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## Office of Internal Audit

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November 4, 2016

Dr. Richard Benson, President,  
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of the Naveen Jindal School of Management as part of our fiscal year 2016 Audit Plan, and the report is attached for your review. The objective of our audit was to evaluate financial and accounting processes, internal control systems and the effectiveness and efficiency of related operations and controls.

Overall, we found that controls are generally adequate; however, opportunities exist to enhance controls over cash/check handling.

Management has reviewed the recommendations and has provided responses and anticipated implementation dates. Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens  
Institutional Chief Audit Executive

*UT Dallas Responsible Parties:*

Dr. Hasan Pirkul, Dean  
Mr. John Reeser, Director, Budgets and Financial Affairs

*Members of the UT Dallas Institutional Audit Committee:*

*External Members:*

Mr. Bill Keffler  
Mr. Ed Montgomery  
Ms. Julie Knecht  
Dr. Hobson Wildenthal, Executive Vice President and Provost  
Dr. Calvin Jamison, Vice President for Administration  
Mr. Terry Pankratz, Vice President for Budget and Finance  
Mr. Brian Dourty, Interim Vice President and Chief Information Officer  
Dr. Bruce Gnade, Vice President for Research  
Dr. George Fair, Vice President for Diversity and Community Engagement; Compliance Officer  
Dr. Gene Fitch, Vice President for Student Affairs  
Dr. Inga Musselman, Senior Vice Provost  
Mr. Timothy Shaw, University Attorney

*The University of Texas System:*

System Audit Office

*State of Texas Agencies:*

Legislative Budget Board  
Governor's Office  
State Auditor's Office  
Sunset Advisory Commission

## Executive Summary

### Audit Objective and Scope:

To evaluate financial and accounting processes, internal control systems and the effectiveness and efficiency of related operations and controls. Scope included FY16 through current operations.

### Conclusion:

Controls are generally adequate, however, opportunities exist to enhance controls over cash/check handling.

### Recommendations:

The following is a summary of the audit recommendations by risk level.

Recommendation	Risk Level	Estimated Implementation Date
(1) Enhance Deposit Processing Procedures	Medium	Complete
(2) Update and Enhance Cash and Check Handling Policies and Procedures	Low	Complete

### Responsible Vice President:

Dr. Hobson Wildenthal, Executive Vice President and Provost

### Responsible Parties:

- Dr. Hasan Pirkul, Dean
- Mr. John Reeser, Director, Budgets and Financial Affairs

### Staff Assigned to Audit:

Project Leader: Dominique DiAndrea, CIA, Senior Auditor;  
 Staff: Hiba Ijaz, CPA, CIA, Staff Auditor

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## Background

The [Naveen Jindal School of Management](#), established in 1975, is the largest school at the University of Texas at Dallas. Over the last several years, the School has experienced sizeable growth in the number of students, faculty and programs offered. The vision is “to be a leading public business school, recognized as an institution of choice in preparing tomorrow’s business leaders while expanding the frontiers of management knowledge.”<sup>1</sup> The School’s mission is to “meet the challenges of a rapidly changing, technology-driven, global society by partnering with the community to: conduct research to enhance management knowledge; deliver high quality management education to a diverse group of undergraduate and graduate students and practicing executives; develop, innovate and continuously improve programs advancing management education and practice.”<sup>2</sup>

The School offers a full range of undergraduate and graduate degree programs, including MBA, Masters, Ph.D., and certificate programs. The School is organized around six academic areas: accounting, finance and managerial economics, information systems, marketing, operations management, and organizations, strategy and international management. Furthermore, ten centers and two institutes at the school expand students’ horizons by providing academic research and real-world experience. The centers and institutes provide students with networking opportunities and expands knowledge and understanding of today’s business issues.

