

UT Southwestern Medical Center

Cash Management Audit

Internal Audit Report 21-01

March 18, 2021

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Executive Summary

Background

The University of Texas Southwestern Medical Center (UT Southwestern) Cash Management Office, reporting to the Director of Fiscal Reports & Accounting Operations (Fiscal Reports) and the Assistant Vice President of Accounting and Fiscal Services (AFS), oversees treasury activities, general cash disbursement, and receipt activities across the institution. This includes processing payments for scheduled payable and payroll cycles, processing off-cycle settlements, sweeping funds received from various receipt point of locations including bank lockboxes and deposit accounts to the primary operating bank account, and investing excess funds in accordance with policies established by the University of Texas Regents and UT System.

The Cash Management banking structure consists of the primary operating or concentration account, controlled disbursement accounts that have positive pay feature, various bank lockboxes, and linked zero balance deposit accounts (ZBA). These and a network of dedicated deposit accounts support hospital and clinical operations, physician billing, research grants, student tuition settlements, campus auxiliary services, and institutional gifts and endowments. Investment transactions are made through the University of Texas Investment Management Company (UTIMCO). Cash Management responsibilities also include oversight of ATM machines located throughout the campus, management of cash canisters, resolving billing rejections and disputes for each machine, processing transactions received at the central treasury window, and managing the AFS petty cash fund.

Cash Management uses an online banking system (CASHPRO) administered by its servicing bank, Bank of America, to process ACH disbursements, domestic and offshore wire payments, as well as to manage fund transfers between bank accounts. CASHPRO offers online connectivity via desktops, laptops and mobile apps. Other key features include user ability to prepare remote deposits and enable automated file transmission between financial systems.

The Accounting Operations team, led by the Director of Fiscal Reports, reconciles bank account activities and month-end statements with PeopleSoft ERM entries. The team also prepares manual journal entries to resolve timing items recorded to the cash suspense general ledger account. Other teams involved in the cash management function are the Hospital Administration team with responsibility for reconciling Hospital related bank accounts and the Sponsored Programs Administration (SPA) team responsible for reconciling the SPA related bank accounts. For cash bag deposits and pickups (both on campus and off campus), the institution has retained an external courier for this service.

Please refer to Appendices A and B for a breakdown of annual receipts and disbursements processed by Cash Management.

Executive Summary

Scope and Objectives

The Office of Internal Audit Services has completed the Cash Management Audit. This is a risk-based audit and part of the fiscal year 2021 Audit Plan.

The audit scope period included activities from September 2019 to November 2020. Hospital and clinical location cash management was addressed in the Hospitals and Non-Hospital Based Clinical Cash Management audit. Bank card processing compliance is covered in the separate Payment Card Industry (PCI) compliance audit.

The objective of the Cash Management Audit was to evaluate and assess controls for safeguarding and timely receipt and disbursement of funds, appropriate wire transfer and transaction activities, and appropriate system user access and segregation of duties.

We conducted our examination according to guidelines set forth by the *Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing*.

Conclusion

The audit determined there is separation of duties between CASHPRO wire processing by Cash Management, and financial monitoring and adjusting journal entries recorded in PeopleSoft by Accounting Operations. The audit also determined that bank account reconciliations are performed timely on a monthly basis, and transactions recorded to suspense accounts are reviewed and resolved timely.

Opportunities exist for an increased focus of monitoring CASHPRO user access levels, and authorized limits based on assigned roles and job responsibilities. In addition, Cash Management should also continue to work with Information Resources to explore and leverage additional system functionality to automate wire disbursements and payee ACH information updates.

Executive Summary

The table below summarizes the observations in the detailed section of the report along with the respective disposition of these observations within the internal audit risk definition and classification process. See Appendix A for Risk Rating Classifications and Definitions.

