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April 21, 2015

Dr. David Daniel, President,
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of the Office of the Vice President for Diversity and Community Engagement as part of our Fiscal Year 2014 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The objectives of the audit were to conduct a change in leadership audit to determine whether key departmental internal controls are functioning as intended and provide management with information necessary to assist in developing and/or maintaining an adequate system of internal controls.

Overall, we found that internal controls are generally functioning as intended. The attached report details a recommendation that will help ensure scholarships are administered in accordance with the applicable rules and regulations

Management has reviewed the recommendation and has provided a response and anticipated implementation date. 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 date. 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. George Fair, Vice President for Diversity and Community Engagement and Compliance Officer

Members of the UT Dallas Institutional Audit Committee:

External Members:

Mr. Bill Keffler
Ms. Julie Knecht
Mr. Ed Montgomery

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. David Crain, Vice President and Chief Information Officer
Dr. Bruce Gnade, Vice President for Research
Dr. George Fair, Vice President for Diversity and Community Engagement and Compliance Officer
Dr. Gene Fitch, Dean of Students
Mr. Timothy Shaw, University Attorney

The University of Texas System:

Dr. Pedro Reyes, Executive Vice Chancellor for Academic Affairs
Alan Marks, Attorney
Mr. J. Michael Peppers, CIA, CRMA, CPA, FACHE, Chief Audit Executive
Ms. Moshmee Kalamkar, CPA, CIA, Audit Manager

State of Texas Agencies:

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



Executive Summary

VP for Diversity and Community Engagement, Report No. 1513

Audit Objective and Scope: To conduct a change in leadership audit to determine whether key departmental internal controls are functioning as intended and provide management with information necessary to assist in developing and/or maintaining an adequate system of internal controls. The scope of this audit was Fiscal Year 2014 through January 2015.

The following is a summary of the audit recommendations by priority and risk type. See Appendix A for additional details.

High (0)	High/Medium (0)	Medium(1)	Low(0)
Recommendation	Priority and Risk Type		Estimated Implementation Date
(1) <i>Enhance Scholarship Award Administration</i>	Compliance		Fall 2015
Responsible Executive Leader: Dr. David Daniel, President		Responsible Party: Dr. George Fair, Vice President for Diversity and Community Engagement	
Staff Assigned to Audit: Polly Atchison, CPA, CIA, Audit Manager Rehan Khan, Staff Auditor Ashley Mathew, Staff Auditor			



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Background

The Office of the VP for Diversity and Community Engagement was created in January 2008. The mission of the office is to embrace, enhance and celebrate diversity at all levels of the University and the community through the efforts of faculty, staff, students, the executive leadership and community partnerships.

Dr. George Fair was appointed the VP for Diversity and Community Engagement in June 2014. The VP manages a budget of approximately \$1.3 million and 26 employees. The Multicultural Center and The Galerstein Women's Center also report to the Office of Diversity and Community Engagement and report to the VP. Subsequent to our audit, the Office of Compliance also began reporting to the vice president.

Audit Objective

The objective was to conduct a change in leadership audit to determine whether key departmental internal controls are functioning as intended and provide management with information necessary to assist in developing and/or maintaining an adequate system of internal controls.

Scope and Methodology

The scope of this audit was Fiscal Year 2014 and through the end of fieldwork, January 14, 2015. Fieldwork was limited to the Office of VP for Diversity and Community Engagement and did not include the Multicultural or Women's Centers. To satisfy our objectives, we performed the following:

- Interviewed appropriate personnel to gain an understanding of processes
- Reviewed departmental policies and procedures
- Evaluated procurement card use and reconciliation
- Determined whether travel and entertainment expenses were processed in accordance with UT Dallas procurement travel guidelines
- Reviewed cash handling procedures for compliance with policies
- Determined whether account reconciliations were completed in a timely manner and in accordance with UT Dallas and UT System policies
- Assessed scholarship award procedures
- Followed up on prior audit recommendations

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.



Audit Results and Management's Responses

Controls

Our audit work indicated that the following controls currently exist:

- Account reconciliation duties are adequately segregated.
- Travel expenditures generally complied with policies and procedures.
- Departmental policies and procedures are adequately detailed in a policy and procedure manual.
- Purchasing card transactions are generally reviewed and approved in a timely manner and adequate supporting documentation is maintained.
- The maintenance of supporting documentation for purchases was exceptional.

Audit Recommendations

Although the above controls are in place, opportunities exist to improve scholarship administration.

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.*”¹

We have **no UT System Priority Findings** resulting from this audit.

Audit Recommendations

See Appendix A for the Priority Findings and Risk Matrix defining the various risk factors and risk levels for each audit recommendation.

(1) **Enhance Scholarship Award Administration**
Risk Rating: **Medium** ★; Risk Factor: **Compliance**

A process exists for evaluating applicants against minimum requirements and other qualifiers for scholarship awards; however it is not followed consistently.

In fiscal year 2014, \$128,500 in scholarships and aid were awarded and in fiscal year 2015, diversity scholarships were budgeted at approximately \$288,000. The Office of the VP for Diversity and Community Engagement uses a spreadsheet with columns listing the minimum requirements and qualifiers to track and evaluate applicants and awards. The minimum requirements are posted on the Diversity and Community Engagement website and on the UT Dallas Financial Aid Scholarship webpage.