FY 2016 HIGHLIGHTS	
Operating Budget	\$46,201,000
Revenues	\$10,070,748
Expenditures	\$54,784,283
New Gifts & Endowments	\$ 1,126,910
Fall 2015 Enrollment	7,760
Graduate	3,901
Undergraduate	3,859
Degrees Granted	2,928
Faculty	217
Staff	130
Student Workers, Research Assistants, Teaching Assistants	172

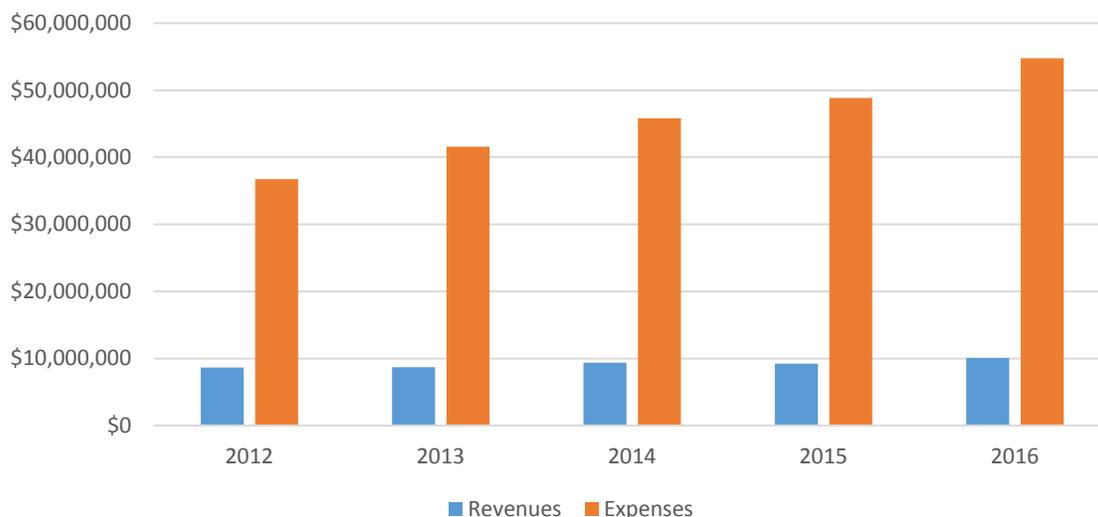
Overall responsibility for the school lies with the Dean, whose direct reports include the Vice Dean and Senior Associate Dean. The Vice Dean and Senior Associate Dean have oversight responsibilities over all academic areas, Associate Deans, Assistant Deans, Directors and Coordinators. The School Fiscal Officer provides oversight over all financial processes, and reports to the Dean.

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<sup>1</sup> Naveen Jindal School of Management 2013-2018 Strategic Plan

<sup>2</sup> Naveen Jindal School of Management 2013-2018 Strategic Plan

### Revenues and Expenses<sup>3</sup> FY 2012-2016



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## Audit Objective

To evaluate financial and accounting processes, internal control systems and the effectiveness and efficiency of related operations and controls.

## Scope and Methodology

The scope of this audit was FY 2016, and our fieldwork concluded on October 14, 2016. To satisfy our objectives, we performed the following:

- Conducted interviews with the Jindal School of Management Dean, Vice Dean and Senior Associate Dean along with staff from the Dean's Suite.
- Analyzed financial and operational data to gain an understanding of the School.
- Reviewed available policies and procedures relating to financial and operational information.
- Determined if:
  - The School has an effective governance process in place, as defined by the COSO integrated internal control framework.<sup>4</sup>

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<sup>3</sup> Excludes Executive Education programs

<sup>4</sup> <http://www.coso.org/guidance.htm>

- The organizational structure of the School allowed for effective oversight and communication of the centers and institutes. Additionally, information provided to the Dean, Vice Dean and Program Directors was accurate, and communicated in a timely manner.
- The School complied with the University's Cash Handling Policy.
- Internal controls and segregation of duties exist in the reconciliation, revenue, and expenditure processes.
- Proceeds from the School's fundraising activities helped the School meet the actual needs of the centers and institutes.

Where applicable, we conducted our examination in accordance with the guidelines set forth in The Institute of Internal Auditor's *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 or audit work, and management of the internal auditing department.