Priority (0)	High (0)	Medium (2)	Low (2)	Total (4)
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Key observations identified are as follows:

- 1. **Improve Monitoring of CASHPRO Application User Access** - Role based user access and segregation of duties in CASHPRO is not monitored regularly, which could increase exposure to unauthorized wire transfers.
- 2. **Ensure Appropriateness of Wire Submission and Approval Limits** - Authority limits for wire disbursements were not appropriately established for some users, which could impact effectiveness of internal compliance review of CASHPRO wire activities.
- 3. **Improve Wire Processing through Automation** - CASHPRO wire disbursements are performed manually, automated processing through available system functionality is not leveraged.
- 4. **Enhance the ACH Payment Setup Process for Vendors and Suppliers** - The current process requires suppliers to submit a paper form to request ACH payment setup or changes. This is not efficient and does not provide added protection over sensitive information.

Management has provided responses with planned action items to address the observations identified in the report. Some of these action items have been completed. The responses, along with additional details for the key observations listed above, are included in the Detailed Observations and Action Plans Matrix section of this report.

We would like to take the opportunity to thank the departments and individuals included in this audit for the courtesies extended to us and for their cooperation during our review.

Sincerely,

Valla Wilson, Vice President & Chief Audit Executive, Office of Internal Audit Services

Executive Summary

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Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>1. Improve Monitoring of CASHPRO Application User Access</p> <p>Users in CASHPRO are not periodically reviewed for appropriateness of access and adequacy of segregation of duties, which could increase exposure to unauthorized wire transfers. Key observations include:</p> <ul style="list-style-type: none"> - One of seven CASHPRO users authorized to create or approve outgoing wire transactions also had the ability to approve their own wire submissions. - Eleven from a total of sixty-one user accounts were in locked status including one account belonging to a contract worker. These locked users did not show recent activities and may no longer require access due to job duty changes or status changes. - Access permissions for CASHPRO users are not periodically reviewed for re-certification or to ensure access is commensurate with job responsibilities. 	<ol style="list-style-type: none"> 1. Remove the overlapping capability of the user account in question. 2. Implement periodic review of user access permissions in CASHPRO to ensure ongoing access is commensurate with job responsibilities and there is appropriate segregation of duties. <p>Consider quarterly joint review of user access by the System Administrator and the AVP or designated management.</p>	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. AFS agrees with the recommendation and has corrected the individual's access. We requested Bank of America (BOA) to remove the ability for all users to approve their own payments and BOA has implemented. Cash Management also downloads a daily report of all wires which is used to reconcile all wire payments and verify validity of all wires. This compensating control ensures all wires sent are appropriate. <p>Of the eleven accounts locked due to inactivity, nine were reestablished as the individuals still needed access. Two accounts were closed due to one employee no longer needing access and one contract employee who had left UTSW. All eleven users had view only access; therefore, there was no transaction risk and we have updated our procedures to address contract employees and to timely address locked accounts.</p> <ol style="list-style-type: none"> 2. In addition to removing access based on daily termination lists (part of cash management's existing SOPs), we have implemented quarterly reviews of user access to ensure appropriate access and segregation of duties.

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><u>Action Plan Owners:</u> AVP of AFS and Director of Fiscal Reports</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. Completed January 28, 2021 2. Completed March 12, 2021

