

**AUDIT REPORT**

**TO:** Gerard Long, Ph.D., Assistant Vice President for Business Affairs  
**FROM:** Angela D'Anna, Chief Audit Executive, Internal Audit and Consulting Services   
**DATE:** October 28, 2016  
**SUBJECT:** Review of Sub-Certification Process and Monitoring of Key Controls (17-03)

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**EXECUTIVE SUMMARY**

Internal Audit and Consulting Services has reviewed the Sub-Certification Process and Monitoring of Key Controls at The University of Texas Health Science Center at San Antonio for the year ended August 31, 2016. This audit was performed at the request of the UT System Audit Office as required by policy. The primary objectives of the audit were to determine whether sub-certifications were completed on a timely basis, to evaluate management assertions related to segregation of duties and account reconciliations, and to ascertain compliance with the institutional *Account Reconciliation and Segregations of Duties Monitoring Plan*.

In general, the internal controls surrounding the sub-certification process and execution of the institutional monitoring plan were in place and operating as intended to ensure compliance with policy and that the financial statements were free of material misstatements. The monitoring plan will be updated by February 2017 to reflect new internal control monitoring procedures as a result of the implementation of the new Enterprise Analytics Account Reconciliation and Financial Review and Analysis process in FY17. This audit identified no reportable issues. Attached is the detailed report.

## DETAILED AUDIT REPORT

Internal Audit and Consulting Services has reviewed the Sub-Certification Process and Monitoring of Key Controls at The University of Texas Health Science Center at San Antonio (Health Science Center).

### **PURPOSE AND SCOPE**

The purpose of this audit was to evaluate the Health Science Center's adherence to UT System requirements for subcertifications and monitoring.

The primary objectives of the audit were as follows:

- Determine whether executive account owners submitted year-end certifications on a timely basis.
- Evaluate management assertions regarding segregation of duties and account reconciliations.
- Ascertain whether the institution monitored segregation of duties and reconciliation of accounts in accordance with the institutional *Account Reconciliation and Segregations of Duties Monitoring Plan*.

The scope included the period of September 1, 2015 through August 31, 2016.

### **BACKGROUND**

Segregation of duties and account reconciliations are key financial internal controls designed to help ensure the accuracy of financial reports. UT System Policy 142.1, *Policy on the Annual Financial Report*, requires each institution to develop a plan to monitor account reconciliations and segregation of duties on a regular basis. The monitoring plan is reviewed annually and updated as needed by the Chief Financial Officer.

Additionally, this policy requires the Chief Administrative Officer, Financial Reporting Officer, and Internal Audit Officer to certify that the financial statements are fairly presented and any deficiencies in the design of internal controls are properly addressed to ensure financial statements contain no false information or omission of information that would materially affect their accuracy. Also, each executive account owner (Vice Presidents and Deans) must provide an annual certification letter (referred to as sub-certification) to the Financial Reporting Officer certifying that the accounts are free of material misstatements and that the internal controls are effective in their areas of responsibility. Furthermore, the policy requires that Internal Audit Services perform an annual review of the year-end sub-certifications, as well as the monitoring plan to validate management assertions regarding segregation of duties and account reconciliations.

The account reconciliation process in effect during FY16 was replaced with the new Enterprise Analytics (EA) Account Reconciliation and Financial Review and Analysis process developed by Business Affairs that is mandatory beginning with FY17. Due to the changes in the account reconciliation process, the *Account Reconciliation and Segregations of Duties Monitoring Plan* will be revised (this was reported in the internal audit report titled *Account Reconciliation Process* dated May 31, 2016).

### **RESULTS**

In general, the internal controls surrounding the sub-certification process and execution of the institutional monitoring plan were in place and operating as intended to ensure compliance with policy and that the financial statements were free of material misstatements. The monitoring plan will be updated by February 2017 to reflect new internal control monitoring procedures as a result of the implementation of the new EA Account Reconciliation and Financial Review and Analysis process in FY17. This audit identified no reportable issues.

This audit was performed by Robert McDermott, Senior Internal Auditor with the assistance of other members of the Internal Audit and Consulting Services Department. The audit was conducted in conformance with the *International Standards for the Professional Practice of Internal Auditing* as promulgated by the Institute of Internal Auditors.

cc: Michael E. Black, Senior Executive Vice President and Chief Operating Officer  
William L. Henrich, M.D., President  
Ralph Kaster, Director, Office of Accounting  
Andrea Marks, Vice President and Chief Financial Officer