UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF TECHNOLOGY
DEPARTMENTAL REVIEWS

REPORT NO. AR2018-18

UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
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MEMORANDUM

TO: Mr. Peter Taaffe
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: May 7, 2018

SUBJ: Internal Audit Report – UH College of Technology, Departmental Reviews

I have attached for your review the final draft of the above referenced internal audit report. This report has been distributed to/discussed with key personnel of the University of Houston and University of Houston System. This report is summarized as follows:

Executive Summary:

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed five departmental reviews in the College of Technology. 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 risk exposures and control issues. We noted that the College 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.

This audit report is scheduled to be included in the agenda materials for the May 24, 2018, meeting of the Audit and Compliance Committee of the Board of Regents. Please let me know if you have any questions.

Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON COLLEGE OF TECHNOLOGY DEPARTMENTAL REVIEWS

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed five departmental reviews in the College of Technology. 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 risk exposures and control issues. We noted that the College 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 departmental reviews and the College:

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

Don F. Guyton
Chief Audit Executive
March 27, 2018

University of Houston System
Internal Auditing Department

University of Houston
College of Technology
Departmental Reviews

COMPLIANCE MATRIX					
Compliance Area	**Dean's Office**	**Construction Management**	**Engineering Technology**	**Human Development and Consumer Sciences**	**Information and Logistics Technology**
Management Oversight	✓	**N/A**	**N/A**	**N/A**	**N/A**
Policies, Procedures, Required Training, and Reporting	**(1)**	**(1)**	✓	**(1)**	✓
Cost Center Management	**(3)**	**(2)**	**(1)**	✓	**(1)**
Payroll	✓	**(2)**	**(2)**	✓	**(4)**
Human Resources	✓	✓	✓	**(1)**	✓
Change Funds and Cash Receipts	**(1)**	**(2)**	**(2)**	✓	**(1)**
Procurement and Travel Cards	✓	✓	✓	**(2)**	✓
Departmental Expenses	**(1)**	✓	✓	**(1)**	✓
Contract Administration	✓	✓	✓	✓	✓
Property Management	✓	✓	✓	✓	✓
Scholarships	✓	**N/A**	**N/A**	**N/A**	**N/A**
Research	**N/A**	**(1)**	**(2)**	**(1)**	**(1)**

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

University of Houston System
Internal Auditing Department

UH College of Technology, Departmental Reviews - AR2018-18
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
July 1, 2018	David McMullen Director of Business Operations Dean's Office	Prepare and approve cost center verifications in a timely manner and maintain adequate documentation.
Action Complete	David McMullen Director of Business Operations Dean's Office	Submit requests to the appropriate office to deactivate inactive cost centers.
Action Complete	David McMullen Director of Business Operations Dean's Office	Prepare written credit card procedures.
July 1, 2018	Kirby Alexander Department Business Administrator Construction Management	Prepare and approve cost center verifications in a timely manner and maintain adequate documentation.
July 1, 2018	Eduardo Cortes Department Business Administrator Engineering Technology	Approve cost center verifications in a timely manner.
Action Complete	Eduardo Cortes Department Business Administrator Engineering Technology	Submit requests to 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

UH College of Technology, Departmental Reviews - AR2018-18
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
Action Complete	Kelly Le Department Business Administrator Human Development and Consumer Sciences	Complete eTermination Checklists timely.
July 1, 2018	Suleyka Cruzalta Assistant Business Administrator Information and Logistics Technology	Prepare and approve cost center verifications in a timely manner.

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

UNIVERSITY OF HOUSTON
COLLEGE OF TECHNOLOGY
DEPARTMENTAL REVIEWS
INSTANCES OF NON-COMPLIANCE

We brought the following instances of non-compliance to management's attention in order that it could take appropriate action. We recommended and management agreed to implement 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 university policies.

DEAN'S OFFICE

Policies, Procedures, Required Training and Reporting

- Conflict of Interest Disclosure Forms were not completed by all applicable employees.

Cost Center Management

- Cost center verifications were not always prepared and approved timely.*
- Cost center verification documentation was not always maintained.*
- Inactive cost centers were not deactivated.*

Change Funds and Cash Receipts

- No written credit card procedures.*

Departmental Expenses

- An expense was coded to an incorrect account code.

CONSTRUCTION MANAGEMENT

Policies, Procedures, Required Training, and Reporting

- Role-based training was not completed by all applicable employees.

Cost Center Management

- Cost center verifications were not prepared and approved timely.*
- Cost center verification documentation was not always maintained.*

Payroll

- Sick hours for a non-exempt employee were not approved timely.
- Payroll verification reports were not adequately reviewed.

Change Funds and Cash Receipts

- A cash receipt was not deposited timely.
- Cash Deposit Journals were not prepared timely.

Research

- Effort reports were not certified timely.

ENGINEERING TECHNOLOGY

Cost Center Management

- Cost center verifications were not approved timely.*

Payroll

- Compensatory hours for non-exempt employees were not approved timely.
- Payroll verification reports were not adequately reviewed.

