



A REPORT  
TO THE  
MONTANA  
LEGISLATURE

FINANCIAL-RELATED AUDIT

*The University of  
Montana (All Campuses)*

*For the Two Fiscal Years Ended  
June 30, 2011*

OCTOBER 2011

LEGISLATIVE AUDIT  
DIVISION

11-12

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Government Auditing Standards, the Single Audit Act Amendments of 1996 and OMB Circular A-133 require the auditor to issue certain financial, internal control, and compliance reports. This individual agency audit report is not intended to comply with these reporting requirements and is therefore not intended for distribution to federal grantor agencies. The Legislative Audit Division issues a statewide biennial Single Audit Report which complies with the above reporting requirements. The Single Audit Report for the two fiscal years ended June 30, 2009, was issued March 1, 2010. The Single Audit Report for the two fiscal years ended June 30, 2011, will be issued by March 31, 2012. Copies of the Single Audit Report can be obtained by contacting:

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# LEGISLATIVE AUDIT DIVISION

Tori Hunthausen, Legislative Auditor  
Deborah F. Butler, Legal Counsel



Deputy Legislative Auditors  
Cindy Jorgenson  
Angie Grove

October 2011

The Legislative Audit Committee  
of the Montana State Legislature:

This is our financial-related audit report of The University of Montana (All Campuses) for the two fiscal years ended June 30, 2011. A financial-related audit is a component of the biennial financial-compliance audit. The financial-related audit focuses on compliance with federal requirements of the Research and Development, Student Financial Aid, and Stabilization cluster federal assistance programs. We also test compliance with selected state laws, university policies, and state accounting procedures.

We issue a financial audit report on the university's consolidated financial statements annually. We issue a financial-related audit report every other year. The fiscal year 2009-10 financial audit of The University of Montana's consolidated financial statements was issued in January 2011. The financial audit for fiscal year 2010-11 is scheduled to be issued in December 2011. The financial-related and financial audits together are considered the biennial financial compliance audit required by state law.

This audit report includes three recommendations related to computer system access and compliance with board of regent's policy.

We thank the president and the university staff for their assistance and cooperation during the audit.

Respectfully submitted,

*/s/ Tori Hunthausen*

Tori Hunthausen, CPA  
Legislative Auditor

## TABLE OF CONTENTS

Figures and Tables.....	ii
Appointed and Administrative Officials .....	iii
Report Summary .....	S-1
<b>CHAPTER I – INTRODUCTION.....</b>	<b>1</b>
Audit and Objectives.....	1
Background.....	1
The University of Montana Funding .....	5
The University of Montana–Missoula .....	5
Montana Tech of The University of Montana .....	5
The University of Montana–Western.....	5
The University of Montana–Helena College of Technology.....	6
Prior Audit Recommendations.....	6
Art Inventory.....	6
<b>CHAPTER II – FINDINGS AND RECOMMENDATIONS.....</b>	<b>7</b>
Banner Internal Controls .....	7
Banner Access .....	8
Access to Enter and Approve Invoices .....	9
Board of Regents Indirect Cost Rate Policy .....	10
<b>UNIVERSITY RESPONSE</b>	
University of Montana .....	B-1

## FIGURES AND TABLES

### Figures

Figure 1 Montana University System Organizational Chart ..... 2

### Tables

Table 1 The University of Montana Full-Time Equivalent Employees..... 3

Table 2 The University of Montana Student FTE ..... 4

## APPOINTED AND ADMINISTRATIVE OFFICIALS

		<u>Term Expires</u>
<b>Board of Regents of Higher Education</b>	Clayton Christian, Chair	February 1, 2015
	Todd Buchanan, Vice Chair	February 1, 2014
	Stephen M. Barrett	February 1, 2012
	Angela McLean	February 1, 2017
	Lynn Morrison-Hamilton**	February 1, 2013
	Major Robinson	February 1, 2018
	Teresa Borrenpohl, Student Regent	June 30, 2011
	Sheila Stearns, Commissioner of Higher Education*	
	Brian Schweitzer, Governor*	
	Denise Juneau, Superintendent of Public Instruction*	

\*Ex officio members

\*\*resigned in September 2011

<b>Office of the Commissioner of Higher Education</b>	Sheila Stearns	Commissioner of Higher Education
	Mick Robinson	Deputy Commissioner for Fiscal Affairs, Chief of Staff
	Sylvia Moore	Deputy Commissioner for Academic, Research, and Student Affairs
	John Cech	Deputy Commissioner for Two-Year and Community College Education
	Tyler Trevor	Associate Commissioner for Planning and Analysis
	Frieda Houser	Director of Accounting and Budget
	Catherine Swift	Chief Legal Counsel

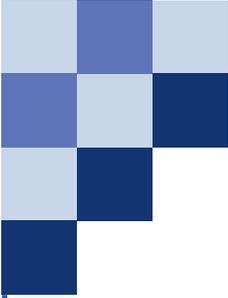
<b>The University of Montana The University of Montana–Missoula</b>	Royce C. Engstrom	President
	Perry Brown	Provost and Vice President for Academic Affairs, University Provost
	Robert Duringer	Vice President for Administration & Finance, University Vice President
	Daniel J. Dwyer	Vice President for Research & Development, University Vice President
	Teresa S. Branch	Vice President for Student Affairs, University Vice President
	James Foley	University Executive Vice President

