

Audit Report

FY 2021 UTS 142.1 Assurance Audit

January 2022

Summary – FY 2021 UTS 142.1 Assurance Audit

We recently completed an audit of UTS 142.1, Policy on the Annual Financial Report, at UTA. The background, audit objective, scope, and ratings are detailed on pages 8 and 9 of this report.

Overall, the audit identified the need to improve the year end certification and monitoring processes associated with the Segregation of Duties and Account Reconciliations Monitoring Plan. Specifically, the following opportunities were identified:

| Observations | Rating | Count |
|--------------|----------|-------|
| 3 | Priority | 0 |
| | High | 0 |
| | Medium | 3 |
| | Low | 0 |

| Audit Observation | Rating | Page |
|--|--------|--------|
| <p>1. Certification Process Due to a compressed timeline, a substantial number of department heads had not completed their review/approval prior to the Accounting Services certification.</p> | Medium | Page 3 |
| <p>2. Ensure Compliance with Plan Elements The Segregation of Duties and Account Reconciliations Monitoring Plan procedures, including appropriate follow up and reporting, were not completely performed.</p> | Medium | Page 5 |
| <p>3. Update Monitoring Plan The Segregation of Duties and Account Reconciliations Monitoring Plan was not up to date.</p> | Medium | Page 7 |

Further details can be found on the following pages. Other less significant opportunities were communicated to management separately.

We appreciate the courtesy and cooperation received from Accounting Services throughout this audit.

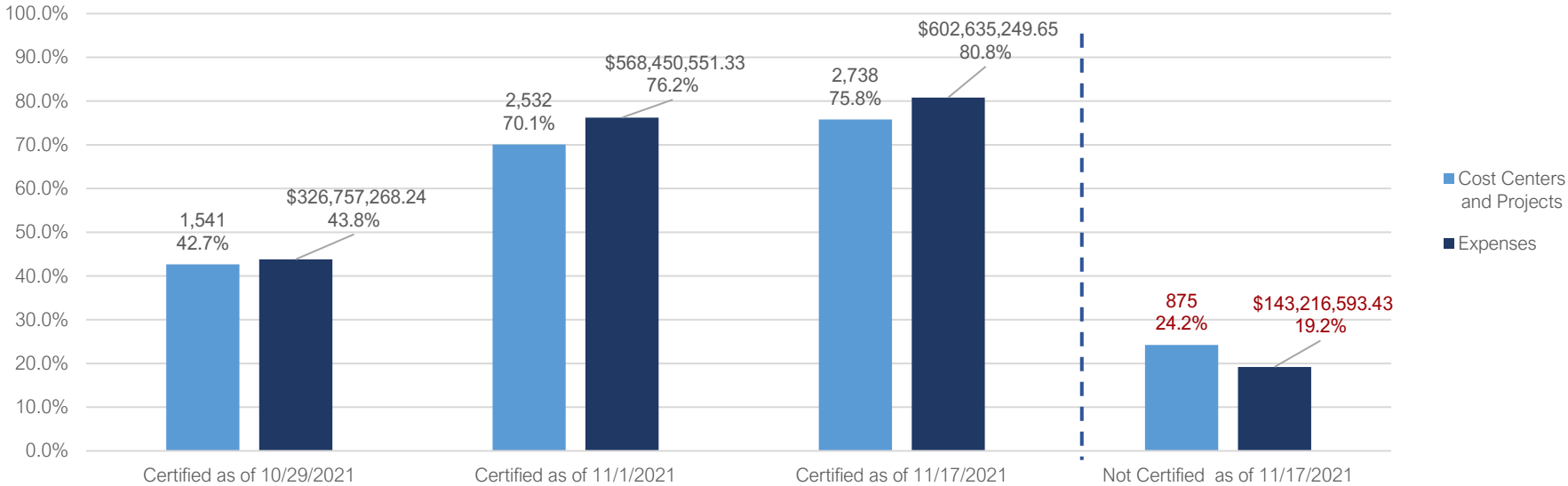
Observation 1 – Certification Process

Medium

Section 6, (Certification) of the UTS 142.1 Policy on the Annual Financial Report, requires the Chief Administrative Officer and the Financial Reporting Officer to attest to the accuracy of the institution's financial statements in an annual certification letter to the Financial Reporting Officer of U.T. System Administration. Prior to sign off, a request is sent to all department heads to certify that their financial information has been reviewed, is presented fairly and contains no false information, and that there are no omissions that would materially affect their accuracy. The sign off request was sent on October 25, 2021. Department head certifications were due on November 1, 2021. The Assistant Vice President for Accounting Services signed the annual certification on October 29, 2021.

