

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON-DOWNTOWN

MARILYN DAVIES COLLEGE OF BUSINESS
DEPARTMENTAL REVIEWS

REPORT NO. AR2020-12




UNIVERSITY OF HOUSTON SYSTEM
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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 – UHD Marilyn Davies College of Business, 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-Downtown 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 three departmental reviews in the Marilyn Davies College of Business. 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 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-DOWNTOWN
MARILYN DAVIES COLLEGE OF BUSINESS
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 three departmental reviews in the Marilyn Davies College of Business. 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
- 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-Downtown
Marilyn Davies College of Business
Departmental Reviews**

COMPLIANCE MATRIX			
Compliance Area	Dean's Office, Security Management, and College of Business Scholarships	Finance and Management Information Systems, Accounting, and International Business	General Business, Marketing and Supply Chain Management, and Insurance Risk Management
Management Oversight	✓	✓	✓
Policies, Procedures, Required Training, And Reporting	(1)	✓	(1)
Cost Center Management	(1)	(1)	(1)
Payroll	✓	✓	✓
Human Resources	✓	✓	✓
Change Funds And Cash Receipts	✓	✓	✓
Procurement And Travel Cards	✓	✓	(1)
Departmental Expenses	✓	✓	✓
Contract Administration	✓	✓	✓
Property Management	✓	✓	✓
Scholarships	✓	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-DOWNTOWN
MARILYN DAVIES COLLEGE OF BUSINESS
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.

**DEAN'S OFFICE, SECURITY MANAGEMENT, AND COLLEGE OF BUSINESS
SCHOLARSHIPS**

Policies, Procedures, Required Training, and Reporting

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

Cost Center Management

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

**FINANCE AND MANAGEMENT INFORMATION SYSTEMS, ACCOUNTING, AND
INTERNATIONAL BUSINESS**

Cost Center Management

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

**GENERAL BUSINESS, MARKETING AND SUPPLY CHAIN MANAGEMENT, AND
INSURANCE RISK MANAGEMENT**

Policies, Procedures, Required Training, and Reporting

- Mandatory training was not completed by all applicable employees.

Cost Center Management

- Cost center verifications were not always approved timely.

Procurement Cards

- An expense report was not approved timely.

**University of Houston System
Internal Auditing Department**

**University of Houston-Downtown
Marilyn Davies College of Business
Background Information**

Background provided by the College:

With its primary location in Houston's central business district and one of the most diverse student populations in the country, the University of Houston-Downtown (UHD) is Houston's second largest university, serving almost 14,000 students. The UHD Marilyn Davies College of Business serves 3,700 of these with more than 60 full-time faculty, as well as industry professionals serving as adjunct instructors bringing real world applications to bear connecting students with the skills and perspectives that match industry demands.

Professional. Diverse. Responsive.

Accredited since 1993 by the world's leading accrediting body, AACSB-International, the UHD College of Business is committed to becoming a premier source in Houston for career-ready business graduates and MBAs. With an average age of 27 years old, many UHD students pursue their studies while working full- or part-time. With undergraduate programs in Accounting, Enterprise Information Systems, Finance, General Business, Insurance and Risk Management, International Business, Management, Marketing and Supply Chain Management, the College provides students with outstanding opportunities and employers with talent that is positioned to have a big impact as interns or full-time hires.

The UHD College of Business also offers an MBA program focused on equipping working professionals with the skills they need to lead organizations. Critical thinking, strategic planning and leadership skills are integrated throughout the curriculum, weaving multiple disciplines and skills components into each course. The College offers MBA concentrations in Human Resource Management, Investment Management, Leadership, Sales Management and Supply Chain Management.

Driving Value Through Industry Partnerships

The UHD College of Business is working with leading businesses to solicit input in developing new programs and ensure that current programs reflect the needs of business today. Industry-faculty task groups have been formed in various disciplines to gain consensus on the program outcomes and to identify courses and competencies by which these outcomes can be measured. This unprecedented early-stage engagement will ensure that graduates from the UHD College of Business will be ready to deliver value to the companies they join. Ultimately, this effort will culminate in routine assessments of program efficacy and candid reporting to industry on how well these programs are serving students through meeting these identified needs.

