



Bank Account Creation, Management, and Oversight at University of Wisconsin-Stevens Point

Office of Internal Audit

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OPINION

To: The University of Wisconsin System Board of Regents Audit Committee

As more fully described within the *Objectives, Scope, and Approach* section of this report, we have performed an internal audit of Bank Account Creation, Management, and Oversight at the University of Wisconsin-Stevens Point (UW-Stevens Point or University) for the period of July 1, 2016 through August 31, 2017. Bank Account Creation, Management, and Oversight is the responsibility of UW-Stevens Point's management. Our responsibility is to express an opinion after evaluating the results of internal audit procedures described within the *Objectives, Scope, and Approach* section of this report.

In our opinion, as it relates solely to the audit objectives described within this report, UW-Stevens Point has achieved an overall audit rating of unsatisfactory. This overall audit rating considers the frequency and materiality of the six comments identified during our audit, which have been included within the *Audit Comments* section of this report. To assist management in prioritizing audit comments, each comment has been further assigned an audit comment priority rating of high, moderate, or low. A description of audit ratings is included as *Attachment A* to this report.

The performance of an internal audit includes performing procedures and applying professional judgment in the evaluation of results. The Institute of Internal Auditors, internationally recognized as the official governing body over the profession of internal auditing, recognizes that audit procedures, even when performed with due professional care, do not guarantee that all significant risks, errors, or irregularities will be identified. Our audit does not provide a legal determination of compliance with all applicable UW System, federal, and state regulations.

This report is the result of the Office of Internal Audit's evaluation of the information described within the *Objectives, Scope, and Approach* section of this report, and is intended solely for the information of management of UW-Stevens Point and the Board of Regents of the University of Wisconsin System. This restriction is not intended to limit the distribution of this report, which upon final issuance is a matter of public record.

We greatly appreciate the assistance and cooperation of staff at UW-Stevens Point who provided information during the conduct of this audit.

A handwritten signature in black ink, appearing to read "Steven Mentel".

Steven Mentel, CPA
Director, Office of Internal Audit

February 28, 2018

OBJECTIVES, SCOPE, AND APPROACH

The objectives of this audit were as follows:

- To test compliance with UW System Administration Policy 310.
- To select a sample of accounts for confirmation of balances and testing of account reconciliations.

During our audit, we interviewed staff from the Office of the Controller, reviewed policies and procedures, and tested bank reconciliations. In addition, we confirmed the balances for all 18 UW-Stevens Point bank accounts and performed a search for any unknown bank accounts using the University's Tax Identification Number. The scope of the audit was for the period of July 1, 2016 through August 31, 2017.

AUDIT COMMENTS

During our audit, we noted certain observations and recommendations involving compliance, internal control, and other operational matters that are summarized herein. These comments have been discussed with the appropriate members of management and are intended to improve internal control or result in other operational improvements. Management's responses to the written observations and recommendations included herein have not been subjected to further auditing procedures.

COMMENT 1 – BANK RECONCILIATIONS

Audit Priority Rating: High

Criteria: Bank reconciliations should be completed monthly. The reconciliation should be dated and the name of the person performing the reconciliation as well as that of the person performing the supervisory review. Bank reconciliations should be completed by an individual without signature authority for the account. Accounts should be reconciled to authorized balance.

Observation: UW-Stevens Point did not reconcile seven of its bank accounts. These accounts include the general fund and six certificate of deposit (CD) accounts.

The general fund reconciliation has not been completed since 2012. In 2008, the employee who was responsible for reconciling the general fund retired and the account was to be reconciled by the Assistant Controller. The Assistant Controller failed to reconcile the account from 2010 to 2012. In 2012, the previous Controller discovered the lack of reconciliation of the general fund. The previous Controller hired student employees and a Limited Term Employee (LTE) to complete the reconciliations. The student employee and LTE completed the reconciliations for 2010 to 2012. The previous Controller and the LTE both left employment with UW-Stevens Point in the fall of 2015. When the new Controller was hired in February 2016, she was made aware of this situation and was allowed to hire a Fiscal Manager in December 2016 to complete the reconciliation from 2012 to the present. The Fiscal Manager has not reconciled the account. When inquiring of the progress of the general fund reconciliation, the Controller stated that a committee was formed to determine reconciliation procedures for the general fund.

The interest on the six CD accounts is recorded in the accounting software by the General Ledger Accountant which is reviewed by the Assistant Controller who has signature authority for these accounts. There is no reconciliation performed on the CD accounts.

In addition, although UW-Stevens Point University Store reconciles the transactions processed through the BMO Harris Bank-University Store clearing account, the reconciliation is not agreed to the balance in the bank account. University Store personnel did not know the correct bank account balance.

