



# eProcurement

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Audit Report No. R2201 | *November 11, 2021*



## Executive Summary

### Audit Objective

To provide assurance that information system controls over eProcurement are effective, including controls such as proper segregation of duties, access, and safeguarding of confidential information.

### Controls and Strengths

- Established processes exist for adding and removing user permissions.
- Assigned approval permissions for travel reimbursements have been implemented, ensuring that the ability to approve travel expenses for leadership is limited to specific individuals.

### Overall Conclusion

Information system controls over eProcurement appear to be effective, including proper segregation of duties, access, and safeguarding of confidential information. Obtaining fraud liability protection from the third party used to assist with vendor set-ups will help reduce additional liability in the event of payment fraud.

### Observations by Risk Level

Management has reviewed the observations and has provided responses and anticipated implementation dates.

Observation	Risk Level	Management's Implementation Date
1. <b>Obtain Fraud Protection</b> Opportunities exist to mitigate risks and maintain financial protection in the event of a fraud.	<b>Low</b>	June 30, 2022

*For details, engagement methodology, and explanation of risk levels, please see the attached report.*



## Detailed Audit Results

Observation	Effect	Recommendation <sup>1</sup>
<b>1. Obtain Fraud Protection</b>		
<p>UT Dallas identified PaymentWorks, a third-party entity that assists with vendor setup and vetting vendor information, as a potential vendor. Before finalizing the contract, UT System took over the negotiation process, but the final contract did not include the desired fraud liability protection.</p> <p>To help mitigate the risks, UT Dallas has implemented dual-approval for vendor information changes within PeopleSoft in conjunction with PaymentWorks. When the contract is renegotiated, having the fraud liability protection would be beneficial to minimize financial liabilities.</p>	<p>Without this protection, UT Dallas would face additional liability from incidents of payment fraud.</p>	<p><b>Low Risk</b></p> <p>The Office of Budget and Finance should explore opportunities to mitigate risks and maintain financial protection in the event of a fraud.</p>
<p><b>Management’s Action Plan:</b>            UT Dallas is working with UT System and banking partners to explore the available options for payment fraud liability protection. A risk mitigation plan will be developed and implemented.</p> <p><b>Responsible Party Name and Title:</b>            Dr. Brian Bernoussi, Assistant Vice President for Operations, Office of Budget and Finance</p> <p><b>Estimated Date of Implementation:</b>            June 30, 2022</p>		

<sup>1</sup> See Appendix A on page 5 for definition of observation risk rankings. Minimal risk observations were communicated to management separately at the exit meeting.



## Overall Conclusion

Information system controls over eProcurement appear to be effective, including proper segregation of duties, access, and safeguarding of confidential information. Obtaining fraud liability protection from the third party used to assist with vendor set-ups will help reduce additional liability in the event of payment fraud. The following is a summary of the audit results.

Audit Area	Controls Assessment
Vendor Management	Effective with low-risk observation noted
Role Access Testing	Effective – no observations
Communication and Information Availability	Effective – no observations

## Background - eProcurement

eProcurement is an electronic procurement system developed by Jaggaer, a software company, and used by UT Dallas to procure goods and services. The system tracks and processes purchases, reimbursements, and payments. The system is managed by the Office of Budget and Finance, and it enables UT Dallas to process purchases across multiple departments, establish approval chains, and maintain separation of duties.

The Office of Budget and Finance approves access to the system; however, user management is conducted by the Office of Information Technology's Identity and Access Management team. Roles for eProcurement directly tie to roles assigned to users within PeopleSoft, as well as cost center approvals. Role assignments and adjustments are processed through an automated system (eCAT). Within eProcurement, there are different levels of approval depending on the type of transaction. For example, if a capital asset is purchased, an approval from the inventory team is required, or if a purchase is made with grant funds, it must be approved by the Sponsored Programs team. These requirements were established to ensure proper approval and review for the relevant purchase or funding used.

## Objective, Scope, and Methodology

Our overall objective was to provide assurance that information system controls over eProcurement are effective, including controls such as proper segregation of duties, access, and safeguarding of confidential information.



The audit period was FY20-21. Fieldwork was conducted from January 2021 – September 2021, and the audit concluded on September 3, 2021. To achieve our objective, the audit focused on the following areas:

Audit Area	Methodology
Gained an understanding of the audit area and assessed risks	Interviews and observation of processes and related documentation
Vendor Management	Interviews and observation of processes and related documentation
Role Access Testing	Interviews and analysis of workflow; review of documentation; test of role access, including proper authority, segregation of duties, timeliness of changes to user access
Communication and Information Availability	Interviews and observations of communication and training for users

The 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 (GAGAS). Those standards are required by the Texas Internal Auditing Act, and 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. The Office of Audit and Consulting Services is independent per both standards for internal auditors.

### Follow-up Procedures

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. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



## Appendix A: Observation Risk Ranking

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

Risk Level	Definition
<b>Priority</b>	If not addressed immediately, a priority observation has a significant probability to directly impact the achievement of a strategic or important operational objective of UT Dallas or the UT System as a whole. These observations are reported to and tracked by the UT System Audit, Compliance, and Risk Management Committee (ACRMC).
<b>High</b>	High-risk observations are considered to be substantially undesirable and pose a high probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Medium</b>	Medium-risk observations are considered to have a moderate probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Low</b>	Low-risk observations are considered to have a low probability of adverse effects to UT Dallas either as a whole or to a division/school/department level.
<b>Minimal</b>	Some recommendations made during an audit are considered of minimal risk, and the observations are verbally shared with management during the audit or at the concluding meeting.



## Appendix B: Report Submission and Distribution

We thank the Office of Budget and Finance management and staff for their support, courtesy, and cooperation provided throughout this audit.

Respectfully Submitted,

Toni Stephens, CPA, CIA, CRMA, Chief Audit Executive

### Distribution List

*Members and ex-officio members of the UT Dallas Institutional Audit Committee*

#### *Responsible Vice President*

- Mr. Terry Pankratz, Vice President for Budget and Finance

#### *Persons Responsible for Implementing Recommendations*

- Dr. Brian Bernoussi, Assistant Vice President for Operations

#### *Other Interested Parties*

- Lori Matthews, Director of Purchasing
- Jene Janich, Director Travel and One Card
- Jennifer Mayes, Financial Compliance Manager

#### *External Parties*

- The University of Texas System Audit Office
- Legislative Budget Board
- Governor's Office
- State Auditor's Office

#### *Engagement Team*

Project Leader: Chris Robinette, IT Auditor III

Staff: Caitlin Cummins, Auditor III