

Audit Report

FY 2022 UTS 142.1 Assurance Audit

December 2022

Summary – FY 2021 UTS 142.1 Assurance Audit

We recently completed an audit of UTS 142.1, Policy on the Annual Financial Report, at UTA. The background, audit objective, scope and ratings are detailed on pages 7 and 8 of this report.

Overall, the audit identified the need to improve the monitoring processes associated with the Segregation of Duties and Account Reconciliations Monitoring Plan. Specifically, the following opportunity was identified:

Observations	Rating	Count
1	Priority	0
	High	0
	Medium	1
	Low	0

Audit Observation

1. Monitoring Process and Procedures

Several Steps in the Monitoring Plan Statements Were Not Consistently Performed In FY 2022.

Medium

Page 3

Further details can be found on the following pages. Other less significant opportunities were communicated to management separately.

We appreciate the courtesy and cooperation received from Accounting Services throughout this audit.

Observation 1 – Monitoring Process and Procedures

Medium

Monthly, the Office of Accounting Services closes the financial statements and notifies departments of their responsibility to complete reconciliations and approvals by a specific deadline, typically within 30 days.

The Monitoring Plan for the Segregation of Duties and Reconciliation of Financial Statements (Departments and back office) requires the following:

- Using SAHARA, each department must reconcile and approve their monthly financial statements. The reconciliation involves several steps and is typically performed by an administrator in the department. The Head of the Unit must approve the monthly financial statement(s). Currently, SAHARA does not have the capability to automatically notify users who have not reconciled and/or approved their statements by the deadline. The Office of Accounting Services submitted a request to the UT System Office of Shared Information Services in October 2021 in order to add that functionality to UTA's instance of SAHARA; however, that request has not been implemented.
- The Office of Accounting Services periodically reviews the status of the Financial Statement review to verify that all financial statements are being properly reconciled and approved on a timely basis. If a department's statements are not reconciled or approved in a timely manner, the Office of Accounting Services schedules a second review, and the Executive Director of Accounting Services sends the Head of the Unit a written notification of non-compliance. If statements remain unreconciled during the second review, the Assistant Vice President of Accounting Services sends written notification to University Compliance Services, as well as a copy to the Head of the Department. University Compliance Services will then perform a review of the department's reconciliations.
- Quarterly, the Office of Accounting Services provides a summary of financial statement reconciliation reviews to the Vice President for Business and Finance and Chief Financial Officer, Associate Vice President and Controller, and University Compliance Services. The report includes the number of initial reviews, follow-up reviews, and the results of these reviews.

In our review of the monitoring and follow-up process, the following opportunities were identified:

- An important monitoring control is missing from the process. As stated above, departments are provided with a due date to complete their reconciliation and approval of the monthly financial statements in an email. However, no exception reporting or notifications are currently used to inform the Head of the Department, in the event that the required monthly sign-off was not completed, by the assigned due date. Adopting this reminder control would help ensure department awareness in the event that a department forgot to complete the review or an error occurred during the sign-off process. In addition, a timely and effective escalation procedure is also needed for those departments that fail to sign off for two or more months. Importantly, the Office of Accounting Services expressed concerns that departments were not consistently reviewing and monitoring their financial statements by the assigned due dates. Addressing this missing monitoring control could help improve awareness and likely compliance.

- Due to department turnover, quarterly workload (resulting from a very large sample size), and an extended review process, the current monitoring practice used by the Office of Accounting Services allowed for too much time to elapse before instances of non-compliance can be identified and reported. Specifically, the following was identified which resulted in several key steps and reporting requirements outlined in the Risk Assessment and Monitoring Plan not being performed in FY 2022:
 - ✓ For this sample review (which included approximately 25 percent of departments per quarter), notification of the first instance of non-compliance was sent to the Head of the Department an average of 94 days (ranging from 77 to 136 days) after it was discovered. If a second instance of non-compliance was identified during the follow-up review, the second notice was sent an average of 105 days (ranging from 87 to 123 days) after the review. In some instances, the non-compliance had been resolved prior to the second notification being sent. Additionally, there was a delay in conducting follow-up reviews for the third quarter monitoring sample; however, they were completed during the fourth quarter.

- ✓ Accounting Services did not consistently notify University Compliance Services for the second instance of non-compliance. Although the quarterly reports provided the number of non-compliant accounts, the reports did not list the specific departments. Importantly, University Compliance Services did not follow-up with the Office of Accounting Services to obtain this information each quarter. This situation appears to have resulted from the transition of leadership in University Compliance Services during FY 2022. As a result, University Compliance Services could not perform their required review, even if the reports had been provided.

Recommendation: Until the UT System Office of Shared Information Services can implement the requested changes, the Office of Accounting Services should explore different options in order to automate exception reporting functionality in SAHARA to identify accounts that have not been reconciled and approved by the deadline. Notifications should be sent to the account owners in each department reminding the appropriate parties that their reconciliation and/or approval was not performed on a timely basis. Additionally, an escalation procedure should be developed for departments that do not complete required reconciliations and approvals for two or more contiguous months. Further, Accounting Services should provide a list of these account owners to University Compliance Services in a usable format to allow presentation at the quarterly Compliance, Accountability, Risk and Ethics (CARE) Committee meetings.

