



**THE UNIVERSITY OF TEXAS AT DALLAS**

OFFICE OF AUDIT AND CONSULTING SERVICES  
800 W. CAMPBELL RD. SPN 32, RICHARDSON, TX 75080  
PHONE 972-883-4876 FAX 972-883-6846

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January 17, 2020

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

We have completed an audit of the Athletics Department as part of our fiscal year 2019 Audit Plan. 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. The report is attached for your review.

The audit resulted in opportunities to enhance internal controls over cash handling and expenses. 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, CPA, CIA, CRMA  
Chief Audit Executive



## Executive Summary

### Audit Objective and Scope

To evaluate financial and accounting processes, internal controls systems, and the effectiveness and efficiency of related operations and controls. The scope for this audit was fiscal years 2017 through 2019.

### Conclusion

Opportunities exist to enhance internal controls over cash handling and expenses.

### Audit Recommendations by Risk Level

Recommendation	Risk Level	Estimated Implementation Date
(1) Improve Cash Handling Procedures	High	May 31, 2020
(2) Improve Controls over Expenses	Medium	May 31, 2020

#### Responsible Vice President

Dr. Gene Fitch, Vice President for Student Affairs

#### Responsible Parties

- Bill Pettitt, Athletic Director
- Diego Garcia Theodore, Assistant Vice President for Student Affairs and Ombudsman

#### Staff Assigned to Audit

Caitlin Cummins, Internal Auditor II

#### Report Distribution

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##### External Members

- Ms. Lisa Choate, Chair
- Mr. Gurshaman Baweja
- Mr. John Cullins
- Mr. Bill Keffler
- Ms. Julie Knecht

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- Dr. Richard Benson, President
- Mr. Rafael Martin, Vice President and Chief of Staff
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- Dr. Joseph Pancrazio, Vice President for Research
- Mr. Terry Pankratz, Vice President for Budget and Finance
- Mr. Timothy Shaw, University Attorney, ex-officio

##### Responsible Parties

- Bill Pettitt, Director of Athletics
  - Diego Garcia Theodore, Assistant Vice President for Student Affairs and Ombudsman
- ##### External Agencies
- The University of Texas System*
- System Audit Office
- State of Texas Agencies*
- Legislative Budget Board
  - Governor's Office
  - State Auditor's Office



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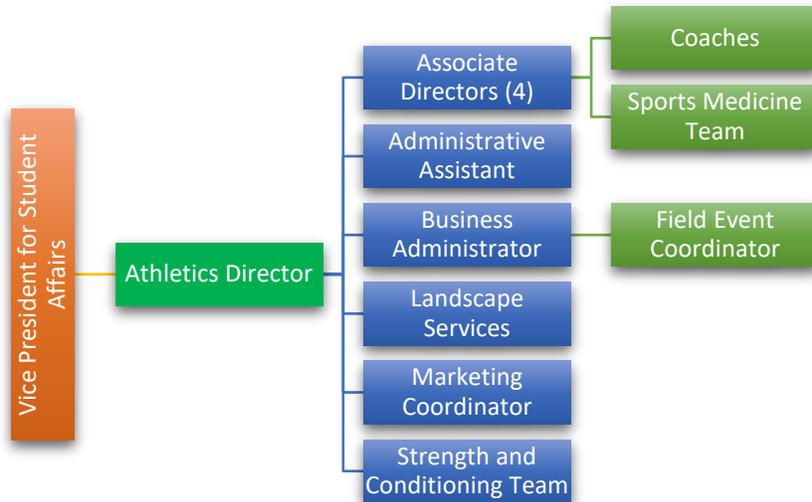
## Background

The Athletics Department is responsible for providing “competitive opportunities to students, which foster physical, social and emotional benefits along with a sense of sportsmanship.”<sup>1</sup>

Men’s Sports	Woman’s Sports
Baseball	Basketball
Basketball	Cross Country
Cross Country	Golf
Golf	Soccer
Soccer	Softball
Tennis	Tennis
	Volleyball
<b>CO-ED:</b>	Esports

Athletics is a member of the NCAA Division III, offering 14 sports, including eSports which began in 2019.

The Athletics department has 61 employees, including student workers, as shown on the organizational chart below.<sup>2</sup>



As well as competing in the various sports throughout the year, the Athletic department offers various sport camps during the summer and oversees the concession stand for the sporting events on campus.

