated Audits: We performed limited general control tests (access) of UH Research Centers, UH Hilton Hotel, and UHS Financial Reporting audits. Access control reviews for UHD Financial Aid and UH Student Accounting and Receivables audits are in progress.
- Assistance Provided to the State Auditors Office (SAO): Provided assistance to the State Auditors Office in determining the status of follow-up action items on SAO audits related to information technology. Also provided assistance on the UHCL SACS Accreditation and National Research University Fund audits.
- Assistance Provided to UHS Management: Provided assistance to management as requested.

Don F. Guyton
Director, Internal Auditing
July 6, 2012

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON – DOWNTOWN

EMPLOYMENT SERVICES AND OPERATIONS, DEPARTMENTAL REVIEW

REPORT NO. AR2012-39

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
EMPLOYMENT SERVICES AND OPERATIONS
DEPARTMENTAL REVIEW**

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed one departmental review in Employment Services and Operations. 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 Employment Services and Operations was not in compliance with certain policies. Management 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 Employment Services and Operations:

- Compliance Matrix
- Instances of Non-Compliance
- Background
- Financial Summary of Transactions

Don F. Guyton
Chief Audit Executive
June 20, 2012

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
Employment Services and Operations
Departmental Review**

COMPLIANCE MATRIX	
Compliance Area	
Management Oversight	✓
Operational Activities	N/A
Policies, Procedures, Required Training, And Reporting	✓
Cost Center Management	✓
Payroll	(1)
Human Resources	✓
Change Funds And Cash Receipts	✓
Procurement And Travel Cards	(1)
Departmental Expenses	✓
Contract Administration	✓
Property Management	✓
Departmental Computing	✓
Scholarships	N/A
Incidental And Lab Fees	N/A
Research	N/A

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

**UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-DOWNTOWN
EMPLOYMENT SERVICES AND OPERATIONS
DEPARTMENTAL REVIEW
INSTANCES OF NON-COMPLIANCE**

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. 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.

PAYROLL

- Time and effort reports were not dated by employees.

PROCUREMENT AND TRAVEL CARDS

- An expense report was not signed by the cardholder by the 25th of the month.

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
Employment Services and Operations
Background Information**

Background provided by Employment Services and Operations:

The Employment Services and Operations Division (ESO) provides service and support to all employees of the university, including faculty, staff, administrators, and student employees. ESO is responsible for the administration of federal and state regulations including Affirmative Action, EEO, Fair Labor Standards Act, ADEA, Family and Medical Leave, and Americans with Disabilities Act, as well as UHS and UHD policies and procedures. The main goal of ESO is to provide a working environment that is conducive to carrying out the University's mission of becoming "a premier city university engaging all students in high-impact educational experiences," by providing the UHD employees with quality services and support in employment, training, benefits, compensation, employee relations, personnel records, talent management, on-boarding, and payroll, enabling them to better service our community.

Within ESO, there are specialized units that focus on each particular ESO function. ESO serves as an HR leader to the community as demonstrated by being awarded the HR Houston Impact Award in 2008, volunteering at the 2010 Gulf Coast HR Symposium in addition to active attendance and participation since 2004, active membership and participation in the Texas Higher Education Human Resources Association (THEHRA). Likewise, Vice President for Employment Services, Ivonne Montalbano, was elected President-Elect of THEHRA in 2011, and will assume the presidency in summer 2013.

Accomplishments

During FY 2011 and 2012, ESO has maintained a high level of service to the university despite the loss of several positions within the division. Recent accomplishments include the following:

- Implementation of the UHD Onboarding Program for new staff employees. The Onboarding Program was developed as a long-term and conscious process of acclimating new staff to the university and begins with the pre-hire stage, through the first year of employment. On their first day on the job, they participate in an extensive all day orientation that acquaints them with the campus services and key departments and administrators on campus. The program also provides new employees with pertinent information such as benefits, mandatory training, policies, and payroll information, and provides follow-up on the progress of the new employee for several months. ESO also developed a set of support tools for this program, consisting of the UHD New Gator Guide, UHD Onboarding Portal, Manager's Onboarding Guide, New Gator Orientation, and Surveys.

