



**The University of Texas System**  
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**System Audit Office**

702 Colorado Street, Austin, TX 78701  
Phone: 512-499-4390 Fax: 512-499-4426

October 22, 2013

Mr. Randy Wallace  
Associate Vice Chancellor, Controller & Chief Budget Officer  
201 W. 7th Street  
Austin, TX 78701

Dear Mr. Wallace:

We have performed an audit of the financial controls for the following UT System Administration departments:

1. Facilities Management
2. Institute for Transformational Learning
3. Office of Employee Services
4. Office of External Relations
5. Office of Strategic Initiatives
6. Texas Medical and Dental Schools Application Service

The detailed report is attached for your review.

We conducted our engagement in accordance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*.

We appreciate the assistance provided by your staff and the staff in the selected departments. We hope the information presented in our report is helpful.

Sincerely,

J. Michael Peppers, CPA, CIA, CRMA, FACHE  
Chief Audit Executive

cc: Francisco Cigarroa, M.D. Chancellor  
David Kruse, Senior Facility Manager  
Steven Mintz, Ph.D., Executive Director of Institute for Transformative Learning  
Jean Grove, Director of Employee Services  
Randa S. Safady, Ph.D., Vice Chancellor for External Relations  
Stephanie Huie, Ph.D., Vice Chancellor for Strategic Initiatives  
J. Scott Wright, Ed.D, Executive Director, Texas Health Education Service

**The University of Texas System Audit Office**

**Audit of Financial Controls at Selected University of Texas System  
Administration Departments  
FY 2013**



**October 2013**

**THE UNIVERSITY OF TEXAS SYSTEM AUDIT OFFICE  
702 COLORADO STREET, CLB 3.100  
AUSTIN, TX 78701  
(512) 499-4390**



**The University of Texas System Audit Office  
Audit of Financial Controls at Selected University of Texas System  
Administration Departments  
Fiscal Year 2013**

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**Audit Report**

October 2013

***EXECUTIVE SUMMARY***

The System Audit Office conducted an audit of financial controls for six offices within the University of Texas (UT) System with the assistance of UT Austin students as part of the summer internship program. We found that financial controls are in place and functioning for the selected departments we audited. Specifically, account reconciliations have been properly performed, staff involved in the reconciliation process has attended training and duties related to the financial controls are properly segregated.

***BACKGROUND***

The Office of the Controller conducts annual inspections of account reconciliations and segregation of duties based on a risk assessment. This audit was conducted in lieu of the annual financial control inspections performed by the Office of the Controller.

We worked with the Office of Controller staff to select the following departments for the audit:

1. Facilities Management
2. Institute for Transformational Learning
3. Office of Employee Services
4. Office of External Relations
5. Office of Strategic Initiatives
6. Texas Medical and Dental Schools Application Service

***AUDIT OBJECTIVES & SCOPE***

The objective of the audit was to determine whether financial controls are in place and properly functioning for the selected departments. We determined whether account reconciliations have been properly performed, whether staff involved in the reconciliation process has attended training and whether the duties related to the financial controls are properly segregated.

Our audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. The audit included activities in departmental accounts and operations for the Fiscal Year (FY) 2013 beginning September 1, 2012 through May 31, 2013.

***AUDIT METHODOLOGY***

As part of the audit, we interviewed staff responsible for financial controls; reviewed reconciliations for three months to determine whether they were performed appropriately and timely; tested a sample of transactions for appropriate documentation, approval, compliance and recording; and reviewed training to ensure that staff involved in the reconciliation process has taken the required training.



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***ENGAGEMENT RESULTS***

Based on the procedures performed, we found that financial controls are in place and properly functioning for the selected departments we audited. Specifically, account reconciliations have been properly performed, staff involved in the reconciliation process has attended training and duties related to the financial controls are properly segregated.

***Facilities Management***

We interviewed the Senior Facilities Manager and the Administrative Assistant of Facilities to obtain information on the account reconciliation process and segregation of duties. We selected the months January, March, and April to test reconciliations for Fiscal Year 2013. From those months, we selected a sample of ten transactions including expenses paid by pro-card. We tested these transactions to ensure that they were accurate, appropriate, and recorded correctly. There were no expenses for travel or official occasions.

