Staff Report to the University of North Texas System Board of Regents Financial Oversight Task Force
Board of Regents, Students, Faculty, Staff, and Friends of the University of North Texas System and its Institutions:

The University of North Texas System is completing the design and implementation of a substantial transformation of our internal financial systems, processes, and procedures. The UNT System Board of Regents and staff have been working to implement needed upgrades to key financial areas within the UNT System. We have recognized that improved financial systems, upgraded processes and procedures, unified system-wide oversight, strengthened finance and accounting staff, and an annual external audit would bring significant improvements to our ability to grow and operate in a professional and proficient manner.

As many — if not most — of you are aware, issues were discovered in our accounting and financial practices that resulted in errors in our prior financial statements and procurement of undue State funds. Our Regents supported aggressive steps to address these issues. Those steps included a significant additional investment and acceleration of our transformation plans, as well as working diligently to identify the cause of these errors, and — most importantly — to prevent them from happening again. We expanded the scope of our financial software enhancement to more fully utilize its capabilities and to minimize manual reporting. We accelerated the redesign of our basic Chart of Accounts to enable our budgeting and reporting to be more transparent and automated. And we engaged additional expert consulting services to implement a best practice financial system to replace processes and procedures that we now know were out of date.

The primary purpose of these major improvements has been, and will continue to be, to give all of our institutions, our academic and clinical programs, and all of our students, faculty, and staff the support they deserve. We are committed to generating financial reports with the utmost integrity.

We intend to earn and deserve your trust. The entire UNT System relies on the confidence of the many constituents we serve, and no task is more important to us than to restore the full faith and confidence of all those who are counting on the University of North Texas and our other institutions.

I appreciate the foresight and courage our volunteer Regents have shown. As I look back over 2013 and 2014, I am gratified that in May 2013 the Board invested in a significant upgrade to the enterprise information system, and in August 2013, they encouraged our efforts to unify and improve the controller function, and most importantly, they committed to an external audit. They have made tough decisions about change. And they have supported new campus and system leaders who are designing a much better, state-of-the-art finance function.

There is still much to be done. Some of these improvement projects will not be fully implemented for many months to come, but I trust that the Regents will continue to challenge us and support our progress. With their help, we are going to be able to demonstrate a dramatic restoration of confidence that will serve our growing System well for years to come.

The Presidents and other System leaders and I are united in these reforms, and we appreciate your continued support for these needed improvements.

Sincerely,

Lee F. Jackson
Chancellor, University of North Texas System

“Public confidence is the only real endowment a state university has.”

— H.Y. Benedict, Former President,
University of Texas at Austin
Regent Al Silva, Chairman, Financial Oversight Task Force
Regent Don Potts, Chairman, Finance Committee
Regent Steve Mitchell, Chairman, Audit Committee

CC: G. Brint Ryan, Chairman, University of North Texas System (UNT System) Board of Regents
Regent Michael Bradford, UNT System Board of Regents
Regent Milton Lee, UNT System Board of Regents
Regent Rusty Reid, UNT System Board of Regents
Regent Gwyn Shea, UNT System Board of Regents
Regent B. Glen Whitley, UNT System Board of Regents
Student Regent Christopher Vera, UNT System Board of Regents
Lee Jackson, Chancellor, UNT System
Dr. Neal Smatresk, President, University of North Texas (UNT)
Dr. Ronald Brown, President, University of North Texas at Dallas (UNT Dallas)
Dr. Michael Williams, President, University of North Texas Health and Science Center (UNTHSC)
Bob Brown, UNT Vice President for Finance and Administration and Chief Financial Officer, CPA
John Harman, UNTHSC Senior Vice President for Finance and Chief Financial Officer, CPA
Dan Edelman, UNT Dallas, Vice President for Finance and Administration and Chief Financial Officer, CPA

TO CHAIRMAN SILVA AND MEMBERS OF THE FINANCIAL OVERSIGHT TASK FORCE:

On behalf of the many professionals and staff who have worked hard this summer and fall, I appreciate the time you have spent reviewing the details of our many important projects to improve the accuracy, efficiency, and integrity of virtually all of the University of North Texas System’s financial operations.

You have asked us to share as much information as possible about each of our tasks, and we have done this in meetings with you and on our website. I am very proud of the progress we have made in restoring the reliability and reputation of the critical financial data that our System, institutions, and stakeholders rely upon, and I thank all the members of our staff and consulting teams who have made this possible. In particular, the hard work of the Chief Financial Officers and their staffs and the Deloitte & Touche LLP (Deloitte) and Huron Consulting Group (Huron) teams has been critical.

At the time of your first meeting on June 19, 2014, we communicated our efforts up to that point. We described the initial assessment of UNT System financial processes that was performed from January 2014 through May 2014 by Deloitte and the UNT System Internal Audit (“Phase 1”). With the Board of Regents’ direction, our team developed a comprehensive assessment and identified many improvement opportunities across the UNT System finance and accounting organization. It was identified that we needed an opportunity to keep the Board fully informed of the far-reaching changes proposed. We agreed the Board’s commitment would be critical to transform and modernize our legacy financial infrastructure.

Board Chairman G. Brint Ryan appointed a special Financial Oversight Task Force to review our work and present recommendations to the full Board. At the same time, Chancellor Lee Jackson established a staff-level Executive Oversight Committee led by new leaders and consultants.

This Executive Oversight Committee targeted finance transformation opportunities in three broad themes: Leadership and Governance; Financial Close and Business Processes; and Technology Tools and Improvements.

This month, we are concluding this work (“Phase 2”) with this staff report to the Task Force, organized around


these three major themes. This report provides an overview of the financial transformation activities as well as detailed information related to the work performed and planned in the three broad themes identified above.

After you review this report, we expect that the Task Force will make recommendations to the full Board of Regents and then we will work with the Board and its committees on the remaining implementation steps in the culmination of our financial transformation in a final ("Phase 3") of this project.

Thanks to the members of the Task Force for your keen interest and diligence these past several months. We also appreciate the other Board members who attended our meetings and kept abreast of these complex topics. I am confident that we are not just restoring the credibility of our financial reporting systems, but improving them significantly and building a strong foundation. Finally, my sincere gratitude goes out to all those who have worked hard all year to bring us to this point of making valuable recommendations to the Task Force and Board that will serve our institutions well for decades to come.

Sincerely,

Janet Waldron
Vice Chancellor for Finance
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STAFF REPORT TO THE FINANCIAL OVERSIGHT TASK FORCE
PROJECT STRUCTURE AND OVERVIEW

PROJECT STRUCTURE

**Financial Oversight Task Force**

To help ensure strong oversight, communication, transparency, and governance of the transformational activities, the University of North Texas System Board of Regents Chairman G. Brint Ryan established a Financial Oversight Task Force, chartered to oversee the financial transformation efforts and consisting of members of the Board of Regents, on June 19, 2014. This action was taken, as stated in Chairman Ryan’s May 30 letter, for “ensuring UNT System’s financial operations are professional and trustworthy.” The chartering of the Task Force served to reinforce the “multi-million dollar transformation of the financial operations to correct deficiencies and establish financial records of the highest integrity.”

The charge given to the Task Force was comprehensive and included areas for specific reporting purposes. This Task Force report provides detailed attention to these and other areas of remedial work.

The board members appointed to the Financial Oversight Task Force provided an important governance link to the Board and its key financial committees. These members were:

- Regent Al Silva, Chairman, Financial Oversight Task Force
- Regent Don Potts, Chairman, Finance Committee
- Regent Steve Mitchell, Chairman, Audit Committee

In addition to these members, Task Force meetings were attended by Chairman Ryan and other Regents. Chancellor Lee Jackson and senior financial officers of each institution were present at each meeting, underscoring the dedication given to the extensive transformational effort and institutional commitment.

Meeting agendas were robust and covered a range of work areas providing opportunity for presentation, review, and discussion. The Task Force members’ direction and focus strengthened transformational efforts. External consultants and internal staff who were engaged in the assessments and remediation efforts provided extensive detail to the Task Force. The Task Force provided a strong focus on expected cultural change, full accountability, and financial transparency.

Public meetings were held on the following dates for management to provide updates to the Financial Oversight Task Force regarding project progress:

- June 19, 2014
- July 8, 2014
- August 12, 2014
- October 16, 2014
- November 13, 2014

In addition to public meetings, the Board of Regents received weekly tracking updates on the status of the FY13 account reconciliation work fundamental to restating the FY13 Statement of Net Position and periodic updates in building the FY14 Consolidated Financial Annual Report.

**Executive Oversight Committee**

To facilitate the operational work across the institutions, the Chancellor and Presidents supported the creation of a senior leadership committee, the Executive Oversight Committee. This committee provided project leadership; evaluated project progress, roadblocks, and successes; and provided guidance and monitoring throughout the process. In addition, a website was established to keep UNT System students, faculty, staff, and alumni; the public; and other interested parties apprised of activities and progress.
The Executive Oversight Committee was comprised of members from UNT System and institutions’ Finance and Accounting, Legal, Internal Audit, Business Services, and Information Technology Management areas who provided comprehensive and ongoing oversight of the finance transformation oversight activities performed. The Executive Oversight Committee was supported by professionals from both Deloitte and Huron. The Executive Oversight Committee consisted of the following members:

- Janet Waldron, UNT System Vice Chancellor for Finance
- Bob Brown, UNT Vice President for Finance and Administration and Chief Financial Officer
- John Harman, UNTHSC Senior Vice President for Finance and Chief Financial Officer
- Dan Edelman, UNT Dallas Vice President for Finance and Administration and Chief Financial Officer
- Donna Asher, UNT System Associate Vice Chancellor for Business Services
- Michael Di Paolo, UNT System Associate Vice Chancellor and Chief Information Officer
- Nancy Footer, UNT System Vice Chancellor and General Counsel
- Michelle Finley, (former) UNT System Chief Internal Auditor
- Steve Goodson, Interim UNT System Chief Internal Auditor
- Jane-Anne Kanke, UNT System Senior Director of Financial Reporting
- Susan Sherman, UNT System Assistant Vice Chancellor for Financial Planning and Policy

Weekly status reports were prepared for the Executive Oversight Committee beginning in June 2014 to provide updates from each of the finance transformation work groups. During these status meetings, project successes, roadblocks, and areas that required Executive Oversight Committee decisions were discussed. The team worked to ensure system-wide consistency in approach, commitment to meeting, aggressive timelines, and appropriate staffing.

**Project Area Leadership Structure**

Fifteen project areas were identified and focused on separately and collectively. For each of the project areas identified for remediation, work teams were established that consisted of finance and accounting professionals from across all UNT System institutions and were supported by professional service firms. The work teams were responsible for establishing and meeting objectives for their areas and providing updates to the Executive Oversight Committee. This approach enabled the project to tackle multiple areas simultaneously while helping to ensure the involvement and action of the affected workforce.

**Finance and Accounting Team Meetings**

Two finance and accounting organization team meetings were held to inform all professionals within the UNT System finance and accounting organization of the Financial Transformation Project activities being performed throughout the UNT System. At these meetings, work group leaders provided overviews of the activities performed and timelines. Finance and accounting professionals were given the opportunity to discuss successes, roadblocks, and improvement opportunities they identified. The work group leaders communicated to their team the importance of a culture change, understanding how the individual work effort relates to financial integrity, and the need for openness.

**Website**

In order to keep stakeholders and the public abreast of the Financial Transformation Project activities, a website was established in June 2014 to share messages from the UNT System Board of Regents and UNT System administration. In addition, key project status documents were made available. Areas of the website included:

- Project Status Updates
- Project Timelines
- Team Structures
• Reports
• Public Statements
• Contact Information for Questions Related to the Project

The website is available at the following URL link: http://financialtransformation.untsystem.edu

PROJECT OVERVIEW

Project Objectives
UNT System finance and accounting leadership identified five key finance, accounting, and controllership objectives for Fiscal Years 2013 and 2014:
• Remediate and restate the UNT System FY13 Statement of Net Position.
• Remediate UNT System FY14 financial processes in support of the financial statements.
• Achieve the ability to engage an independent auditor in FY15 for an audit of the UNT System FY14 financial statements.
• Improve the overall financial reporting process, control environment, and financial accountability through use of ratios and technology.
• Strengthen the governance, organization, and culture associated with financial reporting and transactions.

