



## Office of Internal Audit

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December 8, 2015

Dr. Hobson Wildenthal, President *ad interim*  
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit of the Cash Management and Treasury Process as part of our fiscal year 2015 Audit Plan, and the report is attached for your review. The audit was conducted in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The objective of the audit was to provide assurance that adequate controls exist over the cash management and treasury process to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.

Based on the audit work performed, we conclude that generally, adequate controls exist over the cash management and treasury process. The attached report details recommendations that will help ensure employees handling cash are effectively trained and ensure compliance with UT System policies regarding executive management's review of significant cash variances.

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  
Institutional Chief Audit Executive

### *UT Dallas Responsible Parties:*

Dr. Kimberly Laird, Associate Vice President and Controller  
Mr. James Dockery, Assistant Vice President for Institutional Equity and Compliance  
Dr. Reda Bernoussi, Associate Controller  
Ms. Karol Miller, Treasury Manager  
Ms. Carla Garner, Compliance Manager

### *Members of the UT Dallas Institutional Audit Committee:*

External Members:  
Mr. Bill Keffler  
Mr. Ed Montgomery  
Ms. Julie Knecht  
Dr. Inga Musselman, Acting Provost  
Dr. Calvin Jamison, Vice President for Administration  
Mr. Terry Pankratz, Vice President for Budget and Finance  
Mr. David Crain, Vice President and Chief Information Officer  
Dr. Bruce Gnade, Vice President for Research  
Dr. George Fair, Vice President for Diversity and Community Engagement; Compliance Officer  
Dr. Gene Fitch, Vice President for Student Affairs  
Mr. Timothy Shaw, University Attorney

### *The University of Texas System:*

System Audit Office

### *State of Texas Agencies:*

Legislative Budget Board  
Governor's Office  
State Auditor's Office  
Sunset Advisory Commission



## Executive Summary

### **Cash Management and Treasury Process, Report No. 1606**

**Audit Objective and Scope:** To provide assurance that adequate controls exist over the cash management and treasury process to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information. Our audit covered FY 2014 and 2015.

The following is a summary of the audit recommendations by risk level. See Appendix for additional details.

Recommendation	Risk Level	Estimated Implementation Date
(1) <i>Ensure Employees Responsible for Cash Handling Receive Training</i>	<b>Medium</b>	July 1, 2016
(2) <i>Ensure Chief Business Officer Review for Cash Flow Analysis Variances</i>	<b>Medium</b>	December 15, 2016
<b>Responsible Vice Presidents:</b> <ul style="list-style-type: none"> <li>• Mr. Terry Pankratz, Vice President of Budget and Finance (1) (2)</li> <li>• Dr. George Fair, Vice President for Diversity and Community Engagement and Compliance Officer (1)</li> </ul>	<b>Responsible Parties:</b> <ul style="list-style-type: none"> <li>• Dr. Kim Laird, Associate Vice President and Controller (1) (2)</li> <li>• Mr. James Dockery, Assistant Vice President for Institutional Equity and Compliance (1)</li> <li>• Dr. Reda Bernoussi, Associate Controller (1) (2)</li> <li>• Ms. Karol Miller, Treasury Manager (1)</li> <li>• Ms. Carla Garner, Compliance Manager (1)</li> </ul>	
<b>Staff Assigned to Audit:</b> Polly Atchison, CPA, CIA, Audit Manager; Staff Auditors: Ray Khan, Hiba Ijaz, Ashley Mathew		



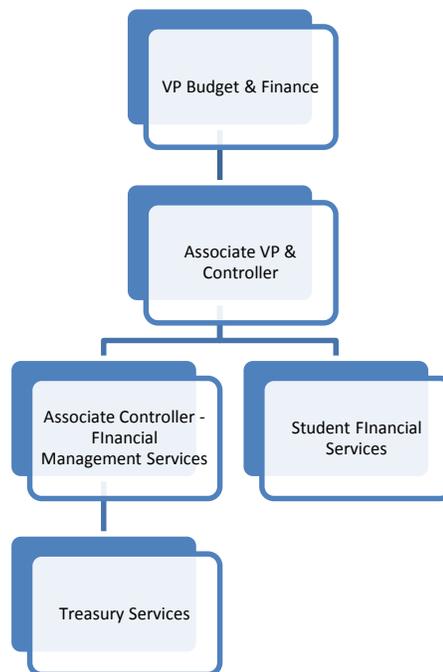
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## Background

The Office of the Vice President for Budget and Finance oversees the cash management and treasury process. As shown in the organization chart below, Financial Management Services is responsible for managing the University's treasury. The [Treasury](#) department, led by a Manager and three staff, oversees the bank and investment accounts, including cash flow management and bank and investment account reconciliations and analyses. Student Financial Services (the Bursar's Office) is responsible for overseeing student billing and collecting cash, checks, and credit card transactions, and serving as the University's primary cashier. However, some departments at UT Dallas are responsible for collecting and processing cash, checks and credit cards transactions related to their operations. This audit primarily focused on the Treasury operations.