- Successfully completed an audit by the Texas Workforce Commission Civil Rights Division of all personnel policies and procedures. The Division certified ESO compliant in all categories.
- Successfully completed a post-payment audit by the Texas Comptroller of Public Accounts.
- Developed Dynamic Policy, an automated policy management tracking system, for the purpose of streamlining the development and maintenance of UHD policies.
- Successfully completed a full upgrade of eAppraisal, UHD's on-line performance management and appraisal software system, including new version, as well as revised competencies and rating system. Also, implemented a mid-year staff appraisal process.
- Expanded the UHD Work/Life Program and held the annual Work/Life Benefits Fair during which several vendors associated with the program were on site to meet with employees and discuss valuable plans and discounts available to them through the Work/Life program.
- Revised the ESO Business Process Manual, which provides detailed instructions for the use of PeopleSoft and outlines ESO's procedures including hiring, payroll, leaves of absence, and termination guidelines.
- Implemented procedures for communicating and administering the workers' compensation physician network, which went into effect in October 2011, and trained employees on the use of this network. During the recent State Office of Risk Management (SORM) audit, ESO worker's compensation procedures (including the administration of the physician network) were determined to comply with SORM requirements and there were no issues that required resolution.
- Development of an on-line interactive Manager Toolkit. The Manager Toolkit is expected to be implemented in fall 2012.

System-wide Accomplishments and On-going Projects

- Implementation of ePRF, an electronic Position Request Form. The ePRF streamlined the previous processes for creating, reclassifying, and revising positions. The ePRF also adds department accountability for actions, timeliness of processing and updates to position data.
- Development of a system-wide telephone directory, which includes a global directory for all the UHS campuses, and a directory for each of the UHS universities that will only display contact information from that entity.
- Partnered with Aflac and MetLife to sponsor several new optional benefit plans for benefits-eligible employees. The new products being offered are Aflac's Accident, Cancer, Critical Illness and Hospital Protection plans, and MetLife's Universal Life with Long-Term Care plan.
- Revised numerous personnel UHS Administrative Memoranda.

- Development of electronic bi-weekly time and labor, eLeave, and research on biometric time-keeping devices. (In progress.)
- Development of Total Reward webpages, where employees will be able to view the value of their entire rewards package as University of Houston System (UHS) employees. Total Rewards will include information pertaining to salary, insurance benefits, retirement and saving plans, and other employment-related programs. (In progress.)

Budget/Financial Summary:

During fiscal year 2012, with a staff of 13 FTE, Employment Services and Operations administered 21 cost centers with an operating M&O budget of \$1,296,851.

The following table presents the fund balance reconciliation for Employment Services and Operations for FY 2011:

Beginning Fund Balance (9/1/2010)	\$ 64,686
Revenues	3,350
Expenditures	(1,223,503)
Transfers/Other	1,262,701
Ending Balance (8/31/2011)	<u>\$ 107,234</u>

UNIVERSITY OF HOUSTON - DOWNTOWN
EMPLOYMENT SERVICES AND OPERATIONS
SUMMARY OF REVENUES AND EXPENDITURES

<u>Account</u>	<u>Description</u>	<u>FY 2011</u>	<u>FY 2010</u>
<u>Revenue</u>			
42700-43199; 44400-44428; 44440	Private Gifts, Grants and Cont	\$ (800)	\$ (41,870)
43600-43630; 43634-43999	Sales & Services - E & G	(2,550)	(1,900)
Total Revenue		<u>\$ (3,350)</u>	<u>\$ (43,770)</u>
<u>Cost of Goods Sold</u>			
50000-50049	Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold		<u>\$ 0</u>	<u>\$ 0</u>
<u>Payroll</u>			
50100-50999	Salaries & Wages	\$ 939,969	\$ 972,525
51000-51399	Fringe Benefits	94,601	95,081
Total Payroll		<u>\$ 1,034,570</u>	<u>\$ 1,067,606</u>
<u>M & O</u>			
52000-52199	Professional Services	\$ 18,057	\$ 0
52200-52399	General Services	201	11,104
52400-52499	Academic Service	0	2,787
52500-52599	Printing, Copying, & Reproduction	4,266	26,526
52800-52999	Communication & Transportation	12,815	16,915
53000-53499	Advertising Promotion & Public	2,965	13,567
53500-53599	Rental Lease & Royalties	3,070	27,552
53700-53799	Routine Repair	5,149	4,963
53850-53899	Contracting Services	37,924	56,943
53900-53999	General Supplies	18,977	38,488
54200-54299	Construction Expenses	12	0
54300-54349	Facilities & Ground Support	0	18
54350-54449	Parts & Furnishing	2,380	37,664
54700-54799	Financial Tax & License Cost	1,121	240
54800-54899	Other Recurring Expenses	6,908	7,247
54900-54999	Employee Expenses	69,414	99,608
55000-55199	Special Program & Events	1,746	21,150
56000-56499	Travel	3,925	5,804
Total M&O		<u>\$ 188,932</u>	<u>\$ 370,576</u>
<u>Capital Outlay</u>			
58000-58999	Capital Outlay	\$ 0	\$ 0
Total Capital Outlay		<u>\$ 0</u>	<u>\$ 0</u>
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay		<u>\$ 1,223,503</u>	<u>\$ 1,438,182</u>