	David Aronofsky	Legal Counsel
	Mark Pullium	Director of Business Services
<b>Montana Tech of The University of Montana</b>	W. Franklin Gilmore	Chancellor, retired as of June 30, 2011
	Donald M. Blackketter	Chancellor, effective June 27, 2011
	Doug Abbott	Vice Chancellor for Academic Affairs, University Associate Vice President
	Joseph F. Figueira	Associate Vice Chancellor for Academic Affairs and Research, University Associate Vice President
	Margaret Peterson	Vice Chancellor for Administration and Finance, University Associate Vice President
	Mike Johnson	Vice Chancellor for Development and Student Services
	John C. Badovinac	Controller/Business Manager, Post-Retirement
	Carleen Cassidy	Director Contracts and Grants
<b>The University of Montana–Western</b>	Richard Storey	Chancellor, University Executive Vice President
	Karl E. Ulrich	Provost and Vice Chancellor for Academic Affairs, University Associate Vice President
	Susan D. Briggs	Vice Chancellor, Administration/Finance and Student Affairs, University Associate Vice President
	Liane Forrester	Director of Business Services
<b>The University of Montana–Helena College of Technology</b>	Daniel Bingham	Dean/CEO, University Executive Vice President
	Brandi Foster	Associate Dean for Academic Affairs
	Russ Fillner	Assistant Dean for Fiscal and Plant Operations
	Valerie Lambert	Director of Financial Aid

For further information on The University of Montana (All Campuses) contact:

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# MONTANA LEGISLATIVE AUDIT DIVISION

## FINANCIAL-RELATED AUDIT

### The University of Montana (All Campuses) For the Two Fiscal Years Ended June 30, 2011

OCTOBER 2011

11-12

REPORT SUMMARY

During 2010-11, The University of Montana served over 19,000 students; 77 percent were residents of Montana. The University of Montana (UofM) consists of four campuses: University of Montana – Missoula, Montana Tech of The University of Montana, University of Montana – Western, and University of Montana – Helena College of Technology.

### Context

The University of Montana is one of the state's two universities; it offers one-year associate degrees and certificates, two-year associate degrees, four-year undergraduate bachelor's degrees, and master's and doctoral graduate degrees.

UofM–Missoula is considered the center of liberal arts education in the Montana University System (MUS) and operates the only law school in the MUS. Montana Tech is located in Butte and focuses on engineering and science degrees in a broad selection of disciplines. UofM–Western is located in Dillon and has a unique university-wide program called Experience One, where students take one course at a time throughout the semester. UofM–Helena College of Technology is a two-year institution offering education in occupational, technical, and training specialties. For fiscal year 2010-11, The University of Montana employed over 3,100 full-time equivalent employees.

The University of Montana is responsible for distributing federal financial aid and private scholarships to qualified students. Students are awarded federal financial aid after filing an application with the federal government; federal aid might include loans, grants, and work study. Scholarships are financed through donations gifted directly to the campuses or their respective foundations.

UofM–Missoula and Montana Tech conduct significant research and development funded by the federal government, state agencies, and private parties. Between both campuses over \$70 million worth of research and development have been expended during each of the last two years.

### Results

Our audit resulted in three recommendations. Two recommendations relate to the access allowed to The University of Montana's computer system, known as Banner. The Banner system is critical in supporting the organization's operations. In order to protect the system and data from unauthorized activity, access to Banner should be controlled. Our audit identified five different instances where Banner access was not appropriately limited.

The third recommendation relates to compliance with policies prescribed by the Board of Regents's (board). The university accepted grants from state agencies where the indirect cost rate was below the amount required by board policy.

*(continued on back)*

Recommendation Concurrence	
Concur	3
Partially Concur	0
Do Not Concur	0
<b>Source: Agency audit response included in final report.</b>	

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# Chapter I – Introduction

## **Audit and Objectives**

We performed a financial-related audit of The University of Montana (All Campuses) for the two fiscal years ended June 30, 2011. The objectives of the audit were to:

1. Determine the university's compliance with selected state laws, regulations, and Board of Regent's policies.
2. Determine the university's compliance with federal regulations applicable to Student Financial Aid, Research and Development, and the Stabilization Cluster programs, including its implementation of internal control over compliance, to the extent required by OMB Circular A-133.
3. Provide recommendations for improvement in management and internal controls.
4. Determine the implementation status of prior audit recommendations.

