



# Cash Management

Internal Audit Report No. R2010

May 7, 2020



## Executive Summary

**Audit Objective:** To provide assurance that adequate controls exist over the cash management process, with a focus on wire transfer processes to ensure wire transfers are completed timely and accurately. Our audit covered fiscal year (FY) 2019 as well as FY20 operations.

**Conclusion:** Based on the audit work performed, we conclude that generally, adequate controls exist over the wire transfer process and **centralized** cash management process. However, based on our initial work, we identified significant risks related to **decentralized** cash management processes that require further review. While the scope of this audit was limited to providing assurance adequate controls exist over the cash management process, specifically over the processes in place for the wire transfers managed by Treasury and cashiering managed by the Bursar’s Office, with the threat of theft and loss being so prevalent, universities should work to create the most efficient and secure campus environments for cash, including limiting the number of cash points and internal handlers across the campus and increasing the frequency of cash collection points.

Senior leadership should identify and evaluate opportunities to reduce the volume and monetary value of cash deposits to further reduce the risk of fraud and theft (e.g., expanding remote deposit capabilities, leveraging and directing donors to websites for payment and gift receipts, further leveraging and implementing cashless ticketing capabilities), which may require additional investments in electronic and mobile payment processing software. Reducing the volume of cash is typically a gradual process and alternative options may need to be identified as part of the transition. If UT Dallas chooses to continue using cash, cash processes should be handled by as few people as possible and the recommendations below should be considered in order to minimize risk.

**Observations by Risk Level:** Management has reviewed the observations and has provided responses and anticipated implementation dates.

Observation	Risk Level	Management’s Implementation Date
1. Communicate and Enforce Cash Transfer Procedures	<b>High</b>	8/31/2020
2. Enhance Monitoring of Cash Management Processes and Procedures	<b>Medium</b>	10/31/2020
3. Assess Review Threshold for Accounts Payable Wire Transfers	<b>Low</b>	5/31/2020
4. Strengthen UTIMCO Authorization Authentication	<b>Low</b>	12/31/2020

*For details, engagement methodology, and explanation of risk levels, please see the attached report.*



### Observation #1: *Communicate and Enforce Cash Transfer Procedures*

**High Risk:** The cash bags could be mishandled and left in unsecure locations prior to reaching its intended destination. Additionally, the individuals within Mail Services are put at risk as they are not licensed or bonded to transfer cash.

Currently, Mail Services is picking up and moving up to 10 cash bags (i.e., bags with checks and cash) per week between departments at UT Dallas (e.g., to the Office of Development and Alumni Relations, Bursar's Office, Office of Admission and Enrollment). Through our discussion, it was stated there were instances of transfers in which as much as \$100,000 in checks and cash was in a single cash bag. Further, these transfers occur as part of Mail Service's routine deliveries (i.e., departments include them in their typical outgoing mail and indicate where they should be delivered), so there is no documenting or tracking of the transfer to ensure it was executed in

accordance with the UT Dallas Cash Handling Policy Statement.

Additionally, Mail Services indicated they alerted the UT Dallas Police Chief about this issue in August 2019; however, there hasn't been any further correspondence since.

Per the UT Dallas Cash Handling Policy Statement, transfers of assets within the University's facilities should be made by campus police, and should be documented and signed by both sending and receiving parties in an institution log.

**Recommendation:** UT Dallas should communicate to the UT Dallas Police Department they are responsible for the transfer of assets within the University's facilities. This practice should begin as soon as possible to eliminate the risk currently presented to the individuals transferring cash within Mail Services.

Additionally, UT Dallas should communicate the procedures in the Cash Handling Policy Statement for transferring cash within the University's facilities to all departments that transfer cash and ensure they are followed. Monitoring may include a daily review of institution logs which would indicate the amount transferred, who the transfer was between, and approval of the transfer in the form of signatures.

**Management's Action Plan:** Treasury will work with departments still handling cash to establish procedures to deposit cash and checks according to the University policy. Treasury will communicate the University cash and check deposit procedures to all cash handling departments. Treasury will monitor compliance through a review of cash and check deposits log at the Bursar's Office and through cash handling inspections.