When not in use, athletic fields are rented out to other groups or sports leagues. Budgetary information is depicted below.<sup>3</sup>

	FY17	FY18	FY19
<b>Revenues Recognized</b>	\$964,075	\$921,341	\$1,001,002
<b>Expenses</b>	\$3,226,445	\$3,501,675	\$3,767,702

## Audit Objective

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

## Scope and Methodology

The scope of this audit was fiscal years 2017 through 2019, and our fieldwork concluded on November 21, 2019. To satisfy our objectives, we performed the following:

<sup>1</sup> [https://utdcomets.com/sports/2013/2/14/NEWS\\_0214132732.aspx?tab=athleticsmissionstatement](https://utdcomets.com/sports/2013/2/14/NEWS_0214132732.aspx?tab=athleticsmissionstatement)

<sup>2</sup> <https://utdcomets.com/staff-directory>

<sup>3</sup> UT Dallas Year to Date Budget Summary, Reporting Console



- Reviewed the department’s control environment to determine if:
  - Policies and procedures, including unique job descriptions, are in place.
  - The organizational structure aligns with management’s strategic and operational objectives.
- Determined whether the department has an effective risk assessment and awareness process in place.
- Determined whether internal information, communication and reporting methods are effective.
- Reviewed control activities to determine if they are adequate and effective.
- Reviewed management’s monitoring of internal controls.
- Interviewed key personnel to determine processes for monitoring operations and internal controls, and tested selected controls in the following areas:
  - Financial processes, including cost center reconciliations, revenues and cash handling, and expenses
  - Training

We conducted our examination in conformance with the guidelines set forth in The Institute of Internal Auditor’s *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

## Audit Results and Management’s Responses

Observations and Risk Levels	Risk/Effect	Recommendations and Management’s Response
<p>(1) <b>Improve Cash Handling Procedures</b></p> <p>UTDBP3040, <a href="#">Cash Handling Policy</a>, outlines controls over cash handling for all departments. Athletics department cash and check revenues for concessions, ticket sales, camp revenue, field rentals, and gifts totaled \$1,001,002 in FY19. We tested cash handling procedures in the athletics department and found the following opportunities to improve internal controls:</p>	<p style="text-align: center;"><b>High</b></p> <p>The risk of fraud or misuse of funds is higher when there is when strong internal controls are not in place over cash handling.</p>	<p><b>Recommendation:</b> Improve cash handling procedures by developing and updating procedures, ensuring proper separation of duties, reconciling ticket and camp revenues, and ensuring all employees handling cash receive annual cash handling training.</p> <p><b>Management’s Response and Action Plan:</b> All athletic department staff required to have training had completed the training. Going forward, all staff will be trained in cash handling procedures.</p>



Observations and Risk Levels	Risk/Effect	Recommendations and Management's Response
<p>(a) <u>Separation of Duties</u>                      The Athletic Director is the primary employee responsible for the following duties:</p> <ul style="list-style-type: none"> <li>• purchases items for sale at the concessions stand</li> <li>• maintains the safe in his office</li> <li>• reconciles and deposits the concessions revenue.</li> </ul> <p>In addition, there is only one key to the safe, and the location of the key is not disclosed to other individuals within the department. In his absence, the athletic director gives to key to the safe to the concessions stand manager so that the manager can put the concessions revenues in the safe. However, the revenues remain in the safe until the athletic director is available to reconcile the revenue to the inventory spreadsheet and deposit the funds.</p> <p>Administrative personnel should be responsible for the purchase of inventory items, reconciliation, and deposit. At least two people not responsible for cash handling should have access to the safe.</p> <p>(b) <u>Receipts and Reconciliations</u></p> <ul style="list-style-type: none"> <li>• The concessions do not currently have sequentially numbered receipts, because there is not a register at the concessions for workers to distribute receipts. Having sequentially numbered receipts ensures that receipts can be easily counted and referenced.</li> <li>• The Concessions Operations Manual has not been updated in several years and does not include how to operate or reconcile the credit card purchases. The concessions' inventory costs goods have not been analyzed in around one and a half years.</li> <li>• The items for resale for the concessions stand are not monitored or inventoried, because the field maintenance employees are permitted</li> </ul>		<p>Previously, all student employees who were assigned to work concessions or ticket tables during athletic events completed cash handling training. Now, all student staff will receive cash handling prior to being employed. An updated list of persons who are required to receive training has been submitted to treasury.</p> <p><b>Estimated Date of Implementation:</b> February 28, 2020</p> <p><b>Responsible Party:</b> Bill Petitt, Athletic Director</p> <p>(a) <u>Separation of Duties</u></p> <ul style="list-style-type: none"> <li>• The field event coordinator will assume concession manager duties effective January 2020. Duties include: Coordinate concessions operations; responsible for inventory, purchasing, scheduling, end-of-day reconciliation; assures staff meets all training including cash handling, child protection training and concessions procedures. The field event coordinator will report to the Business Administrator. This position was recently reclassified from Administrative Services Officer.</li> <li>• A drop safe will be installed in the newly constructed concession stand. Staff will have the ability to deposit cash at the end of shift, but not able to open safe to retrieve cash. More detailed procedures are outlined in the Concession Handbook. The Business Administrator and Athletic Director will have access to the safe.</li> </ul>