Cash handling has been designated as a high-risk compliance area by the UT Dallas Executive Compliance Committee. As such, a Risk Assessment and Monitoring Plan (RAMP), outlining the monitoring, training, and reporting activities for this high-risk compliance area, has been implemented. Cash handling policies are outlined in both the [UT Dallas Cash Handling Policy](#) (UTDBP3040) and the [UT System Cash Management and Cash Handling Policy](#) (UTS166).



Cash and Cash Equivalents represent approximately 6% of total assets and are reported on the balance sheet as of August 31, 2015 as follows:

Current Unrestricted Cash and Cash Equivalents	\$74,875,378
Current Restricted Cash and Cash Equivalents	\$ 5,293,055
Noncurrent Restricted Cash and Cash Equivalents	\$18,153,110
<b>Total Cash and Cash Equivalents</b>	<b>\$98,321,543</b>

## Audit Objective

The objective of the audit was to provide assurance that adequate controls exist over the cash management and treasury process to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.

## Scope and Methodology

The scope of this audit was fiscal years 2014 and 2015, and our fieldwork concluded on October 28, 2015. To satisfy our objectives, we performed the following:

- Interviewed staff and reviewed policies and procedures and various documentation related to cash handling to gain an understanding of current operations and processes over cash management and treasury processes.
- Determined the adequacy of internal controls surround the treasury monitoring and reporting processes.
- Tested access controls to ensure only authorized users had access and the access related to their job responsibilities.
- Tested wire transfers to ensure adequate controls existed.
- Reviewed policies and procedures to determine if a proper segregation of duties was in place over the functions of collecting, depositing and recording cash.
- Reviewed cash handling inspections performed by the Treasury department to ensure monitoring procedures were being performed as designed in the Risk Management Plan.
- Reviewed and tested the cash flow analysis process to determine if analyses were performed regularly, timely and accurately.

Where applicable, we conducted our examination in accordance with the guidelines set forth in The Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance or audit work, and management of the internal auditing department.



## Audit Results and Management's Responses

### Controls

Our audit work indicated that the following controls currently exist:

- Updated policies and procedures exist over cash handling
- Segregation of duties exist in collecting, depositing and recording cash
- Cash handling inspections are conducted
- Bank and UTIMCO reconciliations are performed

### Audit Recommendations

#### *Priority Findings – UT System*

A UT System priority finding is defined by the UT System Audit Office as: “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.”<sup>1</sup> We have **no UT System Priority Findings** resulting from this audit.

However, we do recommend controls and processes be improved by implementing the recommendations outlined below, and see the Appendix for a definition of risk levels.

#### (1) **Ensure Employees Responsible for Cash Handling Receive Training** Risk Level: **Medium** ★

The UT Dallas *Cash Handling Policy*, UTDBP3040, requires that “*fund custodians and all cash handlers must obtain and successfully complete cash handling training on the UT Dallas eLearning website prior to assumption of cash handling duties.*” The UT Dallas Risk Management Plan (RMP) for Cash Handling and Cash Management states that “*All UTD departmental cashiers and supervisors receive annual cash handling compliance training. Training is provided through eLearning to new cashiers within 30 days after notifying Treasury.*” We performed procedures to ensure that UT Dallas employees received cash handling training, and noted the following:

- a. Based on our review of training records maintained by the Compliance Training Coordinator and discussions with both Institutional Equity and Compliance and the Treasury department, not all employees required to complete annual or new hire cash handling compliance training during FY 2015 were properly identified.

This was a result of a lack of communication from Institutional Equity and Compliance to the campus regarding job-specific training, a lack of monitoring of job-specific training by both Institutional Equity and Compliance and the Treasury department, and a lack of detailed procedures on the Cash Handling and Cash

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<sup>1</sup> Appendix A defines the priority and risk ranking used for all internal audit recommendations.



Management RMP prepared by the Treasury department. As a service to its customers, Institutional Equity and Compliance is responsible for a methodology of notifying responsible parties when the annual job-specific training will be held and results of the job-specific training results that were requested.