**Person Responsible for Implementation:** Karol Miller, Treasury Manager

**Estimated Date of Implementation:** August 31, 2020



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## Observation #2: *Enhance Monitoring of Cash Management Processes and Procedures*

**Medium Risk:** Because Treasury does not have a comprehensive list of all departments with their own cash handling procedures, there is a risk that when the UT Dallas Cash Handling Policy Statement is updated, it is not communicated to all cash handling departments.

Currently, Treasury monitors cash handling activity across the campus on a quarterly basis, which includes performing petty cash and cash handling inspections, monitoring cash/check deposit activity, monitoring stale dated checks, and other activities that ensure that the University is following best practices for safeguarding assets. During inspections, Treasury ensures that, at a minimum, cash handling departments are complying with the UT Dallas Cash Handling Policy Statement. For cash handling departments that have additional cash handling procedures, Treasury reviews their procedures to ensure compliance with the UT Dallas Cash Handling Policy Statement.

While Treasury performs the monitoring procedures mentioned above, Treasury does not have a comprehensive list of all departments that manage cash and have their own cash handling procedures. Additionally, it was noted during testing the UT Dallas Cash Handling Policy Statement University Recreation was leveraging was outdated (i.e., from June 3, 2016) compared to the policy that was last updated in February 2019.

**Recommendation:** Treasury should perform an assessment to get a more complete listing of departments that handle cash and identify which departments have separate cash handling procedures and which do not. Following that, Treasury should review each department's cash handling procedures to determine whether they appropriately address the most up-to-date UT Dallas Cash Handling Policy Statement.

Additionally, Treasury should work with University Recreation to ensure their cash handling procedures align with the most up-to-date UT Dallas Cash Handling Policy Statement, and that those procedures are being followed in practice.

**Management's Action Plan:** Treasury will review departmental cash handling procedures to ensure they are updated and in compliance with the University policy. Any changes to departmental cash handling procedures will need to be approved by Treasury. Treasury will ensure departmental cash handling procedures are updated and in compliance with the University policy during cash handling inspections.

**Person Responsible for Implementation:** Karol Miller, Treasury Manager

**Estimated Date of Implementation:** October 31, 2020



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**Observation #3: *Assess Review Threshold for Accounts Payable Wire Transfers***

**Low Risk:** Even though the vendors for these wire transfers have been approved by Treasury and Treasury performs a review of wire transfers made by AP after the fact, there is still an opportunity for AP to transfer significant funds without Treasury's review or approval, which may result in unrecoverable funds if the incorrect amount is transferred. This risk increases for international wire transfers, as these transfers are often more difficult to recall if they are found to be incorrect or fraudulent.

Per controls implemented in 2019, any Accounts Payable (AP) wires over \$15,000 to a new vendor require Treasury to review and confirm the vendor and banking information is legitimate. After this, AP can set up the vendor with the instructions Treasury has verified and can perform wire transfers under \$500,000 to an established vendor without a review and approval of the wire transfer by Treasury. Treasury also monitors the AP payment totals on a daily basis and review and approve any changes in vendor and banking information.

**Recommendation:** While AP performs an internal review of wire transfers, Treasury should assess the current threshold of AP wire transfers that requires their approval and determine whether the threshold is appropriate to address the current risk present at UT Dallas for transferring a significant amount of funds without a secondary review and approval for appropriateness and correctness.

**Management's Action Plan:** The Office of Budget and Finance will review AP wire activity and will establish an appropriate threshold requiring Treasury's secondary review and approval.

**Person Responsible for Implementation:** May 31, 2020

**Estimated Date of Implementation:** Brian Bernoussi, Assistant Vice President for Operations



#### Observation #4: *Strengthen UTIMCO Authorization Authentication*

**Low Risk:** The ability to initiate a sell transaction without receiving approval of the Daily Cash Flow Report could lead to UT Dallas not effectively managing their cash position (e.g., if a sell transaction is made by mistake, UT Dallas could have a higher balance than the targeted \$5.0M).

While the Daily Cash Report Procedures require the Daily Cash Flow Report be submitted to the Treasury Manager, Assistant Treasury Manager, and Associate Vice President for Budget and Finance for approval before a transfer can be made in UTIMCO, there is no system control in UTIMCO that prevents an individual from initiating a sell transaction before approval of the Daily Cash Flow Report is received.

