The University of Texas at Tyler

The Office of University Advancement Change in Management Audit

August 2015

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Fiscal Year 2015

BACKGROUND

An audit of the Office of the University Advancement (OUA) was conducted as a result of the retirement of the Vice President of University Advancement in May 2015. A new Vice President of University Advancement was appointed August 2015. The University of Texas at Tyler's (UT Tyler) Institutional Audit Committee (IAC) requests a change in management audit for executive level positions; therefore, this audit was included in the Fiscal Year 2015 audit plan.

OUA is responsible for the accounting and reporting of endowment and gift balances. Other department management, including the Provost, Enrollment Services, and department chairs, select the recipients of endowed positions and scholarships. However OUA has oversight responsibilities for monitoring and reporting of adequate distributions and qualified recipients. As a result, the office is responsible for implementing the following high-risk monitoring plans:

- Plan #1: Adequate Distribution of Endowment Fund Balances;
- Plan #2: Recipient Qualifications; and
- Plan #3: Accurate and Timely Reporting.

AUDIT OBJECTIVES

The objectives of this audit were to conduct a review of the department operations including account transactions and high risk monitoring plans for compliance with State of Texas, University of Texas System, and UT Tyler rules and regulations.

STANDARDS

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

SCOPE AND METHODOLOGY

UT Tyler departments, including Budget and Financial Reporting, Financial Services, Human Resources, and Information Security, have oversight responsibilities related to operations; therefore, areas reviewed by these departments were excluded from the scope of this audit. The Compliance Office conducted a Quality Assurance Review (QAR) in May 2015, which included reviewing departmental accounts for segregation of duties, salaries, receipts, expenditures, and account reconciliations. No significant weaknesses were noted in these areas; therefore, detailed testing of transactions in this audit was limited to cost centers not included in the QAR from September 1, 2014 through March 31, 2015. The scope also included a review of the implementation of OUA's three high risk monitoring plans.

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PROCEDURES

To accomplish the audit objectives, the following procedures were completed:

- ➢ Interviews were conducted with the Vice President of University Advancement, Endowment Compliance Officer, and other departmental employees;
- ➢ A judgmental sample of transactions was selected from the PeopleSoft accounting system based on amount, account, and vendor and was tested for compliance with rules and regulations including appropriateness, validity, reasonableness, accuracy, approvals, and supporting documentation; and
- ➢ Supporting documentation was obtained to verify implementation of the three high-risk monitoring plans.

AUDIT RESULTS

According to the University of Texas System Audit Office, "*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. Standard factors for determining a Priority Finding have been established in three categories: namely, Organizational Controls, Quantitative Risks, and Qualitative Risks*". Priority Findings are reported to the UT System Audit, Compliance, and Management Review Committee. This audit resulted in one Reportable Finding, but no Priority Findings.

Risk Monitoring Plans

OUA is responsible for implementation of three high-risk monitoring plans that include operating, supervisory, and oversight controls. The responsibility for implementing some of the controls is assigned to other UT Tyler departments. During testing, we noted the plans did not accurately describe the monitoring activities conducted and included duplicate controls. We also noted OUA did not have adequate documentation for monitoring and communicating account balances as required in Plan #1 and for review of recipient qualifications and expenditures as required in Plan #2.

> *Recommendation:* The monitoring plans should be reviewed and updated to assure the risks are adequately addressed as efficiently as possible. OUA should fully implement the monitoring plans to verify all controls are functioning as designed.

> *Vice President for University Advancement and Endowment Compliance Officer Response and Implementation Date:* OUA will update and implement the risk management plans by January 31, 2016.

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CONCLUSION

The Office of University Advancement is generally in compliance with rules and regulations related to fiscal account management with State of Texas, University of Texas System, and UT Tyler rules and regulations. The office is conducting monitoring and reporting related to endowments and gifts. We noted opportunities to strengthen monitoring and controls to assure UT Tyler is following donor requests and UT System requirements.

We appreciate the assistance of OUA employees, especially the Endowment Compliance Officer during this project.