UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

COLLEGE OF NATURAL SCIENCES & MATHEMATICS DEPARTMENTAL REVIEWS

REPORT NO. AR2019-04

UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
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MEMORANDUM

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

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: October 29, 2018

SUBJ: Internal Audit Report – UH College of Natural Sciences and Mathematics, 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 eight departmental reviews in the College of Natural Sciences and Mathematics. 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 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.

This audit report is scheduled to be included in the agenda materials for the November 15, 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 NATURAL SCIENCES AND MATHEMATICS
DEPARTMENTAL REVIEWS

The objective of the Departmental Review is to determine whether departments are conducting financial and administrative activities in compliance with university policies. We performed eight departmental reviews in the College of Natural Sciences and Mathematics. 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 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 departmental reviews and the College:

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

Don F. Guyton
Chief Audit Executive
September 3, 2018

University of Houston System
Internal Auditing Department

University of Houston
College of Natural Sciences and Mathematics
Departmental Reviews

COMPLIANCE MATRIX				
Compliance Area	**Dean's Office**	**Biology & Biochemistry**	**Center for Nuclear Receptors and Cell Signaling**	**Chemistry**
Management Oversight	**(1)**	✓	✓	✓
Policies, Procedures, Required Training, And Reporting	✓	✓	✓	✓
Cost Center Management	**(2)**	**(2)**	✓	**(2)**
Payroll	**(3)**	✓	✓	**(1)**
Human Resources	✓	✓	✓	✓
Change Funds And Cash Receipts	✓	✓	**N/A**	✓
Procurement And Travel Cards	**(3)**	**(1)**	✓	✓
Departmental Expenses	✓	✓	✓	✓
Contract Administration	**(1)**	✓	✓	✓
Property Management	✓	✓	✓	**(1)**
Scholarships	✓	**N/A**	**N/A**	**(1)**
Research	**(1)**	✓	**(1)**	✓

✓ **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
College of Natural Sciences and Mathematics
Departmental Reviews

COMPLIANCE MATRIX				
Compliance Area	**Computer Science**	**Earth & Atmospheric Sciences**	**Mathematics**	**Physics**
Management Oversight	✓	✓	✓	✓
Policies, Procedures, Required Training, And Reporting	✓	✓	✓	✓
Cost Center Management	**(1)**	**(2)**	**(1)**	**(3)**
Payroll	✓	✓	✓	**(3)**
Human Resources	✓	✓	✓	✓
Change Funds And Cash Receipts	**(3)**	**(3)**	**(1)**	✓
Procurement And Travel Cards	**(1)**	✓	✓	**(1)**
Departmental Expenses	✓	**(1)**	**(1)**	✓
Contract Administration	✓	✓	✓	✓
Property Management	**(1)**	✓	✓	✓
Scholarships	**N/A**	✓	✓	**N/A**
Research	✓	✓	**(1)**	**(2)**

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

University of Houston System
Internal Auditing Department

UH College of Natural Sciences and Mathematics, Departmental Reviews - AR2019-04
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
February 1, 2019	Fred McGhee Executive Director of Business Operations Dean's Office	Implement the recommendations as identified in the College Technology Review.
January 31, 2019	Emily Merrell College Business Administrator Dean's Office	Prepare and approve cost center verifications in a timely manner and maintain adequate documentation.
December 1, 2018	Emily Merrell College Business Administrator Dean's Office	Submit a request to the Division of Research to terminate the inactive Institute of Molecular Design.
January 31, 2019	Shaki Commissariat Department Business Administrator Biology & Biochemistry	Prepare and adequately document cost center verifications in a timely manner.
January 31, 2019	Elsie Myers Department Business Administrator Chemistry	Prepare and approve cost center verifications in a timely manner.
December 31, 2018	Elsie Myers Department Business Administrator Chemistry	Submit requests to the appropriate office to deactivate inactive 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 Natural Sciences and Mathematics, Departmental Reviews - AR2019-04
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
January 31, 2019	Desi Miller Department Business Administrator Computer Science	Prepare and approve cost center verifications in a timely manner.
January 31, 2019	Anja Wells Department Business Administrator Earth and Atmospheric Sciences	Approve cost center verifications in a timely manner.
Action Complete	Anja Wells Department Business Administrator Earth and Atmospheric Sciences	Submit requests to the appropriate office to deactivate expired grant cost center.
Action Complete	Anja Wells Department Business Administrator Earth and Atmospheric Sciences	Develop written procedures to help ensure accounts receivable is properly reconciled and recorded accurately in the university financial system at the end of the fiscal year.
January 31, 2019	Avani Dave Department Business Administrator Mathematics	Prepare and approve cost center verifications in a timely manner.
January 31, 2019	Jennifer Chin-Davis Associate Director Physics	Prepare and adequately document cost center verification approval 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