Project Focus Areas
In order to transform the UNT System financial practices, 15 working teams were established and each comprised UNT System finance and accounting professionals and professional service firm representatives. These working teams were charged with overseeing remedial activities for their respective areas. While a great deal of work has been undertaken to date, it is important to note that the work will continue going forward for the foreseeable future. These ongoing remediation efforts are captured in a project management reporting document and include responsible management members and estimated completion and implementation dates.

Report Structure
This report to the Task Force is organized into three transformational themes:
• Governance and Leadership
• Financial Close and Business Processes
• Technology Tools and Improvements

Each theme is supported by work detail highlighting individual accomplishments and future remedial activities. A summary future remedial document, which includes recommendations and assigned parties and timelines, is attached in the closing summary. Management and Internal Audit teams will actively monitor progress and will continue to provide status reporting to the Board of Regents.

At a high level the objectives of each of the working teams were:

GOVERNANCE AND LEADERSHIP OVERVIEW

Governance
• Review and develop recommendations for the audit committee and Internal Audit charters based on leading practices.
• Establish a new finance committee charter.
• Modify the Audit and Finance committee agendas to identify information to be shared for periodic discussion and review.
• Identify key training topics for the Board of Regents and, more specifically, for the Audit and Finance committees.
• Evaluate the role of Internal Audit in its governance oversight responsibilities and in supporting the Board of Regents and management.

**Consolidated Controller Organization Model (CCOM)**

• Build on the earlier analysis of the financial operations performed by Boston Consulting, evaluating and migrating the finance and accounting organization and structure for the UNT System and its institutions to ensure a strong consolidated controllership with clear service support to the institutions.
• Implement the CCOM to ensure strong financial controls, consistency in financial accounting and reporting in accordance with Generally Accepted Accounting Principles (GAAP), and to eliminate duplication.

**Finance and Accounting Organization Staffing**

• Establish a go-forward finance and accounting organization by institution and system-wide.
• Define baseline competencies for future state staff-level positions across the finance and accounting organizations.
• Identify strengths and critical skill gaps among current finance and accounting staff-level employees.
• Develop key insights to inform staff of mapping decisions related to the new CCOM.

**Change Management and Training**

• Develop a mechanism for finance and accounting employees to continue to develop the necessary knowledge related to their individual job responsibilities.
• Identify mandatory annual training for specific topics that impact members of the finance and accounting organization (e.g. ethics, updates to financial policies).
• Develop standard core training for employees new to the UNT System finance and accounting organization as part of their on-boarding process.
• Link training needs to annual employee performance evaluation processes and provide supervisors with the opportunity to add additional training as needs are identified throughout the year.
• Establish a mechanism to provide updates to employees and supervisors regarding the status of training taken.

**FINANCIAL CLOSE AND BUSINESS PROCESSES OVERVIEW**

**Account Reconciliation and Validation**

**Fiscal Year 2013**

• Establish a standardized, system-wide approach to the reconciliation and validation of assets, deferred outflows of resources, liabilities, and deferred inflows of resources (Statement of Net Position balances).
• Provide education and guidance on a standardized, system-wide approach to those performing account reconciliations and validations.
• Complete reconciliation and validation procedures for significant Statement of Net Position balances.
• Identify and track the adjustments necessary to correct FY13 Statement of Net Position balances in accordance with GAAP.
• Document proper approval of the adjustments necessary to properly state FY13 Statement of Net Position balances.
Fiscal Year 2014

• Complete reconciliation and validation procedures for all significant Statement of Net Position balances.
• Make adjustments necessary to correct Statement of Net Position balances to be in accordance with GAAP.
• Perform procedures to ensure proper classification of amounts on the statement of revenues, expenses, and changes in net position, and on the statement of cash flows.
• Support the accuracy and completeness of financial information that is disclosed in the notes to the financial statements.

Financial Statement Integrity

• Enhance understanding of UNT System financial reporting and consolidation processes, including account composition, account mapping, and business unit consolidation.
• Improve current financial reporting process and establish long-term financial reporting institutional processes with associated time frames.
• Produce consistent financial information among each institution.
• Develop templates to streamline data gathering and to automate data collection and segregation for reporting.
• Increase the general understanding of reporting requirements and GAAP compliance.

Mock Audit Procedures

• Establish a process to identify potential control weaknesses related to FY14 general ledger account balances in preparation for internal and external audits by performing detailed procedures related to key financial statement accounts.
• Prepare the finance and accounting staff for procedures that may be performed by the external auditor and determine that sufficient evidence is available to support common independent audit requests.

Financial Closing Procedures

• Evaluate current financial close processes and associated technology in order to determine areas for improvement.

Business Process Remediation

• Identify critical financial processes and evaluate them against expected controls to determine if key financial controls should be implemented or strengthened.
• Develop future state process and control documentation for the critical financial processes.
• Assign process owners to implement the remediation activities required and to implement project management support and tools to monitor status.
• Define Internal Audit’s role in ongoing monitoring of the remediation efforts.

Financial Policies

• Identify highest priority areas for the implementation of strengthened financial policies.
• Draft updated policies for the Chancellor’s and then Board of Regents’ approval.
• Determine potential resources necessary to perform ongoing financial policy updates.

Student Accounting Services (SAS) Assessment

• Assess Student Financial Services operations at each institution.
• Examine related functions that impact or are impacted by Student Financial Services operations.
• Provide actionable recommendations designed to enhance current operations and to encourage increased collaboration among the institutions.
• Develop recommendations to increase service levels to both students and parents.
TECHNOLOGY TOOLS AND IMPROVEMENTS OVERVIEW

Information Technology Alignment
- Create an Information Technology framework in accordance with leading practices and alignment with UNT System regulations in preparation for an external audit.
- Assess the in-scope financially significant applications and expected controls for alignment with the framework, as appropriate (i.e. all controls in the framework may not be relevant to all in-scope applications).
- Provide recommendations and guidance to the support staff responsible for managing the applications to address potential control gaps.
- Assign process owners to implement the remediation activities required and implement project management support and tools to monitor status.
- Define Internal Audit’s role in ongoing monitoring of the remediation efforts.

Chart of Accounts
- Redesign Chart of Accounts for improved classification of accounting transactions, system-wide consistency and data integrity, and enhanced reporting.
- Map old Chart to new Chart of Accounts and provide improved organization alignment and reporting.
- Implement modified general ledger interface for all major software systems with a financial impact.

PeopleSoft Upgrade
- Upgrade from PeopleSoft version 9.0 to version 9.2, limiting customization to only that required by a third party.
- Use the upgrade to proactively transform financial business practices.
- Position institutions to take advantage of additional PeopleSoft capabilities.

Budgeting
- Identify and implement new budgeting practices and systems to ensure timely financial reporting accuracy and consistency.
- Integrate budgeting practices with strategic planning at the institution level and tie to financial statements and forecasts.
- Provide timely information for financial management and tracking at all organizational levels at all institutions.

TIMELINE
Each working team established a timeline in order to track progress. Progress was evaluated during weekly Executive Committee meetings and the progress was presented periodically to the Financial Oversight Task Force.
Major Areas of Transformation: 1. Governance and Leadership

INTRODUCTION

Key to any financial transformation is the overall focus on governance and leadership. The University of North Texas System has placed significant focus on determining whether the Board of Regents’ Finance and Audit committees have in place the appropriate charters governing their activities, ensuring that information provided to the committees is as relevant and timely as the committees require; that the Board of Regents are provided necessary information to perform their oversight responsibilities; and that a solid ongoing training curriculum has been planned based on relevant topics for the Audit and Finance committee members.

Most important is the people aspect of the transformation, ensuring that the right finance and accounting leadership teams and staff are in place to focus on the continued improvement of critical activities and processes. The UNT System is focused on determining that the right organizational model is in place to provide the oversight required, job responsibilities are clearly defined, and employees are well-qualified for their positions. Training is paramount to sustaining sound financial and accounting processes. Significant focus will be placed on providing opportunities for employees to develop in their roles. Training will be established for all professionals based on their identified developmental needs, along with mandatory training relevant to all professionals in the finance and accounting organization. The staff assessment, role mapping, and development continuum is presented below.

GOVERNANCE AND LEADERSHIP

Objectives

The work team established the following objectives related to the governance and leadership assessment for UNT System’s Audit and Finance committees:

- Review and develop recommendations for the audit committee and Internal Audit charters based on leading practices.
- Establish a new finance committee charter.
- Modify the Audit and Finance committee agendas to identify information to be shared for periodic discussion and review.
- Identify key training topics for the Board of Regents and more specifically the audit and finance committees.
- Evaluate the role of Internal Audit in its governance oversight responsibilities and in supporting the Board of Regents and management.
Approach
In order to assess the current governance structure of the Board of Regents’ Finance and Audit committees, the work teams performed the following activities:

- Analyzed current Audit and Finance committees and Internal Audit charters against leading practices to suggest opportunities for improvement.
- Reviewed Audit and Finance committees’ meeting minutes for the prior two years in order to determine the topics and documentation that UNT System management provided to the committees as the members performed their oversight responsibilities. Recommendations were provided on additional information that could be shared with the committees on an ongoing basis. A detailed calendar was developed in order to document a cadence of the type of information and frequency of information to be presented to the committees.
- Evaluated past Audit and Finance committee training to determine potential opportunities for a broadened training curriculum based on recommended topics related to the committees’ oversight roles.
- Assessed Internal Audit’s role in performing ongoing support and oversight of financial transformation activities.

Accomplishments
The work team completed the following activities related to the governance and leadership assessment:

- Established ongoing oversight for financial transformation activities through the involvement of the Board of Regents Financial Oversight Task Force and Executive Oversight Committee.
- Completed the charge as chartered by the Board of Regents and established a mechanism for the Executive Oversight Committee to continue its leadership role to facilitate full remediation.
- Evaluated Audit Committee and Internal Audit charters and made recommendations for Board of Regents’ approval.
- Drafted a recommended Finance Committee Charter for Board of Regents’ approval.
- Developed a recommended planning calendar for Board of Regents’ consideration and identified critical areas for ongoing review and oversight.
- Broadened Audit and Finance committees’ training curriculum to focus on oversight responsibilities and governance.
- Engaged Internal Audit to further support finance transformation remediation activities by identifying additional staffing requirements, institutionalizing ongoing monitoring procedures, and strengthening its role to enhance governance.
- Developed a CFO certification process related to institution financial statements and related controls.

Future Remedial Activities
- Approve the updated Audit Committee and Internal Audit charters based on the evaluation performed against leading practices. The Audit Committee charter includes the role of external audit.
- Adopt and implement the Finance Committee charter drafted based on leading practices.
- Perform a periodic review of the governing documents of the Audit and Finance committees (including the Internal Audit charter) to determine they remain up-to-date and that the responsibilities are performed as defined.
- Review tasks incorporated in the Finance and Audit committees’ annual planning calendars.
- Kick off the Finance and Audit board training calendar, which includes recommended trainings to be conducted and suggested timing.
- Continue Executive Oversight Committee meetings to specifically focus on continued remediation activities.
• Add position to the Vice Chancellor for Finance’s office to oversee the day-to-day implementation of recommended ongoing remediation activities.
• Increase Internal Audit’s headcount in order to monitor and evaluate implementation activities.
• Provide periodic updates to the Board of Regents regarding the implementation and monitoring of remediation activities.
• Perform an assessment of staffing capacity within the Internal Audit Office.

CONSOLIDATED CONTROLLER ORGANIZATION MODEL (CCOM)

Objectives

• Build on the earlier analysis of the financial operations performed by Boston Consulting, evaluating and migrating the finance and accounting organization and structure for the UNT System and its institutions to ensure a strong consolidated controllership with clear service support to the institutions.
• Establish a CCOM to ensure strong financial controls, consistency in financial accounting and reporting in accordance with GAAP, and eliminate duplication.