¹ Appendix A defines the priority and risk ranking used for all internal audit recommendations.



We examined 28 scholarship awards for FY14, and found that 14 did not indicate whether the student submitted a completed application, essay or recommendation letter. Additionally, gender, which according to UT System cannot be included as a criterion or preference, was noted for all of the applicants.

Also, five awards classified as Retention Scholarships were given as emergency aid for students and dispensed at the sole discretion of the VP with no application. Checks were issued directly to the students. The Retention Scholarship/emergency aid program is not listed on the Financial Aid or Diversity and Community Engagement website; thus, only those students known to the Office of Diversity and Community Engagement or who have received aid in the past are aware of its existence.

We also examined the fiscal year 2015 award spreadsheet and noted that while documentation has improved, fields in three columns reflecting minimum requirements were blank for all of the applicants. In addition, one record indicated that the student did not submit an essay, which is a minimum requirement, yet that student was awarded a scholarship. For all the applicants, the gender column again was completed.

Recommendation: The scholarship applicant information necessary to ensure minimum requirements are met should be fully documented and the VP should work with appropriate personnel to ensure scholarships and/or emergency aid are administered in accordance with protocol.

Management's Response: *The Community Engagement Staff researched the findings provided in the initial audit report to provide additional information or clarification for the management response.*

The students on the spreadsheet in FY14 who were not marked as having submitted an application, essay, or recommendation letter for the scholarship were transfer students. The transfer student deadline is one month later than the first time in college (FTIC) students, which requires staff to conduct two application review cycles. It appears that the part-time graduate student responsible for logging these items in FY14 did not update that the materials had been received. The completed application packets were found for the students in question. In FY15, the logging and tracking of applications was transferred to the Community Engagement Administrative Assistant I to improve consistency of documentation and appropriate records retention by a full-time staff member. As noted in the report, this has resulted in improved documentation of records.

The FY15 columns, indicated on the audit report, that were not completed were titled "Admission Date" and "FAFSA/TASFA Completed." The minimum requirements for the scholarship were verified but the columns were not filled. The Director of Community Engagement verified the admission dates and statuses for each applicant and placed a note in the "Other" column for students who had not been admitted. Students who had not been admitted at the time of application were removed from the candidate pool. The FAFSA/TASFA data was also reviewed for each applicant although the column was left blank on the spreadsheet. The spreadsheet includes financial aid data including the



student's total gift aid awarded, other scholarships awarded, estimated family contribution, and unmet need. These data elements were calculated by the Office of Financial Aid using FAFSA/TASFA applications. These two documentation inconsistencies will be corrected in future award cycles.

Gender is included on the application review spreadsheet for demographic purposes only. This information, along with race and ethnicity, is used to provide reports about the composition of the applicant pool and recipients. It is not used for the selection process and this data is not reported to the scholarship selection committee members in order to avoid influencing their scoring. In the future, this data will be stored on a separate spreadsheet to avoid any appearance that it is connected to the award decisions.

The availability of retention/emergency scholarships was indicated to all department heads reporting to the Vice President for Diversity and Community Engagement. Students were required to submit a written request with details about their situation and need. The written request was reviewed and, in most cases, the award amount was discussed with the Office of Financial Aid to avoid over-awarding a student.

Estimated Date of Implementation: *Future award cycles. (Fall 2015)*

Person Responsible for Implementation: *Vice President for Diversity and Community Engagement*

Status of Prior Audit Recommendations

The following is the status of implementation of the recommendations resulting from Internal Audit Report No. R901, *The Office of the Vice President for Diversity and Community Engagement*, dated October 6, 2008.

Recommendation	Implemented?
Enhance Department Controls Over Expenses	Yes
Improve Controls Over Telecommunication Charges	No longer applicable.
Improve Controls over Time Reporting	Partially implemented. Discussed verbally with the responsible parties.



Conclusion

Based on the audit work performed, we conclude that overall, key departmental controls are functioning as intended. The Office of VP for Diversity and Community Engagement would benefit from collaboration with appropriate UT Dallas personnel to ensure scholarships and emergency aid are administered according to rules and regulations.

We appreciate the courtesy and cooperation received from the management and staff in the Office of VP for Diversity and Community Engagement as part of this audit.



Appendix: Priority Findings and Risk Matrix

Definition of Risks

Risk Level	Definition
High	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>
High/Medium	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.
Medium	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
Low	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.

Risk Factors

- Reputation - damage to the image of UT Dallas and/or UT System
- Information Security - integrity, confidentiality and availability of information
- Compliance – compliance with external legal or regulatory requirements
- Accomplishment of Management’s Objectives – goals being met, projects being successful
- Effectiveness and Efficiency – objectives at risk and/or resources being wasted
- Capital Impact - loss or impairment of the use of assets
- Life Safety – including loss of life, injury, toxics/infectious disease
- Management Oversight
- Operational Alignment – management’s alignment of people, process and technology to efficiently accomplish organization objectives
- Designed Controls – adequacy of controls within critical operations
- Payments/Expenditures – including fines and legal costs
- Lost Revenue – actual and/or opportunities