

# College of Liberal Arts

## *Business Processes*

*July 2021*



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**The University of Texas at Austin**  
**Office of Internal Audits**  
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July 22, 2021

President Jay C. Hartzell  
The University of Texas at Austin  
Office of the President  
P.O. Box T  
Austin, Texas 78713

Dear President Hartzell,

We have completed our audit of the College of Liberal Arts (CoLA) Business Processes as part of our Fiscal Year 2021 Audit Plan. The objectives of the audit were to determine whether I-9s are processed timely, staff and faculty compensation is paid according to approved appointments, and payments initiated by faculty to individuals (e.g., students, family, or friends) comply with university and other governing regulations. The draft report is attached for your review.

Overall, CoLA management continues to improve business functions. However, opportunities exist to enhance processes and controls around conflict of interest, conflict of commitment, and outside activities; federal I-9s; and retention of offer letters. In addition, CoLA management should establish procedures to separate procurement card duties and require departments to develop cash handling procedures and separation of duties. Management has provided their action plans and implementation dates.

Please let me know if you have questions or comments regarding this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA  
Chief Audit Executive

cc: Ms. Monica Horvat, Director of Administration for the President  
Mr. Christian Rafidi, Assistant Dean for Finance and Administration  
Dr. Catherine Stacy, Chief of Staff to the Provost  
Dr. Ann Stevens, Dean, College of Liberal Arts  
Dr. Sharon Wood, Executive Vice President and Provost



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# Executive Summary

## College of Liberal Arts

Business Processes

Project Number: 21.019

### Audit Objective

The objectives of this audit were to determine whether federal I-9s are processed timely, whether staff and faculty compensation is paid according to approved appointments, and whether payments initiated by faculty to individuals (e.g., students, family, or friends) comply with applicable university and other governing regulations.

### Conclusion

The University of Texas at Austin (UT Austin) College of Liberal Arts (CoLA) management continues to improve business functions. However, opportunities exist to enhance processes and controls around conflicts of interest, conflicts of commitment, and outside activities; federal I-9s; and retention of offer letters. In addition, CoLA management should establish procedures to separate procurement card (ProCard) duties, and require departments to develop cash handling procedures and separation of duties.

### Audit Observations<sup>1</sup>

| Recommendation   | Risk Level | Estimated Implementation Date |
|--|------------|-------------------------------|
| Conflict of Interest/Commitment and Outside Activities Disclosures | High       | September 2021                |
| I-9 Timeliness   | High       | July 2021                     |
| Offer Letters  | High       | Implemented                   |
| ProCard Separation of Duties                                       | High       | September 2021                |
| Cash Handling Procedures   | High       | September 2021                |
| Cash Handling Separation of Duties                                 | High       | September 2021                |

### Engagement Team

Mr. Jason Boone, CFE

Mr. Brandon Morales, CISA, CGAP

<sup>1</sup> Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



## Audit Results

CoLA management has improved their federal I-9 processing and made efforts to ensure individuals responsible for processing are aware of the requirements. Communication with departments has improved to notify faculty and staff about any issues. In addition, missing or incomplete I-9s and expiring work authorizations are viewable in Workday and I-9 training is provided to applicable CoLA staff, including one-on-one training for I-9 partners.

While testing did not indicate any discrepancies between staff and faculty compensation and their appointments, CoLA management continues to identify employees who receive incorrect compensation. Staff are not clear on responsibilities to monitor and determine whether employees receive appropriate compensation.

While CoLA management has improved processes, the following six recommendations will enhance controls and improve business functions. In addition to the recommendations included in this report, we have provided other risk considerations for CoLA and communicated relevant recommendations to central Human Resources.