Approach

A four-phase approach was developed using five key areas critical to organizational design including:
• Business operations
• Organizational structure
• Personnel
• Performance measurement
• Use of technology

An overview of each phase is below.

Phase 1: CCOM Validation

Work completed during Phase 1 confirmed focus areas for the project, timeframes, available resources for project participation, communication channels, and responsibilities of the parties. Five group discussions were held with approximately 100 employees throughout the institutions, with an additional 35 individual UNT System and institution stakeholder interviews. Periodic updates were provided to UNT System leadership regarding project status and progress.

Additional tasks completed during Phase 1 included:
• Validated proposed CCOM model goals, objectives, and expectations with UNT System and institution leadership.
• Identified potential impacts to the Business Service Center (BSC), specifically to synergies and savings already achieved through previous consolidation efforts.
• Evaluated impacts and needs for PeopleSoft and other supporting technologies.
• Worked with UNT System leadership to prioritize functions for near-term to longer-term consolidation.

Phase 2: Design

During Phase 2, UNT System leadership will work to design the future-state CCOM structure, operations, and integration of the different institution functions.
The key activities include:

- Identify additional implementation needs regarding process, technology, resource capacity, and other infrastructure.
- Collaborate with each institution to identify implementation needs.
- Document the economics of the CCOM.
- Identify and incorporate industry best practices.
- Define future-state roles and responsibilities within the UNT System and institutions pertaining to impacted operations.
- Draft supporting policy language as required.
- Develop governance mechanisms, service level agreements, and other required communication mechanisms.
- Begin execution of additional communication plans across institutions and with impacted stakeholders.

**Phase 3: Implementation**

Phase 3 will focus on implementation of prioritized functions to CCOM. Implementation activities will segment critical items for “go-live” and items that will be addressed in the “post-go-live” timeframe. UNT System leadership and institution representatives will prioritize implementation activities as well as identify Phase 4 roles and responsibilities.

**Phase 4: Go-Live Support**

Upon completion of Phase 3, UNT System will continue to provide implementation support as the new model is rolled out at each institution. UNT System will identify “post-go-live” needs during Phases 2 and 3.

**Accomplishments**

- Began the process of establishing new job descriptions, reporting relationships, and hiring to fill staffing gaps in the finance and accounting organization.
- Completed risk assessment matrix identifying staffing weaknesses in the finance and accounting organization to enable strategies to implement for risk mitigation during the establishment of a new organizational model.
- Developed implementation roadmap, which included key milestones and expectations.
- Established a culture of collaboration among the institutions for implementation.

**Future Remedial Activities**

The team has completed Phase 1 and is beginning Phase 2. Current future remedial activities are identified below (This list could expand based on the work performed in future phases):

- Complete CCOM organization implementation.
- Establish clear service levels and standards of CCOM.
- Establish clear definitions of roles and scope related to business processes and exception resolution to achieve accuracy, consistency, and collaboration.
- Identify opportunities for increased operational efficiency and effectiveness with a regular process of continuous improvement.

**FINANCE AND ACCOUNTING ORGANIZATION STAFFING**

**Objectives**

In an effort to understand the knowledge, skills, and abilities of finance and accounting employees upon transition to the new Consolidated Controller Organization Model (CCOM), a competency assessment was conducted. The assessment evaluated 47 staff level finance and accounting employees from the UNT System including each institution.
Goals of the assessment were to:

• Establish a go-forward finance and accounting organization by institution and system-wide.
• Define baseline competencies for future state staff-level positions across the finance and accounting organizations.
• Identify strengths and critical skill gaps among current finance and accounting staff-level employees.
• Develop key insights to inform staff of mapping decisions related to the new CCOM.

Approach
Thirteen baseline competencies were developed for future-state staff-level finance and accounting positions. The behavior framework to support the competencies leveraged existing competency documentation from UNT System Human Resources (HR) and industry leading practices. Using a survey tool, the team developed an online employee skills assessment around the baseline competencies and behaviors. Employees provided demographic information about their professional experience and education. They also self-assessed their knowledge, skills, and abilities against the 13 baseline competencies and behaviors. In addition, third party reviews were conducted with subject matter advisors and institutional department leaders to round out the overall evaluation of the employee’s skills and gap areas.

Employees targeted for the assessment included those aligned to staff-level positions in general accounting, financial reporting, collections, customer service, cashiering, administrative support, and payroll accounting for the UNT System and each institution.

Accomplishments
• Established expected competencies for finance and accounting positions.
• Completed a competency assessment for finance and accounting positions.
• Identified strengths and critical skills gaps among current finance and accounting staff.
• Mapped existing staff to new CCOM.

Future Remedial Activities
The assessment report will support transition activities for the new CCOM. Activities will include:
• Assure alignment between CCOM and all other financial activities within the organization (e.g. auxiliaries, foundations).
• Map current finance and accounting staff to positions in the new CCOM organization as applicable to other areas (e.g. budget offices).
• Develop position descriptions with appropriate high standards to fill open finance and accounting positions across the organization.

CHANGE MANAGEMENT AND TRAINING

Objectives
The following objectives were established related to establishing a training program for UNT System and institution professionals:
• Develop a mechanism for finance employees to continue to develop the necessary knowledge related to their individual job responsibilities.
• Identify mandatory annual training for specific topics that impact members of the finance and accounting organization (e.g. ethics, updates to financial policies).
• Develop standard core training for employees new to the UNT System finance and accounting organization as part of their on-boarding process.
• Link training needs to annual employee performance evaluation processes and provide supervisors with the opportunity to add additional training as needs are identified throughout the year.
• Establish a mechanism to provide updates to employees and supervisors regarding the status of training taken.

Note: Primary focus from June 2014 through December 2014 was placed on training related to performing account reconciliations and validation. Several training classes were held since June 2014 with many opportunities for on-the-job training.

Approach
In order for a financial transformation to be sustainable, significant focus is required to determine that finance and accounting professionals have learning opportunities to improve the skills necessary to perform their specific job responsibilities. As a result, suggested trainings were identified for each job position within UNT System and its institutions, and included training areas such as: ethical standards, improving accounting technical knowledge, Governmental Accounting Standards Board (GASB) compliance, critical thinking and problem solving, and state and federal regulations related to higher education. As part of an assessment process, each finance professional will be evaluated to determine where additional skill development or training is necessary. Additional focus also was placed on evaluating approaches in order to increase the number of Certified Public Accountants (CPAs) within the finance and accounting organizations.

Finance Training Process

Accomplishments
• Established cultural expectations for accuracy, accountability, and integrity.
• Developed training framework that is integrated into the annual performance evaluation process for finance and accounting staff in the spirit of continuous improvement.
• Proposed a recommendation for minimum mandatory hours training for finance and accounting staff.
The chart below is an example of the types of training curriculum that will be available for the finance and accounting organization:

**Example Finance Training Offerings to Be Linked to Competencies**

<table>
<thead>
<tr>
<th>Required Training For All Finance and Accounting Professionals</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ethics</td>
</tr>
<tr>
<td>Hotline Reporting</td>
</tr>
<tr>
<td>Policy Updates</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Employee Specific Training Based on Current Competencies</th>
</tr>
</thead>
<tbody>
<tr>
<td>ERS</td>
</tr>
<tr>
<td>Preparing Financial Reports</td>
</tr>
<tr>
<td>USAS</td>
</tr>
<tr>
<td>Critical Thinking</td>
</tr>
<tr>
<td>Basic Accounting</td>
</tr>
<tr>
<td>PeopleSoft</td>
</tr>
<tr>
<td>Excel Skills</td>
</tr>
<tr>
<td>The Income Statement</td>
</tr>
<tr>
<td>Problem Solving</td>
</tr>
<tr>
<td>The Balance Sheet</td>
</tr>
<tr>
<td>Government Accounting</td>
</tr>
<tr>
<td>Supervisory Skills</td>
</tr>
</tbody>
</table>

**Future Remedial Activities**

An assessment of current competencies was completed. Based on the results of the assessment, specific training needs will be identified for each employee. The following activities are planned:

- Implement a rigorous training program for all finance and accounting staff.
- Develop and implement a career ladder in order for finance and accounting staff to obtain professional certifications (e.g. Certified Public Accountant, Certified Management Accountant, Certified Fraud Examiner).
- Determine training is aligned with technology upgrades, enhancements, and associated business process changes.
Major Areas of Transformation:
2. Financial Close and Business Processes

INTRODUCTION
In preparation for an external audit to be performed on the University of North Texas System’s Financial Statements for the Fiscal Year ending August 31, 2014, the team placed significant focus on the improvement of financial close and business processes. The first task was to create a robust structure to perform account reconciliations for FY13 and FY14. The UNT System has invested in significant training and oversight to complete account reconciliations and validations during the last five months. To ensure ongoing implementation of these best practices going forward, focus will continue to be placed on implementing additional technology to help facilitate and improve the process. This will be integrated into an overall account reconciliation risk assessment process that identifies the level and frequency for each general ledger account for reconciliation across all institutions in the UNT System.

Mock audit procedures also were performed to prepare the organization for the rigor associated with an external audit process and to mitigate control weaknesses. Going forward, the UNT System will continue to perform a subset of mock audit procedures to determine appropriate focus is placed in this area. Internal Audit will be involved in providing an important oversight role, monitoring and validating that remediation activities are being implemented as identified and established by management.

Additional focus has been placed on performing a comprehensive assessment of the structure of the UNT System and institution financial statements. FY14 Financial Statements were prepared with full attention to leading practices and in conformance with GAAP. The financial close process is currently highly manual, and over the next several months comprehensive remediation efforts will be undertaken to determine where improvements can be made by leveraging technology and implementing improved processes and controls. To this end, a quarterly soft close procedure is being recommended for implementation effective in the third quarter of FY15, facilitated by timely and routine reconciliations and strong year-end closing procedures and practices. Additionally, the focus on documentation of effort and process will provide strong audit trails to support both internal and external audit reviews.

The Executive Oversight Committee identified 13 financially significant processes that were evaluated to determine if the controls were designed appropriately and to assess the opportunities to standardize certain activities across the institutions. Based on the improvement opportunities identified, management will continue to focus its efforts to implement the suggested improvements. A project management office will be established to monitor ongoing progress in this and other areas, and the UNT System Board of Regents will be kept abreast of the progress in this area. This office will be staffed by an experienced leader to ensure full and detailed implementation. Internal Audit will perform ongoing analysis to monitor the status of remediation efforts based on the plans established by management and also will provide periodic updates to the Board of Regents.

Financial policies were drafted for 12 key areas. These policies included topics such as the account reconciliation and journal entry review processes. Three of the policies are covered by UNT System Regents’ Rules and will be brought forward for approval to the Board of Regents during its February 2015 meeting. Management understands that with these 12 policies there is still a need to evaluate the remaining financial related policies, and will align resources to focus
on this area. To ensure a full review and update of existing policies, and the development of new policies, it is necessary to establish an additional legal position. A partnership between the Vice Chancellor for Finance and the General Counsel will provide the necessary leadership team working throughout the UNT System and with Human Resources and Business Services.

Also, focus has been placed on performing a comprehensive assessment of the Student Financial Services area, and out of this review several recommendations were brought forward for consideration. Management is evaluating the recommendations and will work to implement the improvements required. Remediation activities in this area will be tracked at a project management level and updates on progress will be provided to the Board of Regents.

ACCOUNT RECONCILIATION AND VALIDATION

FISCAL YEAR 2013

Introduction
The most important work team focused on account reconciliations and validations, given the importance of this critical control in helping to ensure financial integrity in an organization. The reconciliation process, when effectively executed and monitored, mitigates risks related to both the accuracy of information contained in financial statements and the identification of potential fraud.

