

College of Liberal Arts
Change in Management Audit

Audit Report # 23-102
August 3, 2023



The University of Texas at El Paso
Office of Auditing and Consulting

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The University of Texas at El Paso
Office of Auditing and Consulting Services

500 West University Ave
El Paso, Texas 79968
915-747-5191
www.utep.edu

August 3, 2023

Dr. Heather Wilson
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Wilson:

The Office of Auditing and Consulting Services has completed a limited-scope audit of the College of Liberal Arts. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals, and objectives are achieved.

We appreciate the cooperation and assistance provided by the College of Liberal Arts staff during our audit.

Sincerely,

A handwritten signature in blue ink that reads 'Lori Wertz'. The signature is fluid and cursive, with the first letters of each word being capitalized and prominent.

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

Background

Effective June 2022, Anadeli Bencomo, Ph.D. was appointed Dean of the College of Liberal Arts (Liberal Arts). Liberal Arts is home to the social sciences, the humanities, and the visual and performing arts. With nearly 7,000 students and more than 20 departments and programs, it is the largest college at The University of Texas at El Paso (UTEP).

Audit Objectives

The objectives of this audit were to determine whether:

- administrative and financial operations are performed in accordance with University's policies and procedures, and
- expenditures for course fees and operating expenses are in alignment with the strategic objectives of the college.

Scope

The audit scope was limited to selected financial and administrative activities for the period of September 1, 2021, to March 31, 2023.

Strengths

The Music Department implemented a recommendation from an audit conducted in 2019 to reduce the risk of misappropriation of assets by eliminating cash transactions. Overall, the College maintained strong supporting documentation for their financial transactions.

Summary of Audit Results

Issue	Risk Ranking
1. APS approved after service period start date.	Medium
2. Unallowable student fee expenditures.	Medium
3. Student fee accounts contained high unexpended balances.	Medium
4. Unallowable Pro Card transactions.	Medium
5. Some Travel Authorizations are not created prior to travel.	Medium
6. Recharge Centers do not follow ORSP Recharge Center Policy.	Medium
7. History Department cash handling process needs improvement.	Medium

Conclusion

Based on the results of audit procedures performed, we conclude that the College of Liberal Arts can strengthen existing University controls by implementing the recommendations detailed in this report.

BACKGROUND

Change in Management audits are performed within the first two years of a change in an upper management position. The audit is tailored to specific risks of the College or Department based on management concerns, University goals and auditors experience. In addition to the audit objectives, it aims to provide new management with useful information for strategic planning and decision making.

Effective June 2022, Anadeli Bencomo, Ph.D. was appointed Dean of the College of Liberal Arts (Liberal Arts). Liberal Arts is home to the social sciences, the humanities, and the visual and performing arts. With nearly 7,000 students and more than 20 departments and programs, it is the largest college at UTEP.

For Fiscal Year 2022, the College budget was distributed as follows:

Budget Account Description	Budget Amount
Faculty Salaries	\$21,839,040
Teaching Assistants Salaries	\$2,587,623
Staff Salaries	\$3,337,800
Wages	\$412,801
Payroll related costs	\$156,516
Operating Expenses	\$6,896,917
Total	\$35,230,697

Note: Research project budgets are not included

The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.

AUDIT RESULTS

A. Authorization for Personal Services (APS) payments

1. APS forms approved after service period start date.

Medium Risk

Per UTEP policy, the Authorization for Personal Services (APS) form is used as a basis for paying individuals to provide consulting or specialized services to the University. APS forms must be fully approved prior to services being rendered.

Consulting and specialized services accounted for 13% of all operating expenses. 70 vouchers were selected for testing; however, they included only 11 APS forms as the same APS can be used for multiple payments. Seven out of the 11 forms were approved after the service period start date.

Requests from the departments are not submitted on a timely basis to their Business Center to allow enough time for the approval process. The approval routing process of the APS form allows for detailed review and ensures compliance with applicable laws and regulations before the services are provided.