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Medium ●</p> <p>2. Ensure Appropriateness of Wire Submission and Approval Limits</p> <p>Authority limits for wire disbursements are not appropriately established for users, which could impact effectiveness of internal quality review of CASHPRO wire activities for compliance.</p> <ul style="list-style-type: none"> - According to the Cash Management Standard Operating Procedures (SOPs) ACT.CM.007 two users had unlimited approval limits for wire payments, and one additional user had approval and submission limits in pending status. - The unlimited approval limits and the pending status were not consistent with the maximum submission limit established at \$60M for cross-border and domestic free-form wire transmissions. Additionally, approval limits did not always follow position level hierarchy. - Currently, there is no established minimum limit for wire disbursements. FY2020 actual wire disbursements ranged from \$20 to \$35M with an assessed bank processing fee of \$40 per transaction. 	<ol style="list-style-type: none"> 1. Evaluate authorized limits of all CASHPRO users and make appropriate updates to the Cash Management SOP. 2. Consider minimum limits for wire disbursements or assess charging processing fees. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We will update the SOP to include all users' wires submission/approval limits. Updates will be approved by the VP, Finance and Institutional CFO and the EVP for Business Affairs. 2. AFS began addressing the cost and procedural inefficiencies associated with sending wires several years ago. Wires should only be used when either the contract/PO or the transaction type requires it. AFS contacts vendors who have requested wires and most agree to change to ACH. Those who still request payment via wire are charged a \$40 wire fee unless it is required by the contract/PO. The exception is for real estate transactions and foreign vendor payments, where wires are routinely required. <p>AFS will work with SCM to determine if a fee or minimum purchase requirement can be included in contracts with foreign vendors or others when ACH and checks are not viable payment options.</p>

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
		<p><u>Action Plan Owners:</u> AVP of AFS and Director of Fiscal Reports</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. May 15, 2021 2. June 30, 2021

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Low ●</p> <p>3. Improve Wire Processing through Automation</p> <p>CASHPRO wire disbursements are performed manually and do not consistently incorporate available system functionality to reduce the risk of manual errors and increase efficiency. The current wire payment process involves review and signoff of individual wires by authorized Cash Management members. Several enhancement options have been identified to further improve efficiency and effectiveness including:</p> <ul style="list-style-type: none"> - Expand the use of wire templates to improve processing efficiency such as prepopulating data fields for commonly used wire types. <p>To date, six active wire templates have been set up in CASHPRO, but there are opportunities for additional templates to be set up for other common types of wires. A system enhancement with IR-AAIR participation approved in FY2018 is not yet implemented due to prioritization ranking and additional delays by the servicing bank.</p>	<ol style="list-style-type: none"> 1. Assess additional opportunities for setting up wire templates in CASHPRO to reduce the number of free-form wires. 2. Ensure implementation of automated wires as part of continuous process improvement. 	<p><u>Management Action Plans:</u></p> <ol style="list-style-type: none"> 1. We are reviewing our transactions and will develop additional templates to improve the efficiency of processing routine payments. 2. The automated wire process was moved into production on March 3, 2021 and Cash Management is using a pilot program to ensure the process is working as desired. <p><u>Action Plan Owners:</u></p> <p>AVP of AFS and Director of Fiscal Reports</p> <p><u>Target Completion Dates:</u></p> <ol style="list-style-type: none"> 1. Completed February 28, 2021 2. May 31, 2021

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Use of wire templates will introduce efficiency in the wire disbursements process given the large number of wires processed annually (over 600 wires totaling \$224m in FY20).</p> <ul style="list-style-type: none"> - Leverage the CASHPRO system functionality to interface and perform electronic payment data interchange with the servicing bank. <p>Accelerate adoption of the use of automated wire processing. This payment method would apply to all forms of wire transfers with the exception of wires made to foreign entities, large dollar transactions, and special cases with prior approval.</p>		