To prepare for an external audit of UNT System consolidated financial statements for the year ending August 31, 2014 and to improve the accuracy of information in the financial statements, a multiple-step project began in June 2014 to focus on the reconciliation and validation of general ledger accounts. Moreover, management used this reconciliation process to identify adjustments needed to restate the FY13 Statement of Net Position and to help ensure correct starting balances for the FY14 Financial Statements. In order to ensure the integrity of the correcting entries, a multi-step review process was put in place. This process was integral to identifying and correcting accounts while ensuring the full documentation for any adjustments were substantiated. To further promote segregation of this effort, a Period 990 in PeopleSoft was established so only those authorized adjustments were needed to correct the FY13 Statement of Net Position. A full SharePoint site was established for the teams to monitor activity on individual accounts and to maintain the documentation to support the work performed.

Focus also was placed on compliance with GAAP and on the training and development of the finance and accounting staff. Further, account reconciliation and validation also indirectly mitigates risks from improper segregation of duties within business processes because reconcilers independently look at the details of account balances and validate them with independent details of what should be included in each account. The following account reconciliation and validation methodology was implemented:

Step 1: Developed a standardized account reconciliation and validation approach to be used across UNT System. This included a standard reconciliation template that was used across the institutions and articulated expectations in terms of training, critical thinking, and documentation.

Step 2: Performed training for reconciliation preparers and reviewers on the standardized reconciliation and validation approach, given the relationship to proper financial reporting.

Step 3: Determined the completeness and accuracy of the beginning balances (balances as of September 1, 2013) for the fiscal year that ended August 31, 2014.
**Step 4:** Carried forward the knowledge gained from correcting beginning balances to the balances as of August 31, 2014.

**Step 5:** Focused on opportunities for further improvements to the reconciliation and validation process going forward to include establishing a schedule for future account reconciliations based on a robust risk assessment process.

To effectively prepare for an audit for the financial statements as of and for the year ended August 31, 2014, it is imperative that the beginning balances (opening balance as of September 1, 2013) for assets, deferred outflows of resources, liabilities, and deferred inflows of resources are accurate and complete. Starting the fiscal year with the correct balances helps to ensure that the financial statements for the year ended August 31, 2014, represent an accurate picture of the activity that occurred during the year. Thus, the initial focus of the project was on the balances as of August 31, 2013.

**Objectives**
- Establish a standardized, system-wide approach to the reconciliation and validation of assets, deferred outflows of resources, liabilities, and deferred inflows of resources (Statement of Net Position balances).
- Provide education and guidance on a standardized, system-wide approach to those performing account reconciliations and validations.
- Complete reconciliation and validation procedures for significant Statement of Net Position balances.
- Identify and track the adjustments necessary to correct FY13 Statement of Net Position balances and ensure presentation in accordance with GAAP.
- Document proper approval of the adjustments necessary to properly state FY13 Statement of Net Position balances.

**Approach**
The team established a standardized reconciliation template to enforce consistency across the institutions. Two training sessions were held to educate accounting professionals on the use of the standardized template and on leading practices for the completion of the account reconciliation and validation procedures. These training sessions were attended by members of UNT System financial management, staff from the accounting and finance teams for each institution, and individuals from departments outside of accounting and finance who also are responsible for reconciling general ledger accounts. The training emphasized the importance of critically thinking about each account and documenting the purpose and normal activity expected in that account. Further, reconcilers were instructed to challenge each account to ensure that the ending balance could be supported with independent, complete, and accurate details. Presentation materials from these sessions were made available to all individuals responsible for account reconciliation and validation procedures for ongoing reference.

A quantitative and qualitative analysis was performed on the Statement of Net Position accounts to identify the general ledger accounts that should be reconciled. Analysis of general ledger accounts began at the individual Statement of Net Position financial statement line items for each of the institutions. Financial statement line items with general ledger balances as of August 31, 2013, greater than or equal to 2% of the institution’s total net position were included. Financial statement line items with less than 2% of the institution’s net position were qualitatively evaluated for risks for inclusion. Cash (other than petty cash), cash equivalents, investments, legislative appropriations, and payables (including payroll accruals) were included regardless of their balance.
For those financial statement line items deemed significant, general ledger accounts included in those financial statement line items were included in the project scope, regardless of the balance in those general ledger accounts. This analysis resulted in the examination of 700 accounts (90%) out of the total 777 accounts or $751,243,728 (99%) of the total net position of $758,457,503 as initially stated on the FY13 statements.

Timelines were established for each account and reconcilers, alongside Deloitte representatives, began working to reconcile and validate the August 31, 2013, balances in these general ledger accounts. The reconciliations for each account were routed through a multi-level review process. Reconciliations were analyzed once by UNT System and institutional management and twice by Deloitte. Any discrepancies, questions, or suggestions for further improvement were routed back to the reconciliation preparer. This multi-level review process was a significant commitment; however, it improved the quality of the reconciliations and provided opportunities for on-the-job training throughout the project.

Weekly status updates for the Board of Regents were prepared. Team members participated in several meetings with the Financial Oversight Task Force summarizing progress until the ultimate completion of the FY13 account reconciliations on October 10, 2014. Further, weekly status meetings were held with the Executive Oversight Committee and weekly conference calls were conducted with the point person for account reconciliations at each institution to provide regular updates and communicate any concerns or issues.

During the account reconciliation and validation process, the following items were identified, which required significant effort:

- Researching and correcting improper capitalization of certain library subscriptions.
- Creating reports to obtain independent details of student account balances from the student account system that could be used to properly reconcile related general ledger balances (i.e. student receivables, refunds payable, unearned tuition revenue, and prepaid scholarships).
- Developing analyses and methodology that could be used to support an estimate of the allowance for doubtful accounts for student receivables.
- Calculating and recording deferred outflows of resources related to gains or losses on refunding bonds.
- Recalculating amortization schedules for all bond premiums and discounts to change from using the straight-line method to the effective interest method that is required by GAAP.
- Allocating a portion of the Fall 2013 semester tuition, housing, dining revenues, and scholarship expenses to FY13 based on the number of class days occurring in FY13.
- Calculating the amount of interest to be capitalized on construction projects.
- Researching differences between independent information on grant receivables provided by grant accountants and the amount recorded in the general ledger.
- Examining invoices paid subsequent to year-end to determine the appropriate balance for accounts payable.
- Obtaining and validating information to record receivables for healthcare services performed, but not yet billed, and uncompensated care.
- Developing independent expectations of the amounts in payroll cash, clearing, and accrual accounts, and resolving the reconciling differences.
FISCAL YEAR 2014

Introduction
Beginning in September 2014, the UNT System began to reconcile and validate Statement of Net Position accounts as of August 31, 2014. In addition to preparing for an external audit of the consolidated financial statements, two significant challenges were identified related to the reconciliation of FY14 general ledger accounts:

- The account reconciliation procedures that were being performed were halted in June 2014 as reconcilers shifted their focus back to balances as of August 31, 2013, and to the new, standardized reconciliation template.
- UNT System has a requirement to file an annual financial report with the State of Texas no later than November 20, 2014, for the year ended August 31, 2014.

The approach for FY14 was designed to address these challenges and timelines through scheduling and prioritizing the work that must be performed to meet the State’s deadline as well as focusing on preparing for an audit of the financial statements by an external auditor.

Objectives
The objectives for the FY14 account reconciliation and validation were somewhat similar to those for FY13; however, there were a few additional points of focus as an independently audited annual financial report will be prepared for both the State and external parties. Because the work on account balances as of August 31, 2014, happened concurrently with the UNT System’s normal financial accounting and close processes, corrections identified during this process were routed through UNT System’s normal journal entry approval workflow. Also, while account reconciliations were prepared for Statement of Net Position accounts, revenues, expenses, and other changes in net position, additional procedures will be performed to ensure that these accounts are accurately stated, presented, and classified appropriately. The objectives of the procedures performed were:

- Complete reconciliation and validation procedures for all significant Statement of Net Position balances.
- Make adjustments necessary to correct Statement of Net Position balances to be in accordance with GAAP.
- Perform procedures to ensure proper presentation and classification of amounts on the statement of revenues, expenses, and changes in net position, and on the statement of cash flows.
- Support the accuracy and completeness of financial information that is disclosed in the notes to the financial statements.

Approach
As discussed, the approach for FY14 was modified for challenges and timelines faced in the upcoming months, but still with the ultimate objective of preparing for an external audit of the financial statements. The standardized template developed for FY13 was used again to reconcile and validate Statement of Net Position accounts as of August 31, 2014. An account reconciliation and validation training session was conducted with participants from all of the institutions on October 2, 2014, to reinforce the importance of reconciliation, to articulate lessons learned from the FY13 process, to outline improvements for FY14, and to onboard new finance and accounting team members.

While all Statement of Net Position accounts will have reconciliations prepared prior to the arrival of the external auditor, the initial focus for FY14 was on prioritizing significant, high-risk accounts in order to provide the information necessary for filing financial statements with the
State by November 20, 2014. All accounts with balances in excess of $100,000 or with corrections recorded during the FY13 process in excess of $250,000 were identified as significant, high-risk accounts. In addition to this quantitative analysis, several accounts (such as cash) were considered significant, high-risk accounts based on qualitative considerations. The goal was to have these accounts reconciled and validated prior to filing with the State of Texas. Statement of Net Position accounts in excess of $1,000,000 received the same multi-level review process that was conducted for FY13; however, in an effort to expedite the process to meet the State deadline, Statement of Net Position accounts below $1,000,000 received two levels of review (one from UNT System or its institutions and one from Deloitte).

In addition to the Statement of Net Position, there also was focus on the statement of revenues, expenses, changes in net position, and the statement of cash flows. Procedures were performed to validate the proper classification of amounts on the statements to ensure they accurately depict the activities during FY14 and are in accordance with GAAP.

**Accomplishments (FY13 and FY14)**

- Established a work plan to reconcile and validate significant general ledger accounts for FY13.
- Provided weekly status reports on FY13 account reconciliation progress to the Board of Regents and Executive Oversight Committee.
- Identified high risk areas during the performance of account reconciliations requiring additional ongoing focus by management and Internal Audit (e.g. Payroll, Student Receivables).
- Developed and conducted a staff training program.
- Performed targeted on the job training for finance and accounting staff, which included understanding compliance with GAAP.
- Completed 700 FY13 reconciliations using a standardized template that were supported by details and analysis to validate the accuracy of the account balances.
- Established a separate accounting period in PeopleSoft to segregate and account for correcting journal entries for the FY13 restatement.
- Established review procedures and thresholds that included final sign-off by institution Chief Financial Officers.
- Restated Fiscal Year End 2013 general ledger account balances based on reconciliation and validation procedures performed.
- Completed in scope FY14 account reconciliations.
- Established a FY15 risk assessment tool to identify the frequency and rigor of account reconciliation procedures across the institutions.
- Identified potential tools to automate the account reconciliation process for future tracking.

**Future Remedial Activities**

Focus should be placed on the following activities:

- Finalize the formal risk assessment process established in the account reconciliation policy for FY15 to determine the frequency and level of review required for each general ledger account.
- Implement technology tools to provide clear tracking of account reconciliation status for Board of Regents and management reporting.
- Replace manual subledgers with technological solutions. Examples of this include the Student Accounts Receivable subledgers.
- Complete FY15 in scope account reconciliations.
FINANCIAL STATEMENT INTEGRITY

Objectives
To develop a comprehensive set of financial statements for the UNT System to use in Fiscal Year 2014 and going forward, UNT System focused on the following objectives:

• Enhance understanding of UNT System financial reporting and consolidation processes, including account composition, account mapping, and business unit consolidation.
• Improve current financial reporting process and establish long-term financial reporting institutional processes with associated time frames.
• Produce consistent financial information among each institution.
• Develop templates to streamline data gathering and to automate data collection and segregation for reporting.
• Increase the general understanding of reporting requirements and GAAP compliance.

Approach
As part of the transformation project, UNT System evaluated the structure of the financial statements and content of the related footnote disclosures. This evaluation focused on assessing the adequacy of financial information currently reported, with the intent to prepare the financial statements for an external audit. To achieve this, it was necessary to understand the current financial reporting processes, the State of Texas reporting requirements, and reporting requirements identified within GAAP.

