



THE UNIVERSITY OF TEXAS AT DALLAS

OFFICE OF INTERNAL AUDIT
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November 28, 2017

Dr. Richard Benson, President,
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We have completed an audit to comply with certain provisions of UTS 142.1, *Policy on the Annual Financial Report*, as part of our fiscal year 2018 Audit Plan. The report is attached for your review.

The audit resulted in no findings or recommendations; however, Accounting and Financial Reporting should ensure that balance sheet reconciliations are completed prior to the completion of the annual financial report. We appreciate the courtesies and considerations extended to us during our engagement. Please let me know if you have any questions or comments regarding this audit.

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive



Executive Summary

Audit Objective and Scope

Internal Audit is required by UTS 142.1, *Policy on the Annual Financial Report*, Section 6, to perform an annual internal audit of the monitoring plan for financial statement certifications and validate the assertions on segregation of duties and account reconciliations. The scope of our audit was FY17.

Results and Conclusion

UT Dallas has a good monitoring plan in place to properly monitor financial statement certifications, the cost center account reconciliation process, and ensure an appropriate segregation of duties.

Generally, balance sheet reconciliations were completed by the end of this audit; however, Accounting and Financial Reporting should ensure the reconciliations are completed prior to the completion of the annual financial report.

Staff Assigned to Audit

Project Leader: Toni Stephens, CPA, CIA, Chief Audit Executive

Staff: Melissa Carley, CIA, Staff Auditor

Report Distribution

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- Mr. Gurshaman Baweja
- Mr. Bill Keffler
- Mr. Ed Montgomery
- Ms. Julie Knecht

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- Dr. Inga Musselman, Provost and Vice President for Academic Affairs
- Mr. Terry Pankratz, Vice President for Budget and Finance
- Mr. Timothy Shaw, University Attorney, ex-officio

UT Dallas Responsible Parties

- Dr. Kim Laird, Associate VP and Controller
- Dr. Reda Bernoussi, Associate Controller
- Mr. Greg Argueta, Director of Accounting & Financial Reporting
- Ms. Jennifer Mayes, Financial Compliance Manager

State of Texas Agencies

- UT System Audit Office
- Legislative Budget Office
- Governor's Office
- State Auditor's Office
- Sunset Advisory Commission



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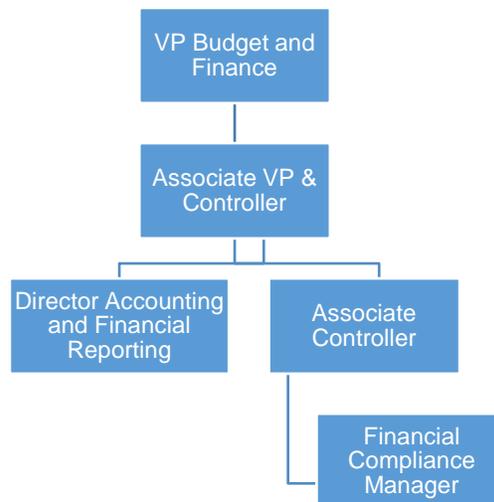
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Background

UTS 142.1, *Policy on the Annual Financial Report*¹, outlines financial reporting and internal control requirements for UT System institutions. The policy requires a Financial Reporting Officer who is responsible for the integrity of the financial statements. These responsibilities include assuring efficient and effective internal controls over the preparation of the financial statements, identifying sources of the financial data, and evaluating material impacts of the sources of financial data. In addition, the Financial Reporting Officer must establish controls over the actual closing of the accounting records, including the correct timing to ensure inclusion of material financial data, the validity of the adjusting entries, and the reconciliation of sub-accounts into the general ledger. UTS 142.1 also states that each university must have a monitoring plan for account reconciliation and segregation of duties.

