

October 31, 2016

MEMORANDUM

TO: Mike Keneker
Associate Vice President and Controller

FROM: Sherri Magnus *Sherri Magnus*
Vice President & Chief Audit Officer

SUBJECT: Segregation of Duties and Account Reconciliations
Audit Control Number 2017 - 204

Objective and Scope

As required by UTS 142.1, Policy on the Annual Financial Report, we have completed a review of management's assertions relating to expense monitoring, segregation of duties (SOD), and internal controls. The scope included MD Anderson activities for Fiscal Year 2016.

The institution is required to submit a Monitoring Plan to UT System annually, which provides assurance that the financial statements are presented fairly and are materially accurate. The Plan also requires that any significant internal control deficiencies, material weaknesses, and all known frauds have been reported and addressed in accordance with UTS 142.1.

Appendix A outlines the methodology for this project.

Engagement Results:

Based on Internal Audit's review, the institution appears to be in compliance with UTS 142.1. The completion rate for institution's Annual Internal Controls Certifications was 100%. Five departments (1%) did not attest to having internal controls, which resulted in remediation plans. However, the total expenses of these departments did not materially impact the financial statements. The recommendation below is provided to further enhance Financial Controls' processes.

Observation 1:**Grants and Contracts Account Reconciliations****RANKING: Low**

The 2016 Monitoring Plan, as well as Institutional Policy ADM 1100, requires departments to perform reconciliations for federally-funded grants and contract accounts. During Fiscal Year 2016, a reporting tool was not available to assist departments in performing reconciliations. While some departments did attest to having a process to reconcile federally-funded accounts, Financial Controls did not validate to ensure the reconciliations were actually performed.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

As a result, there is a risk that federally-funded accounts are not reconciled. Financial Controls is currently working with Enterprise Business Services to create a reconciliation reporting tool. According to management, once this tool is available, Financial Controls will begin validating departments' account reconciliations for completeness. Internal Audit validated that some departments have started performing the account reconciliations.

While these account reconciliations are required by the Monitoring Plan, departments have other mitigating controls to ensure only allowable costs are charged to grants and contracts. In addition, the impact on the accuracy of the financial statements is minimal.

Recommendation

Financial Controls should continue to work on improving processes to ensure compliance with the Monitoring Plan.

Management's Action Plan:

Responsible Executive: Dan Fontaine

Owner: Mike Keneker

Due Date: May 31, 2017

Financial Controls will examine the requirements for the review of federally-funded transactions and make necessary revisions to the process and reporting tools that promote compliance, operational efficiencies, and reporting accuracies, which include ensuring transactions are allowable, reasonable, and allocable. New and existing financial controls will be considered for process revisions, as well as reporting enhancements. The Monitoring Plan will also be updated to reflect changes to the process.

We appreciate the courtesy and cooperation extended to us during this review, as well as the assistance provided by Financial Controls.

Our audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and *Government Auditing Standards*.

cc: Randy Wallace, UTS, Associate Vice Chancellor, Controller and Chief Budget Officer
Mike Peppers, UTS, Chief Audit Executive
Dan Fontaine, EVP, EVP Administration Office
Chris McKee, VP, Business Operations, EVP Administration Office
KeShea' Kluesner, Manager, Financial Controls
Michelle Nosworthy, Senior Financial Analyst, Financial Controls

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.

Appendix A

Methodology

Audit procedures included but were not limited to:

- Interviewed with Financial Controls to understand the processes related to the Segregation of Duties (SOD) and Expense Review Monitoring Plan.
- Reviewed a sample of the FY2016 SOD and Personnel Expense Reviews for adherence to the Monitoring Plan.
- Examined a sample of the Business Insights SOD security access results to ensure appropriate and timely remediation.
- Reviewed a selection of transactions from the quarterly Expense Review Monitoring and interviewed Division Liaisons to ensure their review process was complete, timely, adequately supported, and approved.
- Determined the completeness and consistency of the monthly Statistical Sampling results and Annual Internal Control Certification.
- Examined the restricted grants and contract account reconciliations for the Divisions and Departments that are performing the reconciliations.
- Reviewed the FY2016 Annual Internal Control Certification's results to ensure attestation status does not have a material impact to the financial statements.

Please note that this document contains information that may be confidential and/or exempt from public disclosure under the Texas Public Information Act. Before responding to requests for information or providing copies of these documents to external requestors pursuant to a Public Information Act or similar request, please contact the University of Texas MD Anderson Cancer Center Internal Audit Department.