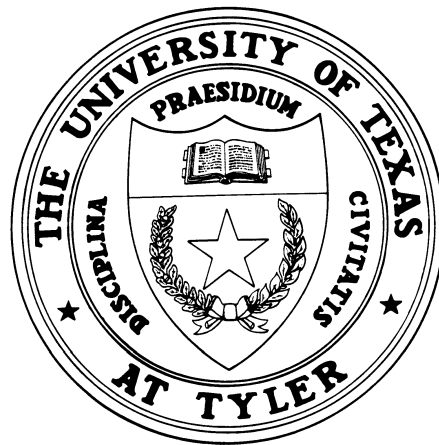


**The University of Texas
at Tyler**

**Departmental
Account Reconciliations Audit**



November 2018

THE UNIVERSITY OF TEXAS AT TYLER
OFFICE OF AUDIT AND CONSULTING SERVICES
3900 UNIVERSITY BOULEVARD
TYLER, TEXAS 75799

**The University of Texas at Tyler
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Fiscal Year 2019**

BACKGROUND

Account reconciliations provide an important review of transactions to compare university accounting records in the PeopleSoft accounting system to departmental documentation. This review decreases the risk that financial reports are inaccurate as well as increases the opportunity to detect incorrect or fraudulent transactions. The University of Texas at Tyler (UT Tyler) Management Responsibilities Handbook requires reconciliations to be completed monthly with the reconciler and approver each signing and dating the reconciliation to evidence their review and approval. Monthly reconciliations of Cost Centers as well as Capital and Grant Projects are required to be completed using the “Reconciliation Report” and “Summary Financial Report” as directed by the UT Tyler Budget and Financial Reporting Office. During Fiscal Year 2018, UT Tyler had over 200 Departments containing over 2,600 Cost Centers and Projects that were managed by more than 160 different Budget Authorities.

This audit was included in the Fiscal Year 2018 Audit Plan as approved by the Institutional Audit Committee.

AUDIT OBJECTIVE

The objective of the audit was to determine if account reconciliations were in compliance with UT Tyler guidelines regarding documented completion, approval, and timeliness of account reconciliations.

STANDARDS

This audit was conducted in accordance with guidelines set forth in *The Institute of Internal Auditor’s Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.

SCOPE AND PROCEDURES

To accomplish the audit objective, a sample of one Cost Center or Project from 49 of the 157 Budget Authorities was selected for review. Testing was conducted to determine if the Summary Financial Report for the May 2018 reconciliations was signed and dated by both the preparer and approver by the July 25, 2018 deadline.

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AUDIT RESULTS

A Priority Finding is defined 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.” Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated. This audit resulted in one Medium-level finding.

Finding Level Legend	
Priority	<i>A finding is defined as an issue that if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Tyler.</i>
High	<i>A finding that is considered to have a <u>medium to high probability</u> of adverse effects to UT Tyler as a whole or to a significant college or department.</i>
Medium	<i>A finding that is considered to have a <u>low to medium probability</u> of adverse effects to UT Tyler as a whole or to a college or department.</i>
Low	<i>A finding that is considered to have a <u>minimal probability</u> of adverse effects to UT Tyler as a whole or to a college or department.</i>

This audit resulted in one Medium-level finding with five recommendations.

Audit Finding and Recommendations	
Level	Summary
Medium	49% of the reconciliations not completed timely or according to guidelines. <ol style="list-style-type: none"> a. Communicate importance of reconciliations b. Include Budget Authority guidelines with monthly notification c. Send monthly reminder of due dates d. Provide training e. Conduct continuous monitoring