Per IRS regulations, if an employee is classified as an independent contractor with no reasonable basis for doing so, the University may be held liable for employment taxes for that worker.

Recommendation:

Ensure personal and consultant services are not provided before the Authorization for Personal Services (APS) form is fully approved. Requestors should be made aware of the estimated approval processing time.

Management Response:

We will work on preparing forms promptly and will educate departments to highlight the need to have forms submitted ahead of time, prior to services rendered. In some instances, forms were prepared in advance, but the approval process beyond the College experienced delays. Responsible party to also include Rafael Valadez, Assistant Dean, and in collaboration with department and program heads.

Responsible Party:

Chris Loya, College Administrative Officer

Implementation Date:

December 1, 2023

B. Student Fee Transactions

2. Unallowable student fee expenditures.

Medium Risk

The University of Texas System (UT System) provides specific guidance for nonmandatory fees to assist the University in the determination of appropriate expenditures. The latest guidance was issued in March 2020. The guidance aligns with Texas Education Code (TEC) §54.504 Incidental Fees (and emphasizes that payroll expenses and other normal operating expenditures are not allowed to be paid from course, lab, college major and program fees.

In addition, ‘Non-Mandatory Fee Increase or New Fee Proposal’ forms that are submitted to UT System for approval were reviewed to identify the specific needs/expenses listed in the request.

A sample of 25 student fee expenditures were selected for review. The following expenses were not in alignment with TEC §54.504 and were not specifically approved by UT System:

Expense description	Amount	Reason for non-compliance with TEC 54.504
Tuition Support	\$2,785.44	Does not benefit all students who are assessed the fee
Repainting Lounge area	\$1,215.20	Costs relating to the provision of facilities or services required for the general operation of the institution are unallowable
Faculty conference registration	\$ 210.00	Does not benefit all students who are assessed the fee

In addition, a budget transfer in the amount of \$1,000 was requested. While the intended expense was appropriate, transfer of funds out of course fees should be limited to allow close monitoring of the expenses being processed with these funds.

Due to the decentralized nature of Liberal Arts, departments monitoring fee expenditures may not be aware of UT System Guidelines for fee spending. The use of student fees for unallowable expenses reduces the amount of fee revenue available to spend on enhancements to the student learning experience that were proposed when the fee was approved.

*A similar issue was documented in Student Fees Audit Report # 22-109: Issue 2. Many student fee expenditures and transfers are unallowable per Chapter 54 of the TEC. Pending Implementation Date: August 31, 2023

Recommendation:

The Chief Administrative Officer and other relevant parties at the College should be aware of UT System Guidelines and federal policies to prevent unallowable expenditures and transfers out of student fee accounts in the future.

Management Response:

The College will share the UT System guidelines with Departments Heads. We will share electronic file/sheet received by the audit office and discuss mid-semester to help familiarize with guidelines.

This information was not readily communicated to our College Business Office by the University. CAO to work in coordination with department and program heads.

Responsible Party:

Chris Loya, College Administrative Officer

Implementation Date:

December 1, 2023

3. Student fee accounts have high unexpended balances.

Medium Risk

TEC §54.504 states: "The rate of an incidental fee must reasonably reflect the actual cost to the university of the materials or services for which the fee is collected."

OACS judgmentally selected three course fees and three major fees accounts to determine unexpended balances in Fiscal Year 2022:

Fee Cost Center Description	Unexpended Balance	Exceeds 20% of Revenue
Communications Course Fee	\$ 11,400.54	92%
Languages & Linguistics Course Fee	\$ 4,547.90	95%
Music Major Fee	\$ 46,742.45	33%
Theater Dance Major Fee	\$ 28,482.59	69%
Art Course & Major Fee (commingled)	\$ 75,983.57	41%

A process to monitor large unexpended balances does not exist. High unexpended balances may indicate that the fee is too high or that necessary services are not provided.

*A similar issue was documented in Student Fees Audit Report # 22-109: Issue 5. Unexpended balances and carryforwards are not monitored. Pending Implementation Date: August 31, 2023.

