

MEMORANDUM

Date: October 30, 2017
To: Taylor Eighmy, Ph.D., President
From: Paul Tyler, Interim Chief Audit Executive *Paul A. Tyler*
Subject: Review of UT Systemwide (UTS) Policy 142.1 Monitoring Plan for Segregation of Duties, Reconciliation of Accounts, and Sub-certifications (Project #2018-02)

Objective

UT System (UTS) 142.1, *Policy on the Annual Financial Report*, Section 6, requires the Office of Auditing and Consulting Services to perform annual testing of the Monitoring Plan for Segregation of Duties, Reconciliation of Accounts, and Sub-certifications (Monitoring Plan) and validate the assertions on segregation of duties and account reconciliations.

Our objective was to determine if UTSA complied with UTS 142.1 and specifically whether:

- UTSA followed its monitoring plan for segregation of duties and account reconciliations;
- Assertions of segregation of duties and account reconciliations were valid; and
- Department Managers submitted sub-certifications to the Financial Reporting Officer.

Conclusion

We determined that UTSA followed its monitoring plan for segregation of duties and account reconciliations. The monitoring plan included procedures to validate the assertions on segregation of duties and account reconciliations through the Quality Assurance Reviews performed on a risk-based rotational basis each fiscal year. 99% of the Department Managers submitted their sub-certifications.

Monitoring Plan

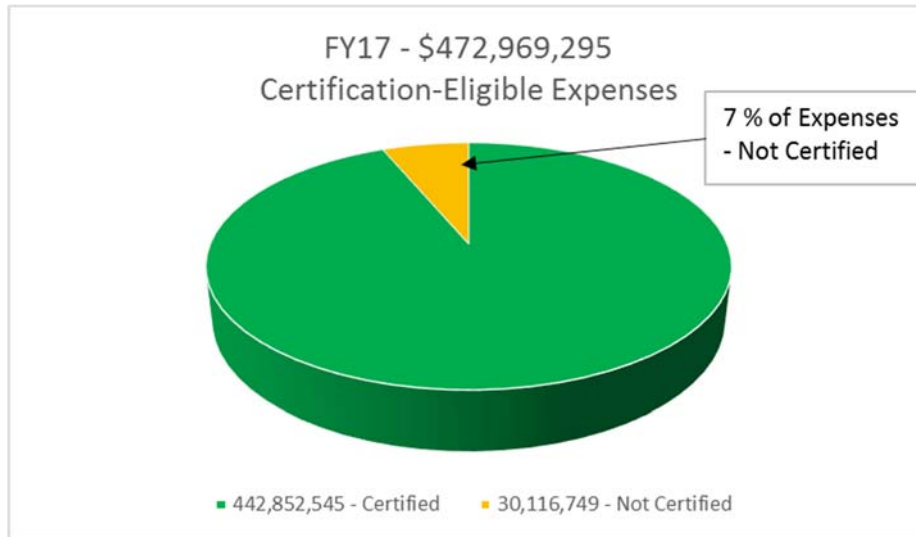
The Financial Reporting Officer (Associate Vice President for Financial Affairs) at each institution is required to develop and annually update their Monitoring Plan. The Monitoring Plan outlines the internal controls to ensure that funds are expended and recorded appropriately on the UTSA Annual Financial Report. Financial Affairs revised the Monitoring Plan in accordance with UTS 142.1 and updated the Financial Management Operational Guidelines website on February 28, 2017 to reflect the changes.

At UTSA, Department Managers are responsible for all financial aspects of funds allocated under their authority and serve as financial stewards of UTSA resources. The Monitoring Plan includes the Department Managers' internal control duties related to the following key processes:

- segregation of duties,
- transaction approval,
- receipt of goods or services,
- reconciliations and reviews, and
- cash handling and security.

Sub-certifications

Department Managers are required annually to certify (sub-certification) to the Financial Reporting Officer that Cost Centers/Project IDs under their authority are reconciled timely, financial duties within their department are adequately segregated, and any material internal control weaknesses have been appropriately reported and addressed. The total number of Department Managers required to certify this year was 209, of which 207 or 99% completed the sub-certification. The total certification-eligible expenses were \$472,969,295 of which \$30,116,749 (7%) were not certified.



The Assistant Vice President, Financial Affairs/Controller reviewed the sub-certification responses from the Department Managers to identify any potential issues with reconciliations and/or segregation of duties. Through this review, it was identified that the Athletics Department did not consistently complete monthly reconciliations for FY17. Athletics expenses were \$29,033,550 and are included in the expenses that were not certified in the chart above. The Office of the Vice President for Business Affairs is assisting the Athletics Department in completing all monthly reconciliations.

Quality Assurance Reviews

The Office of Institutional Compliance and Risk Services (OICRS) performs Quality Assurance Reviews (QARs) to evaluate the procedures in place within departments. It provides management with assurance that the key departmental internal controls of segregation of duties and account reconciliations are in place and are operating effectively to mitigate the risk of fraud. QARs also verify the integrity of responses in the sub-certifications and help ensure that responses are in accordance with UT System financial accountability requirements.

Approximately 20% of active Department Managers are selected annually for a QAR using a risk assessment based on multiple criteria. Factors in the risk assessment include level of expenditures and revenues, responses to the sub-certification, date of last QAR, audit history, organizational change/turnover and cash on hand. This year 44 out of 209 Department Managers were selected. On the next page is the summary chart prepared by OICRS outlining the results of the QARs completed in FY 2017.

QARs FY16-17				
VP	# QARs Conducted	QAR Report		
		Overall		
		High	Med	Low
President	0 of 0	0	0	0
VP Academic Affairs	35 of 35	7	7	21
VP Business Affairs	2 of 3	0	0	2
VP Community Services	0 of 0	0	0	0
VP External Relations	0 of 0	0	0	0
VP Research	4 of 4	0	1	3
VP Student Affairs	2 of 2	1	0	1
Total	43 of 44	8	8	27

OICRS provided QAR summary reports to the Vice Presidents at the quarterly Executive Compliance Meetings. Additionally, OICRS provided reports of the 8 QARs with high overall risk to the Vice President for Business Affairs, in accordance with the monitoring plan. The 8 QARs that were ranked high overall risk had account reconciliation issues. OICRS performs on-site follow-ups for QARs with a high overall risk level 90 days after the respective Vice President is notified. OICRS completed 5 QAR follow-ups and the departments showed improvement. The scheduling and reporting on the remaining 3 QAR follow-ups are in progress.

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