Recommendation: We recommend that UW-Stevens Point reconcile the general fund and the CD accounts. We also recommend to confirm the BMO Harris Bank-University Store clearing account balance by tying the reconciliation to a bank balance. Finally, it is imperative that all bank accounts are reconciled and reviewed by an independent supervisor moving forward.

Management's Response:

Agree or Disagree: Agree

Planned course of action: UW-Stevens Point hired a new Controller in February 2016. An internal team has been created to review the general fund and identify the current transaction activity and reconciliation requirements. We will develop procedures to reconcile CD accounts. The University Store account has been reviewed; the bank balance has been tied out and fully reconciled.

Planned completion date: June 30, 2018

Contact person: Christina Rickert, Controller

Contact's email/phone: crickert@uwsp.edu / 715-346-3999

COMMENT 2 – SIGNATURE AUTHORITY NOT CANCELED

Audit Priority Rating: High

Criteria: Signature authority should be reviewed regularly and updated when there is a change in personnel. UW-Stevens Point should ensure only personnel with appropriate job responsibility and who are employees of UW-Stevens Point can authorize bank transactions and have ability to make changes to bank accounts.

Observation: The UW-Stevens Point Chief Business Officer(CBO) retired on June 30, 2017 and was not removed from the bank authority on that day. The Controller failed to remove the former CBO's signature authority from 13 of the 18 (72%) accounts held by UW-Stevens Point. There was no indication that the former CBO used the signature authority to authorize transaction for these accounts after June 30, 2017.

Recommendation: We recommend that UW-Stevens Point comply with the requirements of UW System Administrative Policy 310 and review signature authority on file and update signature authorities when employees terminate, or they are no longer eligible for signature authority.

Management's Response:

Agree or Disagree: Agree

Planned course of action: The new CBO has been added to the bank accounts, replacing the former CBO. Procedures will be developed to ensure signature authority is updated when an employee is terminated or no longer is eligible for signature authority.

Planned completion date: CBO Signature Authority Change: Completed
Develop Procedures: July 1, 2018

Contact person: Christina Rickert, Controller

Contact's email/phone: crickert@uwsp.edu / 715-346-3999

COMMENT 3 – SEPARATION OF DUTIES

Audit Priority Rating: High

Criteria: Separation of duties is a key concept of internal control. Its objective is to reduce the risk of fraud and/or error by making the custodial, authorization, and recording functions associated with the respective transaction the responsibility of more than one department, person or role. As a result of separating these responsibilities, the risk that fraud, or error, will not be prevented or detected may be mitigated. In the event these responsibilities cannot be separated, internal controls should be designed and implemented to provide proper oversight of these functions.

Observation: UW-Stevens Point does not have adequate separation of duties for bank account reconciliations. Eight of the 18 (44%) accounts held by UW-Stevens Point were reconciled by individuals with signature authority for those accounts. This allows the individual who reconciled the account to also process transactions through the account.

Recommendation: We recommend that UW-Stevens Point implement a procedure to ensure proper separation of duties over reconciliations, including removing conflicting roles for the employees responsible for their completion.

Management's Response:

Agree or Disagree: Agree

Planned course of action: Reconciliation responsibilities were held within positions that, over the last 12-18 months, employees within those positions either retired or resigned. As new employees have been hired and trained into these positions, interim reconciliation responsibilities were assigned to positions that may have conflicted with separations of duties for the reconciliation; however, transactional activity was assigned to another employee as a mitigating control. These reconciliation responsibilities will be reassigned back to newly hired employees, or reassigned to other staff, to remove the separation of duties conflict.

Planned completion date: June 1, 2018

Contact person: Christina Rickert, Controller

Contact's email/phone: crickert@uwsp.edu / 715-346-3999

COMMENT 4 – POINT CARD COMMISSION REVENUE NOT RECORDED

Audit Priority Rating: High

Criteria: Per Wis. Stat. § 20.906, all funds collected by UW-Stevens Point shall be deposited into the State Treasury at least once a week. In addition, UW-Stevens Point's *Cash Handling Policy* (effective January 1, 2017) states that "this statute must be followed" and "non-compliance could lead to termination of cash handling responsibilities."

Observation: UW-Stevens Point receives commission revenue from outside vendors accepting Point Cash. These funds are deposited into the BMO Harris Point Card account. UW-Stevens Point has allowed the commissions to accumulate in the BMO Harris account and has not recorded the revenue in the general ledger account. This commission has not been recorded since 2011.

Recommendation: We recommend that UW-Stevens Point record commission revenue when received.

Management's Response:

Agree or Disagree: Agree

Planned course of action: We will identify and record commission revenue currently accumulated in the BMO bank account. We will develop procedures to record commission revenue monthly, when received.