Recommendation:

Nonmandatory and mandatory unexpended balances should be monitored at the College level. The College should work with departments to provide formal justifications or action plans to reduce large balances.

Management Response:

We will educate Department Heads on the need to spend funds from the course and major fees and/or to assess the current fee levels as needed. Communication to be done via email with a follow up meeting dedicated to finances mid-semester with chairs and directors. CAO/College Business Office to provide account balance updates mid-year. Responsible party to also include Business Center staff.

Responsible Party:

Chris Loya, College Administrative Officer

Implementation Date:

December 1, 2023

C. Pro Card Transactions

4. Unallowable Pro Card transactions.

Medium Risk

A sample of 21 high risk transactions were selected for review. 12 transactions were considered unallowable per UTEP Pro Card Policies & Procedures; only eight have an approved exception from the Purchasing department.

The four unapproved transactions include the following:

- two transactions for food and drinks
- two transactions for rental equipment

Additionally, the two transactions for food and drinks had no approved Entertainment Expense form as required by UTEP Entertainment Expenses policy.

Large amounts of unallowable purchases, with or without exceptions, can lead to unauthorized purchases and the risk of unallowable or fraudulent transactions.

Recommendation:

Liberal Arts Pro Card holders should attend training on the University Procurement Card Program Policies and Procedures to review policies, limit unallowable purchases and ensure understanding of required exceptions and forms to be included in supporting documentation. Liberal Arts should also prioritize the University purchase order method to reduce Pro Card purchases.

Management Response:

Our office will continue to remind stakeholders to use Purchase Orders when possible and to ask for exceptions as needed by the University Business Office prior to any purchases being made.

College leadership will share the policies and procedures notes with departments and programs.

Given the diversity of the programs within the College, we have various unusual circumstances that necessitate the use of Purchase Cards – perhaps more so than other Colleges. Responsible party to work with Business Center specialists and department/program heads.

Responsible Party:

Chris Loya, College Administrative Officer

Implementation Date:

December 1, 2023

D. Travel

5. Some Travel Authorizations are not created prior to travel.	Medium Risk
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Per institutional policy, a Travel Authorization (TA) is required to justify absences from campus for business travel for periods of half a day or more during normal working hours. The TA must be completed by the department travel planner on a PeopleSoft document prior to travel.

Potential after the fact TAs were identified. Three out of five TAs selected for testing were created after the traveler had returned from the trip.

Travelers do not inform their Business Center about their travel plans to ensure proper process is followed. TAs allow for the supervisor and University to prepare for the absence and inform the traveler of any compliance requirements. By not having authorization prior to travel, it increases the risk of noncompliance and possible non-reimbursable expenses.

Recommendation:

All travelers should adhere to UTEP Travel policy and have an approved travel authorization prior to departure.

Management Response:

We will remind department chairs and staff that all University business travel requires a Travel Authorization form submission. The change of administrative staff in various units may have complicated the execution of this policy.

We will remind faculty and staff to submit forms for any travel. We will share the link to the TA form so that every department has a link to the Business Center's forms on their website. Responsible party to work with Andy Castellanos, Director of LACIT.

Responsible Party:

Rafael Valadez, Assistant Dean

Implementation Date:

December 1, 2023

E. Recharge Centers

6. Recharge Centers do not follow ORSP Recharge Center Policy.	Medium Risk
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Recharge Centers are units that provide technical services and/or goods primarily for the benefit of other units within the University. They recover their costs by charging consistent internal and external rates.

Liberal Arts has two recharge Centers:

- Translation Services
- Latino Alcohol and Health Disparities Research and Training (LAHDR)

Per UTEP policy, Both Recharge Centers are not in compliance with the following requirements:

- Billing rates must be calculated annually and submitted for Vice President for Business Affairs (VPBA) review.
- Surplus or deficit for a given fiscal year should not exceed 10% of annual operating expenses.

In addition, LAHDR provided adjusted/discounted rates to external customers without the required VPBA approval.