An Investment in Excellence

The UHD College of Business is implementing a plan to develop strong and lasting corporate partnerships to provide students with a business education that is driven by industry expertise, and to provide companies with a career-ready pool of professional talent. The College's sparkling new Career Development Center will help facilitate student interns' and graduates' ability to add immediate value to the companies who employ them. Building toward these aims, the College is working with interested individuals and organizations, to grow its Dean's Excellence Fund, which may be accessed by the College's leadership for purposes such as:

- Supporting extraordinary student and faculty travel and research experiences, including competitions, conferences and training experiences.
- Minor facility enhancements and technology investments to build within the College an environment comparable to those in the business world.
- Costs associated with visiting speakers, and other shared, enhanced learning events, to foster an ongoing conversation between Houston's corporate community and UHD business students.

Budget/Financial Summary:

During fiscal year 2020, with a faculty of 88 FTE's and a staff of 39 FTE's, the College administered 210 cost centers with an overall operating budget of \$17,952,829.

The following table presents the fund balance reconciliation for the College for FY 2019:

Beginning Fund Balance (9/1/2018)	\$ 3,286,923
Revenues	2,883,861
Expenditures	(19,589,642)
Transfers/Other	16,785,951
Ending Balance (8/31/2019)	<u>\$ 3,367,093</u>

UNIVERSITY OF HOUSTON-DOWNTOWN
MARILYN DAVIES COLLEGE OF BUSINESS
SUMMARY OF REVENUES AND EXPENDITURES

<u>Description</u>	<u>FY 2019</u>	<u>FY 2018</u>
<u>Revenue</u>		
Endowment Income Distribution	\$ (193,860)	\$ (113,887)
Federal Grants and Contracts	(2,479)	(99,988)
Other Fees	(1,979,882)	(1,834,878)
Private Gifts, Grants and Contracts	(616,808)	(227,229)
Sales and Service - Educational and General	(90,832)	(362,653)
Total Revenue	<u>\$ (2,883,861)</u>	<u>\$ (2,638,635)</u>
 <u>Cost of Goods Sold</u>		
Cost of Goods Sold	\$ 0	\$ 0
Total Cost of Goods Sold	<u>\$ 0</u>	<u>\$ 0</u>
 <u>Payroll</u>		
Salaries and Wages	\$ 15,642,525	\$ 16,481,608
Fringe Benefits	1,447,200	1,419,293
Total Payroll	<u>\$ 17,089,725</u>	<u>\$ 17,900,901</u>
 <u>Maintenance and Operations</u>		
Advertising Promotion and Public	\$ 316,844	\$ 454,030
Communication and Transportation	51,021	58,431
Contracting of Services	235,406	204,865
Employee Expenses	64,871	60,337
Facilities and Grounds Supplies	0	3
Financial Aid	1,527,581	213,129
Financial Tax and License Cost	349	620
General Services	6,406	15,986
General Supplies	26,348	106,613
Indirect Cost	177	6,452
Legal Services	2,576	0
Miscellaneous Supplies and Materials	6,330	570
Other Recurring Expenses	43,760	93,446
Parts and Furnishing	5,960	38,883
Printing, Copying, and Reproduction	6,741	16,042
Professional Services	0	2,500
Rental Lease and Royalties	60,811	76,379
Routine Repair	0	1,150
Special Program and Events	18,064	25,524
Travel Expenses	119,644	118,891
Total Maintenance and Operations	<u>\$ 2,492,889</u>	<u>\$ 1,493,851</u>
 <u>Capital Outlay</u>		
Capital Outlay	\$ 7,028	\$ 0
Total Capital Outlay	<u>\$ 7,028</u>	<u>\$ 0</u>
 Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay	 <u>\$ 19,589,642</u>	 <u>\$ 19,394,752</u>