Using trial balance data, we identified 3,613 cost centers and projects with operating expenses during the 2021 fiscal year totaling over \$745 million. In our analysis of certification data, we found that approximately 42.7 percent of cost centers and projects, representing more than \$326 million in operating expenses for 2021, had been certified on or before the date that Accounting Services signed the annual certification on October 29, 2021. Approximately 24.2 percent of cost centers and projects, representing \$143 million in operating expenses, were not certified as of November 17, 2021.

Status of Year End Account Certifications as of November 17, 2021



Observation 1 – Certification Process (cont'd)

Medium

Using this compressed timeline, a substantial number of department heads had not completed their review prior to the Assistant Vice President for Accounting Services' annual certification. Without allowing sufficient time for account owners to verify the accuracy of their accounts and allow for Accounting Services to identify and correct discrepancies, there is an increased risk of errors and/or omissions being included in the financial statements that were certified to U.T. System.

Recommendation:

Procedures should be developed and implemented for the annual certification process utilized by Accounting Services. These procedures should include timelines for distribution of the departmental certification request which provides account holders sufficient time to complete their validation. In addition, Accounting Services needs to allow adequate time to follow up with departments that have not responded to the certification request so that the majority have been received and reviewed prior to attesting to the accuracy of the institution's financial statements.

Management Response:

Management will include the annual certification to our year end annual task list indicating date and who is responsible. This timeline of task will consider 12th and 13th period close to give as much time as possible prior to submission of attestation of UTA personnel.

Target Implementation Date:

Second quarter 2022 or by 2/1/22 at latest

Responsible Party:

Assistant Vice President Business Affairs

Observation 2 – Ensure Compliance with Plan Elements

Medium

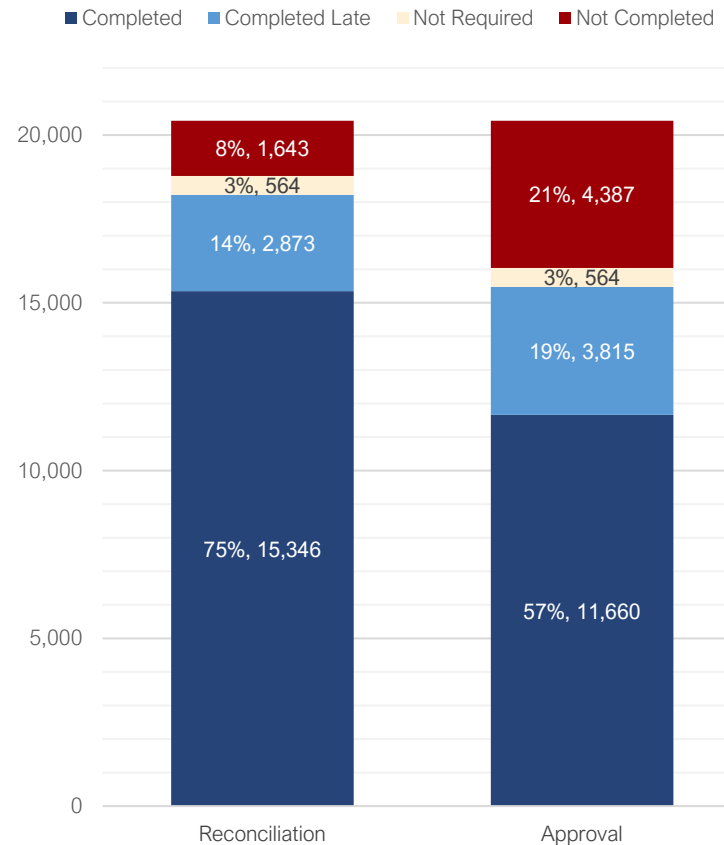
Each month, all active cost centers and projects are to be reconciled and the Statement of Accounts (monthly account balance reconciliation) approved by the account owner or their delegate. Quarterly, a representative from Accounting Services reviews the Statement of Accounts and compiles the results into a report. These quarterly reports are to be reviewed by members of Accounting Services, signed off by various levels of management, and then remitted to University Compliance Services. The Compliance Officer is to report this information on a quarterly basis to the University's Compliance, Accountability, Risk and Ethics (CARE) Committee.

Our review of the quarterly reports disclosed that 21 percent of the Statement of Accounts reviewed were not reconciled and approved, and 19 percent of the Statement of Accounts were completed late. Accounting Services' review also identified segregation of duties issues between the reconciler and the approver for 39 of 210 (19 percent) departments. However, documentation could not be provided demonstrating Accounting Services followed up on issues identified because "an official process was not in place regarding what happens when departments are not in compliance."

Additionally, none of the quarterly reports were signed off completely or provided to University Compliance Services during the period under audit, nor was the Compliance Officer ensuring receipt of the reports for inclusion at the CARE Committee meetings.