### Observation #1 Conflict of Interest/Commitment and Outside Activities Disclosures

Annual conflicts of interest, conflicts of commitment, and/or outside activity disclosure forms are not consistently completed throughout CoLA. Five (62.5 percent) of eight departments surveyed indicated that these disclosures are not made by faculty and staff. Additionally, possible conflicts of interest are not reviewed for faculty-initiated awards to students. There is an increased risk of financial fraud to the university's credibility and reputation when conflicts of interest, commitment, or outside activities are not disclosed.

Section 5-2011 of the UT Austin *Handbook of Operating Procedures* states, "Each full-time faculty, full-time professional and administrative staff, are required to disclose annually...

- a. a description of the nature and extent of all outside employment or other compensated activity;
- b. a description of the nature and extent of any outside activity, regardless of compensation, that reasonably appears to create a conflict of interest or a conflict of commitment"

**Recommendation:** CoLA management should establish expectations for all faculty and staff to submit annual disclosures of conflicts of interest, conflicts of commitments, and outside activities. In addition, management should implement procedures to monitor faculty-initiated payments for conflicts of interest.

**Management's Corrective Action Plan:** Biannually, the Associate Dean for Academic Affairs and the Assistant Dean for Finance and Administration will notify staff and faculty, respectively, via email of the requirement and process to report conflicts of commitment/conflicts of interest/outside activities disclosures. The College has also reached out to the Office of the Executive Vice President and Provost (EVPP) and the Assistant Vice President for Faculty



Affairs to learn more about the outside activities disclosure process, including routing of submissions. We await a response to that inquiry.

**Responsible People:** Staff: Assistant Dean for Finance and Administration, Faculty: Associate Dean for Academic Affairs

**Planned Implementation Date:** September 1, 2021

### Observation #2 I-9 Timeliness

I-9s are not always completed in required timeframes during the hiring process. Eleven (37 percent) of 30 I-9s examined were not completed or processed within the required timeframes. There are numerous factors that create delays in completing the I-9 process. UT Austin, the hiring department, and the hiring manager may be subject to civil fines, criminal penalties, and the loss of federal funds because of non-compliance.

The United States Citizenship and Immigration Services agency requires employees to complete and sign Section 1 of Form I-9 no later than the first day of employment, but not before accepting a job offer. Employers or their authorized representative must complete and sign Section 2 of the I-9 within 3 business days of the employee's first day of employment.

**Recommendation:** CoLA management should continue to work with central Human Resources (HR) to complete I-9s within the required time during the hiring process. Additionally, CoLA management should provide education and documented guidance for those involved in the hiring process to ensure UT Austin complies with federal laws.

**Management's Corrective Action Plan:** On a weekly basis, CoLA HR will run Workday report RPT0828 as an audit measure and notify departments regarding I-9 records that need to be completed/corrected. CoLA HR staff members holding an I-9 Partner role will reach out to units' I-9 Partners on any I-9s that have not been completed within 3 business days, in order to immediately identify and resolve the issue(s) or, initiate a termination. CoLA HR has been holding I-9 training sessions each semester as a prerequisite for granting I-9 partner access in Workday; the last training was held on March 30, 2021, with trainings being scheduled for the fall 2021 semester.

**Responsible People:** Assistant Dean for Finance and Administration, Director of Human Resources

**Planned Implementation Date:** July 19, 2021

### Observation #3 Offer Letters

CoLA offer letters are not retained as required; however, CoLA management is changing the retention process for these documents. CoLA offer letters are stored in multiple locations across various departments, creating weaknesses with maintaining these documents. There is an



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increased risk of adverse audit findings or legal rulings for failure to produce required records when offer letters are not retained as required.

The UT Austin Records Retention Schedule requires executed, renewed, or amended employment contracts for employees, including written offer letters, be retained for seven years. Employee contracts that are not retained in Workday or by the Provost's Office are to be retained by the department according to the retention requirements.

**Recommendation:** CoLA management should continue efforts to centrally maintain offer letters to ensure compliance with document retention policies.

