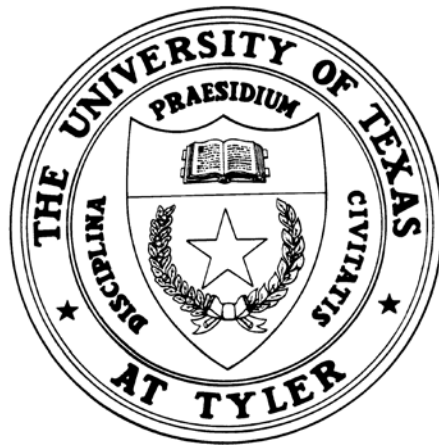


The University of Texas at Tyler

Gift Recording Audit



August 2018

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

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Fiscal Year 2018

BACKGROUND

The University of Texas at Tyler (UT Tyler) receives monetary gifts from donors which can be designated for a specific purpose by the donor. UT Tyler is part of the University of Texas System and is expected to follow all related policies and procedures. The UT Tyler Handbook of Operating Procedures 6.5.1 *Delegated Gift Acceptance*, Section D states: “All gifts to the University shall be accepted and processed through the Advancement Office in accordance with the laws and Board policies unless otherwise noted in Regents Rule 60101 or UTS138, *Gift Acceptance Procedures*.” Gifts can be received in the form of cash, check, credit card, on-line gift via credit card, and payroll deduction from institution employees. Each gift should be recorded in the PeopleSoft accounting system using account codes and cost centers that match the donor’s intended use. Individual budget authorities are responsible for reviewing transactions during the monthly reconciliation process to assure transactions have been recorded correctly.

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

AUDIT OBJECTIVE AND SCOPE

The objectives of the audit were to determine if UT Tyler was recording monetary gifts in accordance with the donor’s request from September 1, 2016 through February 28, 2018.

STANDARDS

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

SCOPE AND METHODOLOGY

To accomplish the objectives noted above the following procedures were conducted:

- Interviewed individuals in the Office of University Advancement and the Office of Budget and Financial Reporting to understand responsibilities and procedures for recording gifts;
- Downloaded 1,617 transactions netting over \$5.6 million recorded in gift account codes during the scope of the audit;
- Selected a sample of 50 transactions totaling over \$545,000 including deposits, online gifts, payroll deductions, and journal entries;
- Reviewed three other gifts and related documentation that were brought to our attention; and
- Compared the PeopleSoft account code and cost center used to record the gift to donor information to determine if the gift was recorded correctly.

Note: This audit did not include testing the appropriateness of expenditures from gift accounts.

The University of Texas at Tyler
Gift Recording Audit
Fiscal Year 2018

AUDIT RESULTS

According to The University of Texas System Audit Office, “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.*

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 2 Medium-level findings:

Audit Findings		
	Level	Summary of Finding
1	Medium	Gifts recorded in incorrect cost center.
2	Medium	Gift recorded in a cost center with balances that lapse at year end.

Each gift should be recorded in the PeopleSoft accounting system using account codes and cost centers that match the donor’s intended use. During our testing of 53 transactions, we noted nine errors related to recording gifts.

#1 Gifts recorded to an incorrect cost center

PeopleSoft Cost Centers are used to designate specific departments or uses, for instance, the Biology Department, Athletics, Pharmacy Scholarships, etc. During testing, we noted seven gifts totaling \$1,005 that were booked to incorrect cost centers. This occurred when gifts were received for a specific department or purpose, but a corresponding gift cost center had not been established for that type of gift. In these cases, the gift was recorded in a similar cost center, but one that did not match the donor’s specific request.

The University of Texas at Tyler
Gift Recording Audit
Fiscal Year 2018

#2 Gift recorded in a cost center with balances that lapse at year end

Year-end balances in State (2000's) and Designated (3000's) cost centers usually "lapse" at year end which means unspent balances are transferred back to the State or to a university-wide cost center for redistribution. The Office of Financial Management and Budget maintains a list of all cost centers that note if the ending balances "lapse" or "roll over" to the next fiscal year. During testing, we noted two gifts totaling \$100 recorded in a cost center that lapses at year end which would allow any unspent balances to be redistributed to other cost centers in error. These transactions were recorded to an incorrect cost center due to an oversight in recording the gift.

Recording gifts in cost centers that do not match the donor intent or that lapse at year end could allow spending that does not comply with the donor's wishes. This could also result in decreased gifts and damage to UT Tyler's reputation.

Recommendations: The Office of University Advancement should work with the Office of Financial Management and Budget to:

- create cost centers as needed for the correct recording of gifts;
- make corrections as considered necessary for gifts recorded in error; and
- refer to the schedule of cost centers that lapse to be sure these cost centers are not used to record future gifts.

Response: *The Assistant Director of Gift Processing (ADGP) has been informed that all gifts should be put into a cost center which corresponds to the donors request if possible. If this is not possible a new cost center will be created or the donor will be contacted and given the option to donate to another established area. The ADGP will advise Budget Authorities and their Assistants going forward that no funds are to be recorded into a cost center that will lapse at the end of the fiscal year.*

Implementation Date: *We will implement these recommendations immediately.*

After the initial audit, the Office of University Advancement made an effort to strengthen internal controls by requesting new cost centers for specifically designated gifts with no existing cost center. Our office will continue to document corrections considered necessary for gifts recorded in error and refer to the schedule of cost centers that lapse. The Vice President for University Advancement will also meet with the Vice President for Budget and Finance to discuss the fund amount necessary to create a new cost center.

Additional recommendations were communicated to management to provide opportunities to strengthen internal controls, including recommendations for internal monitoring of gift recording.

CONCLUSION

UT Tyler has policies and procedures in place to record gifts in accordance with the donor's requests. However, these procedures can be strengthened by implementing the above recommendations. We appreciate the assistance of the Office of University Advancement and Office of Budget and Finance personnel.