UH College of Natural Sciences and Mathematics, Departmental Reviews - AR2019-04
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level:	**High** **Medium** **Low**	
December 31, 2018	Jennifer Chin-Davis Associate Director Physics	Submit a request to the appropriate office to deactivate the inactive cost center.
December 1, 2018	Jennifer Chin-Davis Associate Director Physics	Submit a request to the Division of Research to terminate the inactive Institute of Nanoenergy.

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 NATURAL SCIENCES AND MATHEMATICS
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

Management Oversight

- Recommendations from the College Technology Review were not implemented.*

Cost Center Management

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

Payroll

- An employee was not clocking in and out to record time worked.
- Absence requests for non-exempt employees were not always approved timely.
- Payroll verification reports were not adequately reviewed.

Procurement and Travel Cards

- A certifying signatory signed expense reports before the cardholder.
- Procurement card expense reports were not prepared and approved timely.
- A procurement card expense report was not signed by a certifying signatory.

Contracts

- A contract was not signed prior to the effective date.

Research

- An inactive Institute was not dissolved.*

BIOLOGY & BIOCHEMISTRY

Cost Center Management

- Cost center verifications were not always prepared timely.*
- Cost center verification approval was not always adequately documented.*

Procurement and Travel Cards

- Procurement card expense reports were not always approved timely.

CENTER FOR NUCLEAR RECEPTORS AND CELL SIGNALING

Research

- A grant cost center had a deficit budgetary balance.

CHEMISTRY

Cost Center Management

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

Payroll

- Absence requests for non-exempt employees were not always approved timely.

Property Management

- An annual inventory was not completed timely.

Scholarships

- Scholarship eligibility documentation was not maintained.

COMPUTER SCIENCE

Cost Center Management

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

Change Funds and Cash Receipts

- A cash receipt was not deposited timely.
- A Cash Deposit Journal was not prepared timely.
- Gift Transmittal Forms were not signed by a certifying signatory.

Procurement and Travel Cards

- Procurement card expense reports were not always prepared and approved timely.

Property Management

- An annual inventory was not completed timely.

EARTH & ATMOSPHERIC SCIENCES

Cost Center Management

- Cost center verifications were not always approved timely.*
- Inactive cost centers were not deactivated.*

Change Funds and Cash Receipts

- The same employee is responsible for preparing deposits and preparing monthly verifications.
- A Gift Transmittal Form was not completed timely.
- Accounts receivable are not accurately recorded in the university financial system.*

Departmental Expenses

- A traveler was reimbursed for personal expenses.

MATHEMATICS

Cost Center Management

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

Change Funds and Cash Receipts

- A Cash Deposit Journal was not prepared timely.

Departmental Expenses

- A meal reimbursement included a gratuity that exceeded 20 percent.

Research

- A grant cost center had a deficit budgetary balance.

PHYSICS

Cost Center Management

- Cost center verifications were not always prepared timely.*
- Cost center verification approval was not adequately documented.*
- An inactive cost center was not deactivated.*

Payroll

- An employee was not clocking in to record time worked.
- Absence requests for non-exempt employees were not always approved timely.
- Payroll verification reports were not adequately reviewed.

Procurement and Travel Cards

- Procurement card expense reports were not always prepared or approved timely.

Research

- Grant cost centers had deficit budgetary balances.
- An inactive Institute was not dissolved.*

University of Houston System
Internal Auditing Department

University of Houston
College of Natural Sciences and Mathematics
Background Information

Background provided by the College:

The College of Natural Sciences and Mathematics (NSM) is committed to excellence in teaching, research, and service in the physical and biological sciences, computer science, and mathematics. NSM's location in the nation's fourth-largest city and energy capital of the world presents numerous opportunities for collaboration with the Texas Medical Center, NASA's Johnson Space Center, and other entities.