**Management's Corrective Action Plan:** Offer letter record retention has been amended as follows:

### Tenured and Tenure Track Faculty

Final signed offer letters are:

1. Sent to EVPP-Academic Personnel Services (APS).
2. Saved to CoLA's Offers and Accounts databases in Filemaker.
3. Saved to a UT Box folder tied to the individual faculty member's recruitment (faculty recruitment folders are organized by hiring department in the COLA HR Box).

### Non-Tenured Faculty

Upon initial hire, final signed offer letters are sent to EVPP-APS. For renewals, CoLA HR policy is for renewal offers to be uploaded to Workday as part of the "contract" process within Workday.

### Staff

CoLA HR requires that all staff hiring requests include a signed offer letter attached to the Workday Business Process.

**Responsible Person:** Director of Human Resources

**Planned Implementation Date:** Already in effect.

## **Observation #4 ProCard Separation of Duties**

Separation of duties for ProCard transactions is not consistently present throughout CoLA. Two (25 percent) of eight departments surveyed identified ProCard procedures without separation of duties between the cardholder, reconciler, and final approver. Separation of duties minimizes the occurrence of errors or fraud by preventing an employee from perpetrating and concealing errors or fraud.

Section 7.8.5 of the UT Austin *Handbook of Business Procedures (HBP)* states, "A Cardholder is not allowed to be assigned in other roles within the ProCard approval process. The roles and responsibilities involved in the payment voucher process are as follows:



### *Cardholder*

A Cardholder is responsible for reviewing and submitting documentation for each transaction that occurred during the designated billing cycle period to the Reconciler assigned to their card. The Cardholder is also responsible for ensuring that their payment voucher is final approved by the designated deadline.

### *Reconciler*

A Reconciler is responsible for data entry of pertinent information into the payment voucher. This includes a valid account number, an appropriate object code, and any coding that the CSU requires regarding each individual transaction. This individual also completes a thorough review to ensure all usage is in compliance with ProCard policies and procedures. Once their portion of the payment voucher process is complete, they route it forward for final approval.

### *Final Approver*

The final approver within the cardholder’s respective College, School, or Unit (CSU) is the last person involved in the payment voucher process. This individual verifies that a Cardholder has submitted all of the documentation for charges within the designated billing cycle period and that the Reconciler has completed a thorough review. Once these two items have been verified as complete, this individual must review the documentation once more before final approving the payment voucher.”

**Recommendation:** CoLA management should work with departments to enforce separation of duties so all roles involved with ProCard purchases are tasked to different individuals. If an exception is necessary, the department should contact and request an exception from the central ProCard Office.

**Management’s Corrective Action Plan:** CoLA will clearly document and communicate separation of duty requirements; identify areas where separation of duties is not in place, and transition those areas to establish processes in compliance with best practices. If staff availability is limited, the CoLA Finance Office may serve to accomplish a separation of duties for the units.

**Responsible Person:** Assistant Dean for Finance and Administration

**Planned Implementation Date:** September 1, 2021

### **Observation #5 Cash Handling Procedures**

Cash handling procedures are not documented in all CoLA departments handling cash. Five (62.5 percent) of eight departmental questionnaires indicated that departments do not maintain documented cash handling procedures. There is an increased risk of fraud and loss of university funds when documented cash handling procedures do not exist.

Section 6.1.D of the UT Austin *HBP* states, “Each department accepting cash shall maintain a documentation file. This file shall include departmental cash handling procedures. The procedure will be reviewed by the Office of Internal Audits in the normal course of its activities.”





**Recommendation:** CoLA management should require each department accepting cash to develop and maintain approved documented cash handling procedures.

**Management's Corrective Action Plan:** CoLA will identify all areas currently accepting cash, and explore options to discontinue cash handling when possible. Areas that must continue collecting cash will be asked to submit documentation of their procedures, which will be reviewed by the Dean's Office annually.

