UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

HONORS COLLEGE
DEPARTMENTAL REVIEW

REPORT NO. AR2019-13

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: February 7, 2019

SUBJ: Internal Audit Report – UH Honors College, Departmental Review

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 one departmental review in the Honors College. 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 February 28, 2019, 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 HONORS COLLEGE 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 Honors College. 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 review and the College:

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

Don F. Guyton
Chief Audit Executive
January 8, 2019

University of Houston System
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University of Houston
Honors College
Departmental Review

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

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

University of Houston System
Internal Auditing Department

UH Honors College, Departmental Review - AR2019-13
Action Plan

Est. Compl. Date	Responsibility for Action Name/Title	Action To Be Taken
Risk Level: High Medium Low		
Action Complete	Lorena Lopez College Business Administrator Dean's Office	Prepare and approve cost center verifications in a timely manner and maintain adequate documentation.

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 HONORS COLLEGE 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 an action plan 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.

Management Oversight

- The Continuity of Operations Plan was not submitted timely.

Policies, Procedures, Required Training, and Reporting

- The Baseline Standards were not submitted timely.

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 out to record time worked.
- Payroll verification reports were not adequately reviewed.

Human Resources

- An eTermination Checklist was not completed.

Departmental Expenses

- Expenses for reimbursement were not submitted timely.

Contract Administration

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

Property Management

- The Designation of Property Custodian form was not completed timely.
- An annual inventory was not completed timely.
- Request for Authority to Remove Equipment from Campus forms were not renewed timely.

University of Houston System
Internal Auditing Department

University of Houston
Honors College
Background Information

Background provided by the College:

The mission of the Honors College at the University of Houston is to cultivate excellence in teaching, learning, and leading within the rich, diverse, and cosmopolitan setting of a large, comprehensive, urban institution. The College serves as a vibrant hub of stimulating coursework, rich student life, community engagement, and co-curricular programming.

The goals of the College are 1) to maintain recognition as one of the Top 50 public honors colleges in the nation; 2) advance key engagement activities, with the collaboration of campus and external partners, to make UH a nationally-recognized institution for student success and high impact education; 3) develop external gifts—including transformative gifts such as naming opportunities for the Honors College and buildings or spaces on campus (e.g., the Honors Commons)—to retain faculty and build national competitiveness with financial resources ($1M – $20M); 4) incorporate engaged undergraduate education into the University's highest priorities, the big rocks of Health, Energy, and the Arts; 5) increase the number of students involved in experiential learning opportunities and high impact practices and improve the quality and availability of these; 6) maintain the momentum of the Phi Beta Kappa campaign and leverage membership in the Society to improve student recruitment, increase respect for "big picture" liberal education on and off campus, and secure external support of merit scholarships; 7) increase the number of competitive candidates for national and international scholarships and fellowships; 8) provide leadership in a campus-wide conversation about the place and role of undergraduate education in a public, Tier One, metropolitan university; 9) provide campus leadership that will culminate in a renewal of the Carnegie Engagement Designation for the University in 2019.

Budget/Financial Summary:

During fiscal year 2019, with a faculty of 29 FTE and a staff of 41 FTE, the College administered over 121 cost centers with an overall operating budget of $7,525,826.

The following table presents the fund balance reconciliation for the College for FY 2018:

Beginning Fund Balance (9/1/2017)	$ 1,734,917
Revenues	2,848,368
Expenditures	(6,358,541)
Transfers/Other	4,023,764
Ending Balance (8/31/2018)	$ 2,248,508

UNIVERSITY OF HOUSTON
HONORS COLLEGE
SUMMARY OF REVENUES AND EXPENDITURES

Description	FY 2018	FY 2017
Revenue		
Endowment Income Distribution	$ (317,771)	$ (314,554)
Federal Grants and Contracts	0	(14,707)
Other Fees	(1,423,659)	(1,419,342)
Other Revenue Sources	(42,450)	(28,690)
Private Gifts, Grants and Contracts	(1,064,488)	(1,142,348)
Total Revenue	$ (2,848,368)	$ (2,919,641)
Cost of Goods Sold		
Cost of Goods Sold	$ (40,004)	$ (5,950)
Total Cost of Goods Sold	$ (40,004)	$ (5,950)
Payroll		
Salaries and Wages	$ 3,762,433	$ 3,634,769
Fringe Benefits	660,354	651,365
Total Payroll	$ 4,422,787	$ 4,286,134
Maintenance and Operations		
Academic Service	$ 23,382	$ 30,905
Advertising Promotion and Public	269,011	243,521
Communication and Transportation	53,938	62,129
Contracting Services	65,004	23,851
Employee Expenses	29,361	33,115
Facilities and Grounds Supplies	458	323
Financial Aid	878,185	704,521
Financial Tax and License Cost	1,332	1,483
General Services	16,322	1,703
General Supplies	26,812	31,073
Indirect Cost	0	4,228
Legal Services	2,185	0
Misc Supplies and Materials	35	300
Other Recurring Expenses	35,497	14,321
Parts and Furnishing	74,652	24,655
Printing, Copying, and Reproduction	105,443	64,415
Professional Services	23,368	6,808
Rental Lease and Royalties	86,590	19,318
Routine Repair	3,450	870
Special Program and Events	148,331	208,633
Travel Expense	132,402	121,548
Total Maintenance and Operations	$ 1,975,758	$ 1,597,720
Capital Outlay		
Capital Outlay	$ 0	$ 0
Total Capital Outlay	$ 0	$ 0
Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay	$ 6,358,541	$ 5,877,904