Inquiries with UNT System and institution personnel were conducted to understand the financial reporting and consolidation processes. These discussions provided insight into financial reporting differences among the separate institutions, including differences in how certain accounts were used and differences in financial reporting processes. A collaborative effort determined those primarily responsible for gathering relevant financial information, which could then be compiled and prepared for financial reporting.

The Fiscal Year 2013 UNT System Consolidated Annual Financial Report (AFR) was benchmarked against State of Texas reporting requirements, GAAP-compliant financial reporting and disclosure checklists, and other similar public higher education institutions. Through evaluation of GAAP reporting requirements, comparison of similar entities, and inquiries with institution personnel, the team identified financial reporting elements that either required additional information or were not previously reported. Additionally, insight gained from the account reconciliation process provided for a greater understanding of accounts and their appropriate financial statement presentation. These findings were compiled and recommendations were made to develop a more comprehensive GAAP-compliant AFR. Going forward, it will be important that the organization undergo soft quarterly closings, which in turn will be led by the Financial Reporting Office. These soft closings will be facilitated by the improved account reconciliation processes.

Accomplishments
• Created standardized Annual Financial Report (AFR) templates for institution and consolidated financial reporting.
• Develop AFR checklist to track information requirements for inclusion in the financial report.
• Established a timeline for multiple state reporting filing requirements, which include the submission of financial reports across the institutions.
Future Remedial Activities
Ongoing efforts are being made to improve the financial reporting process. These efforts include:
- Establish a staff position with strong knowledge in capital asset accounting and reporting.
- Employ the use of automated financial reporting tools to reduce manual and duplicative efforts and reduce opportunities for error.

MOCK AUDIT PROCEDURES

Objectives
- Establish a process to mitigate potential control weaknesses related to FY14 general ledger account balances in preparation for internal and external audits by performing detailed procedures related to key financial statement accounts.
- Prepare the finance and accounting staff for procedures that may be performed by the external auditor and determine that sufficient evidence is available to support common independent audit requests.

Approach
In tandem with the reconciliation and validation work performed on assets, deferred outflows of resources, liabilities, and deferred inflows of resources (Statement of Net Position balances), significant financial statement line items were subjected to verification through the performance of audit-type procedures on a sample basis — referred to as mock audit procedures. These procedures generally involved sampling from account details as well as from information outside of the account details to determine whether the balances are materially accurate and complete. The focus of this effort for Statement of Net Position balances as of August 31, 2013, was on cash and financial statement line items in excess of $1,000,000; however, some procedures performed covered other financial statement line items.

Testing capital asset inventories proved to be an important focus of this mock audit process. As an example, the identification of the need to reclassify library subscriptions was one issue identified through performance of the mock procedures. Procedures performed were designed to simulate the work performed by an external auditor, but also served to demonstrate the additional efforts by the institutions to help ensure accurate financial reporting.

Similar procedures will be performed for Statement of Net Position balances as of August 31, 2014; however, in addition to procedures on those balances, procedures also will be performed to simulate external audit procedures in the following areas:
- Testing accuracy and proper classification of revenues, expenses, and other changes in net position.
- Evaluating classification of amounts within the statement of cash flows.
- Examining the categorization of net position (net investment in capital assets, restricted, and unrestricted net position).
- Benchmarking note disclosures against various industry checklists to ensure compliance with GAAP and validating the information contained in disclosures.
- Mitigating risks around weaknesses noted in journal entry controls by profiling the entire population of journal entries recorded in FY14 and selecting entries to test for proper approval, appropriate supporting documentation, and compliance with GAAP.

Procedures for FY14 are in process. Procedures related to significant areas will be completed prior to commencement of the external audit of the annual financial report. As discussed in the financial statement integrity section, many of the procedures discussed above regarding note disclosures and financial statement presentation have been completed and remediation efforts are underway.
Accomplishments

• Conducted aggressive detailed mock audit procedures across the institutions to simulate testing by an external auditor for FY13 and began work on FY14, which included additional detailed testing of high risk account balances.
• Identified control weaknesses. Remediated specific areas as well as established a plan for sustained improvement for others.
• Integrated the procedures with the account reconciliations performed.
• Demonstrated the value of mock audit procedures for the institutions.
• Assigned future responsibility to Internal Audit for ongoing performance of mock audit procedures.

Future Remedial Activities

While mock audit procedures have been conducted for the Statement of Net Position accounts as of August 31, 2013, and are in the process of being conducted for the financial statements as of and for the year ended August 31, 2014, preparation for an external audit requires diligence throughout the year to validate account balances. While these procedures are designed specifically for Fiscal Years 2013 and 2014, it is important that continued focus is placed on the following:

• Perform ongoing mock audit procedures as part of a rotational or routine examination of certain high risk, significant balances.
• Expand Internal Audit annual work related to financial and accounting areas (e.g. payroll, accounts payable, student accounting, financial close).

FINANCIAL CLOSE PROCEDURES

Objectives

• Evaluate current financial close processes and associated technology in order to determine areas for improvement.

Approach

The FY14 financial close process was completed. The Annual Financial Report packages were reviewed by UNT System financial reporting, Legal, Deloitte, and the institution CFOs. The UNT Consolidated Annual Financial Report package, complete with Management Discussion, Analysis and Footnotes, also were reviewed by the Vice Chancellor for Finance. The FY14 financial reports for UNT System and its institutions were submitted and certified to the State of Texas Comptroller’s Office.

As part of the activities performed related to the FY14 closing process, improvement opportunities were identified that require ongoing management focus and remediation efforts in order to improve the overall financial close process.

Accomplishments

• Established financial close processes and standardized templates to include multi-level campus reviews.
• Completed and submitted FY14 annual financial reports for UNT Dallas and the College of Law to SACC’s on November 10, 2014, for use in accreditation.
• Filed an expanded CAFR to include four institution AFRs that were fully compliant with GASB standards for the purpose of being ready for an external audit.
• Certification and submission of capital assets to the State of Texas Comptroller’s Office completed on October 20, 2014, for each institution and on November 1, 2014, for the consolidated UNT System.
Federal award initial pass-through certification completed on September 18, 2014, final pass-through completed on September 28, 2014, and the final schedule was certified on November 1, 2014.

The institution Chief Financial Officers adopted key financial ratios to measure institutional financial health.

Updated and revised the System’s Investment Regulation and UNT Foundation Agreement and improved the reporting detail and data capture for Board reporting on both a quarterly and annual basis.

Identified accounting firm to perform FY14 external audit.

Future Remedial Activities
The following are key focus areas for management as they work to improve the overall financial close process:

- Perform quarterly soft closes at the end of each quarter (to begin after second quarter in FY15).
- Implement key financial ratios.
- Establish clear financial closing calendars and responsibilities to help ensure timely review.
- Each institution will submit a formal variance analysis with its reporting packages (FY15 forward). This will aid in the variance analysis that is due to the State, but this information also should be presented to the Board of Regents and management — along with Key Performance Indicators/Analysis — as part of the internal review of the financials.
- Implement standardized templates that have been developed for Annual Financial Reports/footnotes/Management Discussion and Analysis.
- Conduct lessons learned session to discuss successes and improvement opportunities related to the FY14 financial close process. Based on this session, an improvement plan will be developed in order to improve processes and technology needed for future close cycles.
- Complete FY14 external audit.

BUSINESS PROCESS REMEDIATION

Objectives
The objectives for the Business Process Remediation work team included:

- Identify critical financial processes and evaluate against an expected control set to determine if key financial controls should be implemented or strengthened using process and control mapping.
- Develop future state process and control documentation for the critical financial processes identified.
- Assign process owners to implement the remediation activities required and implement project management support and tools to monitor status.
- Define Internal Audit’s role in ongoing monitoring of the remediation efforts.

Approach
The Business Process Remediation team focused on reviewing the key financial process and controls of 13 financially significant processes primarily related to the revenue, expenditure, and financial reporting functions. These process areas were selected by institution management from a broader list of key processes applicable to higher education institutions.

The areas reviewed included:
The project team followed a defined approach to develop a current state understanding of each process. This approach consisted of facilitating an initial information-gathering meeting with the respective institution project leader and any relevant process owners. The purpose of these initial meetings was to understand and document each process at the institution and financial control level. From these meetings, detailed narratives and flow diagrams were developed to depict the current state of the process. An assessment of the process then took place to identify areas of improvements in the following key gap areas:

<table>
<thead>
<tr>
<th>Control gaps</th>
<th>Occurs when a control/process is not in place to effectively mitigate risk.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Control design gaps</td>
<td>Occurs when a control/process is in place but is not properly designed to mitigate the risk.</td>
</tr>
<tr>
<td>Control implementation gaps</td>
<td>Occurs when a control/process is in place and is properly designed, but is not properly implemented to prevent or detect risk as intended</td>
</tr>
<tr>
<td>Process gaps</td>
<td>Occurs when a process is not in place; however, the process may be implemented as a best practice.</td>
</tr>
<tr>
<td>Process inconsistencies</td>
<td>Occurs when inconsistencies in processes among the different UNT System institutions exist that could be standardized.</td>
</tr>
<tr>
<td>Policy gaps</td>
<td>Occurs when a policy is not currently in place; however, implementation of a policy is recommended.</td>
</tr>
</tbody>
</table>

Within the current state narratives and process maps, gaps identified are indicated with a unique gap identifier. For each gap identified, a risk ranking, level of effort to remediate, detailed gap description, risk description, and detailed recommendation were provided to management.

**Accomplishments**
- Identified 13 key financial business processes for evaluation.
- Evaluated the key business process and identified areas for process and control improvement.
- Developed future state narratives and process flows for the 13 key financial business processes.
- Identified 88 process and control gaps for remediation, assigned by risk category.
- Identified the need for a Business Process Remediation leader to oversee the implementation efforts and associated timelines established.
- Identified the need and assigned responsibility to Internal Audit to evaluate the progress of the remediation.
The table below outlines the number of gaps identified for each process and their assigned risk ranking:

<table>
<thead>
<tr>
<th>Process Area</th>
<th>High Risk</th>
<th>Medium Risk</th>
<th>Low Risk</th>
<th>Grand Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Accounts Payable &amp; Purchasing</td>
<td>6</td>
<td>4</td>
<td>6</td>
<td>16</td>
</tr>
<tr>
<td>Financial Close &amp; Reporting</td>
<td>6</td>
<td>17</td>
<td>2</td>
<td>25</td>
</tr>
<tr>
<td>Revenue - Housing</td>
<td>1</td>
<td>4</td>
<td>5</td>
<td>10</td>
</tr>
<tr>
<td>Revenue - Dining</td>
<td>2</td>
<td>2</td>
<td></td>
<td>4</td>
</tr>
<tr>
<td>Payroll</td>
<td>1</td>
<td>2</td>
<td></td>
<td>3</td>
</tr>
<tr>
<td>Revenue - Parking &amp; Transportation</td>
<td></td>
<td>3</td>
<td>3</td>
<td>6</td>
</tr>
<tr>
<td>Revenue - Student Tuition</td>
<td>5</td>
<td>5</td>
<td></td>
<td>10</td>
</tr>
<tr>
<td>Revenue - HSC Clinical</td>
<td></td>
<td>2</td>
<td>2</td>
<td></td>
</tr>
<tr>
<td>Fixed Assets</td>
<td>5</td>
<td>3</td>
<td></td>
<td>8</td>
</tr>
<tr>
<td>Treasury</td>
<td>2</td>
<td>2</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Revenue - Athletics</td>
<td>1</td>
<td>1</td>
<td></td>
<td>2</td>
</tr>
<tr>
<td>Budgeting</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Revenues - Grants &amp; Contracts</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Grand Total</td>
<td>14</td>
<td>45</td>
<td>29</td>
<td>88</td>
</tr>
</tbody>
</table>

Future Remedial Activities
- Complete the recommended remediation action plans in critical business processes.
- Develop and implement a certification process by which all institution CFOs and relevant owners of financial and account processes (e.g. information technology) attest annually to the application and compliance of key financial processes and controls.
- Require that Internal Audit include in its annual plan activities to monitor business process remediation activities in accordance with the consulting standards of the Institute of Internal Auditors.