Detailed Observations and Action Plans Matrix

Observation	Recommendation	Management Response
<p>Risk Rating: Low ●</p> <p>4. Enhance the ACH Payment Setup Process For Vendors And Suppliers</p> <p>Supplier requests to set up or update their details including name, business address, contact or ACH banking/financial information are facilitated by completing and e-mailing (or faxing) a paper form to Cash Management Administration for verification. The information is then forwarded to the Supplier Maintenance team for input into PeopleSoft. This manual process could result in the erroneous, duplicative and/or inefficient updates to vendor details.</p>	<p>1. Consider options to automate ACH payment setup.</p> <p>UT Southwestern currently provides an external facing web portal for vendors to inquire about invoice payment status and view procurement information. Cash Management should explore enhancing the functionality of this portal to enable vendor detail updates.</p> <p>Alternatively, consider other third-party tools readily available in the market that facilitate the vendor file management process (i.e., Payment Works).</p>	<p><u>Management Action Plans:</u></p> <p>1. This project was put on hold to assess the feasibility of a third-party service provider vs expanding the use of the portal. The product we considered could provide the necessary reviews and compliance checks, but the cost is high, provides only some time savings for UT Southwestern, and cannot be financially justified based on the savings alone.</p> <p>We are moving forward with the portal expansion using a pilot program approach. Use of the portal, combined with the Visual Compliance software being employed by the AVP COI and IACUC, will provide the level of efficiency and compliance that is most cost effective. Within AFS, this is a Customer Support and Payables project.</p> <p><u>Action Plan Owners:</u></p> <p>AVP of AFS and Director of Fiscal Reports</p> <p><u>Target Completion Dates:</u></p> <p>1. Based on other projects in the development and implementation queue, the project portal option should be available by December 15, 2021.</p> <p>2. The plan to roll out to the vendors will be completed by November 30, 2021.</p>

Appendix A – Risk Classifications and Definitions

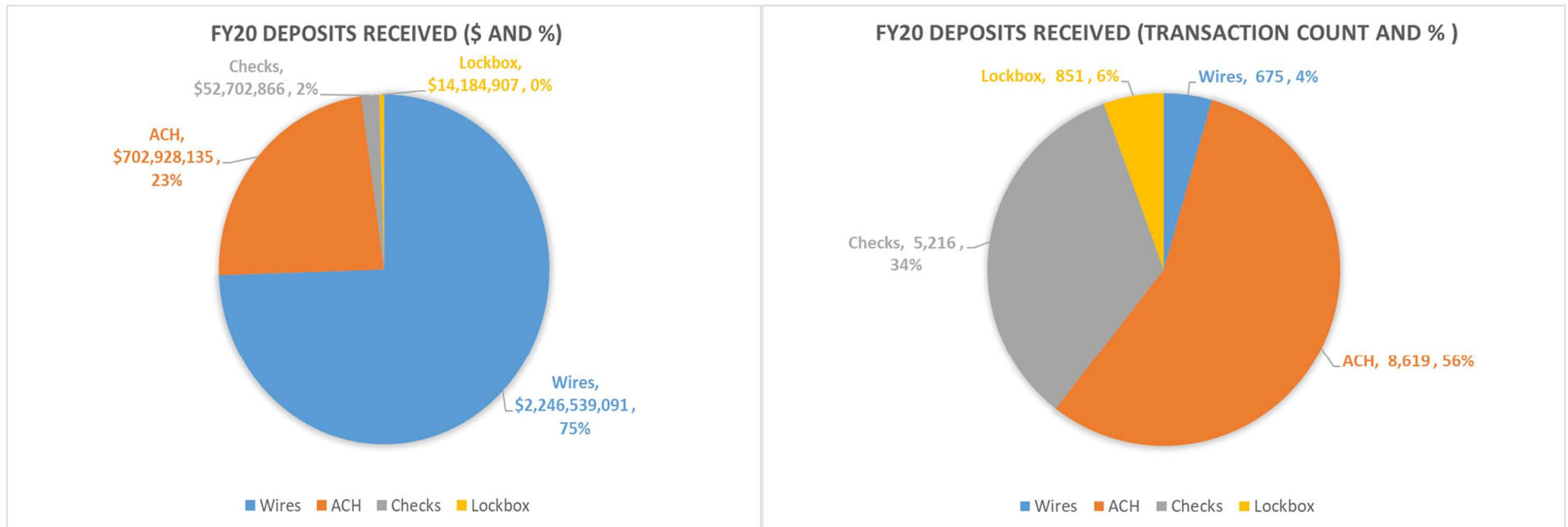
As you review each observation within the Detailed Observations and Action Plans Matrix of this report, please note that we have included a color-coded depiction as to the perceived degree of risk represented by each of the observations identified during our review. The following chart is intended to provide information with respect to the applicable definitions and terms utilized as part of our risk ranking process:

