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System Audit Office

201 West Seventh Street, Austin, Texas 78701-2981
Phone: 512-499-4390 Fax: 512-499-4426

September 29, 2011

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The University of Texas
of the Permian Basin

The University of Texas at San Antonio

The University of Texas at Tyler

Mr. Terry Hull
Assistant Vice Chancellor for Finance
The University of Texas System Administration
201 W. 7th Street, ASH 4
Austin, Texas 78701

Dear Mr. Hull:

We have conducted a change in management audit of the Office of Finance. The detailed report is attached for your review.

We conducted our audit in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the assistance provided by Office of Finance management and other personnel. We hope the information presented in our report is helpful.

Sincerely,

Handwritten signature of Charles G. Chaffin in cursive.

Charles G. Chaffin
Chief Audit Executive

The University of Texas
Southwestern Medical Center at Dallas

The University of Texas
Medical Branch at Galveston

The University of Texas
Health Science Center at Houston

The University of Texas
Health Science Center at San Antonio

The University of Texas
M. D. Anderson Cancer Center

The University of Texas
Health Center at Tyler

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cc: Francisco Cigarroa, M.D., Chancellor
Scott C. Kelley, Ed.D., Executive Vice Chancellor for Business Affairs

**The University of Texas System Administration
Office of Finance Change in Management Report
FY 2012**



September 2011

THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE
702 COLORADO STREET, CLB 3.100
AUSTIN, TX 78701
(512) 499-4390



**The University of Texas System Audit Office
Office of Finance Change in Management Audit
Fiscal Year 2012**

**Audit Report
September 2011**

BACKGROUND

The Office of Finance is a department within the Office of Business Affairs. Since 2001, the Office of Finance has been led by former Associate Vice Chancellor for Finance, Philip R. Aldridge. On June 10, 2011, Mr. Aldridge resigned, and then Terry Hull assumed the position of Associate Vice Chancellor for Finance. The 1996 Action Plan to Enhance Internal Controls requires that every department undergo an audit every three to five years or when a change in management occurs.

The Office of Finance provides debt management, investment oversight, and other financial services to the University of Texas (UT) System Board of Regents, the institutions, and UT System Administration. The department currently has four full-time positions and a total budget of approximately \$1,062,331 for Fiscal Year 2010 and \$1,155,648 for Fiscal Year 2011.

AUDIT OBJECTIVES & SCOPE

We conducted a change in management audit of the Office of Finance as part of the UT System Administration 2012 Audit Plan. The System Audit Office conducts an audit when there is a change in management in a department. These audits focus primarily on financial controls, such as capital asset tracking, account reconciliations, and proper expenditure approval, as well as operational controls, such as safeguarding of assets and proper segregation of duties. The System Audit Office's performance of this audit provides the new Associate Vice Chancellor for Finance assurance on whether the existing internal controls in the department are in place, adequate, and functioning as intended.

The specific objectives of this audit were to determine:

- The reliability and integrity of the department's key financial information;
- Whether controls are adequate and effective in safeguarding assets; and
- Whether internal control procedures are in place and functioning as intended.

Our audit was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The audit included activities in departmental accounts for the period June 1, 2011 through August 31, 2011.

AUDIT METHODOLOGY & RESULTS

Our audit procedures included testing controls and performing substantive tests, on a sample basis, related to account reconciliations, expenditures, salaries and wages, time reporting, and asset management. Specifically, our procedures included testing the following:

- Account reconciliations to determine whether all accounts were reconciled and reviewed timely;
- Expenditure transactions (travel, maintenance, operations and equipment, and official occasions accounts) to determine whether they were compliant with applicable policies and procedures;
- Salaries and other payroll expenditures to determine whether amounts were authorized and recorded accurately;
- Inventory controls to determine whether assets were properly safeguarded;
- Cash/check receipts to determine whether receipts were processed properly and deposited timely; and
- Controls to ensure appropriate segregation of duties.

Based on the procedures performed, the Office of Finance appears to have reasonably strong controls in place. Overall, accounts were reconciled; expense transactions, including travel, maintenance, operations and equipment, and official occasions, appeared to be in compliance with applicable policies and



**The University of Texas System Audit Office
Office of Finance Change in Management Audit
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procedures; salaries and other payroll expenditures were authorized and recorded accurately; and adequate controls for safeguarding assets were in place.

CONCLUSION

Overall, it appears that a control-conscious environment exists within the Office of Finance and that internal controls are in place and functioning as intended. Key financial information appears reliable and accurate, and controls within the department are adequate and effective in safeguarding assets and are functioning as intended.

We appreciate the assistance and cooperation of you and your staff in this audit. We hope that the information in this report is helpful.

Charles G. Chaffin

Charles G. Chaffin
Chief Audit Executive

Miles Ragland

Miles Ragland
Audit Manager