



Audit Summary

The following report details ways by which Center for Lithospheric Studies can further enhance internal controls and compliance with UT Dallas policies, procedures, and best practices.

Departmental Background

The Center for Lithospheric Studies (Center) is a research institution devoted to the study of the lithosphere through geophysical and geochemical means. The Center operates in close cooperation with the Department of Geosciences at The University of Texas at Dallas. The UT Dallas Geophysical Consortium is an industrial consortium of oil, service, and computer companies that was formed in 1987 for the support of research in exploration and reservoir geophysics at The Center for Lithospheric Studies at The University of Texas at Dallas (UTD). 2011 is the 25th consecutive year of operation.¹

The Center is part of the School of Natural Sciences and Mathematics (NSM) and reports directly to the Dean of NSM, who ultimately reports to the Executive Vice President and Provost.

Center for Lithospheric Studies Departmental Summary	
FY 2013 Department Budget	\$1,078,727
Number of Employees	3

Objective and Scope

The objective of this audit was to ensure that an adequate system of internal controls is in place within the Center to provide reasonable assurance of sound management. The scope of this audit was FY11 (from 2/1/11 on) and FY12 to date.

To complete this objective, we reviewed selected areas of the Center operations regarding the reliability and integrity of financial and operating information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws and regulations. Specifically, we performed the following:

- Gained an understanding of operations through interview and survey of the staff, review of departmental information, policies and procedures, and other documents relevant to internal controls.
- Conducted a risk assessment of departmental operations.
- Tested a sample from the following areas: account reconciliations, property inventory, purchasing cards, and expenses.

¹ <http://www.utdallas.edu/research/lithocenter/>

Where applicable, our examination was conducted in accordance with guidelines set forth in The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department.

Audit Results

Internal controls are designed to provide reasonable assurance regarding the achievement of departmental objectives in the following categories: a) effectiveness and efficiency of operations; b) reliability of financial reporting; and c) compliance with laws and regulations. Department heads are ultimately accountable for the internal controls in place in their department. The following includes best practices in the department regarding internal controls, and ways to strengthen them:

Category	Recommendations
<p>Best Practices</p>	<ul style="list-style-type: none"> ✓ Expense documentation is very organized and easy to locate. ✓ The department has a scholarship committee that approves scholarships.
<p>Purchasing Cards</p>	<p>UT Dallas purchasing card guidelines require that the cardholder ensure that the account charged accurately describes the expense. The Office of Finance provides account codes and descriptions for all items of expense.</p> <p>We determined that the reconciler does not review and change department default account codes as necessary when reconciling transactions to the cardholder activity report. Without the correct account coding, management does not receive an accurate reporting of expenses and where resources are being applied.</p> <p>Recommendation: We recommend that account codes be reviewed for accuracy on the cardholder activity reports. Any changes to accounts should be noted and appropriate steps to correct followed. Also, cardholders and supervisors should review the Purchasing Card Program Guide² to ensure the guidelines are being properly followed.</p>

² http://www.utdallas.edu/business/admin_manual/pdf/e6.pdf

Category	Recommendations
	<p>Management’s Response and Action Plan: <i>Implement and monitor the changing of default general codes to the more detailed specific ones. The action plan is for the AA to review the credit card statement to ensure that account expenditure codes are accurate so that the record of where resources are being applied is accurate.</i></p> <p>Estimated Date of Implementation: <i>Beginning with the next credit card statement.</i></p>
<p>Policies and Procedures</p>	<p>The Center does not have an updated policies and procedures manual that includes current job descriptions.</p> <p>Departmental policies and procedures and job descriptions provide a clear communication of the responsibilities of departmental personnel. This is especially helpful during periods of turnover. If policies and procedures and job descriptions are not documented and communicated to personnel, it may lead to departmental inefficiencies and weak internal controls, and employees may not be productive.</p> <p>Recommendation: We recommend the department update their policies and procedures manual specific to departmental operations. In addition, detailed job descriptions should be included so employees are aware of their responsibilities.</p> <p>Management’s Response and Action Plan: <i>A procedure is in place for processing BAFs, Journal entries, IDTs, etc, in PeopleSoft, but these are still being developed and modified (e.g. Travel, Payroll (PAFs) and Budgets. The action plan is to develop (and then update as needed) a document containing work-flow diagrams and written procedures to detail the AA’s responsibilities and required actions for each key task.</i></p> <p>Estimated Date of Implementation: <i>The initial document will be completed and functional by December 31, 2012, with regular updates as changes occur in the future.</i></p>
<p>Other Issues</p>	<p>Other minor issues were discussed with the Director, such as records retention, account reconciliations, business expense reimbursements, and travel authorization request forms. The Director agreed to address these issues within the upcoming months.</p>



We appreciate the courtesy and cooperation received from the management and staff in the Center for Lithospheric Studies.

Toni Messer Stephens
Executive Director of Audit and Compliance

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