Planned completion date: June 1, 2018

Contact person: Christina Rickert, Controller

Contact's email/phone: crickert@uwsp.edu / 715-346-3999

COMMENT 5 – RECONCILIATION DOCUMENTATION

Audit Priority Rating: High

Criteria: Significant business processes should be supported by complete documentation. Bank reconciliations should be reviewed on a monthly basis for completion date, signature, and name of the employee who completed the reconciliation. Supervisory review of bank reconciliations ensures the timeliness and accuracy of bank reconciliations and the authorization of any corrections necessary. The lack of supervisory level review of bank reconciliation may result in any errors going undetected and weaken controls that rely on the accurate and timely completion of monthly reconciliations.

Observation: UW-Stevens Point bank reconciliations for June, July, and August of 2017 were not reviewed. In addition, for the months of June, July and August, 18 of the 30 reconciliations tested were lacking one or more of the following; date completed, or preparer's signature. Without the date of completion, we could not determine if they had been completed timely.

Recommendation: We recommend that UW-Stevens Point develop a process for documenting and conducting a supervisory review of reconciliations; including the completion date and the signature of the person who completed the reconciliation and who reviewed it.

Management's Response:

Agree or Disagree: Agree

Planned course of action: A checklist has been created to maintain this information (reconciliation date, person who completed reconciliation, date of review, person who completed review) ensuring all accounts are reconciled and all tasks are completed.

Planned completion date: Completed

Contact person: Christina Rickert, Controller

Contact's email/phone: crickert@uwsp.edu / 715-346-3999

COMMENT 6 – WRITTEN PROCEDURES

Audit Priority Rating: Moderate

Criteria: Written procedures should exist for all significant business processes. A lack of written procedures could result in inconsistent practices among employees and/or departments or processing errors, due to a lack of knowledge.

Observation: Written procedures do not currently exist for adding new bank accounts or for reconciling bank accounts. UW-Stevens Point did not have reconciliation procedures for 13 of 18 (72%) bank accounts.

Recommendation: We recommend that UW-Stevens Point develop written procedures for opening new bank accounts and procedures for completing reconciliations for each of their bank accounts.

Management's Response:

Agree or Disagree: Agree

Planned course of action: We will work on developing written procedures for opening bank accounts and for completing reconciliations for each bank account.

Planned completion date: July 1, 2018

Contact person: Christina Rickert, Controller

Contact's email/phone: crickert@uwsp.edu / 715-346-3999

ATTACHMENT A: OVERVIEW OF AUDIT RATINGS

Overall Audit Ratings

The overall audit rating is designed to gauge the overall performance of the individual auditable unit against the strategies, objectives, and risks of the organization; and the expectations of senior management, the Board of Regents, and other stakeholders. This rating is based upon the opinion of the Office of Internal Audit, and considers the frequency and materiality of internal control and compliance matters identified related to the scope and audit objectives. Overall audit ratings are classified as follows:

Overall Audit Rating	Description
Excellent	Overall performance meets or exceeds expected levels, and limited or no internal control or compliance matters were identified. To the extent limited matters were identified, all such matters received a low priority rating.
Satisfactory, with opportunity for improvement	Overall performance is generally satisfactory, but opportunities for improvement exist.
Unsatisfactory	Overall performance is unsatisfactory. During the audit, internal control or compliance matters were identified that either have caused or could cause significant errors, omissions, fraud, or other adversities to go undetected.

Audit Comment Priority Ratings

In addition, each comment is assigned an audit comment priority rating based upon the severity of internal control weaknesses and compliance matters identified. Audit comment priority are based upon professional judgment after considering the impact, severity, significance, and other relevant risk factors associated with a comment.

Audit Comment Priority Rating	Description
High	<p>Management should initiate immediate action to address this comment because it represents one or more of the following:</p> <ul style="list-style-type: none"> • Significant internal control weakness • Significant policy or procedure exceptions • Significant risk exposure • Significant financial exceptions – loss, misstatement, errors, fraud • Significant law or regulatory violations • Significant potential opportunity – revenue, savings, efficiencies, improvements
Moderate	<p>Management should initiate timely action to address this comment because it represents one or more of the following:</p> <ul style="list-style-type: none"> • Substantial internal control weakness • Substantial policy or procedure exceptions • Substantial risk exposure • Substantial financial exceptions – loss, misstatement, errors • Substantial law or regulatory violations • Substantial potential opportunity – revenue, savings, efficiencies, improvements

Audit Comment Priority Rating	Description
Low	<p>Management should initiate reasonable action to incorporate a plan to address the comment in the normal course of business. Comments falling into this category represent one or more of the following:</p> <ul style="list-style-type: none"> • Minor internal control weakness • Minor policy or procedure exceptions • Limited risk exposure • Minor financial exceptions – loss, misstatement, errors • Minor law or regulatory violations • Limited potential opportunity – revenue, savings, efficiencies, improvements