FINANCIAL POLICIES

Objectives
The objectives for the policies and procedures working team was to:
- Identify highest priority areas for the implementation of strengthened financial policies.
- Draft updated policies for the Chancellor’s and then Board of Regents’ approval.
- Determine potential resources necessary to perform ongoing financial policy updates.

Approach
The team conducted an inventory of financial related policies that currently existed for each of the institutions. Upon performing the inventory, a reconciliation was performed against key leading practice financial policies. Twelve financially significant Board of Regent’s Rules and UNT System Regulations were drafted as identified by the Executive Oversight Committee.

Accomplishments
- Determined and evaluated the universe of financial policies at the institutions.
- Identified 12 key financial policies for revision and/or development.
- Identified the need for further development for additional policy in the financial, compliance, and human resource areas to be supported by the Business Service Center and Legal.
• Identified the need of an additional staff member in Legal to support ongoing policy development.
The financial policies developed in conjunction with a review by each institution CFO and the UNT System Office of General Counsel are outlined below:

**Board of Regents’ Rules**
- Monitoring of Legislative Appropriation Activity and Reporting
- Review, Approval, and Certification of Financial Statements
- Review, Approval, and Validation of Legislative Appropriation Requests

**UNT System Regulations**
- Asset Capitalization
- Collecting Overpayments from Employees
- Information Technology Change Management
- Journal Entry Review, Approval, and Adequacy of Supporting Documentation
- Reconciling and Verifying General Ledger Accounts and Other Financial Information
- Reporting Component Units
- Segregation of Duties
- Student Accounts Receivable
- Timelines of Accounting Period Close and Reporting

**Future Remedial Activities**
- The Board of Regents reviews and adopts the three Regent Rules drafted.
- The Chancellor reviews and adopts the nine System Regulations drafted.
- Financial Policies and Procedures should be evaluated annually in alignment with leading practices.
- Add a Legal staff position to support financial and accounting policy reviews and updates.
  In addition, this resource also will assist with Human Resource policy reviews and updates.

**STUDENT FINANCIAL SERVICES ASSESSMENT**

**Objectives**
The objectives for the Student Financial Services Assessment were to:
- Assess Student Financial Services operations at each institution.
- Examine related functions that impact or are impacted by Student Financial Services operations.
- Provide actionable recommendations designed to enhance current operations and to encourage increased collaboration among the institutions.
- Develop recommendations to potentially increase service levels to both students and parents.

**Approach**
The assessment focused on five key areas including;
- Business Operations
- Organizational Structure
- Personnel
- Performance Measurement
- Use of Technology

During the project, the team conducted interviews with more than 60 individuals within Student Financial Services (SFS) operations, personnel in related student service units (Financial Aid, Registrar, and Student Affairs), business operation units (e.g., Budgeting), and UNT System personnel (Leadership, Information Technology, etc.). Additionally, ad hoc student interviews
were conducted along with two formal student panel focus groups of UNT students, which included undergraduate, and graduate students as well as student veterans. The purpose of these interviews and focus groups was to gain a deeper understanding of current SFS operations from multiple perspectives of impacted constituencies (e.g., students, student service units).

A report was developed with the following particular focus areas:

- Reviewed current state business processes including connections with other student service units (Financial Aid, Registrar, etc.) and recommended process modifications and redesign.
- Identified gaps in the current Enterprise Information System (EIS), including the process by which institutional access levels are granted to personnel as well as cross-over with financial system and general ledger reconciliations.
- Identified gaps in EIS utilization across the UNT System and included recommendations designed to align business processes, EIS usage, and data collection and reporting.
- Recommended business process enhancements to optimize EIS functionality and eliminate manual staff-developed work-around procedures as well as promote movement toward delivered PeopleSoft functionality.
- Provided recommendations to integrate technology systems from auxiliary operations (e.g., Parking, Library) to better manage student Accounts Receivable (A/R) as well as further integrate campus operations.
- Identified gaps in student-facing portal and recommended enhancements to portal design and EIS utilization to engage students in a more meaningful and efficient way.
- Provided recommendations to improve performance measurement tracking and reporting at the unit, institution, and UNT System level to drive data-informed decision-making.
- Recommended increased training for staff to promote further development and broader understanding of business units impacted by day-to-day work.

**Accomplishments**

- Completed a detailed organization review of Student Financial Services.
- Identified 21 strategic and tactical areas to improve Student Financial Services areas.

Below is a condensed list of the requirements.

<table>
<thead>
<tr>
<th>#</th>
<th>Recommendations</th>
<th>Org. Impact</th>
<th>Strategic / Tactical</th>
<th>Recommendation Type</th>
<th>Projected Implementation (months)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Institutionalize Training and On-Boarding</td>
<td>Moderate</td>
<td>Strategic</td>
<td>SW</td>
<td>LT</td>
</tr>
<tr>
<td>2</td>
<td>Utilize EIS Delivered Direct Deposit</td>
<td>Moderate</td>
<td>Tactical</td>
<td>CS</td>
<td>LT</td>
</tr>
<tr>
<td>3</td>
<td>Utilize Business Service Center for Check Printing</td>
<td>Low</td>
<td>Tactical</td>
<td>CS</td>
<td>QW</td>
</tr>
<tr>
<td>4</td>
<td>Streamline Course Fee Process</td>
<td>High</td>
<td>Strategic</td>
<td>CS</td>
<td>LT</td>
</tr>
<tr>
<td>5</td>
<td>Review Change and Use of Property Deposit</td>
<td>Low</td>
<td>Tactical</td>
<td>CS</td>
<td>QW</td>
</tr>
<tr>
<td>6</td>
<td>Implement Mandatory Training for Departmental Deposits to the Cashiers Office</td>
<td>Low</td>
<td>Tactical</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>7</td>
<td>Develop Hazelwood Benefit Tracking Functionality in EIS</td>
<td>Moderate</td>
<td>Tactical</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>8</td>
<td>Streamline Third-Party Invoicing Functionality in EIS</td>
<td>Moderate</td>
<td>Tactical</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>9</td>
<td>Revisit Ownership of 1098-T Processing &amp; Submission to IRS</td>
<td>Moderate</td>
<td>Tactical</td>
<td>CS</td>
<td>QW</td>
</tr>
<tr>
<td>10</td>
<td>Revise Debt Collection Process: Timeline Observation</td>
<td>Low</td>
<td>Strategic</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>11</td>
<td>Revise Debt Collection Process: 3rd Party Delinquency Recovery</td>
<td>Moderate</td>
<td>Tactical</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>12</td>
<td>Revise Process for Write-Off of Student Account Bad Debt</td>
<td>Low</td>
<td>Tactical</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>13</td>
<td>Use of Financial Holds</td>
<td>Moderate</td>
<td>Strategic</td>
<td>SW</td>
<td>LT</td>
</tr>
<tr>
<td>14</td>
<td>Plan Upgrade to Campus Solution Version 9.2</td>
<td>High</td>
<td>Strategic</td>
<td>SW</td>
<td>LT</td>
</tr>
<tr>
<td>15</td>
<td>Re-Communicate Requirements for EIS Access Requests</td>
<td>Low</td>
<td>Tactical</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>16</td>
<td>Develop a Unified CRM/Customer Service Solution (Campus Level)</td>
<td>Moderate</td>
<td>Strategic</td>
<td>SW</td>
<td>LT</td>
</tr>
<tr>
<td>17</td>
<td>Create a Consolidated View of the Student Account</td>
<td>Moderate</td>
<td>Tactical</td>
<td>SW</td>
<td>LT</td>
</tr>
<tr>
<td>18</td>
<td>Create an Integrated One-Stop Student Service Function</td>
<td>High</td>
<td>Strategic</td>
<td>CS</td>
<td>LT</td>
</tr>
<tr>
<td>19</td>
<td>Implement “Push” Messaging</td>
<td>Moderate</td>
<td>Strategic</td>
<td>SW</td>
<td>QM</td>
</tr>
<tr>
<td>20</td>
<td>Institutionalize SFS Operational and Performance Reporting</td>
<td>Moderate</td>
<td>Strategic</td>
<td>SW</td>
<td>QW</td>
</tr>
<tr>
<td>21</td>
<td>Implement Future-State SFS Organizational Structure</td>
<td>High</td>
<td>Strategic</td>
<td>SW</td>
<td>LT</td>
</tr>
</tbody>
</table>

**Recommendation Type**

- **Campus Specific (CS)**
- **System Wide (SW)**
- **Quick Win (QW)**
- **Long-Term (LT)**

- **Campus Level Recommendation**
  - **Recommendation Applicable to All UNT Campus**
  - **0-6 Months**
  - **>6 Months**
Several of the recommendations have the potential to greatly reduce outstanding student accounts receivable, particularly at UNT. These recommendations span multiple operational categories including IT integration, business operations, and policy decision-making. Levers to drive reduction in student accounts receivable are outlined below:

<table>
<thead>
<tr>
<th>Lever to Reduce Student A/R</th>
<th>Comments</th>
</tr>
</thead>
<tbody>
<tr>
<td>Create a consolidated view of the student account</td>
<td>By consolidating student balances, students will have a timely, comprehensive view of their debt owed to the institution. Additionally, as payments will also be consolidated under the SFS function, processes will be simpler and more clearly defined.</td>
</tr>
<tr>
<td>Revise debt collection timeline and employ a third party for delinquency recovery management</td>
<td>By employing a third party for delinquency recovery management, communications will be more frequent, more consistent, and provide a more authoritative position for debt recovery, driving improved rates of collection over the current process.</td>
</tr>
<tr>
<td>Revise use of Financial Holds</td>
<td>By implementing a revised approach to financial holds on registration, the System should see improved rates of collections for student A/R.</td>
</tr>
<tr>
<td>Implement ‘push’ messaging</td>
<td>More frequent at-hand communication to students regarding student finances should assist in reducing A/R.</td>
</tr>
<tr>
<td>Improve web interface (Student portal and website content)</td>
<td>Improvements to the web interface also provide for more proactive communications to students, thus likely improving A/R rates.</td>
</tr>
<tr>
<td>Develop integrated one-stop student service function (Inclusive of Financial Aid, Registrar, SFS, and Admissions)</td>
<td>By improving collaboration and communication across student services, processes should be better defined and consistently communicated, thus allowing students simpler, more streamlined experiences, also contributing to a reduction in A/R balances.</td>
</tr>
</tbody>
</table>

**Future Remedial Activities**

Next steps have been developed for consideration:

- Complete the recommended remediation action plans for critical business processes.
Major Areas of Transformation: 3. Technology Tools and Improvements

INTRODUCTION

The University of North Texas System Board of Regents and UNT System administration identified a need to improve financial technology and associated processes and controls for the current technology applications in place. Prior to the onset of the Financial Transformation Project, management identified several financially significant systems that are critical to collecting, organizing, tracking, and reporting financial information used for accurate budgeting, budget forecasting, budget reporting, and the development of institution financial statements. Aggressive planning is underway to redesign the Chart of Accounts, upgrade PeopleSoft financials, and implement a new budgeting and strategic planning financial system. Other technology enhancements to improve specific financial areas such as reconciliations also are under discussion. In addition, the Human Resources upgrade to PeopleSoft was completed as planning for these other systems was underway.

The Financial Transformation Project reached deeper to evaluate the controls within the identified financial systems that were financially significant outside of the enterprise-wide systems. These systems were evaluated against a standard framework and improvement opportunities were identified requiring remediation. Management has remediated a number of the deficiencies identified and continues to work on the remaining remediation activities. A remediation tracker has been put in place to assign accountability and timelines.

A technology upgrade is currently being performed for PeopleSoft. As part of the upgrade, the team is focused on using standard functionality and limiting the amount of customization. The upgrade is scheduled to be completed at the beginning of FY16.

In addition, a Chart of Accounts project is substantially completed with the goal of providing additional granularity for the Board of Regents and UNT System administration to dissect and evaluate the financial activity of the UNT System and its institutions. Planning for implementing a Hyperion budgeting solution also is underway in order to provide a tool to better manage the overall budgeting process.