## Conclusion

Based on the audit work performed, we conclude that controls are generally adequate; however, opportunities exist to enhance controls over cash/check handling. Specific findings and recommendations are detailed below in the Audit Results and Management's Responses section of the report.

We appreciate the courtesy and cooperation received from the management and staff in the Naveen Jindal School of Management as part of this audit.

## Audit Results and Management's Responses

Strengths and Controls Noted during the Audit
Segregation of duties exist within the purchasing and reconciliation processes.
The School Fiscal Officer provides oversight over all financial processes.
A process is in place to create and update policies and procedures.
A strategic planning committee, comprised of faculty and staff within the School, monitors the School's progress towards meeting strategic objectives.
Processes are in place to communicate the performance and operation of the academic areas to the Dean.
The School has Bylaws in place which describes their organizational structure, and provides guidance to administration and faculty.
The School's intranet has several applications that provide Program Directors with up-to-date information regarding their programs.

*Priority Findings – UT System:* A UT System priority finding is defined by the UT System Audit Office as: “an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.” We have **no UT System Priority Findings** resulting from this audit.

The following recommendations will help improve cash handling controls.

Risk Level	Observation	Risk/Effect	Recommendation	Management's Response and Action Plan
Medium	<p>1. <b><u>Enhance Deposit Processing Procedures</u></b> Eleven out of 17 checks and/or cash deposits (totaling, approximately, \$85,000) were not made in a timely manner. In accordance with UTD's Cash Handling Policy (<a href="#">UTDBP3040</a>) and the School's internal Cash and Check Handling Policy, all cash and checks greater than \$200 should be deposited on the same business day that they were received. Furthermore, one out of 13 deposits tested was not recorded in the School's deposit log.</p>	<p>When deposits are not processed in a timely manner and are not recorded in the deposit log, the risk of theft and loss and increased.</p>	<p>Procedures should be strengthened to ensure compliance with the University's and the School's policies. In addition, all cash and checks received should be recorded in the deposit log.</p>	<p>We concur with the observation. Effective October 10<sup>th</sup> we began re-enforcing the daily deposit of cash/checks when the aggregate amount was \$200 or greater, for cash/checks received in the Dean's office by 3:00 PM. Cash/checks received after 3:00 PM <i>may</i> be held in a locked box, in a locked drawer, in a locked office until the next business day. Additionally, effective October 10<sup>th</sup> we also initiated a separate deposit log to track all known deposits and for use in the monthly cost center reconciliation activities.</p> <p><b>Estimated Date of Implementation:</b> Complete</p> <p><b>Person Responsible for Implementation:</b> John Reeser, Director, Budgets and Financial Affairs</p>
Low	<p>2. <b><u>Update and Enhance Cash and Check Handling Policies and Procedures</u></b> JSOM's Cash and Check Handling policy should be updated to include all procedures required in UTD's policy (<a href="#">UTDBP3040</a>).</p>	<p>The lack of updated policies may lead to noncompliance with UTD's Cash Handling policy, increasing risks of</p>	<p>JSOM's Cash and Check Handling policy should be updated to include required departmental procedures referenced in</p>	<p>We concur with the observation. The JSOM policy was rewritten and submitted to Internal Audit for their review and comments on October 17th. The same day</p>

Risk Level	Observation	Risk/Effect	Recommendation	Management's Response and Action Plan
	JSOM's policy needs to reference the new policy and to include procedures related to training, random audits and sequential receipting.	theft, error, or inaccurate financial information.	UTD's Cash Handling policy.	Internal Audit indicated that the revised policy now satisfies the Internal Audit observation and meets UTD's requirements.  <b>Estimated Date of Implementation:</b> Complete  <b>Person Responsible for Implementation:</b> John Reeser, Director, Budgets and Financial Affairs

## Appendix 1: Priority Findings and Risk Matrix

### Definition of Risks

Risk Level	Definition
<b>Priority</b>	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Management Review Committee (ACMRC). Priority findings reported to the ACMRC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
<b>High</b>	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
<b>Medium</b>	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
<b>Low</b>	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.