- b. The cash handling policy requires that training occur before employees assume their cash handling duties; however, the RMP requires it within 30 days of notifying the Treasury department. The RMP should be modified to comply with the policy.
- c. The RMP training procedures are not detailed enough to ensure that UT Dallas employees are adequately trained. Procedures should be detailed and include, at minimum, the following:
  - i. The process for identifying both new employees as well as current employees who require training;
  - ii. Treasury employee responsibilities for training by job title;
  - iii. Monitoring procedures performed by Treasury to ensure employees are properly trained, including elevation to managers when employees do not take the training;
  - iv. Consequences for not taking the required training.

Cash handling training for new and existing employees is essential given the high-risk nature, decentralized processes, and growth of the University. Without effective training, the risk of theft, fraud, and noncompliance with policies and procedures is increased.

**Recommendation:** The Treasury department should improve its training procedures to ensure employees responsible for cash handling receive training. Institutional Equity and Compliance should improve its training procedures to ensure adequate communication and monitoring for job-specific training.

**Management's Responses:**

- (1) *Treasury will work with the Office of Institutional Equity and Compliance (OIEC) to update and maintain an accurate list of employees required to take Cash Handling training in order to comply with University policy.*
- (2) *OIEC will assign and monitor training to employees identified to handle cash. Quarterly, OIEC will provide information to Treasury on employees who have completed the training. Accountability for ensuring employees complete the training will rest with the Department. Treasury will assist with compliance through monitoring efforts.*
- (3) *Treasury will work with OIEC to include specific controls and monitoring procedures in the Risk Management Plan to ensure employees responsible for cash handling receive training.*



**Estimated Date of Implementation:** *July 1, 2016*

**Person Responsible for Implementation:**

*Dr. Reda Bernoussi, Associate Controller*

*Mr. James Dockery, Assistant Vice President for Institutional Equity and Compliance*

(2) **Ensure Chief Business Officer Review for Cash Flow Analysis Variances**

(Prior Audit Recommendation)

Risk Level: **Medium** ★

Audit Report No. R1008, *Cash Management and Cash Handling*, dated February 26, 2010, recommended that written procedures for reporting significant material variances to the Vice President for Business Affairs be added to the Office of Finance Policies and Procedures. The recommendation was made based on UT System Policy UTS 166, *Cash Management and Cash Handling Policy*, section 5, which states that significant variances from cash flow analysis projections are to be reported to the chief business officer (CBO). Monthly cash analyses are required to be prepared to allow for cash and budgetary planning and information for executive management decision-making.

The process remains informal, with no written procedures and no evidence of CBO review. Analyses are being performed, and variances are discussed with the Associate Vice President and Controller. Without written procedures requiring evidence of CBO review, employees may not be aware of their responsibilities, especially during times of turnover. Since the previous audit, a new CBO (Vice President for Budget and Finance) was hired.

**Recommendation:** Written procedures for reporting cash flow analyses and significant material variances should be developed, and evidence of review by the Vice President for Budget and Finance should be maintained.

**Management's Response:**

*The investment rebalancing procedures will be updated to reflect the UTS 166 requirement to report significant variances from cash flow analysis projections to the Vice President for Budget and Finance. Evidence of this reporting will be maintained.*

**Estimated Date of Implementation:** *December 15, 2015*

**Person Responsible for Implementation:** *Dr. Reda Bernoussi, Associate Controller*



## Status of Prior Audit Recommendations

The following is the status of implementation of the recommendations resulting from Internal Audit Report No. R1008, *Cash Management and Cash Handling*, dated February 26, 2010.

Recommendation	Implemented?
(1) Ensure Compliance with Departmental Petty Cash Fund Handling Procedures:	Yes
(2) Ensure Compliance with UT System and UTD Cash Handling Procedures	Significantly Implemented – verbal recommendation made to management
(3) Revise Collection Policies and Procedures to Ensure Compliance with UTS 166	Yes
(4) Ensure Cash Disbursements Policies and Procedures are in Compliance with UTS 166	Yes
(5) Develop a Formal Reporting Process for Significant Material Variances Found in the Cash Flow Analysis	No – See Recommendation (2) above
(6) Ensure RAMP and Listing of Petty Cash Funds is Updated	Yes
(7) Strengthen Controls around Cash Handling at the Center for BrainHealth	Yes

## Conclusion

Based on the audit work performed, we conclude that generally, adequate controls exist over the cash management and treasury process to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information. Implementation of the recommendations above will help ensure employees handling cash are effectively trained and ensure compliance with UT System policies regarding executive management’s review of significant cash variances.

We appreciate the courtesy and cooperation received from the management and staff in Financial Management Services during this audit.



## Appendix: Risk Levels of Findings

### 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 Management Review Committee (ACMRC). Priority findings reported to the ACMRC 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.