Change Funds and Cash Receipts

- Cash receipts were not deposited timely.
- Cash Deposit Journals were not prepared timely.

Research

- Effort reports were not certified timely.
- Expired grant cost centers were not deactivated.*

HUMAN DEVELOPMENT AND CONSUMER SCIENCES

Policies, Procedures, Required Training and Reporting

- Role-based training was not completed by all applicable employees.

Human Resources

- An eTermination Checklist was not completed.*

Procurement and Travel Cards

- An expense was coded to an incorrect account code.
- A travel card contained a liability account balance at fiscal year-end.

Departmental Expenses

- An expense was coded to an incorrect account code.

Research

- An effort report was not certified timely.

INFORMATION AND LOGISTICS TECHNOLOGY

Cost Center Management

- Cost center verifications were not prepared and approved timely.*

Payroll

- Hours worked by a non-exempt employee were not approved timely.
- Sick hours for a non-exempt employee were not approved timely.
- Compensatory hours for a non-exempt employee were not approved timely.
- Payroll verification reports were not adequately reviewed.

Change Funds and Cash Receipts

- Gift Transmittal Forms were not completed timely.

Research

- An effort report was not certified timely.

University of Houston System
Internal Auditing Department

University of Houston
College of Technology
Background Information

Background Statement provided by the College:

The College of Technology is composed of four academic departments (Engineering Technology, Information and Logistics Technology, Construction Management, and Human Development and Consumer Sciences) that award Bachelors and Masters Degrees. In addition, the College has the following two centers: the Center for Information Security Research and Education, and the Center for Life Sciences Technology. The College of Technology had 6,473 students enrolled in Fall 2017.

The College of Technology offers 11 undergraduate degrees including accredited programs in computer information systems, construction management, digital media, electrical power engineering technology, mechanical engineering technology, and retailing and consumer science. The College offers 12 graduate degrees including accredited programs in information system security, supply chain and logistics technology, and technology project management.

Budget/Financial Summary:

During fiscal year 2018, with faculty of 86 FTE and staff of 67 FTE, the College administered 302 cost centers with an overall operating budget of $17,480,193.

The following table presents the fund balance reconciliation for the College for FY 2017:

Beginning Fund Balance (9/1/2016)	$ 5,233,360
Revenues	2,677,114
Expenditures	(18,817,580)
Transfers/Other	17,373,680
Ending Balance (8/31/2017)	$ 6,466,574

UNIVERSITY OF HOUSTON
COLLEGE OF TECHNOLOGY
SUMMARY OF REVENUES AND EXPENDITURES

Description	FY 2017	FY 2016
Revenue		
Endowment Income Distribution	$ (79,309)	$ (65,166)
Federal Grants and Contracts	(1,045,325)	(1,340,134)
Federal Pass Through Grants - State	(92,405)	(218,208)
Grants and Contracts	(24,282)	(8,127)
Other Fees	(336,983)	(271,014)
Other Revenue Sources	(544,972)	(592,951)
Private Gifts, Grants and Contracts	(374,555)	(821,545)
Sales and Services - Education and General	(105,992)	(194,203)
State Grants and Contracts	(73,291)	(142,505)
Total Revenue	$ (2,677,114)	$ (3,653,853)
Cost of Goods Sold		
Cost of Goods Sold	$ 0	$ 0
Total Cost of Goods Sold	$ 0	$ 0
Payroll		
Salaries and Wages	$ 13,377,801	$ 13,557,678
Fringe Benefits	1,961,475	2,053,780
Total Payroll	$ 15,339,276	$ 15,611,458
Maintenance and Operations		
Academic Service	$ 3,830	$ 5,366
Advertising Promotion and Public	172,806	105,906
Communication and Transportation	89,266	89,094
Construction Expenses	0	1,212
Contracting Services	271,636	177,966
Employee Expenses	104,005	56,677
Financial Aid	233,584	172,306
Financial Tax and License Cost	9,646	8,680
General Services	41,290	29,942
General Supplies	386,355	261,671
Health and Clinical Supplies	3,082	12,146
Indirect Cost	382,315	399,240
Lab Research Supplies	6,937	6,204
Legal Services	5,920	3,925
Miscellaneous Supplies and Materials	2,270	435
Other Recurring Expenses	64,839	66,153
Parts and Furnishing	626,623	505,709
Pass Through	41,334	224,552
Printing, Copying and Reproduction	28,727	27,046
Professional Services	0	10,000
Rental Lease and Royalties	98,722	75,416
Routine Repair	14,483	4,699
Special Program and Events	20,896	108,682
Travel Expense	170,744	106,264
Utilities and Sanitation	385	0
Total Maintenance and Operations	$ 2,779,695	$ 2,459,291
Capital Outlay		
Capital Outlay	$ 698,609	$ 299,965
Total Capital Outlay	$ 698,609	$ 299,965
Total Cost of Goods Sold, Payroll, M&O and Capital Outlay	$ 18,817,580	$ 18,370,714