

# Internal Audit Report

FY 2018 UTS 142.1 Assurance Review

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**September 2019**

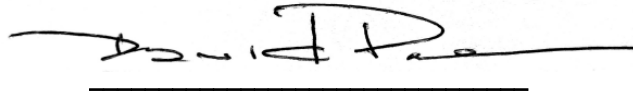
## Distribution – FY 2018 UTS 142.1 Assurance Review

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Auditor in Charge:  
Dana Nuber *Assistant Director, UTA*

# Background, Audit Objective & Scope

## Background

Section 6 of UTS 142.1, Policy on the Annual Financial Report, requires UTA's Chief Administrative Officer and Financial Reporting Officer to certify to the Financial Reporting Officer of UT System Administration that the financial statements are fairly presented and that they contain no false information or omissions of information that would materially affect their accuracy.

To accomplish this, the certifying officials:

- provide a signed certification letter to UT System Administration as prescribed per UTS 142.1, Appendix 1;
- request each Account Owner provide a signed sub-certification (per UTS 142.1, Appendix 2) to UTA's Financial Reporting Officer which attests all Statements of Accounts for the 12 months ended August 31, 2018 have been reconciled; and
- provide a signed Financial Code of Ethics statement to UT System Administration as prescribed per UTS 142.1, Appendix 3.

In addition, the Financial Reporting Officer is required to develop or update a monitoring plan for the segregation of duties and reconciliation of accounts. The plan is to be risk-based, but should also include random monitoring of low risk departments for the fiscal year. Section 7 of the policy requires the institutional Chief Audit Executive perform annual testing of the institutional Monitoring Plan and the sub-certifications, and validate the assertions on segregation of duties and account reconciliations.

## Audit Objective

The objective was to determine whether UTA's Monitoring Plan and sub-certification process is in place and functioning as intended. This included determining whether account reconciliations are being performed and whether duties are adequately segregated as asserted by management.





## Audit Scope

The scope of the audit was for fiscal year (FY) 2018 in which we tested UTA's Monitoring Plan process to help ensure that the sub-certification of accounts and management's assertions on segregation of duties were valid. In addition to our testing of sub-certifications at year end, we relied on the results of the inspections conducted by Accounting Services during the year.

# Ranking Criteria

## Ranking Criteria

The finding in this report was ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The finding was not deemed as a “Priority” finding. The criteria for these rankings are as follows:

	Priority	An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole.
	High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
	Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
	Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

# Summary – FY 2018 UTS 142.1 Assurance Review




## Certification Letters/Statements

FY 2018 Financial Statement Certification Letter, the Financial Code of Ethics Certification and the Chief Audit Executive Risk Assessment Certification were reviewed and found to be signed by the appropriate individuals and remitted by the expected due dates.

## Sub-certification Process

Overall, the language used in UTA's sub-certification letter contains the information as required by UTS 142.1, Appendix 2. Additionally, there was a process used to determine that all sub-certifications had been completed as required. This process required each UTA account holder to indicate one of the following: (1) all reconciliations were completed for the 12 months with no exceptions, (2) all reconciliations were completed for the 12 months with exceptions, or (3) reconciliations had not been completed.

1. Our review of certifications where account holders selected either “reconciled with exceptions” or “not reconciled” disclosed the following:
  - Account holders improperly selected the coding of “reconciled with exceptions.” This coding should only be used if reconciliations were performed for all 12 months. However, in 8 cases, account holders using this coding indicated that August had not been completed and 5 cases indicated two or more months of reconciliations had not been completed.
  - Three account holders correctly indicated that accounts were “not reconciled.”
2. The Financial Reporting Officer did not properly review the exceptions noted on the certifications. As a result, there was no follow up with account holders to help ensure they had fully performed their required certification.

2 Observation	 High	0
	 Medium	2
	 Low	0

We appreciate the courtesy and cooperation received from Financial Reporting throughout this audit.

## Summary – FY 2018 UTS 142.1 Assurance Review

### Sub-certification Process - continued

Overall, the review disclosed a total of 16 (12%) account holders with exceptions noted for the completion of the certifications. Statements of Accounts that are not reconciled may have deficiencies, weaknesses or fraud that could go undetected due to lack of review and controls. See Observation 1 on page 7.

### Segregations of Duties and Account Reconciliations

We reviewed the 2018 Risk Assessment and Monitoring Plan and determined that it provides an adequate process for monitoring segregation of duties and account reconciliations. Part of this process includes periodic visits from Accounting Services to departments to verify that all accounts were being reconciled and reviewed. To validate there were adequate segregation of duties and that account reconciliations were completed, we reviewed the results report from the quarterly monitoring reviews conducted by Accounting Services during FY 2018. Overall, the majority of accounts are being reconciled and reviewed by the Department Heads as required, and monitoring is being conducted as appropriate.

Although there is a mechanism in the Monitoring Plan for communication of the results of Accounting Services' review to senior management, there is not a process that addresses an escalation procedure should Accounting Services identify departments that repeatedly do not reconcile their statement of accounts. See Observation 2 on page 8.

## Observation 1

Medium

### Lack of Completeness of Sub-Certifications

#### Recommendation:

Training or detailed communication should be provided to account holders so they have a clear understanding of how to complete the sub-certification request. In addition, a process should be developed and implemented by the Financial Reporting Officer that ensures all responses to the sub-certifications are individually reviewed so that exceptions can be identified and addressed with the account holder/department head.

Obtaining completed sub-certifications will allow the Chief Administrative Officer and the Financial Reporting Officer to certify to the overall financial statements with greater assurance.

#### Management Response:

UTS 142.1 was recently revised. Reviewing the sub-certifications is no longer a required task. We are currently evaluating and re-designing the operating controls associated with our annual certification process. We will document our plan as part of our Risk Assessment and Monitoring Plan which will be issued in December 2019. Additionally, UT Share is being updated to allow a more timely and automated review of the monthly Statement of Accounts. This should enhance department accountability as it relates to the review of monthly expenses. Currently, the rollout of this new enhancement should also be available in December 2019.

**Target Implementation Date:** 2/01/2020

**Responsible Party:** Assistant Vice President, Business Affairs

## Observation 2

Medium

### Escalation Process for Non-Reconciled Accounts

#### Recommendation:

In circumstances where multiple non-compliance situations are observed by Accounting Services, an escalation procedure should be developed and implemented. This escalation procedure could include results reporting to the CARE committee, as well as follow-up by University Compliance Services.

#### Management Response:

The Risk Assessment and Monitoring Plan will include a more defined escalation process related to ensuring departments are properly reviewing their monthly Statement of Accounts. This will include regular communications to the CARE committee. Where necessary, University Compliance Services will perform appropriate reviews. We will include this in the update in the December 2019 revisions to our Risk Assessment and Monitoring Plan.

**Target Implementation Date:** 2/01/2020

**Responsible Party:** Assistant Vice President, Business Affairs