Based on the procedures performed, we found that controls were in place to ensure segregation of duties; those performing reconciliation duties have received adequate training; and all accounts were reconciled appropriately and timely. We noted no exceptions.

***Institute for Transformational Learning***

We interviewed the Executive Director and the Administrative Coordinator to obtain information on the account reconciliation process and segregation of duties. We selected the months January, March, and April to test reconciliations for Fiscal Year 2013. From those months we selected a sample of five transactions including expenses for travel and official occasions. We tested these transactions to ensure that they were accurate, appropriate, and recorded correctly. There were no expenses paid for by a pro-card.

Based on the procedures performed, we found that controls were in place to ensure segregation of duties and all accounts were reconciled appropriately and timely. The Executive Director had not received reconciliation training at the time of our fieldwork, but has subsequently completed the training. We noted no other exceptions.

***Office of Employee Services***

We interviewed the Director and the Administrative Associate of Employee Services to obtain information on the account reconciliation process and segregation of duties. We selected the months January, March, and April to test reconciliations for Fiscal Year 2013. From those months, we selected a sample of seven transactions including expenses paid by pro-card and expenses for travel and official occasions. We tested these transactions to ensure that they were accurate, appropriate, and recorded correctly.

Based on the procedures performed, we found that controls were in place to ensure segregation of duties; those performing reconciliation duties have received adequate training; and all accounts were reconciled appropriately and timely. We noted some minor exceptions related to dating account reconciliations and shared these with management.



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***Office of External Relations***

We interviewed the Vice Chancellor, the Executive Director of Public Affairs, the Manager of Gift and Data Services, the Director of Endowment Compliance & Development Operations, the Administrative Coordinator, and the Senior Administrative Associate to obtain information on the account reconciliation process and segregation of duties. We selected the months January, March, and April to test reconciliations for Fiscal Year 2013. From these months, we selected a sample of ten transactions including expenses paid by pro-card and expenses for travel and official occasions. We tested these transactions to ensure that they were accurate, appropriate, and recorded correctly.

Based on the procedures performed, we found that controls were in place to ensure segregation of duties; those performing reconciliation duties have received adequate training; and all accounts were reconciled appropriately and timely. We noted one minor exception related to reconciliation review that was a result of human error and was shared with management.

***Office of Strategic Initiatives***

We interviewed the Administrative Coordinator, the Administrative Assistant, and the Communications Coordinator to obtain information on the account reconciliation process and the segregation of duties. We selected the months January, March, and April to test reconciliations for Fiscal Year 2013. From those months, we selected a sample of ten transactions including expenses paid by pro-card and expenses for travel and official occasions. We tested these transactions to ensure that they were accurate, appropriate, and recorded correctly.

Based on the procedures performed, we found that controls were in place to ensure segregation of duties and those performing reconciliation duties have received adequate training; however, not all accounts were reconciled timely.

**Recommendation:** The Office of Strategic Initiatives should ensure that account reconciliations are performed and reviewed in a timely manner.

**Management Response:** Reconciliations are now current (or have been current since April 2013) and are being performed within the timeframe recommended by UT System Internal Audit. OSI will continue to perform reconciliations in a timely manner.

**Implementation Date:** Immediately

***Texas Medical and Dental Schools Application Service***

We interviewed the Senior Director and the Senior Administrative Assistant of the Texas Medical and Dental School Application Service to obtain information on the account reconciliations and the reconciliation processes. We selected the months November, January, and April to test reconciliations for Fiscal Year 2013. From those months, we selected a sample of five transactions including expenses paid by pro-card and expenses for travel and official occasions. We tested these transactions to ensure that they were accurate, appropriate, and recorded correctly. We noted no exceptions.



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Based on the procedures performed, we found that controls were in place to ensure segregation of duties; those performing reconciliation duties have received adequate training; and all accounts were reconciled appropriately and timely.

***CONCLUSION***

We found that financial controls are in place and functioning for the selected departments we audited. Specifically, account reconciliations have been properly performed, staff involved in the reconciliation process has attended training and duties related to the financial controls are properly segregated.