INFORMATION TECHNOLOGY ALIGNMENT

Objectives

The following objectives were established for Information Technology Alignment:

- Create an Information Technology framework in accordance with leading practices and alignment with UNT System regulations in preparation for an independent audit.
- Assess the in-scope financially significant applications and expected controls for alignment with the framework, as appropriate (i.e., all controls in the framework may not be relevant to all in-scope applications).
- Provide recommendations and guidance to the support staff responsible for managing the applications to address potential control gaps.
- Assign process owners to implement the remediation activities required and implement project management support and tools to monitor status.
- Define Internal Audit’s role in ongoing monitoring of the remediation efforts.
Approach
The in-scope applications represent a cross-section of the UNT System, including applications supported by UNT System IT Shared Services (ITSS), as well as support groups at the institutions. Further, some of the applications are hosted by service providers where part of the control environment is outside the UNT System’s direct control, while others are hosted by UNT System. While all in-scope applications are provided and supported by software vendors, certain controls in the framework, such as change management, would only be relevant every few years when major upgrades are performed for one application while continually relevant for other applications that are frequently updated to meet business requirements. Some in-scope applications have 10 to 20 end users, while Enterprise Information System (EIS) has more than 1,000 users. The framework was tailored as appropriate to each in-scope application. The following activities were performed:

- Identified and interviewed support personnel and key users to discuss the objectives, explain the framework, and obtain an overview of the application.
- Identified relevant controls, exclude irrelevant controls, and identify potential control gaps.
- Obtained evidence (e.g., a password configuration file) to articulate the design of the control and demonstrate that the control had been implemented.
- For potential controls gaps, recommended remediation activities and timelines.
- Provided advice, as appropriate, as to the design and implementation of the potential control gaps.
- Followed up with the support personnel to track remediation progress.
- Upon remediation by the application support personnel, obtained evidence to articulate the design of the control and demonstrate that the control had been implemented.

Accomplishments
- Identified the financially significant applications across the institutions.
- Assessed significant process and controls for the systems against a unified control framework.
- Identified 22 controls requiring remediation across the applications.
- Developed remediation plans that included institutional ownership and timelines for implementation.
- Identified the importance of Internal Audit to provide ongoing monitoring and reporting as to status.

Future Remedial Activities
- Complete the recommended remediation actions plans, including PeopleSoft security access, for critical information technology processes.
- Internal Audit will include in its annual plan activities to monitor information technology remediation activities in accordance with the consulting standards of the Institute of Internal Auditors.

CHART OF ACCOUNTS

Objectives
The objectives of the project are:

- Redesign Chart of Accounts for improved classification of accounting transactions, system-wide consistency and data integrity, and enhanced reporting.
- Map old Chart to new Chart of Accounts and provide improved organization alignment and reporting.
- Implement modified general ledger interface with all major software systems with a financial impact.
**Approach**

It was decided in April 2014 that a full redesign of the Chart of Accounts was necessary to enable the full use of PeopleSoft’s financial system. PeopleSoft has a multi-dimensional Chart of Accounts capability and UNT System determined that it was the UNT System’s best interest to use this capability in order to improve reporting. The overall approach is a best practices redesign of the Chart of Accounts.

The project was designed to include three major phases and follow-up phase to support change management and training. The phases established were:

- Establish Best Practices Chart Design, Prototyping (with scenarios), and Validation.
- Defining hierarchies, value ranges and values for each chart field, where possible.
- Cross-mapping old Chart DeptID’s to the new Chart of Accounts. This is a manual process and involves everyone who is a DeptID holder and their financial staff across UNT System.
- Provide organizational change management and training to staff on the new Chart of Accounts.

**Accomplishments**

- Designed and adopted new Chart of Accounts.
- Developed and accepted organizational values and hierarchy of accounts for implementation.

**Future Remedial Activities**

- Complete cross-mapping all current Chart of Accounts to the new structure in PeopleSoft and for FY16 reporting.
- Implement organizational change management and training for use of the new Chart of Account for FY16 budgeting.

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**PEOPLESOF T UPGRADE**

**Objectives**

In the fall of 2012, Oracle Corporation informed the UNT System that in July 2015 it would drop support of the PeopleSoft v9.0, which was in use at UNT System. A large team involving staff from all institutions performed a thorough analysis, including structured demonstrations, of all potential solutions. The analysis resulted in a recommendation to upgrade PeopleSoft version 9.0 to version 9.2. Subsequently in May 2013, the Board of Regents approved the project to upgrade the Human Capital Management (HCM) and Financial Systems (FS). The project included three major components to be completed in two phases over a 27-month period.

**Major objectives include the following:**

- Upgrade from PeopleSoft version 9.0 to version 9.2, limiting customization to only that required by a third party.
- Use the upgrade to proactively transform financial business practices.
- Position institutions to take advantage of additional PeopleSoft capabilities.

**Approach**

The first phase, which is now in production, was the upgrade of HCM and the redesign and upgrade of the PeopleSoft web portals. That phase was completed and moved into production in June 2014. Phase 2 started just before the end of Phase 1 and includes the upgrade of the FS. That upgrade is now in process and is expected to go live on September 1, 2015, with the beginning of the new fiscal year.

Specific focus areas for the implementation include:

- Modernize portals, change content to be more relevant, privately brand portals for the institutions, and make the portals responsive so that they reconfigure themselves to fit the device from which they are accessed.
- Remove or minimize customizations to only those required by a third party (e.g., to meet a legal or regulatory requirement).
• Add modules to the HCM to make the process from job requisition to termination fully electronic.
• Adding modules to FS including expenses, vendor settlements, and cash management to make all financial processes electronic.

Subsequent to project approval, in April 2014 the UNT System decided to rework the Chart of Accounts in order to take full advantage of PeopleSoft capabilities and eliminate the need for shadow systems for reporting. Because of the Chart of Account changes, ITSS staff, in conjunction with functional business staff, are modifying Payroll, HR and Student Finance systems (where necessary) to ensure complete interoperability at go-live.

The project team comprises many individuals, but are largely grouped into a Steering Committee, a Project Management Team, and the following financial teams:
• General Ledger
• Commitment Control
• Purchasing and Procurement
• Accounts Payable
• Contracts, Grants, Projects and Billing
• Asset Management
• Accounts Receivable
• Infrastructure and Security

Accomplishments
• Completed Human Resources upgrade.
• Selected CIBER for software system upgrade from version 9.0 to 9.2.
• Established upgrade and implementation plan and organization with eight working groups that are actively underway.

Future Remedial Activities
• Install new Chart of Accounts in implementation of PeopleSoft v9.2
• Continue the implementation for a go-live date of September 1, 2015.
• Implement additional modules of PeopleSoft not currently in use.

BUDGETING

Objectives
The following objectives are in place as a new budgeting system is identified and implemented:
• Identify and implement new budgeting practices and systems to ensure timely financial reporting accuracy and consistency.
• Integrate budgeting practices with strategic planning at the System and institution levels and tie to financial statements and forecasts.
• Provide timely information for financial management and tracking at all organizational levels.

Approach
The new Chart of Accounts and the upgraded PeopleSoft Financial System will necessitate an updated and more robust budgeting approach. The Board of Regents requested more granular budgeting and reporting, which also has driven the need to change the current budgeting process. UNT System management made the decision to implement Oracle’s Hyperion Planning and Budgeting application for FY16 budgeting with the new Chart of Accounts that is being developed. This budgeting system is designed to work closely with PeopleSoft.
The following activities are planned:

- Prior to January 1, 2015, the team will define and seek approval of a budget template that breaks maintenance and operations into more categories. These categories need to be granular enough to be useful, yet not so granular that minute details are included.
- Once the template is approved, budget officers and others will adapt the existing template to match the new approved template.
- For FY16 budgeting, the team has determined that existing budget systems, which vary by institution, will be used since they already contain necessary workflow, etc. Thus, budgeting will be done more granularly using existing systems.
- Once budgets are collected and approved internally, they will be cross-loaded into a baseline version of Hyperion for use in preparing the budget for approval.
- In addition to the baseline budgets, the team will develop quarterly budget plans (revenues and expenses) for FY16 and create them in the Hyperion tool. This process can be achieved after the budgets are cross-loaded into Hyperion.
- Initial draft budgets will be available for presentation to the Board of Regents in late May or early June 2015. These will be initial budgets using estimates of what will result from the Legislature session in June 2015.
- Final draft budgets will be available for presentation to the Board of Regents Finance Committee in July 2015.
- Final budgets will be approved at the August 2015 Board of Regents meeting.

**Accomplishments**

- Hired new budget director for UNT.
- Selected Hyperion budgeting system for implementation.
- Developed new budget calendar and expectations.
- Identified the need to hire an additional budget analyst to strengthen financial analysis and reporting.

**Future Remedial Activities**

- Implement new Chart of Accounts and more detailed budget templates in current budget systems for FY16 budgeting for increased accountability and integrity.
- Implement baseline Hyperion Planning for FY16 with quarterly revenue and expenditure plans to connect strategic planning and budgeting.
- Develop reporting templates and associated budgeting measures for management and Board of Regents.
- Add an analyst position to support the overall budgeting and reporting process.
CLOSING

OVERVIEW

A great deal has been accomplished within the last several months in order to transform the financial practices of the University of North Texas System and its institutions, which is summarized below:

ACCOMPLISHMENTS OVERVIEW

1. Governance and Leadership
   - Established ongoing oversight for financial transformation activities through the involvement of the Board of Regents Financial Oversight Task Force and Executive Oversight Committee.
   - Completed the charge as chartered by the Board of Regents and established a mechanism for the Executive Oversight Committee to continue its leadership role to facilitate full remediation.
   - Evaluated Audit Committee and Internal Audit charters and made recommendations for Board of Regents’ approval.
   - Drafted a recommended Finance Committee Charter for Board of Regents’ approval.
   - Developed a recommended planning calendar for Board of Regents’ consideration and identified critical areas for ongoing review and oversight.
   - Broadened Audit and Finance committees’ training curriculum to focus on oversight responsibilities and governance.
   - Engaged Internal Audit to further support finance transformation remediation activities by identifying additional staffing requirements, institutionalizing ongoing monitoring procedures, and strengthening its role to enhance governance.
   - Developed a CFO certification process related to institution financial statements and related controls.

2. Consolidated Controller Organization Model
   - Began the process of establishing new job descriptions, reporting relationships, and hiring to fill staffing gaps in the finance and accounting organization.
   - Completed risk assessment matrix identifying staffing weaknesses in the finance and accounting organization to enable strategies to implement for risk mitigation during the establishment of a new organizational model.
   - Developed implementation roadmap, which included key milestones and expectations.
   - Established a culture of collaboration among the institutions for implementation.

3. Finance and Accounting Organization Staffing
   - Established expected competencies for finance and accounting positions.
   - Completed a competency assessment for finance and accounting positions.
   - Identified strengths and critical skills gaps among current finance and accounting staff.
   - Mapped existing staff to new CCOM.

4. Change Management and Training
   - Established cultural expectations for accuracy, accountability, and integrity.
   - Developed training framework that is integrated into the annual performance evaluation process for finance and accounting staff in the spirit of continuous improvement.
   - Proposed a recommendation for minimum mandatory hours training for finance and accounting staff.

5. Account Reconciliation and Validation
   - Established a work plan to reconcile and validate significant general ledger accounts for FY13.
• Provided weekly status reports on FY13 account reconciliation progress to the Board of Regents and Executive Oversight Committee.
• Identified high risk areas during the performance of account reconciliations requiring additional ongoing focus by management and Internal Audit (e.g. Payroll, Student Receivables).
• Developed and conducted a staff training program.
• Performed targeted on the job training for finance and accounting staff, which included understanding compliance with GAAP.
• Completed 700 FY13 reconciliations using a standardized template that were supported by details and analysis to validate the accuracy of the account balances.
• Established a separate accounting period in PeopleSoft to segregate and account for correcting journal entries for the FY13 restatement.
• Established review procedures and thresholds that included final sign-off by institution Chief Financial Officers.
• Restated Fiscal Year End 2013 general ledger account balances based on reconciliation and validation procedures performed.
• Completed the scope in FY14 account reconciliations.
• Established a FY15 risk assessment tool to identify the frequency and rigor of account reconciliation procedures across the institutions.
• Identified potential tools to automate the account reconciliation process for future tracking.

