

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDIT REPORT

UNIVERSITY OF HOUSTON

GERALD D. HINES COLLEGE OF  
ARCHITECTURE AND DESIGN  
DEPARTMENTAL REVIEW

REPORT NO. AR2020-13




UNIVERSITY OF HOUSTON SYSTEM  
Internal Auditing Department  
Houston, Texas 77204-0930  
(713)743-8000  
Fax: (713)743-8015

## 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 – UH Gerald D. Hines College of Architecture and Design,  
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 Gerald D. Hines College of Architecture and Design. 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  
GERALD D. HINES COLLEGE OF ARCHITECTURE AND DESIGN  
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 Gerald D. Hines College of Architecture and Design. 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  
Gerald D. Hines College of Architecture and Design  
Departmental Review**

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

- ✓ **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  
GERALD D. HINES COLLEGE OF ARCHITECTURE AND DESIGN  
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**

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

**Cost Center Management**

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

**Change Fund and Cash Receipts**

- The same employee is responsible for preparing deposits and monthly verifications.

**University of Houston System  
Internal Auditing Department**

**University of Houston  
Gerald D. Hines College of Architecture and Design  
Background Information**

**Background provided by the College:**

The Gerald D. Hines College of Architecture and Design strives to become a premier college and to produce critical thinkers and global citizens who:

- are skilled in their craft
- capable of using advanced technology and methods of industrialized production
- respect the environment
- understand the power of design to shape lives, and
- are equipped to take on leadership roles within their chosen profession.

The College remains focused on design as the fundamental activity of its studies since 1956. Building on that focus, the College positions itself to:

- explore solutions to societies myriad challenges through reflection and action with the prospect of advancing human conditions
- practice with respect for the environment
- foster innovation through collaboration
- instill a global view of design and the arts and prepare students to serve as cultural leaders on the 21<sup>st</sup> century
- advance our professions through scholarship and research, and
- benefit the city of Houston and the greater urban environment through service to the University of Houston, our communities, industry, government and the architecture and design professions.

**Budget/Financial Summary:**

During fiscal year 2020, with a faculty of 44 FTE's, staff of 36 FTE's, the College administered over 162 cost centers with an overall operating budget of \$10,509,343.

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

Beginning Fund Balance (9/1/2018)	\$ 2,918,327
Revenues	1,298,109
Expenditures	(7,401,359)
Transfers/Other	6,571,960
Ending Balance (8/31/2019)	<u>\$ 3,387,037</u>

UNIVERSITY OF HOUSTON  
GERALD D. HINES COLLEGE OF ARCHITECTURE AND DESIGN  
SUMMARY OF REVENUES AND EXPENDITURES

<u>Description</u>	<u>FY 2019</u>	<u>FY 2018</u>
<u>Revenue</u>		
Endowment Income Distribution	\$ (263,391)	\$ (265,528)
Federal Grants and Contracts	(19,253)	0
Other Fees	(172,251)	(165,538)
Private Gifts, Grants and Contracts	(432,555)	(191,123)
Sales and Service - Educational and General	(410,659)	(469,146)
Total Revenue	<u>\$ (1,298,109)</u>	<u>\$ (1,091,335)</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	\$ 5,706,655	\$ 5,520,553
Fringe Benefits	474,359	443,874
Total Payroll	<u>\$ 6,181,014</u>	<u>\$ 5,964,427</u>
<u>Maintenance and Operations</u>		
Academic Service	\$ 52,272	\$ 20,046
Advertising Promotion and Public	71,070	55,012
Communication and Transportation	33,408	39,948
Contracting of Services	183,184	218,936
Employee Expenses	34,355	25,070
Financial Aid	33,006	34,073
Financial Tax and License Cost	1,038	31
General Services	36,037	4,097
General Supplies	182,237	167,498
Indirect Cost	31,549	0
Lab Research Supplies	3,948	12,192
Legal Services	4,870	0
Miscellaneous Supplies and Materials	0	392
Other Recurring Expenses	59,662	29,263
Parts and Furnishing	88,731	102,095
Printing, Copying, and Reproduction	38,947	42,306
Professional Services	4,888	23,350
Rental Lease and Royalties	55,464	16,328
Routine Repair	3,850	5,586
Special Program and Events	202,645	127,652
Travel Expenses	72,620	85,716
Total Maintenance and Operations	<u>\$ 1,193,781</u>	<u>\$ 1,009,591</u>
<u>Capital Outlay</u>		
Capital Outlay	\$ 26,564	\$ 31,796
Total Capital Outlay	<u>\$ 26,564</u>	<u>\$ 31,796</u>
Total Cost of Goods Sold, Payroll, M&O, and Capital Outlay	<u>\$ 7,401,359</u>	<u>\$ 7,005,814</u>