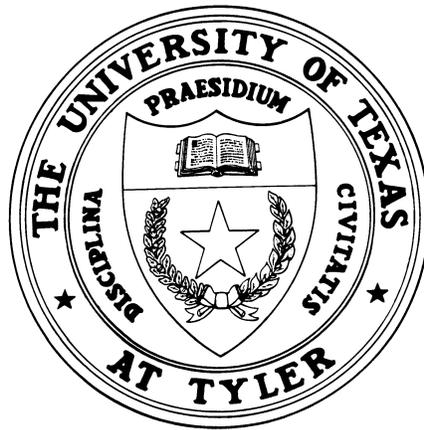


**The University of Texas at Tyler
The Office of the Vice President for Business Affairs
Change in Management Audit**



March 2014

THE UNIVERSITY OF TEXAS AT TYLER AUDIT OFFICE
3900 UNIVERSITY BLVD.
TYLER, TEXAS 75799

The University of Texas at Tyler
The Office of the Vice President of Business Affairs
Fiscal Year 2014

Background

A review of the accounts in the Office of the Vice President for Business Affairs (VPBA) has been conducted at the request of the University of Texas at Tyler (UT Tyler) Institutional Audit Committee (IAC) due to a change in management. Mr. Jesse Acosta was appointed Interim VPBA effective June 1, 2013 and appointed VPBA on September 1, 2013, replacing the former VPBA who had been appointed on September 1, 2011.

Engagement Objectives

The objectives of the audit were to review the account transactions specific to the Office of the VPBA for compliance with State of Texas, University of Texas System (UT System), and UT Tyler rules and regulations.

Scope and Methodology

The scope of this audit included a review of accounts in all unit codes under the VPBA and Budget Office during Fiscal Year 2013.

Departments at UT Tyler, including Financial Services, Human Resources, Information Security, and Assessment and Institutional Effectiveness, 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 October 2013 which included departmental accounts for salaries, account reconciliation and monitoring, capital asset management, human resource management, information technology security, and effective operations. No significant weaknesses were noted in these areas; therefore detailed testing was limited in the scope of this audit.

Standards

Our audit was conducted in accordance with the guidelines set forth in The Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing*.

Procedures

To accomplish the audit objectives, a judgmental sample of transactions, including transfers, was selected from the DEFINE accounting system based on amount, account, object code, and vendor. The transactions were tested for compliance with rules and regulations including appropriateness, validity, reasonableness, accuracy, approvals, and supporting documentation.

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Engagement Results

According to The University of Texas System Policy 129, System-wide Internal Audit Charter, “there are two types of audit findings and recommendations: reportable and significant. A “reportable” audit finding/recommendation should be included in an audit report if it is material to the operation, financial reporting, or legal compliance of the audited activity, and the corrective action has not been fully implemented. “Significant” audit findings and recommendations are reportable audit findings and recommendations that are deemed significant at the institutional level. A significant recommendation is one that may be material to operations, financial reporting, or legal compliance. This would include an internal control weakness that does not reduce the risk of irregularities, illegal acts, errors, inefficiencies, waste, ineffectiveness, or conflicts of interest to a reasonably low level.”

This audit resulted in no significant findings or recommendations to UT Tyler operations. Following are reportable observations and related recommendations we feel will improve operations and strengthen internal controls. During our examination, we found department records to be well organized and expenditures appeared appropriate with adequate approvals and supporting documentation with only minor exceptions. Details of these exceptions and other suggestions for improvements have been presented to management in a separate memorandum.

Observations and Recommendations

Observation: The UT Tyler Management Responsibilities Handbook states, “*Each department and budget unit is expected to have a departmental policies and procedures manual. A department policies and procedures manual should address policies and procedures that are unique to the department and procedures to implement institutional policies and procedures.*” There was a policies and procedures manual for the VPBA office, however it did not contain procedures specific to several departmental operations including the following:

- Tuition and fee changes,
- Annual Budget Authority Certification Process,
- Submission of budget amendments to UT System ,
- Documentation and retention of internal approvals,
- Routing of transactions including journal entries,
- Monitoring of accounts receivable and year-end reporting, and
- Monitoring of gift and plant fund account balances.

The lack of a comprehensive policies and procedures manual could result in inappropriate or unauthorized transactions, requirements not completed timely, inadequate documentation, and other internal control weaknesses.

Recommendation: The policies and procedures manual should be updated to include items specific to the operations of the department.

Management Response and Implementation Date: The departmental policies and procedures manual will be updated to include the above items by June 30, 2014.

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Observation: UT System Budget Rules and Procedures require budget amendments for certain transactions including the following:

- Increases to Plant Funds of \$100,000-\$499,999 which result from transfers from Educational and General Funds, Auxiliary Enterprises, Designated Funds, Service Departments, and Revolving Funds;
- Appointments and promotions involving administrative and professional personnel reporting directly to the president, a vice president, or the equivalent; and
- Salary increases of \$10,000 or more involving administrative and professional personnel reporting directly to the president, a vice president, or the equivalent. This includes one-time merit payments.

During our testing, we noted one transfer of \$100,000 from a designated account to a plant fund account that was not reported as required. Upon further review, we noted a total of \$1,090,188 transfers from designated tuition funds to plant funds for multiple projects. According to UT System budget personnel, these transfers should have been reported on a project by project basis if the total project exceeded \$100,000. None of these transfers were reported to UT System. During our testing of appointments and salary increases, we noted five items that should have been reported to UT System. This was caused by the budget office not following the UT System budget amendment procedures resulting in non-compliance with requirements.

Recommendation: The Budget Office should submit all required budget amendments to UT System and establish internal procedures to assure all future required amendments are submitted in a timely manner.

Management Response and Implementation Date: All required budget amendments will be submitted to UT System by June 30, 2014, and internal procedures will be included in the policies and procedures manual to assure this requirement is documented.

Conclusion

The Office of the Vice President of Business Affairs 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. Implementation of the recommendations should strengthen internal controls to improve compliance in the future.



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