Observations and Risk Levels	Risk/Effect	Recommendations and Management's Response
<p>to take items when working in the fields, because of this an accurate inventory of the concession's items cannot be taken.</p> <ul style="list-style-type: none"> <li>Revenues for tickets sold for the games hosted by the athletics department are not reconciled to the number of tickets sold. The game attendees who pay cash for entry are not tracked, because left over tickets are handed out to players so that players can use the food coupon that is on the game ticket. Tickets purchased with a credit card or a comet card are tracked and reconciled, because the respective systems tracks those purchases.</li> <li>Currently, the revenue from the various camps held by the athletics department are not reconciled to the number of campers that have signed up for the camp. This reconciliation would ensure total revenue has been collected and deposited into the appropriate cost center.</li> </ul> <p>(c) <u>Training</u>                  Twenty-eight employees have not taken Cash Handling training for FY19, 18 of those employees are students and may not need to take the Cash Handling training. In addition, a contractor who was responsible for concessions did not receive cash handling training, because she was classified as an independent contractor.</p>		<p>(b) <u>Receipts and Reconciliations</u></p> <ul style="list-style-type: none"> <li>In lieu of sequentially numbered receipts, a "Concessions Log" or "Ticket Log" will be used for shift and/or daily drawer balancing. Funds transferred from one person to another will be counted in the presence of both parties. The amount is recorded on the "Cash Log Sheet" and signed by the person accepting custody.</li> <li>An updated Concessions operations manual is currently being completed.</li> <li>Concessions inventory has been moved to one location and with limited access. Field maintenance employees do not have access to storage area. Control of inventory has been rectified.</li> <li>Only paid tickets will be reconciled beginning Dec. 28, 2019. All complimentary tickets, including UTD student tickets, will not be counted in event reconciliation. All complimentary tickets will be accounted with online tracking utilizing Comet Card scan for student tickets and pass lists for visiting teams and complimentary tickets.</li> <li>All athletic camps will have a reconciliation form to include a balance sheet to match number of campers with revenue collected. All funds will be deposited into appropriate cost center. Program for Minors is in the process of implementing a new software that requires all camps and campers to use for registration. Reports will be available to determine number of campers and type of revenue. New form will be included in summer camp paperwork and kept with all camp documentation.</li> </ul>



Observations and Risk Levels	Risk/Effect	Recommendations and Management's Response
		<p><b>Estimated Date of Implementation:</b> May 31, 2020</p> <p><b>Responsible Party:</b> Bill Petitt, Athletic Director</p> <p>(c) <u>Cash-Handling Training</u> All necessary athletic department staff currently receive cash handling training. Previously, all student employees who were assigned to work concessions or tickets tables during athletic events completed cash handling training. Now, all student staff will receive cash handling prior to being employed. An updated list of persons who are required to receive training has been submitted to treasury.</p> <p><b>Estimated Date of Implementation:</b> February 28, 2020</p> <p><b>Responsible Party:</b> Bill Petitt, Athletic Director</p>
<p><b>(2) <i>Improve Controls over Expenses</i></b></p> <p>During FY19, Athletics expenses totaled \$3,767,702. We tested expenses to ensure they were properly authorized, reasonable based on the mission and goals of the department, complied with university policies and procedures, and contained documentation supporting the purchase. The following issues were noted:</p> <p>(a) Expenses were not always properly approved. 9% of One Card transactions were not approved by the appropriate supervisor, either on the Expense Report or within Citibank. One business expense reimbursement was approved by the reimbursed employee.</p> <p>(b) Documentation supporting the purchase and/or the business purpose was not always included. 14% of One Card transactions, 43%</p>	<p><b>Medium</b></p> <p>Noncompliance with the University's procurement policies and procedures may lead to misuse of funds and to ineffective and inefficient operations.</p>	<p><b>Recommendation:</b> Comply with university policies and procedures and institute departmental procedures to strengthen internal controls for expenses.</p> <p><b>Management's Response and Action Plan:</b></p> <p>(a) The Business Administrator will ensure all one card reports are reviewed, signed, and have proper documentation. The one-card reports will be scanned and stored on the departmental drive. If an approver is receiving a reimbursement, either the backup approver or Fiscal Officer will approve the transaction.</p> <p>(b) The Business Administrator will ensure proper documentation and business purpose are included with every transaction. If a cardholder is unable to obtain an itemized receipt, an Athletics employee will work directly with the One Card Office for guidance. All cardholders</p>