Risk Definition- The degree of risk that exists based upon the identified deficiency combined with the subsequent priority of action to be undertaken by management.	Degree of Risk and Priority of Action	
	Priority	An issue identified by Internal Audit that, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
	High	A finding identified by Internal Audit that is considered to have a high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level. As such, immediate action is required by management in order to address the noted concern and reduce risks to the organization.
	Medium	A finding identified by Internal Audit that is considered to have a medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action is needed by management in order to address the noted concern and reduce the risk to a more desirable level.
	Low	A finding identified by Internal Audit that is considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level. As such, action should be taken by management to address the noted concern and reduce risks to the organization.

It is important to note that considerable professional judgment is required in determining the overall ratings presented on the subsequent pages of this report. Accordingly, others could evaluate the results differently and draw different conclusions. It is also important to note that this report provides management with information about the condition of risks and internal controls at one point in time. Future changes in environmental factors and actions by personnel may significantly and adversely impact these risks and controls in ways that this report did not and cannot anticipate.

Appendix B – FY20 Deposits by Type Received into Cash Management

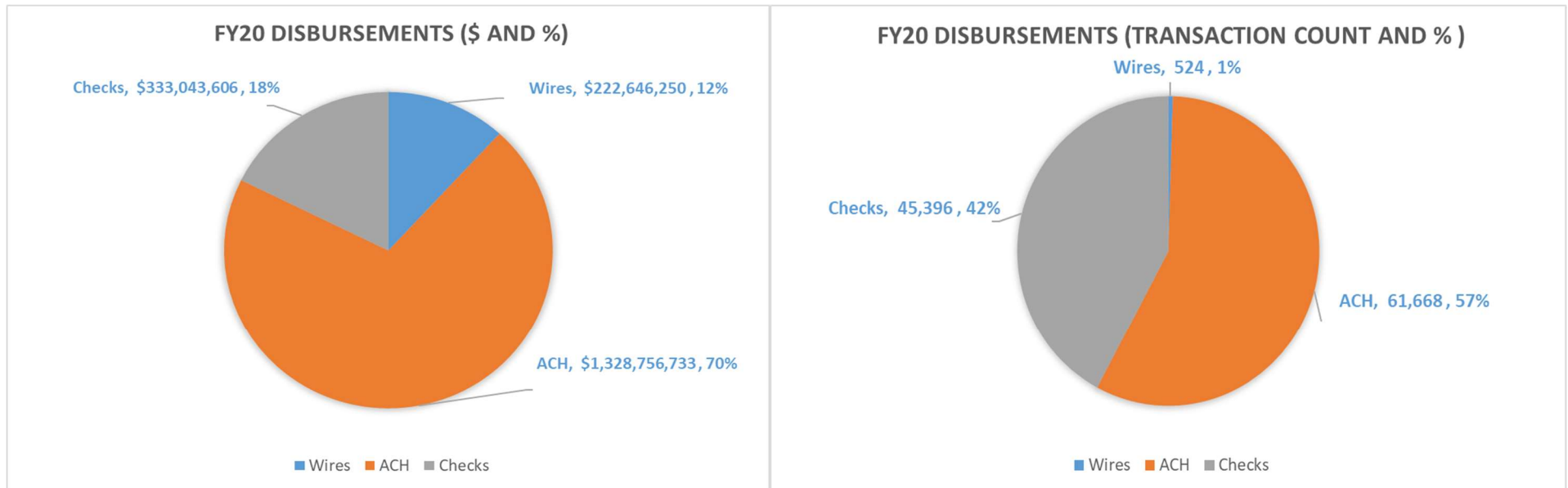
The charts below reflect the deposits by type received into Cash Management for FY20.



Source: Department of Fiscal Reports & Accounting Operations

Appendix C – FY20 Disbursements by Type Processed by Cash Management

The charts below reflect the disbursements by type processed by Cash Management for FY20.



Source: Department of Fiscal Reports & Accounting Operations