

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON-VICTORIA

DIVISION OF ADMINISTRATION AND  
FINANCE  
DEPARTMENTAL REVIEWS

REPORT NO. AR2020-11




UNIVERSITY OF HOUSTON SYSTEM  
Internal Auditing Department  
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## MEMORANDUM

**TO:** Mr. Jack B. Moore  
Chair, Audit and Compliance Committee

Dr. Renu Khator  
Chancellor/President, UHS/UH

**FROM:** Phillip W. Hurd   
Chief Audit and Compliance Executive

**DATE:** February 14, 2020

**SUBJ:** Internal Audit Report – UHV Division of Administration and Finance,  
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-Victoria 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 seven departmental reviews in the Division of Administration and Finance. 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 Division 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 February 27, 2020, 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-VICTORIA  
DIVISION OF ADMINISTRATION AND FINANCE  
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 seven departmental reviews in the Division of Administration and Finance. 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 Division 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 Division:

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



Phillip W. Hurd  
Chief Audit and Compliance Executive  
February 14, 2020

**University of Houston System  
Internal Auditing Department**

**University of Houston-Victoria  
Division of Administration and Finance  
Departmental Reviews**

<b>COMPLIANCE MATRIX</b>				
<b>Compliance Area</b>	<b>Budget and VP Administration and Finance Office</b>	<b>Business Services</b>	<b>Capital Projects and Construction, and Public Art</b>	<b>Facilities Services</b>
Management Oversight	✓	N/A	N/A	N/A
Policies, Procedures, Required Training, And Reporting	✓	✓	✓	✓
Cost Center Management	✓	✓	✓	✓
Payroll	✓	✓	✓	✓
Human Resources	✓	✓	✓	✓
Change Funds And Cash Receipts	✓	✓	N/A	✓
Procurement And Travel Cards	✓	✓	✓	✓
Departmental Expenses	✓	✓	✓	✓
Contract Administration	✓	✓	(1)	✓
Property Management	✓	✓	✓	✓
Scholarships	N/A	N/A	N/A	N/A
Research	N/A	N/A	N/A	N/A

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

**University of Houston System  
Internal Auditing Department**

**University of Houston-Victoria  
Division of Administration and Finance  
Departmental Reviews**

<b>COMPLIANCE MATRIX</b>			
<b>Compliance Area</b>	<b>Finance</b>	<b>Information Technology and UHV Katy Information Technology</b>	<b>Regional Partnership for Economic Development and Small Business Development Center</b>
Management Oversight	N/A	N/A	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	✓	✓	✓
Contract Administration	N/A	✓	(1)
Property Management	✓	✓	✓
Scholarships	N/A	N/A	N/A
Research	N/A	N/A	N/A

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

**UNIVERSITY OF HOUSTON SYSTEM  
INTERNAL AUDITING DEPARTMENT**

**UNIVERSITY OF HOUSTON-VICTORIA  
DIVISION OF ADMINISTRATION AND FINANCE  
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. 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.

**CAPITAL PROJECTS AND CONSTRUCTION, AND PUBLIC ART**

**Contract Administration**

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

**REGIONAL PARTNERSHIP FOR ECONOMIC PROSPERITY AND SMALL BUSINESS  
DEVELOPMENT CENTER**

**Contract Administration**

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

**University of Houston System  
Internal Auditing Department**

**University of Houston-Victoria  
Division of Administration and Finance  
Background Information**

**Background provided by the Division:**

As our Division's Mission Statement states, the Administration and Finance Division is charged with fulfillment of the financial, operational, administrative, technological and facility needs along with the safety and risk management aspects of a growing and dynamic University. A stewardship role is found in the essential day-to-day operations. This Division has always been committed to providing the best possible services to the faculty, staff, and students at UHV, both here at our main campus in Victoria and the off-campus sites where we have a presence.

As a state-supported institution of higher education, the University continues to receive the largest portion of its operational funds and funds in support of campus expansion through the state appropriations process. As a public institution, this Division's operations are continuously scrutinized by outside governmental agencies. Ongoing assessments include the institution's compliance with state laws, state audits, the state's budgetary and appropriation process to name just a few. UH System Internal Auditors and the user community also continually provide constructive feedback on the Division's operations.