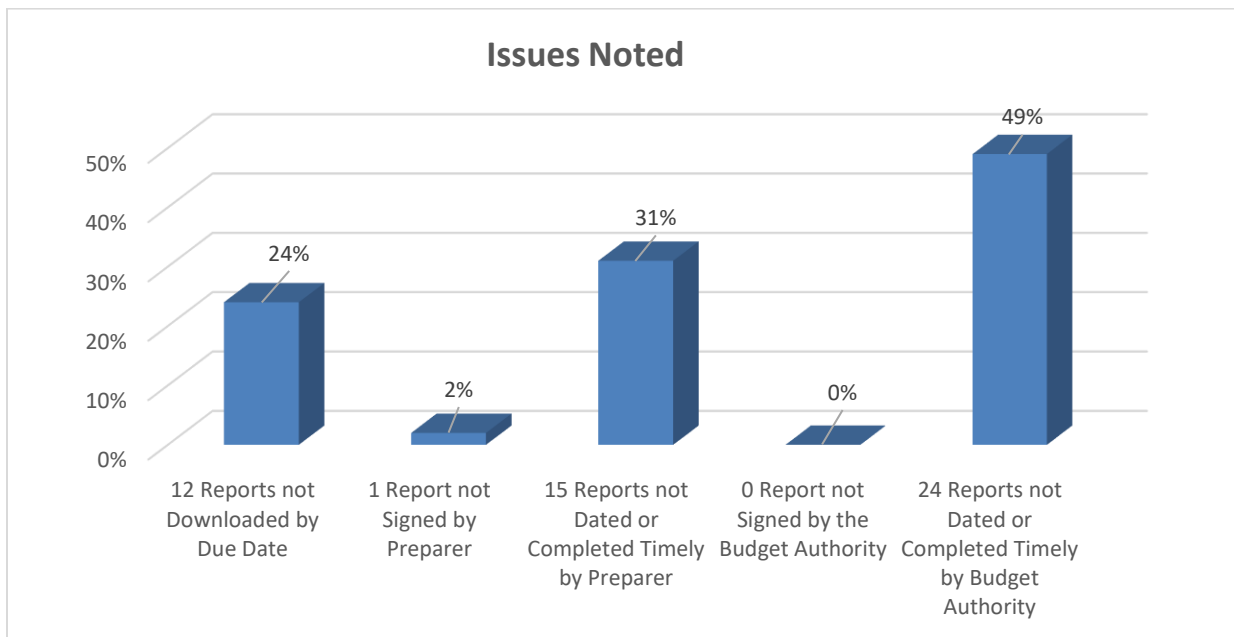
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Reconciliation Testing Results:

Reconciliations are required to be completed monthly and include the following procedures:

- The UT Tyler Financial Reporting Office sends an email with reconciliation instructions to Budget Authorities and Support Staff that the month has closed, and the reconciliations should be prepared by a designated due date using the Reconciliation Report. A reminder email was also sent prior to the due dates for the September through March reconciliations.
- The reconciler downloads a Reconciliation Report that lists all transactions.
- The reconciler and approver review the transactions and verify the information to supporting documentation, including revenue reports, invoices, time sheets, etc.
- The reconciler or approver reports any reconciling differences to the Financial Reporting Office for follow-up investigation and correction.
- The “Summary Financial Report” is certified by the reconciler and approver as evidenced by their signatures and dates.

The results of detailed testing of 49 reconciliations are included in the following table.



Noncompliance with account reconciliation requirements is caused by Budget Authorities not understanding the importance of the reconciliations and / or not making timely completion of the reconciliations a priority. Failure to timely complete and approve account reconciliations could allow incorrect or fraudulent transactions to be undetected and monthly financial reports used by executive management to be incorrect. Detailed observations have been communicated to the individual Budget Authorities and Executive Management.

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Recommendation (a): The Vice President of Budget and Finance should communicate the importance of completing account reconciliations by the required due date to all Budget Authorities and Support Staff.

Management Response by Vice President of Budget and Finance: *Management concurs with the recommendation. A communication from the Vice President of Budget and Finance will be distributed to all budget authorities and support staff at least once each year. The communication will remind responsible parties of the importance and integrity of the monthly reconciliation process.*

Implementation Date: *Distribution of the initial communication will be prior to January 31, 2019. A full communication program will be implemented by August 31, 2019.*

Recommendation (b): Budget Authority Guidelines should be provided with the monthly account reconciliation notification.

Management Response by Budget and Financial Reporting: *Management concurs with the recommendation. Language regarding Budget Authority responsibility for the account reconciliation process will be added to the monthly notification email. Additionally, we plan to add the complete Budget Authority Guideline document to the Office of Budget and Finance website. A link to this guideline will also be provided within the monthly notification email.*

Implementation Date: *Updated language will be included in the notification email by the March 31, 2019, reconciliation cycle. We expect to have the Budget Authority Guidelines document available on line (and a link included in the monthly notification email) by the May 31, 2019, cycle.*

Recommendation (c): A reminder e-mail should be sent to Budget Authorities and Support Staff prior to the monthly reconciliation due date.

