



## MEMORANDUM

**TO:** Kelly Davis  
Chief Financial Officer and Vice President

**FROM:** Dana Nuber *[Signature]*  
Interim Chief Audit Executive

**DATE:** August 10, 2018

**SUBJECT:** FY 2017 UTS142.1 Assurance Review

### Background

Section 6 of UTS 142.1, *Policy on the Annual Financial Report*, requires the institutional Chief Audit Executive to perform annual testing of the institutional Monitoring Plan and the sub-certifications, and validate the assertions on segregation of duties and account reconciliations.

### Scope and Procedures

As required by UTS 142.1, we tested UTA's Monitoring Plan process to ensure that the sub-certification of accounts and management's assertions on segregation of duties were valid. The scope of our audit was for fiscal year (FY) 2017. In addition to our testing of sub-certifications at year end, we relied on the inspections and results conducted by the Office of Accounting during the year.

### Objectives

Our 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.

### Standards

Our examination was conducted in accordance with guidelines set forth in the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. These *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of the internal auditing department. UT System policy UTS 129 titled "*Internal Audit Activities*" requires that we adhere to the *Standards*.

### Results

The institution is required to submit a Monitoring Plan for its segregation of duties and reconciliation of accounts to UT System annually. The plan should be risk-based but also include random monitoring of low risk departments for the fiscal year.

UTA's most current Risk Assessment and Monitoring Plan is dated 2015, thus, it is in need of updating. We reviewed the 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 the Office of Accounting to departments to verify that all accounts were being reconciled and reviewed. We reviewed the results report of the quarterly monitoring reviews conducted during FY 2017, noting visits to one hundred departments comprised of 4,966 cost centers and project financial statements. Reviewers validated that all financial statements were reconciled and approved noting an error rate of 0.4% which is deemed immaterial.

To verify that there was adequate segregation of duties and that account reconciliations were completed, we selected a sample of accounts that had certified that account reconciliations were completed at year end. Reconciliations and supporting documentation was reviewed noting that reconciliations were completed monthly and signed by both the reconciling agent and the department head for approval.

The University uses Qualtrics, a survey tool, for efficiency in completing the sub-certification letters by the department heads. We reviewed the "2017 Financial Sub-Certification Distribution History" report provided by the Director of Financial Reporting, noting that all certifications were deemed finished (or completed) for all of the 134 departments listed in the report. To validate the status, we accessed the Qualtrics program and reviewed the certifications received noting that, with the exception of six departments, the remaining were completed and certified by the department head. Five of the exceptions were certified by the Administrative Assistants and one was not properly signed, thus unable to determine who completed it. These departments had a total of 267 cost centers and 80 projects which may not have been correctly reviewed.

### **Conclusion**

Based on the procedures performed, we determined UTA's Monitoring Plan and sub-certification process is in place and is reasonably functioning as intended. Improvements needed include (1) updating the monitoring plan so that it is current as required by UTS 142.1, and (2) strengthening the sub-certification process to ensure that the account owner is the person completing the sub-certifications.

cc: Dr. Vistasp Karbhari, President  
Ms. Stephanie Scott, Associate Vice President and Controller  
Ms. Janet Nascimbeni, Director of Financial Reporting  
Correspondence File