The Vice President for Administration and Finance is appointed by the University of Houston System Board of Regents upon the recommendation of the President of the UH-Victoria campus and reports to the President. The Vice President has a Certified Public Accounting (CPA) license and an MBA. The Division of Administration and Finance is organized into eight (8) major operational departments, all of which take pride in the level and quality of services they provide and their roles in support of this Division's and the University's mission:

- Budget Office
- Business Services
- Capital Projects and Construction
- Center for Regional Collaboration
- Facilities Services
- Finance Department
- Information Technology
- Small Business Development Center

Recent accomplishments and activities of the Division, by operational area, include:

**Budget Office**

- Conducted two budget preparation and planning workshops.

- Presented merit and equity considerations to new faculty at new faculty orientation.

### **Business Services**

- Opened UHV's first solely owned bookstore allowing students better access to learning materials.
- Transitioned food services contract from Aramark to Chartwells to better serve the students' needs.
- Planned and coordinated expanded dining facilities in the University Commons building in the form of a food court with a franchise restaurant and a market with a coffee shop with operations scheduled to begin in Fall of 2020.
- Created new position of Environmental Health and Safety Specialist to meet growing demand for STEM related safety issues.
- Established Dining, Bookstore and Parking Advisory Committees for students, faculty and staff to ensure there is support for future needs and other issues, which affect satisfaction, quality and service orientation.
- Coordinated office moves for faculty and staff in Katy to their new campus and for surplus furniture to be brought back to Victoria and for Student Affairs and Life staff to moves from University North, University West and Jaguar Hall into the University Commons Building.

### **Capital Projects and Construction**

- Updated master plan to include future academic building, recreation and wellness center, and student housing with food service.
- Completed construction of University Student Commons, which houses the library and student services and includes 16 collaboration spaces, a large multipurpose room, and office space.
- Broke ground on the Northwest Campus renovation.
- Continued construction on Smith Hall and STEM.
- Working with other entities on Ben Wilson renovation, temporary pedestrian crossing and Athletics feasibility study.

### **Center for Regional Collaboration (CRC)**

- Manage daily operations of CRC, and oversee CRC budgets.
- Align CRC activities with long term UHV growth plans.
- Collaborate with SBDC on regional outreach efforts.
- Identify regional community and capital projects to partner and capture Federal Economic Development Agency (FEDA) Impact Metrics.
- Monitor FEDA reporting quarterly; and identify and seek outside funding sources.
- Strategically plan for long-term growth and sustainability of CRC; and document UHV resources.
- Identify and document Regional and Community needs, matching with UHV resources.
- Collaborate and partner to improve UHV branding regionally.



### **Facilities Services**

- Provides buildings, grounds, and Student Housing maintenance.
- Oversees custodial services outsourced contract.
- Property and surplus property management.
- Assigns and tracks key issuance.
- Serves as liaison with UHS Facilities.
- Planning and construction.
- Energy management and environmental management.
- Event rentals and setups.

### **Finance Department**

- Created the UHV Accounting Manual to assist professional accounting staff in proper procedures and compliance.
- Updated entertainment and discretionary expenditure policy and developed an expenditure guide to assist departments with compliance.
- Created new institutional general office procedures for properly recording revenues in the correct fund and as taxable or non-taxable in compliance with state requirements.
- Performed detailed review of FY19 revenues and communicated results with departments to insure compliance.
- Provided over 200 PeopleSoft Finance System one on one training sessions and two group trainings with over 100 attendees to university-wide personnel during FY19.
- Worked with UHS to properly record and provide reporting for Hurricane Harvey expenditures, claims and FEMA reimbursements.

### **Information Technology**

- Improved Wi-Fi onboarding process simplifying the joining of devices to the Wi-Fi network university-wide.
- Brought new University Commons building network infrastructure online.
- Relocated IT operations in Katy to new System Katy building.
- Consolidated classroom and lab support to create the User Services Group in Victoria.
- Created the Katy Technology group to support IT operations in Katy location.
- Transferred IT Security group to UH System administration.
- Transferred Web Services group to Marketing and Communications.
- Adopted and implemented Office 365 cloud services university-wide.

### **Small Business Development Center (SBDC)**

- Oversee financial and programmatic operations.
- Liaison with the South West Texas Border SBDC and UTSA Institution of Economic Development.