There is a lack of awareness from Recharge Centers administrators/owners of UTEP and Federal policies that impact their operations. Recharge Centers fall under specialized service facilities per the Code of Federal Regulations (CFR) § 200.468 and non-compliance with federal regulations can result in financial loss from government action.

Recommendation:

Recharge Centers should adhere to policies and procedures by reviewing rates and balances annually. The invoice rate should match approved rates, unless VPBA approval is obtained.

Recharge Centers administrators/owners should be aware of applicable laws, regulations, and policies.

Management Response:

The College will be in contact with Dr. Fields to inform him of the guidelines, regulations, and policies attached to his funding; we will reach out to the Business Affairs folks – Dr. Lupe Valencia for guidance.

The Translation Center will have their staff members retire in Jan. 2024; the Department of Latin-US and Linguistics is looking to restructure that office, their work, and their practices. We anticipate changes to this center and their operations as a whole and thus are listing a later date to accommodate new leadership and staff within that unit and department. Responsible party to work with Rafael Valadez, Assistant Dean, and with center heads.

Responsible Party:

Chris Loya, College Administrative Officer

Implementation Date:

December 1, 2023

F. Cash Collections

7. History Department cash handling process needs improvement.	Medium Risk
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History Day is a local elementary and middle school competition held at the University, where 300 to 400 students participate for a registration fee of \$5 per student. The History Department collects checks from local schools and districts for student registration payments and event sponsorships.

Based on UTEP Cash Handling/Change Fund Policy, the following was determined regarding collections:

- No written change fund handling procedures exist.
- There is no segregation of duties in the collection/reconciliation process.
- Check logs contain insufficient information.

The department does not have proper guidance and training on fund collections for History Day. Without proper oversight, the University increases the risk of missing checks, uncollected revenue, and possible fraudulent activities.

Recommendation:

The History Department should develop written cash collections handling procedures specific to department, including segregation of duties. Additionally, the Liberal Arts should provide fund collection training for any department that handles cash.

Management Response:

Work with the Department of History to establish clear cash handling duties. The College will advise that only one person oversees all History Day funding processes and the organization of the event. The Business Center to aid in implementing a similar system to the Department of Music's locker fee program.

Responsible Party:

Chris Loya, College Administrative Officer

Implementation Date:

December 1, 2023

RANKING CRITERIA

Priority	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.
High	A finding identified by internal audit considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.
Medium	A finding identified by internal audit considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.
Low	A finding identified by internal audit considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

Report Distribution:

University of Texas at El Paso:

Ms. Andrea Cortinas, Vice President and Chief of Staff
Dr. John Wiebe, Provost and Vice President for Academic Affairs
Dr. Anadeli Bencomo, Dean, College of Liberal Arts
Mr. Chris Loya, Chief Administrative Officer, College of Liberal Arts
Ms. Mary Solis, Director and Chief Compliance and Ethics Officer

University of Texas System (UT System):

System Audit Office

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Governor's Office of Budget, Planning and Policy
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Internal Audit Coordinator, State Auditor's Office

Audit Committee Members:

Mr. Steve DeGroat
Mr. Fernando Ortega
Mr. Mark McGurk
Mr. Daniel Garcia
Ms. Guadalupe Gomez

Auditors Assigned to the Audit:

Narahay Buendia, Senior Auditor II
Joanna Tapia, Senior Auditor I

APPENDIX A: SAMPLES

Authorization for Personal Services Payments Sample:

	Vendors	Transaction Number	Transaction Amount
Total Population	324	636	\$701,690
Sample Tested	7	70	\$ 53,137

Travel Sample:

	Travel Authorizations
Total Population	983
Potential after the fact	150
Sample tested	5

Pro Card Transactions Sample:

	Pro Card Holders	Transaction Number	Transaction Amount
Total Population	42	2,220	\$331,932
Sample Tested	13	21	\$ 11,937

Course/Major Fees Sample:

	Transaction Number	Transaction Amount
Total Population	1,782	\$380,579
Sample Tested	25	\$ 38,400