The College's strengths include:

- An ethnically diverse student body of more than 5,000 NSM majors and more than 900 degrees awarded each year
- More than 200 ranked faculty, including four National Academy of Sciences members
- A solid research funding base with $30 million in annual research expenditures
- Academic collaborations with numerous institutions, industry consortia and partnerships, and outreach programs to local school districts
- Innovative resources to ensure student success, including a centralized testing and tutoring center and peer-led team learning workshops, and
- Focused efforts to recruit and retain minority students in science, technology, engineering, and mathematics through the Houston Louis Stokes Alliance for Minority Participation.

Budget/Financial Summary:

During fiscal year 2018, with faculty of 343 FTE and staff of 1,130 FTE, the College administered 1,403 cost centers with an overall operating budget of $84,396,138.

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

Beginning Fund Balance (9/1/2016)	$ 24,287,598
Revenues	22,086,345
Expenditures	(89,491,783)
Transfers/Other	60,814,707
Ending Balance (8/31/2017)	$ 17,696,867

UNIVERSITY OF HOUSTON
COLLEGE OF NATURAL SCIENCES AND MATHEMATICS
SUMMARY OF REVENUES AND EXPENDITURES

Description	FY 2017	FY 2016
Revenue		
Endowment Income Distribution	$ (655,927)	$ (899,854)
Federal Grants and Contracts	(15,357,578)	(16,527,142)
Federal Pass Through Grants - State	(348,488)	(485,486)
Grants and Contracts	(8,096)	(30,000)
Other Fees	(1,067,914)	(857,642)
Other Revenue Sources	11,272	0
Private Gifts, Grants and Contracts	(232,367)	(8,325,528)
Sales & Services - Auxiliary	(814,890)	(938,147)
Sales & Services - Education and General	(1,355,887)	(946,147)
State Grants and Contracts	(2,507,171)	(3,897,268)
State Pass Through - Other State Agencies	250,701	(2,697,922)
Total Revenue	$ (22,086,345)	$ (35,605,136)
Cost of Goods Sold		
Cost of Goods Sold	$ (366,206)	$ 100,511
Total Cost of Goods Sold	$ (366,206)	$ 100,511
Payroll		
Salaries and Wages	$ 62,587,019	$ 60,457,398
Fringe Benefits	6,473,975	5,981,418
Total Payroll	$ 69,060,994	$ 66,438,816
Maintenance and Operations		
Academic Service	$ 13,864	$ 14,021
Advertising Promotion and Public	193,311	117,260
Communication and Transportation	277,547	301,001
Construction Expenses	13,193	13,157
Contracting of Services	669,939	839,842
Contracts and Grants	323,680	119,000
Employee Expenses	365,825	414,119
Facilities and Ground Supplies	4,300	45,957
Financial Aid	749,903	501,932
Financial Tax and License Cost	6,566	8,797
General Services	484,126	524,790
General Supplies	2,010,876	2,384,309
Health and Clinic Supplies	248	100
Indirect Costs	5,156,647	5,177,658
Lab Research Supplies	1,744,185	2,033,625
Legal Services	45,766	57,983
Maintenance	12,295	3,248
Miscellaneous Supplies and Material	18,099	21,408
Other Recurring Expenses	1,297,574	1,236,613
Parts and Furnishing	1,453,229	1,261,420
Pass Through	1,090,188	1,973,316
Printing, Copying and Reproduction	124,557	142,394
Professional Services	86,400	32,585
Rental Lease and Royalties	231,121	270,476
Routine Repair	496,463	411,005
Special Program and Events	565,590	519,421
Travel	1,532,740	1,521,465
Utilities and Sanitation	4,951	5,806
Total Maintenance and Operations	$ 18,973,183	$ 19,952,708
Capital Outlay		
Capital Outlay	$ 1,823,812	$ 3,409,937
Total Capital Outlay	$ 1,823,812	$ 3,409,937
Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay	$ 89,491,783	$ 89,901,972