Audit Summary

The Office of the Vice President of Budget and Finance appears to have an adequate system of internal controls in place. However, the following report details ways by which the department can further enhance internal controls and compliance with UT Dallas policies, procedures, and best practices.

Departmental Background

The Vice President for Budget and Finance leads and manages the University’s budget and finance operations and is responsible for the following areas:

- Student Financial Services
- Accounting and Financial Reporting
- Budget and Resource Planning
- Payroll Data and Management
- Procurement Management

The Vice President, Terry Pankratz, reports directly to the President and joined UT Dallas in January 2013. The department’s budget totaled $2,719,753 in fiscal year 2013. This audit focused primarily on the operations within the Vice President’s office. Separate audits of Payroll Data and Management, Procurement Management, and Budget and Resource Planning were performed during fiscal years 2012 and 2013.

Objective and Scope

The objective of this audit was to provide assurance to UT Dallas management that an adequate system of internal controls is in place for the Office of the Vice President for Budget and Finance and to provide reasonable assurance of sound management. The scope of this audit was fiscal year 2013.

To complete this objective we reviewed selected areas of the Office of Budget and Finance operations regarding the reliability and integrity of financial and operating information, the effectiveness and efficiency of operations, the safeguarding of assets, and compliance with laws and regulations. Specifically we performed the following:

- Gained an understanding of operations by interviewing staff, and by reviewing requested information, policies and procedures, and other documents relevant to internal controls within the department.
• Conducted a risk assessment of departmental operations and focused our testing on the key risk areas within the department. We tested selected items from the following areas:

- Account Reconciliations
- Expenses
- Purchasing Cards
- Data Access Controls
- Inventory
- Information Systems
- Project Management
- Employees - Salaried, Hourly, and Contractor
- Organization Structure

Where applicable, 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*. The *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.

**Audit Results**

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<th>Category</th>
<th>Recommendations</th>
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<td><strong>Best Practices</strong></td>
<td>- An anonymous survey indicated that employees felt that management was ethical and accessible.</td>
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<td>- Proactive measures were taken by management to secure desktop workstations in compliance with encryption policies.</td>
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<td><strong>PeopleSoft Access</strong></td>
<td>During our review of PeopleSoft access within the department, we found users with access that did not align with job responsibilities and represented segregation of duties concerns. Our analysis of the role-based and page access of Vice President of Budget and Finance employees found:</td>
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<td>- Student workers and administrative assistants that could approve journal entries. Journal entries should be approved by qualified and authorized employees only.</td>
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<td>- Administrative assistants that could add or update journal entries.</td>
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<td>- Accountants and analysts that could open, close, and adjust accounting periods. The accountants and analysts identified as having this access did not appear to be at a sufficient level of authority to justify this access. Only authorized and qualified employees should have the ability to adjust accounting periods to prevent out of period entries.</td>
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<td>Category</td>
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<td>• Accountants, analysts, student workers, and administrative assistants that have access to the tree manager, which is used to control how data will be reported or classified.</td>
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<td>• Student workers can modify Chartfields. Chartfields are the accounts where transactions are recorded within PeopleSoft. Allowing student workers to modify Chartfields enhances the risk that expenses are recorded to the wrong accounts that could impact fund balances and budgeted amounts.</td>
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Duties should be properly segregated to ensure that the same employee cannot both create and approve transactions. Also, access should only be given to employees whose job responsibilities require such access.

**Recommendation:** The department should periodically review employee access to ensure appropriateness and alignment to job responsibilities and a proper segregation of duties.

**Management's Response and Action Plan:** The office of Budget and Finance will institute an annual review of employee access to ensure appropriateness and alignment to job responsibilities. The review will be conducted with the start of each fiscal year.

**Estimated Implementation Date:**
*September 1, 2013*

**Responsible Person:**
*Randy Rikel, Associate Vice President and Controller*

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<th>Other Issues</th>
<th>Other issues were discussed with management, such as:</th>
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<td>• Payments made to a contractor exceeding the contracted amount</td>
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<td>• Solicitation of gifts</td>
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<td>• Employee turnover</td>
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<td>• Project management</td>
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<td>• Property inventory</td>
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<td>• Purchasing card processes.</td>
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Management has acknowledged these issues and will work to address them as best aligns with departmental operations and the University’s needs.
We appreciate the courtesy and cooperation received from the management and staff of the Office of the Vice President for Budget and Finance.

Toni Stephens
Executive Director of Audit and Compliance

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