**Responsible Person:** Assistant Dean for Finance and Administration

**Planned Implementation Date:** September 1, 2021

### **Observation #6 Cash Handling Separation of Duties**

One (12.5 percent) of eight departmental questionnaires indicated that transaction or business functions are being handled by one individual. Separation of duties minimizes the occurrence of errors or fraud by ensuring no employee has the ability to both perpetrate and conceal errors or fraud in the normal course of their duties.

Section 6.1.B of the UT Austin *HBP* states, "The cash handling and record-keeping functions should be separated. If the office is small, and separation of duties is impracticable, the supervisory personnel who do not handle cash should perform specific verification that provides for reasonable and sound internal controls."

**Recommendation:** CoLA management should separate cash handling and record-keeping functions. If separation is not possible, given limited staff, CoLA management should provide more oversight and review.

**Management's Corrective Action Plan:** Related to observation #5, the College's initial response will be to eliminate cash handling when other lower risk options exist; when cash handling must continue, unit managers will be required to document and maintain a separation of duties for their staff handling cash. If staff availability is limited, the CoLA Finance Office may serve to accomplish a separation of duties for the units.

**Responsible Person:** Assistant Dean for Finance and Administration

**Planned Implementation Date:** September 1, 2021

### **Other Risk Considerations**

#### Incomplete I-9s

Workday allows the hiring process to be completed without an employee's social security number because some employees do not have one. An automated process (e.g., soft stop or notification screen) to flag I-9s completed without a social security number does not exist. I-9 documents without a social security number (or equivalent for foreign nationals) do not comply



with United States Citizenship and Immigration Services agency requirements. This is a campus wide issue that has been presented to central Human Resources.

### Monitor/Reconcile Payroll

While testing did not indicate any discrepancies between staff and faculty compensation and their appointments, CoLA management indicated that some employees have not consistently received the correct compensation. No monitoring or reconciling procedures exist at the college level to ensure employees receive appropriate compensation. UT Austin may be required to retroactively pay employees for time receiving incorrect compensation. CoLA management should create a joint process for Human Resources and Finance and Administration at the college to monitor and reconcile employee compensation to ensure accurate amounts are being disbursed.

## Background

CoLA is comprised of 25 academic departments and 24 centers and institutes. CoLA management is tasked with creating consistency through controls, policies, and procedures for one of the largest colleges on campus. Centralized CoLA units, such as Finance and Administration and Human Resources, assist with specialized expertise and strategic solutions for issues. However, individual departments are responsible for numerous business operations and administrative functions.

## Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards 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 on our audit objectives.

CoLA management requested Internal Audits review the college for possible control weaknesses in its business operations. This audit focused on areas determined to be high risk during our engagement risk assessment. The scope of this review includes current policies, procedures, and controls. Specific audit objectives were to determine whether:

- I-9s are processed timely
- Staff and faculty compensation are paid according to approved appointments
- Payments initiated by faculty to individuals (e.g., students, family, or friends), comply with applicable university and other governing regulations



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The following procedures were conducted:

- Reviewed internal policies and procedures
- Reviewed feedback from questionnaires sent to a sample of CoLA departments
  - Questionnaires provided information on procedures and controls for business functions
- Interviewed staff regarding human resources, staff and faculty compensation, monitoring and reconciling payroll, and faculty-initiated payments
- Selected a random sample of CoLA employee I-9s and tested for complete documentation, appropriate approval, and timeliness
- Selected a random sample of CoLA staff and faculty and tested to ensure pay rates and appointments are correct
- Evaluated the process for faculty-initiated awards to students to understand how documentation is routed and when it is approved
- Selected a stratified sample of awarded CoLA scholarships and followed flow of funds to determine whether awards were allowable
- Reviewed CoLA's process for identifying possible conflicts of interest between faculty and payee



## Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

| Risk Level | Definition  |
|------------|---|
| Priority   | If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole. |
| High       | Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.  |
| Medium     | Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.   |
| Low        | Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.   |

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

## Report Distribution

The University of Texas at Austin Institutional Audit Committee

- Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer
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