At UT Dallas, financial reporting falls under the responsibility of the Vice President (VP) for Budget and Finance and the Associate VP and Controller. The Director of Accounting and Financial Reporting is responsible for the financial statement reporting and balance sheet reconciliations, and the Financial Compliance Manager is responsible for monitoring the financial statement certification, balance sheet, and cost center reconciliation processes.



Cost center reconciliations of operating accounts are performed each month by responsible departmental personnel and approved by cost center managers to ensure the accuracy of financial reporting². An automated, online system is used for cost center reconciliations. As part of the monitoring plan, the Financial Compliance Manager monitors the status of the reconciliations to ensure they are completed in a timely manner.

The Financial Compliance Manager also performs periodic risk-based inspections on cost centers to review the reconciliation process and segregation of duties controls for departments. During FY17, 17 inspections were performed on university departments as part of the monitoring process for reconciliations and segregation of duties.

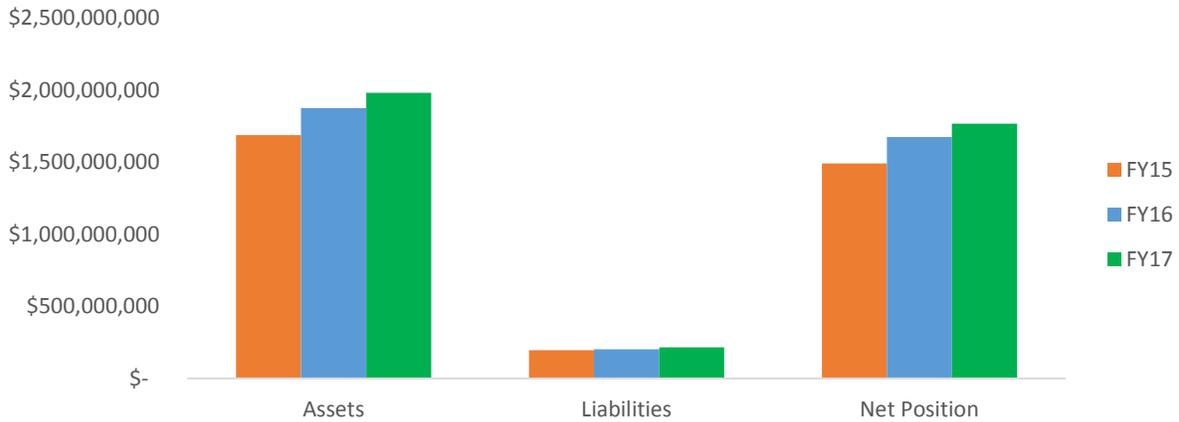
¹ <https://www.utsystem.edu/board-of-regents/policy-library/policies/uts1421-policy-annual-financial-report>

² Cost Center Reconciliation Guidelines: <http://www.utdallas.edu/fms/cost-center-reconciliation/>



