

**The University of Texas
at Tyler**

Account Reconciliations Audit



May 2016

THE UNIVERSITY OF TEXAS AT TYLER
OFFICE OF AUDIT SERVICES
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The University of Texas at Tyler
Departmental Account Reconciliations Audit
Fiscal Year 2016

BACKGROUND

Account reconciliations provide an important review of transactions to compare university accounting records in the PeopleSoft accounting system to departmental documentation. The “Account Reconciliation Process”, “Reconciliation Report”, and “Summary Financial Report” were originally developed by the PeopleSoft Shared Services at the University of Texas System. Monthly reconciliations of Cost Centers as well as Capital and Grant Projects are required to be completed using the “Reconciliation Report” and “Summary Financial Report” as directed by the University of Texas at Tyler (UT Tyler) Budget and Financial Reporting Office. Reconciliation procedures consist of the following steps:

- The UT Tyler Budget and Financial Reporting Office sends an email with reconciliation instructions to Budget Authorities and Support Staff that the month has closed, and the reconciliations should be prepared by a designated due date using the Reconciliation Report.
- The reconciler downloads a Reconciliation Report that lists all transactions by Department or downloads separate Reconciliation Reports for each Cost Center and Project.
- The reconciler and approver review the transactions and verify the information to supporting documentation, including revenue reports, invoices, time sheets, etc.
- The reconciler or approver reports any reconciling differences to the Budget and Financial Reporting Office for follow-up investigation and correction.
- The “Summary Financial Report” is certified by the reconciler and approver as evidenced by their required signatures and dates.

A review of Account Reconciliation completions is included in departmental Quality Assurance Reviews conducted by the Compliance Office.

This audit was included in the Fiscal Year 2016 Audit Plan as approved by the Institutional Audit Committee.

AUDIT OBJECTIVE

The objective of the audit was to determine if account reconciliations were in compliance with UT Tyler guidelines regarding documented completion, approval, and timeliness of account reconciliations.

STANDARDS

This audit was conducted in accordance with guidelines set forth in *The Institute of Internal Auditor’s Standards for the Professional Practice of Internal Auditing*.

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SCOPE AND METHODOLOGY

To accomplish the audit objective noted above, a sample of one Cost Center or Project from 40 of the 129 Budget Authorities was selected for detailed testing using the following criteria:

- 10 Cost Centers and Projects judgmentally selected based on management input and prior year testing,
- 15 Cost Centers and Projects with the highest revenue or expense, and
- 15 Cost Centers and Projects selected at random.

Testing was conducted to determine if the November 2015 reconciliations were completed by the required deadline of February 15th and to verify that the “Summary Financial Report” was signed and dated by both the preparer and approver by the deadline.

AUDIT RESULTS

A Priority Finding is defined as “*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.*” Non-Priority Findings are ranked as High, Medium, or Low, with the level of significance based on an assessment of applicable Qualitative, Operational Control, and Quantitative risk factors and probability of a negative outcome occurring if the risk is not adequately mitigated. This audit resulted in two medium findings.

#1 Reconciliation of Projects (Medium):

Reconciliation instructions specifically referenced “Cost Centers” and did not include a reference to “Projects”. Based on these instructions, some departments were not reconciling their Projects monthly. Also, the Reconciliation Report was not consistently including “Project” transactions if the report was downloaded by Department. This was caused by a report programming error. The Audit Department communicated these concerns to the Budget and Financial Reporting Office so immediate corrections could be made to the Reconciliation Report and communication could be sent to the Budget Authorities and Support Staff emphasizing the requirement to reconcile Projects.

Management Response: The Budget and Financial Reporting Office worked with UT System Shared Information Services to correct the Reconciliation Report to include Projects when transactions were downloaded by Department. This was communicated to Budget Authorities and Support Staff in April noting that comprehensive reports were available for the March reconciliations. The communication also included instructions to reconcile prior months as needed.

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#2 Testing Results (Medium):

The results of detailed testing of 40 reconciliations are included in the following table.

Requirement	# of Exceptions
Report not downloaded by due date.	7 (18%)
Report signed by the preparer.	2 (5%)
Report not dated or completed timely by preparer.	9 (23%)
Report not signed by the budget authority.	1 (3%)
Report not dated or completed timely by budget authority.	14 (35%)

Failure to timely complete and approve account reconciliations could allow incorrect or fraudulent transactions to be undetected and monthly financial reports used by executive management to be incorrect. Detailed observations have been communicated to the individual budget authorities and executive management. We recommend monthly reminder emails be sent to Budget Authorities and Support Staff to emphasize the importance of completing the reconciliations by the required due date. These reminder emails could be sent one week prior to the reconciliation deadline.

Management Response by Director of Budget and Financial Reporting: *Reminder emails will be sent as recommended beginning immediately.*

CONCLUSION

UT Tyler budget authorities are generally in compliance with the account reconciliation requirements with exceptions noted for reconciling Projects and completing reconciliations by the required due date. The Budget and Financial Reporting Office has communicated the importance of completing the required reconciliations and offered assistance as needed to Budget Authorities and Administrative Assistants. We appreciate the assistance of the budget authorities and administrative assistants during this project.