6. Financial Statement Integrity
• Created standardized Annual Financial Report (AFR) templates for institution and consolidated financial reporting.
• Develop AFR checklist to track information requirements for inclusion in the financial report.
• Established a timeline for multiple state reporting filing requirements, which include the submission of financial reports across the institutions.

7. Mock Audit Procedures
• Conducted aggressive detailed mock audit procedures across the institutions to simulate testing by an external auditor for FY13 and began work on FY14, which included additional detailed testing of high risk account balances.
• Identified control weaknesses. Remediated specific areas as well as established a plan for sustained improvement for others.
• Integrated the procedures with the account reconciliations performed.
• Demonstrated the value of mock audit procedures for the institutions.
• Assigned future responsibility to Internal Audit for ongoing performance of mock audit procedures.

8. Financial Close Procedures
• Established financial close processes and standardized templates to include multi-level campus reviews.
• Completed and submitted FY14 annual financial reports for UNT Dallas and the College of Law to SACC’s on November 10, 2014, for use in accreditation.
• Filed an expanded CAFR to include four institution AFRs that were fully compliant with GASB standards for the purpose of being ready for an external audit.
• Certification and submission of capital assets to the State of Texas Comptroller’s Office completed on October 20, 2014, for each institution and on November 1, 2014, for the consolidated UNT System.
• Federal award initial pass-through certification completed on September 18, 2014, final pass-through completed on September 28, 2014, and the final schedule was certified on November 1, 2014.
• The institution Chief Financial Officers adopted key financial ratios to measure institutional financial health.
• Updated and revised the System’s Investment Regulation and UNT Foundation Agreement and improved the reporting detail and data capture for the Board reporting on both a quarterly and annual basis.
• Identified accounting firm to perform FY14 external audit.

9. Business Process Remediation
• Identified 13 key financial business processes for evaluation.
• Evaluated the key business process and identified areas for process and control improvement.
• Developed future state narratives and process flows for the 13 key financial business processes.
• Identified 88 process and control gaps for remediation, assigned by risk category.
• Identified the need for a Business Process Remediation leader to oversee the implementation efforts and associated timelines established.
• Identified the need and assigned responsibility to Internal Audit to evaluate the progress of the remediation.

10. Financial Policies
• Determined and evaluated the universe of financial policies at the institutions.
• Identified 12 key financial policies for revision and/or development.
• Identified the need for further development for additional policy in the financial, compliance, and human resource areas to be supported by the Business Service Center and Legal.
• Identified the need of an additional staff member in Legal to support ongoing policy development.

11. Student Financial Services Assessment
• Completed a detailed organization review of Student Financial Services.
• Identified 21 strategic and tactical areas to improve Student Financial Services areas.

12. Information Technology Alignment
• Identified the financially significant applications across the institutions.
• Assessed significant process and controls for the systems against a unified control framework.
• Identified 22 controls requiring remediation across the applications.
• Developed remediation plans that included institutional ownership and timelines for implementation.
• Identified the importance of Internal Audit to provide ongoing monitoring and reporting as to status.

13. Chart of Accounts
• Designed and adopted new Chart of Accounts.
• Developed and accepted organizational values and hierarchy of accounts for implementation.

14. PeopleSoft Upgrade
• Completed Human Resources upgrade.
• Selected CIBER for software system upgrade from version 9.0 to 9.2.
• Established upgrade and implementation plan and organization with eight working groups that are actively underway.
15. Budgeting
- Hired new budget director for UNT.
- Selected Hyperion budgeting system for implementation.
- Developed new budget calendar and expectations.
- Identified the need to hire an additional budget analyst to strengthen financial analysis and reporting.

FUTURE REMEDIAL ACTIVITIES

Although a great deal has been accomplished, ongoing significant focus is required for the implementation and remediation of the following items:

1. Governance and Leadership
   - Approve the updated Audit Committee and Internal Audit charters based on the evaluation performed against leading practices. The Audit Committee charter includes the role of external audit.
   - Adopt and implement the Finance Committee charter drafted based on leading practices.
   - Perform a periodic review of the governing documents of the Audit and Finance committees (including the Internal Audit charter) to determine they remain up-to-date and that the responsibilities are performed as defined.
   - Review tasks incorporated in the Finance and Audit committees’ annual planning calendars.
   - Kick off the finance and audit board training calendar, which includes recommended trainings to be conducted and suggested timing.
   - Continue Executive Oversight Committee meetings to specifically focus on continued remediation activities.
   - Add position to the Vice Chancellor for Finance’s office to oversee the day-to-day implementation of recommended ongoing remediation activities.
   - Increase Internal Audit’s headcount in order to monitor and evaluate implementation activities.
   - Provide periodic updates to the Board of Regents regarding the implementation and monitoring of remediation activities.
   - Perform an assessment of staffing capacity within the Internal Audit Office.

2. Consolidated Controller Organization Model
   - Complete CCOM organization implementation.
   - Establish clear service levels and standards of CCOM.
   - Establish clear definitions of roles and scope related to business processes and exception resolution to achieve accuracy, consistency, and collaboration.
   - Identify opportunities for increased operational efficiency and effectiveness with a regular process of continuous improvement.

3. Finance and Accounting Organization Staffing
   - Assure alignment between CCOM and all other financial activities within the organization (e.g. auxiliaries, foundations).
   - Map current finance and accounting staff to positions in the new CCOM organization as applicable to other areas (e.g. budget offices).
   - Develop position descriptions with appropriate high standards to fill open finance and accounting positions across the organization.
4. Change Management and Training
   • Implement a rigorous training program for all finance and accounting staff.
   • Develop and implement a career ladder in order for finance and accounting staff to obtain professional certifications (e.g. Certified Public Accountant, Certified Management Accountant, Certified Fraud Examiner).
   • Determine training is aligned with technology upgrades, enhancements, and associated business process changes.

5. Account Reconciliation and Validation
   • Finalize the formal risk assessment process established in the account reconciliation policy for FY15 to determine the frequency and level of review required for each general ledger account.
   • Implement technology tools to provide clear tracking of account reconciliation status for Board of Regents and management reporting.
   • Replace manual subledgers with technological solutions. Examples of this include the Student Accounts Receivable subledgers.
   • Complete the FY15 in scope account reconciliations.

6. Financial Statement Integrity
   • Establish a staff position with strong knowledge in capital asset accounting and reporting.
   • Employ the use of automated financial reporting tools to reduce manual and duplicative efforts and reduce opportunities for error.

7. Mock Audit Procedures
   • Perform ongoing mock audit procedures as part of a rotational or routine examination of certain high risk, significant balances.
   • Expand Internal Audit annual work related to financial and accounting areas (e.g. payroll, accounts payable, student accounting, financial close).

8. Financial Close Procedures
   • Perform quarterly soft closes at the end of each quarter (to begin after second quarter in FY15).
   • Implement key financial ratios.
   • Establish clear financial closing calendars and responsibilities to help ensure timely review.
   • Each institution will submit a formal variance analysis with its reporting packages (FY15 forward). This will aid in the variance analysis that is due to the State, but this information also should be presented to the Board of Regents and management — along with Key Performance Indicators/Analysis — as part of the internal review of the financials.
   • Implement standardized templates that have been developed for Annual Financial Reports/footnotes/Management Discussion and Analysis.
   • Conduct lessons learned session to discuss successes and improvement opportunities related to the FY14 financial close process. Based on this session, an improvement plan will be developed in order to improve processes and technology needed for future close cycles.
   • Complete FY14 external audit.

9. Business Process Remediation
   • Complete the recommended remediation action plans in critical business processes.
   • Develop and implement a certification process by which all institution CFOs and relevant owners of financial and account processes (e.g. information technology) attest annually to the application and compliance of key financial processes and controls.
• Require that Internal Audit include in its annual plan activities to monitor business process remediation activities in accordance with the consulting standards of the Institute of Internal Auditors.

10. Financial Policies
• The Board of Regents reviews and adopts the three Regent Rules drafted.
• The Chancellor reviews and adopts the nine System Regulations drafted.
• Financial Policies and Procedures should be evaluated annually in alignment with leading practices.
• Add a Legal staff position to support financial and accounting policy reviews and updates. In addition, this resource also will assist with Human Resource policy reviews and updates.

11. Student Financial Services Assessment
• Complete the recommended remediation action plans for critical business processes.

12. Information Technology Alignment
• Complete the recommended remediation actions plans, including PeopleSoft security access, for critical information technology processes.
• Internal Audit will include in its annual plan activities to monitor information technology remediation activities in accordance with the consulting standards of the Institute of Internal Auditors.

13. Chart of Accounts
• Complete cross-mapping all current Chart of Accounts to the new structure in PeopleSoft and for FY16 reporting.
• Implement organizational change management and training for use of the new Chart of Account for FY16 budgeting.

14. PeopleSoft Upgrade
• Install new Chart of Accounts in implementation of PeopleSoft v9.2.
• Continue the implementation for a go-live date of September 1, 2015.
• Implement additional modules of PeopleSoft not currently in use.

15. Budgeting
• Implement new Chart of Accounts and more detailed budget templates in current budget systems for FY16 budgeting for increased accountability and integrity.
• Implement baseline Hyperion Planning for FY16 with quarterly revenue and expenditure plans to connect strategic planning and budgeting.
• Develop reporting templates and associated budgeting measures for management and Board of Regents.
• Add an analyst position to support the overall budgeting and reporting process.

We are confident that these actions will restore confidence in the financial operations of the UNT System and provide evidence of the integrity with which we intend to operate in the future. We have had the strongest possible support from the UNT System Board of Regents in this Financial Transformation Project and we look forward to a successful achievement of these goals.
APPENDIX

The following supporting documents can be found at the following link:
http://financialtransformation.untsystem.edu

PROJECT STRUCTURE AND OVERVIEW

Supporting Documents
1. Task Force Charter
2. Financial Oversight Task Force Committee Status Reports
3. Financial Oversight Task Force Meeting Minutes
4. Executive Oversight Committee Status Meeting Presentations
5. Executive Oversight Committee Status Meeting Minutes
6. Project Area Leadership Structure
7. Finance and Accounting Team Meeting Agendas
8. Finance and Accounting Team Meeting Presentations
9. Phase 1 Report
10. Task Force Establishment Letter, Chairman Regent Ryan, Board of Regents
11. Phase 2 Approach Presented to UNTS Board of Regents
12. Executive Summary from Regent Al Silva to the Board of Regents
13. Project Timeline

GOVERNANCE AND LEADERSHIP

Supporting Documents
1. Finance Committee Charter
2. Audit Committee Charter
3. Internal Audit Charter
4. Finance and Audit Committee Planning Calendar
5. Recommended Audit and Finance Committee Training
6. Consolidated Controllership Organizational Model Future Organizational Charts
7. Finance and Accounting Skills Assessment Report
8. Training Overview
FINANCIAL CLOSE AND BUSINESS PROCESSES

Supporting Documents
1. Standard Account Reconciliation Template
2. Account Reconciliation Training Materials
3. FY13 Account Reconciliation and Validation In-Scope Account Listing
5. FY14 Account Reconciliation and Validation In-Scope Account Listing
6. FY15 Account Reconciliation Risk Assessments
7. Representative Financial Statement Key Ratios
9. FY14 Institution and Consolidated Financial Statements
12. Business Process Remediation Tracker
13. Regent and System Regulation Policies
14. Student Accounting Assessment Report

TECHNOLOGY TOOLS AND IMPROVEMENTS

Supporting Documents
1. General IT Control Matrix
2. IT Gap and Remediation Tracker
3. PeopleSoft Security Rule Adoption
4. Approved Chart of Accounts Design Deck
5. PeopleSoft Upgrade for Finance (PUFF) project kickoff deck
6. Budget Redesign Presentation