**Recommendation:** Treasury should explore options to strengthen the authorization authentication process so that it is not email-based. Additionally, Treasury should discuss opportunities to strengthen the authorization process with UTIMCO to achieve more integrity regarding the transfer of funds.

**Management's Action Plan:** Treasury will implement an internal electronic approval process for UTIMCO transactions. Treasury will submit a request for approval functionality in UTIMCO CPS to UT System.

**Person Responsible for Implementation:** December 31, 2020

**Estimated Date of Implementation:** Karol Miller, Treasury Manager



## Appendix A: Methodology

### Background

Financial Management Services within the Office of Budget and Finance oversees the cash management and wire transfer process. Financial Management Services is responsible for managing the University's treasury. Centralized processes at UT Dallas include Treasury Management's (Treasury) oversight of the bank and investment accounts, including cash management, cash handling compliance and training, and investment and banking activity. Student Financial Services (Bursar's Office) is responsible for overseeing student financial reporting and collecting cash, checks, and credit card transactions and serves as the University's primary cashier. However, some departments at UT Dallas are responsible for collecting and processing cash, checks, and credit card transactions related to their operations, illustrating the decentralized processes at UT Dallas.

This audit focused on both Treasury and Bursar's Office operations. Due to the fact the largest amounts of funds are moved within UT Dallas electronically and between multiple accounts, this audit focused primarily on wire transfers. UT Dallas cash handling policies are outlined in both the UT Dallas Cash Handling Policy Statement (UTDBP3043) and UT System Cash Management and Cash Handling Policy (UTS166). UT Dallas wire transfer processes are outlined in the Treasury Transfer Request and University of Texas/Texas A&M Investment Company (UTIMCO) Transfer Forms documents developed by Treasury.

### Controls and Strengths

Our audit work indicated the following controls currently exist:

- UT Dallas has updated policies and procedures over cash handling
- Wire transfers are appropriately reviewed and approved
- UTIMCO wire transfers must be requested using the PeopleSoft form and the form must be approved by the cost center approver and Treasury
- The ERP system documents and tracks all wire transactions
- Treasury reviews and confirms the vendor and banking information for all Accounts Payable (AP) wires to new vendors that are over \$15,000
- Treasury and the Assistant Vice President (AVP) of Operations are the only individuals that can create wire transfers from the UT Dallas bank account in CashPro
- Only the Treasury Manager and AVP of Operations have Primary Administrator access to CashPro (i.e., can edit another individual's access)
- Two users are required to complete an AP wire transfer; however, a user cannot approve the same wire they initiated
- Cash collection reconciliations are performed at the Bursar's Office



- Cash at the Bursar's Office is picked up by Garda armored truck service and is deposited at the bank
- UT Dallas requires annual compliance training for all individuals with cash handling responsibilities
- UT Dallas uses two-factor authentication for their wire transfer systems, CashPro and Flywire

## Scope and Procedures

The scope of this audit was fiscal year 2019 and our fieldwork concluded on April 6, 2020. To satisfy our objectives, we performed the following:

- Reviewed policies, procedures, and other process documentation (e.g., forms and process narratives) related to the cash management and wire transfer processes.
- Interviewed five UT Dallas personnel responsible for the central oversight of the cash management and wire transfer internal control activities.
- Performed detailed testing on a judgmentally selected sample of 20 wire transfers in the fiscal year ended August 31, 2019, to determine the effectiveness of internal controls.
- Performed testing on a judgmentally selected sample of ten individuals who have cash handling responsibilities to determine whether they have received required cash handling training.
- Reviewed the cash handling process of three departments that handle cash to determine whether they have adequate cash handling policies and procedures in place and they align with UT Dallas policies and procedures.
- Developed recommendations for improving the cash management and wire transfer processes and/or compliance with internal policies and procedures.

We conducted our examination in conformance with the Texas Internal Auditing Act 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.

## Follow-up Procedures

Though management is responsible for implementing the course of action outlined in the response, we will follow up on the status of implementation subsequent to the anticipated implementation dates. Requests for extension to the implementation dates may require approval from the UT Dallas Audit Committee. This process will help enhance accountability and ensure that timely action is taken to address the observations.



