UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

KATHRINE G. McGOVERN COLLEGE OF THE ARTS DEPARTMENTAL REVIEW

REPORT NO. AR2019-25

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: August 1, 2019

SUBJ: Internal Audit Report – UH Kathrine G. McGovern College of the Arts, 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 Kathrine G. McGovern College of the Arts. 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 August 22, 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
KATHRINE G. McGOVERN COLLEGE OF THE ARTS
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 Kathrine G. McGovern College of the Arts. 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 review and the College:

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

Don F. Guyton
Chief Audit Executive
July 5, 2019

University of Houston System
Internal Auditing Department

University of Houston
Kathrine G. McGovern College of the Arts
Departmental Review

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

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

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

UNIVERSITY OF HOUSTON
KATHRINE G. McGOVERN COLLEGE OF THE ARTS
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.

Policies, Procedures, Required Training, and Reporting

- Mandatory training was not completed by all applicable employees.

Cost Center Management

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

Payroll

- An employee was not clocking in and out to record time worked.
- An employee did not submit an absence request timely.
- Payroll suspense was not always cleared timely.

Change Funds and Cash Receipts

- Change fund reauthorization forms were not always completed timely.
- A Cash Deposit Journal was not prepared timely.

Contract Administration

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

Property Management

- A Designation of Property Custodian form was not completed timely.
- Annual inventories were not always completed timely.
- Request for Authority to Remove Equipment from Campus forms were not always renewed timely.

University of Houston System
Internal Auditing Department

University of Houston
Kathrine G. McGovern College of the Arts
Background Information

Background provided by the College:

The Kathrine G. McGovern College of the Arts brings together the performing and visual arts entities at the University of Houston to harness the power of the arts to ultimately impact our world. The college's award-winning, internationally distinguished faculty provides top-quality instruction to the talented, emerging student artists from more than thirty programs of study. The Kathrine G. McGovern College of the Arts seeks to positively impact the community and to empower our students to use their talents to change the world.

The Kathrine G. McGovern College of the Arts, founded in FY 2017, completed a strategic planning process in FY 2019 that engaged a broad group of internal and external stakeholders over a period of nine months. The exercise resulted in a robust and exciting strategic plan framework for the college that has received the enthusiastic support of faculty, staff, and the external arts community. The plan includes five key "vision elements," including: to become a first-choice institution for innovative education in the arts; to embrace and reflect the diversity of the city of Houston; to become an arts and cultural destination in the city of Houston; to engage our broad community network in all its forms; and to place scholarship and innovation at the forefront of our mission and activities. Specific goals include (1) enrich the college's academic experience; (2) make the college an arts and cultural destination in the city of Houston by raising its profile as a leader in the city's performing and visual arts community; (3) create a robust fundraising operation; and (4) improve and expand the college's physical infrastructure.

Budget/Financial Summary:

During fiscal year 2019, with a faculty of 120 FTE's and a staff of 50 FTE's, the College administered over 393 cost centers with an overall operating budget of $25,166,782.

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

Beginning Fund Balance (9/1/2017)	$ 6,947,350
Revenues	4,471,648
Expenditures	(19,699,650)
Transfers/Other	16,028,340
Ending Balance (8/31/2018)	$ 7,747,688

UNIVERSITY OF HOUSTON
KATHRINE G. McGOVERN COLLEGE OF THE ARTS
SUMMARY OF REVENUES AND EXPENDITURES

Description	FY 2018	FY 2017
Revenue		
Endowment Income Distribution	$ (2,195,586)	$ (2,187,424)
Federal Grants and Contracts	(78,772)	(12,539)
Grants and Contracts	(10,000)	0
Other Fees	(330,774)	(276,540)
Private Gifts, Grants and Contracts	(1,003,667)	(5,839,494)
Sales and Service - Educational and General	(845,990)	(951,747)
State Grants and Contracts	(6,859)	(5,813)
State Pass Through - Other State Agencies	0	(484,414)
Total Revenue	$ (4,471,648)	$ (9,757,971)
Cost of Goods Sold		
Cost of Goods Sold	$ (19,662)	$ (159,536)
Total Cost of Goods Sold	$ (19,662)	$ (159,536)
Payroll		
Salaries and Wages	$ 13,734,150	$ 13,591,824
Fringe Benefits	1,091,118	1,077,562
Total Payroll	$ 14,825,268	$ 14,669,386
Maintenance and Operations		
Academic Service	$ 553,027	$ 427,284
Advertising Promotion and Public	108,650	158,392
Communication and Transportation	115,629	202,684
Construction Expenses	6,913	6,219
Contracting Services	599,410	654,757
Contracts and Grants	0	1,320
Employee Expenses	50,208	54,108
Facilities and Grounds Supplies	42	0
Financial Aid	1,111,683	1,222,181
Financial Tax and License Cost	21,172	16,920
General Services	185,981	441,558
General Supplies	371,277	433,812
Indirect Cost	14,945	8,281
Lab Research Supplies	84	406
Miscellaneous Supplies and Materials	1,698	4,129
Other Recurring Expenses	69,971	65,135
Parts and Furnishing	237,888	385,160
Pass Through	24,678	0
Printing, Copying, and Reproduction	104,579	117,447
Professional Services	5,849	61,920
Rental Lease and Royalties	130,480	172,740
Routine Repair	97,829	59,753
Special Program and Events	680,912	487,772
Travel Expenses	382,440	379,166
Total Maintenance and Operations	$ 4,875,345	$ 5,361,144
Capital Outlay		
Capital Outlay	$ 18,699	$ 631,855
Total Capital Outlay	$ 18,699	$ 631,855
Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay	$ 19,699,650	$ 20,502,849