Management Response by Budget and Financial Reporting: *Management concurs with the recommendation and has started sending out a reminder email prior to the reconciliation due date.*

Implementation Date: *Complete. Initial reminder issued December 5, 2018, for the December 18, 2018, reconciliation due date.*

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Recommendation (d): The Financial Reporting Office should coordinate account reconciliation training for Budget Authorities and Support Staff.

Management Response by Budget and Financial Reporting: *Management concurs with the recommendation. Accounting and Financial Reporting (AFR) is developing the curriculum for face-to-face training sessions. AFR will conduct periodic face-to-face trainings for Budget Authorities and support staff each year. Additionally, AFR will work to create an online training course that can be accessed on demand and included in the annual compliance training module for those responsible for the monthly reconciliation.*

Implementation Date: *AFR plans to conduct the first face-to-face training session for Administrative Assistants and Budget Authorities prior to May 31, 2019. Given that AFR will need to work with other departments on the online training course, a definite launch date cannot be determined yet. However, it is unlikely that the online course will be launched prior to FY 2020.*

Recommendation (e): The Financial Reporting Office should conduct ongoing monthly or quarterly monitoring of account reconciliation completion.

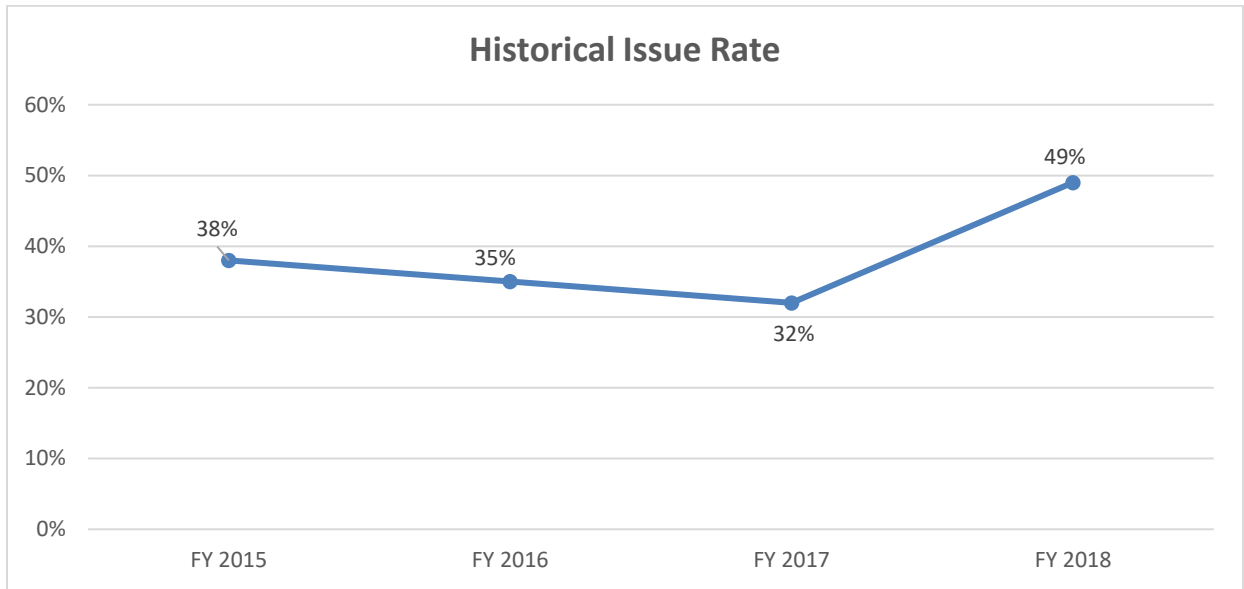
Management Response by Budget and Financial Reporting: *Management concurs with the recommendation. AFR has already begun work to launch the first account reconciliation review cycle for FY 2019. AFR will work with the Vice President for Budget and Finance and Internal Audit to establish review procedures and monitoring tools.*

Implementation Date: *The periodic review will commence following the conclusion of the account reconciliation cycle for November 30, 2018. An estimated completion date has not been determined since this is a brand new process.*

CONCLUSION

UT Tyler Budget Authorities are not consistently meeting the account reconciliation requirements and the compliance rate has not improved over the past four years as demonstrated below.

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Compliance rates should improve with increased communication, training, and monitoring. We appreciate the assistance of the Vice President for Budget and Finance, Budget Authorities, and Support Staff during this audit.