Observations and Risk Levels	Risk/Effect	Recommendations and Management's Response
<p>of reimbursements, and 10% of vouchers did not contain the appropriate documentation, such as itemized receipts. 5% of One Card transactions did not contain a business purpose.</p> <p>Documentation supporting charitable contributions was not included in purchases for the Austin Street Shelter.</p> <p>(c) Noncompliance with policies and procedures was noted for 12% of One Cards and 27% of vouchers tested. Examples included:</p> <ul style="list-style-type: none"> <li>• Noncompliance with <a href="#">UTDBP3050, Appointment Section.</a></li> </ul> <p>The Athletic Director's daughter was paid \$8,554 from FY17-19 as an independent contractor to manage the concessions stand. The paperwork stated that the contractor was a guest lecturer. The Athletics Director approved three of the payments, and he emailed administrative staff the hours the contractor worked rather than having the contractor submit an invoice.</p> <p>Another employee was mistakenly paid as an independent contractor for 10 months, the paperwork indicated the contractor was a guest lecturer, rather than a coach.</p> <ul style="list-style-type: none"> <li>• Noncompliance with IRS regulations. One Athletics employee purchased at least \$2,035 worth of clothing for at most 10 employees, totaling on average \$203.50 of clothing per employee. This is over the \$100 de minimis allotted to employees for clothing. The value of athletic clothing purchased for employees can be</li> </ul>		<p>will receive training from the One Card office to utilize CitiBank and will be instructed on identifying business purpose, and appropriate documentation.</p> <p>The Athletic Department has discontinued the financial relationship with Austin Street Shelter.</p> <p><b>Estimated Date of Implementation:</b> March 1, 2020</p> <p><b>Responsible Party:</b> Bill Petitt, Athletic Director</p> <p>(c) Noncompliance with policies and procedures</p> <ul style="list-style-type: none"> <li>• The Athletic Director's daughter has not worked since spring 2019. The department will work with the Fiscal Officer and/or HR to determine how individuals will be paid.</li> </ul> <p><b>Estimated Date of Implementation:</b> Completed by May 31, 2020</p> <p><b>Responsible Party:</b> Bill Petitt, Director of Athletics</p> <ul style="list-style-type: none"> <li>• Athletics will work directly with payroll to review the purchase of clothing policy of institution. Department considers the coaching gear to be a uniform worn during all practices, games and recruiting. It should not declared taxable income. Upon final review either department will no longer buy athletic apparel deemed as "uniform" or continue current procedure.</li> </ul> <p><b>Estimated Date of Implementation:</b> Completed by May 31, 2020</p> <p><b>Responsible Party:</b> Bill Petitt, Athletic Director</p>



Observations and Risk Levels	Risk/Effect	Recommendations and Management's Response
<p>excluded from income if the purchases qualify under the IRS "de minimis fringe benefits" exclusion the de minimis is \$100.00. The total value over the \$100 is considered taxable income to the employee.</p> <ul style="list-style-type: none"> <li>A deep freezer and warranty were purchased for \$701 with a once card and was not tagged as an asset. <a href="#">UTDBP3066, Property Administration</a>, requires both capital (items \$5,000 or greater) and controlled assets (items valued between \$500 and \$5,000) to be inventoried and tagged.</li> <li>Purchase of UTD merchandise through a non-licensed vendor. Items with a UTD logo require that the vendor be licensed to produce the UTD logo/trademark. Of the transactions tested there was around \$23,251 sports uniforms purchased through non-licensed vendors.</li> </ul>		<ul style="list-style-type: none"> <li>The Business Administrator will track purchases to ensure all items are properly tagged.</li> </ul> <p><b>Estimated Date of Implementation:</b> January 31, 2020</p> <p><b>Responsible Party:</b> Bill Petit, Athletic Director</p> <ul style="list-style-type: none"> <li>The \$9,246.10 with BSN/Varsity Brand Holding is valid. Purchasing confirmed BSN/Varsity Brand holding is a UT System Vendor and can be used. Prior to purchases with UTD logo, Athletics will verify the vendor is licensed.</li> </ul> <p><b>Estimated Date of Implementation:</b> January 31, 2020</p> <p><b>Responsible Party:</b> Bill Petitt, Athletic Director</p>

## Conclusion

Opportunities exist to enhance internal controls over cash handling and expenses. Recommendations contained in this report will help enhance the process.

We appreciate the courtesy and cooperation received from the management and staff in Athletics Department as part of this audit.



## Appendix

### 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 Risk Management Committee (ACRMC). Priority findings reported to the ACRMC 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.