Without complete monitoring, including appropriate follow up of issues identified, Accounting Services cannot ensure the accuracy of account balances. Additionally, follow up should be documented so that Accounting Services can keep track of departments not in compliance after a second review and report these to University Compliance Services for remediation as per the monitoring plan.

Statement of Accounts Reviewed



Observation 2 – Ensure Compliance with Plan Elements (cont'd)

Medium

Recommendation:

Elements of the monitoring plan, such as follow up reviews, need to be fully documented to keep track of departments not in compliance after a second review and report these to University Compliance Services. In addition, quarterly monitoring reports need to be reviewed by members of Accounting Services, signed off and timely remitted to the Compliance Officer, who subsequently is to report this information on a quarterly basis to the University's CARE Committee.

Management Response:

Monitoring Plan for 2022 will be reviewed and updated to consider the recommendations.

Target Implementation Date:

Second quarter 2022 or by 2/1/22 at latest

Responsible Party:

Assistant Vice President Business Affairs

Observation 3 – Update Monitoring Plan

Medium

The Financial Statement Certification Letter (Appendix 1 of UTS 142.1) attests that the Segregation of Duties and Account Reconciliations Monitoring Plan has been prepared/updated by the Financial Reporting Officer for the fiscal year. Our review of the current monitoring plan disclosed that it has not been updated to reflect that reconciliations are now completed using SAHARA (account reconciliation process in UTShare). Additionally, the monitoring plan refers to “in person visits” performed by the reviewer. With the implementation of SAHARA, the current practice is to perform these reviews online.

Recommendation:

Accounting Services should work with University Compliance Services to ensure the Monitoring Plan for the Segregation of Duties and Reconciliations of Accounts is updated annually.

Management Response:

Accounting Services will work with University Compliance to ensure annual updates.

Target Implementation Date:

Second quarter 2022 or by 2/1/22 at latest

Responsible Party:

Assistant Vice President Business Affairs

Background, Audit Objective, and Scope & Methodology

Background

UTS 142.1 Policy on the Annual Financial Report provides financial reporting requirements and duties related to those responsible for financial reporting. Section 5 of the policy requires the Financial Reporting Officer develop or update a monitoring plan for the segregation of duties and reconciliation of accounts. The monitoring plan should be risk-based and establish the minimum requirements for the institution. Section 6 requires the University of Texas at Arlington (UTA) Chief Administrative Officer and Financial Reporting Officer to attest to the accuracy of the institution's financial statements in an annual certification to the Financial Reporting Officer of U.T. System Administration. In addition, a certification of compliance with the U.T. System Financial Code of Ethics is required, as well as an attestation related to whether any violations of the Financial Code of Ethics were known. Finally, Section 7 of the policy requires the institutional Chief Audit Executive (CAE) perform an annual risk assessment of the Monitoring Plan. The CAE must also certify within 60 days of the fiscal year end to the Financial Reporting Officer of U.T. System Administration if an audit was performed based on the risk assessment.

Audit Objective

The objective of this audit was to determine whether UTA's Monitoring Plan is in place and functioning as intended. This included determining whether account reconciliations are being performed and whether appropriate segregation of duties were being administered by management.

Audit Scope and Methodology

The scope of the audit was fiscal year (FY) 2021. We tested the current Monitoring Plan process to help ensure management's assertions on segregation of duties were valid and statement of accounts were being reconciled. We relied on the results of the on-site reviews/inspections conducted by Accounting Services throughout the year. In addition, we reviewed the certification process that management relies upon to submit the annual certification to U.T. System.

Ranking Criteria – FY 2021 UTS 142.1 Assurance Audit

Ranking Criteria

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for these rankings are as follows:

| | |
|-----------------|--|
| Priority | An issue identified by an internal audit that, if not addressed on a timely basis, could directly impact achievement of a strategic or important operational objective of UTA or the UT System as a whole. |
| High | A finding identified by an internal audit that is considered to have a medium to high probability of adverse effects to UTA either as a whole or to a significant college/school/unit level. |
| Medium | A finding identified by an internal audit that is considered to have a low to medium probability of adverse effects to UTA either as a whole or to a college/school/unit level. |
| Low | A finding identified by an internal audit that is considered to have minimal probability of adverse effects to UTA either as a whole or to a college/school/unit level. |

None of the findings from this review are deemed as a “Priority” finding.

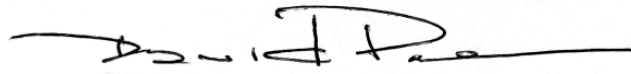
Distribution – FY 2021 UTS 142.1 Assurance Audit

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