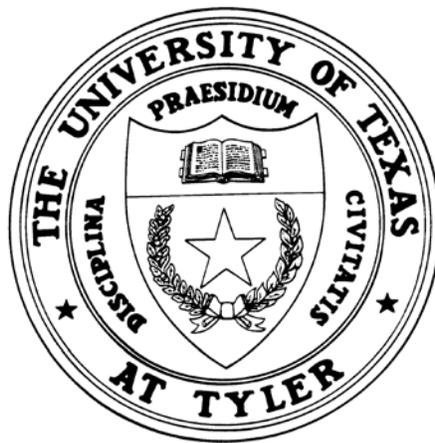


**The University of Texas at Tyler**

**Internal Controls Monitoring Plan Audit  
(UTS Policy 142.1 Assurance)**

**Fiscal Year 2017**



**January 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**  
Internal Controls Monitoring Plan Audit  
Fiscal Year Ended August 31, 2017

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**BACKGROUND**

The University of Texas at Tyler (UT Tyler) is an institution that is part of the University of Texas System (UT System) and is required to follow UT System (UTS) policies. UTS Policy 142.1, *Policy on the Annual Financial Report* “provides for financial reporting requirements and duties related to those responsible for financial reporting, the approval of accounting records and responsibilities for establishing internal controls to ensure that funds are expended and recorded appropriately, and procedures for obtaining services by an external audit firm.” The policy requires the following:

- A Monitoring Plan for the segregation of duties and reconciliation of accounts that is risk-based but also includes random monitoring of low risk departments for the fiscal year.
- Each Account Owner to provide a subcertification annually to the Financial Reporting Officer.
- Internal Audit of the Monitoring Plan and subcertifications, and validation of the assertions on segregation of duties and account reconciliations.

**AUDIT OBJECTIVE**

Our objective was to determine whether UT Tyler implemented its Internal Controls Monitoring Plan, which includes oversight of account reconciliations, segregation of duties, and the Annual Financial Report (AFR) certification process.

**STANDARDS**

Our audit of the UT Tyler monitoring plan was conducted in accordance with the guidelines set forth in The Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.

**SCOPE AND METHODOLOGY**

The following procedures were conducted to test the implementation of the UT Tyler Internal Controls Monitoring Plan during Fiscal Year 2017:

- Reviewed the Internal Controls Monitoring Plan and obtained evidence of oversight controls.
- Reviewed the results of Quality Assurance Reviews (QARs) conducted by the Compliance Office that included verification of segregation of duties on expenditures, employee time sheets, employee reimbursements, and account reconciliations.
- Tested a judgmental sample of supporting documentation to verify segregation of duties on employee appointments and payroll transactions.
- Verified the certification process noting that 100% of the subcertification letters were submitted.
- Reviewed responses on the subcertification letters for reasonableness.
- Obtained the Financial Reporting Office plans for addressing subcertification letter responses.

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**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.*”

<b>Finding Level Legend</b>	
<b>Priority</b>	<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>
<b>High</b>	<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>
<b>Medium</b>	<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>
<b>Low</b>	<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 two Medium level findings.

<b>Audit Findings</b>		
	<b>Level</b>	<b>Description of Finding</b>
1	<b>Medium</b>	<i>Compliance Training Modules were not available</i>
2	<b>Medium</b>	<i>Adequate QAR's were not completed</i>

**#1 Compliance Training Modules were not available (Medium)**

All new benefits eligible employees are required to complete Employee Compliance Training Modules within 90 days of their hire date. Continuing employees are required to complete the training biennially. The training was previously offered in “Blackboard”, UT Tyler’s former learning management system, until UT Tyler converted to “Canvas” learning system in May 2017. The last new employee training in Blackboard occurred in June 2017 and the last biennial training occurred in February 2015. The training has not been added to Canvas and is not yet available to university employees. Inadequate training increases the risk that policies and procedures related to internal controls and segregation of duties are not followed.

**Recommendation:** The Vice President for Business Affairs should collaborate with the appropriate personnel to assure the training is available to employees. Completion of the training should be monitored to assure employees are fulfilling the training requirements.

**Vice President for Business Affairs Response and Implementation Date:** As noted by the auditors, UT Tyler converted to the “Canvas Learning System” which is primarily for use by our faculty and students. Faculty course requirements and materials are in Canvas and students access those materials, submit their assignments and review their grades and progress through Canvas. As such, the priority by Academic Affairs for the Canvas implementation was to be operational for instructional and student purposes. At this time, the training modules have been converted to Canvas and the content is being updated as well. A solution to an employee access problem has been found. We expect to roll out the compliance training in February 2018. Separate from the compliance training, some essential training for all campus Budget Authorities was scheduled and held on December 7, 2017 and offered in two sessions to accommodate individual schedules. We are working to increase our overall training efforts for all of our employees.

**Implementation Date: March 1, 2018**

**#2 Adequate QAR's were not completed (Medium)**

Quality Assurance Reviews (QARs) are included in UT Tyler's Internal Controls Monitoring Plan to verify segregation of duties and account reconciliations. QARs are reviews of budget authority responsibilities and departmental transactions to verify compliance with institutional and state policies and procedures for financial and other responsibilities and are to be conducted on a risk-based, rotating basis across campus. Per the Internal Controls Monitoring Plan, the Compliance Office is responsible for completing QAR's. The UT Tyler Compliance Work Plan Summary requires the Compliance Office to complete approximately 24 QAR's during FY 2017. However, QARs were completed on only one of the budget authorities. Lack of monitoring departmental transactions, reconciliations, and activities could allow weak internal controls to go unnoticed which could result in undiscovered errors, omissions, fraud, and/or inaccurate financial statements.

**Recommendation:** The QAR's should be completed in accordance with the Internal Controls Monitoring Plan and Institutional Compliance Manual Work Plan Summary or the plans should be updated to describe alternative monitoring controls.

**Vice President for Business Affairs Response and Implementation Date:** The compliance program at UT Tyler was developed during the previous administration and the plan did include performing QAR's on campus. Due to a number of issues including personnel issues, the anticipated number of QAR's was not completed. At this time, the Compliance Coordinator position is vacant and Business Affairs is working closely with the UT System Compliance Office to revamp the compliance program including the internal controls monitoring plan and the overall compliance office responsibilities. A compliance position with revised responsibilities will be posted and filled in 2018.

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The revised compliance program is not expected to include QAR's. The UT System Compliance Office would like the UT Tyler compliance program to be more about training and policy development. Training of University personnel is considered a better method of assuring University compliance with policies and procedures. As such, UT Tyler will be devoting more resources toward training and the December 7, 2017 Budget Authority training is an example. The UT System Compliance Office is currently assisting UT Tyler with developing a new compliance program that is a better use of staff resources than performing QAR's.

*Implementation Date: June 1, 2018*

**CONCLUSION**

The Internal Controls Monitoring Plan is generally executed except as noted above. We appreciate the assistance provided to us by the Office of the Vice President of Business Affairs and the Budget and Financial Reporting Office. We hope the information included in this report is helpful.