- Develop programmatic strategies.
- Prepare annual refunding proposals.
- Manage contractual and financial agreements.
- Oversee advisors and verify economic impact.
- Oversee SBDC Training Program.
- Participate in client advising and workshop presentations.
- Provide advocacy, outreach and community engagement.

**Division of Administration and Finance**

- The Division’s efforts, aggregately, have been focused on becoming a self-sustaining destination university with a campus enrollment goal of 6,000 students by 2025 and development, construction and completion of the necessary supporting infrastructure to support those needs.

**Budget/Financial Summary:**

During fiscal year 2020, with a staff of 97 FTE’s, the Division administered over 534 cost centers with an overall operating budget of \$23,800,000.

The following table presents the fund balance reconciliation for the Division for FY 2020:

Beginning Fund Balance (9/1/2018)	\$ 22,978,091
Revenues	52,450,520
Expenditures	(50,017,739)
Transfers/Other	4,365,642
Ending Balance (8/31/2019)	<u>\$ 29,776,514</u>

UNIVERSITY OF HOUSTON-VICTORIA  
DIVISION OF ADMINISTRATION AND FINANCE  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Description</u>	<u>FY 2019</u>	<u>FY 2018</u>
<u>Revenue</u>		
Designated Tuition	\$ (15,663,173)	\$ (14,917,705)
Endowment Income Distribution	(93,020)	(91,290)
Federal Grants and Contracts	(7,779)	(38,719)
Federal Pass Through Grants - State	(75,474)	(109,592)
Other Fees	(4,287,077)	(3,338,148)
Other Investment Income	(227,047)	(83,915)
Other Revenue Sources	(2,548,727)	0
Private Gifts, Grants and Contracts	(606,723)	256,922
Sales and Service - Auxiliary	(89,654)	(40,768)
Sales and Service - Educational and General	(76,709)	(85,761)
State Appropriations	(21,960,050)	(21,978,775)
State Grants and Contracts	(97,023)	(129,368)
State Pass Through - Other State Agencies	(32,783)	(34,342)
Tuition Revenue	(6,685,281)	(6,369,630)
Total Revenue	<u>\$ (52,450,520)</u>	<u>\$ (46,961,091)</u>
<u>Cost of Goods Sold</u>		
Cost of Goods Sold	\$ (24,761)	\$ 0
Total Cost of Goods Sold	<u>\$ (24,761)</u>	<u>\$ 0</u>
<u>Payroll</u>		
Salaries and Wages	\$ 4,304,865	\$ 4,462,740
Fringe Benefits	6,003,731	5,884,369
Total Payroll	<u>\$ 10,308,596</u>	<u>\$ 10,347,109</u>
<u>Maintenance and Operations</u>		
Academic Service	\$ 0	\$ 23,692
Advertising Promotion and Public	12,867	14,990
Communication and Transportation	146,409	46,019
Construction Expenses	238,312	145,746
Contracting of Services	1,561,203	1,401,979
Employee Expenses	31,901	43,450
Facilities and Grounds Supplies	65,138	80,535
Financial Aid	(254,292)	(270,790)
Financial Tax and License Cost	3,305,786	2,334,733
General Services	505,717	307,786
General Supplies	45,335	73,745
Health and Clinic Supplies	0	4
Indirect Cost	9,990	14,997
Legal Services	7,171	527
Miscellaneous Supplies and Materials	6,729	7,160
Other Recurring Expenses	22,950	168,657
Parts and Furnishing	2,325,655	723,664
Printing, Copying, and Reproduction	2,045	2,554
Professional Services	34,638	17,775
Rental Lease and Royalties	512,361	594,259
Routine Repair	928,027	1,017,885
Special Program and Events	711	1,444
Travel Expenses	36,224	26,755
Utilities and Sanitation	851,014	924,333
Total Maintenance and Operations	<u>\$ 10,395,891</u>	<u>\$ 7,701,899</u>
<u>Capital Outlay</u>		
Capital Outlay	\$ 29,338,013	\$ 16,960,998
Total Capital Outlay	<u>\$ 29,338,013</u>	<u>\$ 16,960,998</u>
Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay	<u>\$ 50,017,739</u>	<u>\$ 35,010,006</u>