## Thank You

We appreciate the courtesies and considerations extended to us from the Office of Budget and Finance during our engagement. Please let me know if you have any questions or comments regarding this audit.

A handwritten signature in blue ink that reads "Toni Stephens". The signature is written in a cursive, flowing style.

Toni Stephens, CPA, CIA, CRMA  
Chief Audit Executive

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## Appendix B: Report Distribution

<p style="text-align: center; color: #4F81BD;">Members of the UT Dallas Institutional Audit Committee</p> <p><i>External Members</i></p> <ul style="list-style-type: none"> <li>• Ms. Lisa Choate, Chair</li> <li>• Mr. Gurshaman Baweja</li> <li>• Mr. John Cullins</li> <li>• Mr. Bill Keffler</li> <li>• Ms. Julie Knecht</li> </ul> <p><i>UT Dallas Members</i></p> <ul style="list-style-type: none"> <li>• Dr. Richard Benson, President</li> <li>• Mr. Rafael Martin, Vice President and Chief of Staff</li> <li>• Dr. Kyle Edgington, Vice President for Development and Alumni Relations</li> <li>• Mr. Frank Feagans, Vice President and Chief Information Officer</li> <li>• Dr. Gene Fitch, Vice President for Student Affairs</li> <li>• Dr. Calvin Jamison, Vice President for Facilities and Economic Development</li> <li>• Dr. Inga Musselman, Provost and Vice President for Academic Affairs</li> <li>• Ms. Sanaz Okhovat, Chief Compliance Officer</li> <li>• Dr. Joseph Pancrazio, Vice President for Research</li> <li>• Mr. Terry Pankratz, Vice President for Budget and Finance</li> <li>• Mr. Timothy Shaw, University Attorney, ex-officio</li> </ul>	<p style="text-align: center; color: #4F81BD;">UT Dallas Responsible Parties</p> <p><i>Responsible Vice President (VP)</i></p> <ul style="list-style-type: none"> <li>• Mr. Terry Pankratz, VP for Budget and Finance</li> </ul> <p><i>Persons Responsible for Implementing Recommendations</i></p> <ul style="list-style-type: none"> <li>• Dr. Brian Bernoussi, Assistant VP for Operations</li> <li>• Ms. Karol Miller, Treasury Manager</li> </ul> <p><i>Other Relevant Persons</i></p> <ul style="list-style-type: none"> <li>• Mr. Orkun Toros, Assistant VP and Chief Budget Officer</li> <li>• Mr. Greg Argueta, Assistant VP for Accounting and Financial reporting</li> <li>• Ms. Cheryl Friesenhahn, Senior Director of Financial Services</li> </ul> <p style="text-align: center; color: #4F81BD;">External Agencies</p> <p><i>The University of Texas System</i></p> <ul style="list-style-type: none"> <li>• System Audit Office</li> </ul> <p><i>State of Texas Agencies<sup>1</sup></i></p> <ul style="list-style-type: none"> <li>• Legislative Budget Board</li> <li>• Governor’s Office</li> <li>• State Auditor’s Office</li> </ul>
<p style="color: #4F81BD;"><b>Engagement Team</b></p> <p><i>The Office of Audit and Consulting Services contracted with Baker Tilly to perform this engagement.</i></p> <p>Project Leader: John Kiss, CPA, CFE          Project Manager: Joe Kodali, CPA, CFE          Staff: Matt Johns, Josh Colangelo</p>	

<sup>1</sup> Per Texas Internal Auditing Act Requirements



## Appendix C: Definition of Risks

Risk Level	Definition
<b>Priority</b>	High probability of occurrence that would significantly impact UT System and/or UT Dallas. Reported to UT System Audit, Compliance, and Risk Management Committee (ACRMC).  Priority findings reported to the ACRMC are defined as <i>“an issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.”</i>
<b>High</b>	Risks are considered to be substantially undesirable and pose a moderate to significant level of exposure to UT Dallas operations. Without appropriate controls, the risk will happen on a consistent basis.
<b>Medium</b>	The risks are considered to be undesirable and could moderately expose UT Dallas. Without appropriate controls, the risk will occur some of the time.
<b>Low</b>	Low probability of various risk factors occurring. Even with no controls, the exposure to UT Dallas will be minimal.