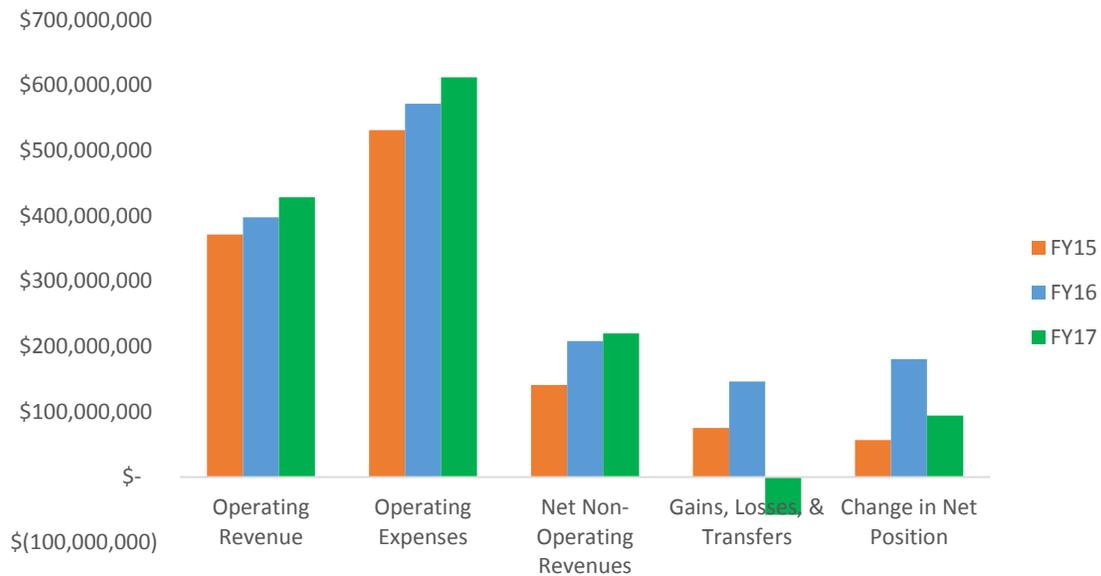
During FY17, an automated system was implemented by Accounting and Financial Reporting for balance sheet accounts. The Financial Compliance Manager is responsible for monitoring the reconciliation status of these accounts on a quarterly basis. At fiscal year-end, letters of representation are signed by all cost center owners, balance sheet account managers, deans, and division heads, and then reviewed by the Financial Compliance Manager. The letters of representation provide assurance to executive management that the financial information reported as of the end of the fiscal year for UT Dallas is accurate and without material errors or known fraud. The summarized UT Dallas Annual Financial Report Statement of Net Position (Balance Sheet) and Statement of Revenues, Expenses and Changes in Net Position (Income Statement) are listed below.

Statement of Net Position
FY15-17





Revenues, Expenses, & Changes in Net Position FY15-17



Audit Objective

Internal Audit is required by UTS 142.1, Policy on the Annual Audit Report, Section 6, to perform an annual internal audit of the monitoring plan for financial statement certifications and validate the assertions on segregation of duties and account reconciliations.

Scope and Methodology

The scope of this audit was FY 2017 and our fieldwork concluded on November 8, 2017. To satisfy our objectives, we performed the following:

- Gained an understanding of the UT Dallas processes for cost center operating and balance sheet account reconciliations, letters of representation, and monitoring for reconciliations and segregation of duties by reviewing applicable procedures, observing the processes, and interviewing responsible persons, including the Financial Compliance Manager.
- Reviewed and tested the processes for compliance with UTS 142.1.
- Verified that a monitoring plan was in place and procedures were being performed to ensure segregation of duties and reconciliations.



- Tested cost center reconciliations, balance sheet reconciliations, and letters of representation to ensure they were performed in a timely manner and properly approved by responsible personnel.

We conducted our examination in conformance with the guidelines set forth in The Institute of Internal Auditor’s *International Standards for the Professional Practice of Internal Auditing*. The *Standards* are statements of core requirements for the professional practice of internal auditing.

Additionally, we conducted the audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives.

Audit Results and Management’s Responses

UT Dallas has sound processes in place to ensure compliance with UTS 142.1. Cost center and balance sheet reconciliations and end of the year letters of representation are being prepared and approved by appropriate personnel. Also, good monitoring processes are in place that ensure segregation of duties and timely cost center reconciliations. As of October 31, 2017, all cost center reconciliations had been completed and approved. The prior audit recommendation regarding improving the processes over balance sheet reconciliations was implemented.

Generally, balance sheet reconciliations were completed by the end of this audit; however, the Financial Compliance Manager, in collaboration with Accounting and Financial Reporting, should ensure the reconciliations are completed prior to the completion of the annual financial report.

Conclusion

Based on the audit work performed, we conclude that UT Dallas complies with UTS 142.1, regarding financial statement certifications, segregation of duties, and cost center reconciliations.

We appreciate the courtesy and cooperation received from the management and staff in The Office of Budget and Finance as part of this audit.