Importantly, Accounting Services should consider reducing the quarterly sample sizes in order to improve the timeliness of reporting and corrective action. Monitoring procedures should be updated to detail the specific steps and timeline for this revised process, including the timing of when notifications are sent for non-compliance. Additionally, opportunities identified by these reviews should be shared with University Compliance Services so appropriate reporting to UTA leadership and the CARE Committee occurs on a timely basis.

Finally, consideration should be given to including language in the monthly “period close” email to reinforce the responsibility for ensuring accounts are timely reconciled and approved and verify that all account owners are on the email distribution list.

Observation 1 – Monitoring Process and Procedures (continued)

Medium

Management Response:

Accounting Services will explore and/or develop alternative options to notify account reconcilers and approvers automatically and include the potential to escalate based upon a to be determined frequency by November 1, 2023.

Accounting Services has established a TEAM share site and given University Compliance Services access to reviews and the respective outcomes effective November 2022 for viewing at any time.

Annually, Accounting Services updates the Monitoring Plan. We will consider what actions to change that will provide UTA an effective Monitoring Plan while balancing risk mitigation and tolerance to cost by May 1, 2023.

Accounting Services will include in the monthly period close email information regarding responsibility of leaders, such as, Chairs, Deans, and VPs as defined in UTA's administrative officer's responsibilities per UTA Policy, and department responsibilities per UTA accounting procedures, no later than February 1, 2023.

Target Implementation Date:

November 1, 2023

Responsible Party:

Assistant Vice President for Accounting Services

Background, Objective, Scope and Methodology

Background

UTS 142.1 Policy on the Annual Financial Report provides financial reporting requirements and duties related to those responsible for financial reporting. Section 5 of the policy requires the Financial Reporting Officer develop or update a monitoring plan for the segregation of duties and reconciliation of accounts. The monitoring plan should be risk-based and establish the minimum requirements for the institution. Section 6 requires the University of Texas at Arlington (UTA) Chief Administrative Officer and Financial Reporting Officer to attest to the accuracy of the institution's financial statements in an annual certification to the Financial Reporting Officer of U.T. System Administration. In addition, a certification of compliance with the U.T. System Financial Code of Ethics is required, as well as an attestation related to whether any violations of the Financial Code of Ethics were known. Finally, Section 7 of the policy requires the institutional Chief Audit Executive (CAE) perform an annual risk assessment of the Monitoring Plan. The CAE must certify if an audit was performed based on the risk assessment to the Financial Reporting Officer of U.T. System Administration by November 7th.

Objective

The objective of this audit was to determine whether UTA's Monitoring Plan is in place and functioning as intended. This included determining whether account reconciliations are being performed and whether appropriate segregation of duties were being administered by management.

Scope and Methodology

The scope of the audit was fiscal year (FY) 2022. We tested the current Monitoring Plan process to help ensure management's assertions on segregation of duties were valid and statement of accounts were being reconciled. We relied on the results of the on-site reviews/inspections conducted by Accounting Services throughout the year. In addition, we reviewed the certification process that management relies upon to submit the annual certification to U.T. System.

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*.

Ranking Criteria – FY 2022 UTS 142.1 Assurance Audit

Ranking Criteria

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for these rankings are as follows:

Priority	An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole.
High	A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level.
Medium	A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level.
Low	A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level.

None of the findings from this review are deemed as a “Priority” finding.

Distribution – FY 2022 UTS 142.1 Assurance Audit

To: Jennifer Cowley *President, UTA*
Randal Rose *Audit Committee Chairman*

Audit Committee:

Salma Adem *Vice President for Planning and Chief of Staff, UTA*
Shelby Boseman *University Attorney and Chief Legal Officer, UTA*
Tamara Brown *Provost and Senior Vice President for Academic Affairs, UTA*
John Davidson *Vice President for Business and Finance and Chief Financial Officer, UTA*
Helen Dickey *Partner, Harris & Dickey LLC*
Harry Dombroski *Dean, College of Business, UTA*
Jacqueline Fay *FY 2023 Faculty Senate Chair (Associate Professor, English), UTA*
John Hall *Vice President for Administration and Economic Development, UTA*
Chris Mitchell *External Executive Committee Member*
Jewel Washington *Vice President for Talent, Culture and Inclusion, UTA*

From: David Price *Chief Audit Executive, UTA*



cc: Carolyn Record *Assistant Vice President, Accounting Services, UTA*
Stephanie Scott *Associate Vice President and Controller, Accounting Services, UTA*
Andrea Wright *Executive Director, Accounting Services, UTA*
Joseph Zschiesche *Interim Chief Compliance Officer, UTA*

Auditor-in-Charge:

Swapna Reddy *Auditor, UTA*