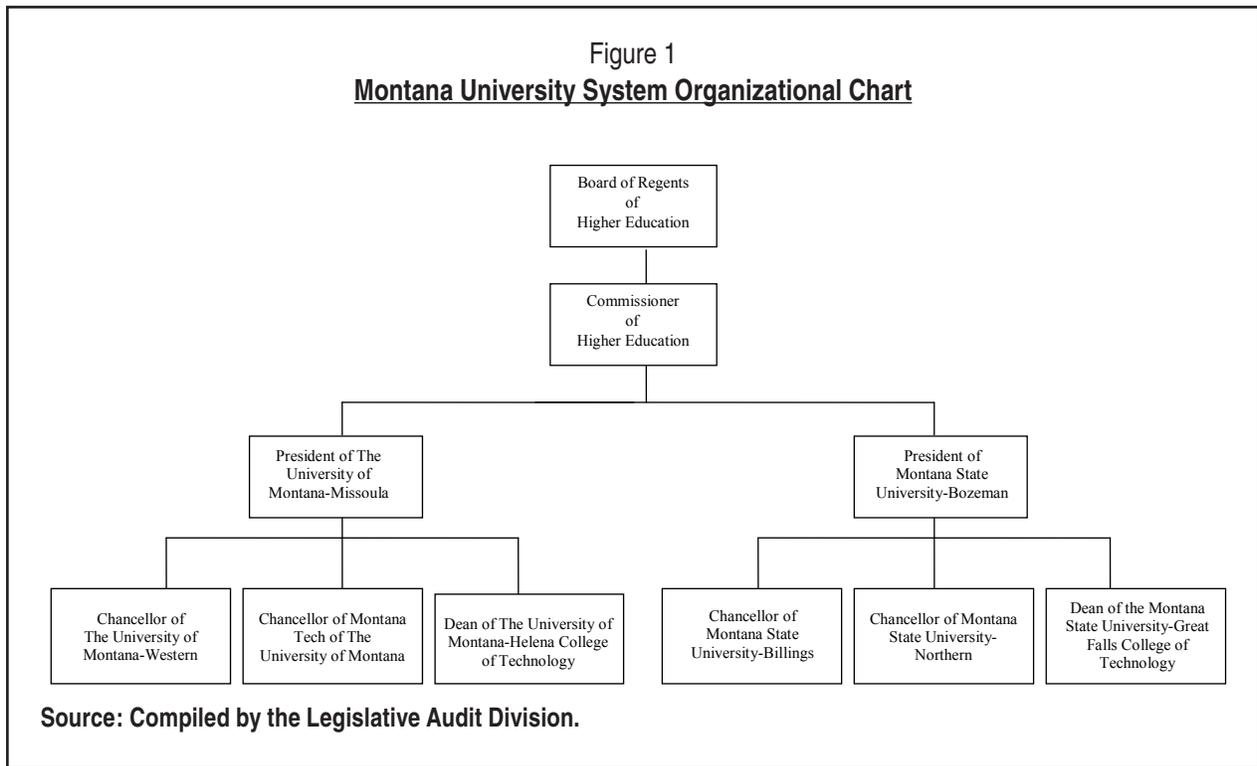
We audited the fiscal year 2009-10 consolidated financial statements of The University of Montana and issued a separate report (09-10B) in January 2011. The fiscal year 2010-11 consolidated financial statements will also be issued in a separate report (11-10A). This report is expected to be available in December 2011.

In accordance with §5-13-307, MCA, we analyzed the costs of implementing the recommendations made in this report. Each report section discloses the cost, if significant, of implementing the recommendation.

## **Background**

The Board of Regents of Higher Education approved the current Montana University System structure in January 1994. The following chart illustrates the organization of the Montana University System.

Figure 1  
Montana University System Organizational Chart



The University of Montana consists of four campuses:

- ◆ The University of Montana–Missoula is located in Missoula. The Forestry Conservation Station and Flathead Biological station are associated with this campus.
- ◆ Montana Tech of The University of Montana is located in Butte and includes the Bureau of Mines.
- ◆ The University of Montana–Western is located in Dillon.
- ◆ The University of Montana–Helena College of Technology is located in Helena.

All campuses are accredited by the Commission on Colleges of the Northwest Association of Schools and Colleges. The four campuses of The University of Montana provide a diversity of undergraduate and graduate academic and two-year vocational/technical programs to students.

In fiscal year 2009-10, The University of Montana had approximately 3,111 full-time equivalent (FTE) employees. The following table shows fiscal year 2009-10 employee FTE by campus and type.

Table 1  
**The University of Montana Full-Time Equivalent Employees**  
 Fiscal Year 2009-10

Agency	Contract Faculty	Contract Administrators	Contract Professionals	Classified	Graduate Assistants	Part-Time & Other*	Total
The University of Montana - Missoula	741.00	64.00	333.67	962.91	147.65	166.30	2,415.53
Montana Tech of The University of Montana	148.74	9.73	88.44	106.97	6.34	5.62	365.84
The University of Montana - Western	74.26	13.57	19.62	71.11	-	8.01	186.57
The University of Montana - Helena College of Technology	47.87	5.51	11.91	28.52	-	1.54	95.35
Bureau of Mines - Butte	-	0.92	28.82	9.64	-	-	39.38
Forestry Conservation Station	6.21	0.18	1.30	1.39	-	-	9.08
<b>Total</b>	<b>1,018.08</b>	<b>93.91</b>	<b>483.76</b>	<b>1,180.54</b>	<b>153.99</b>	<b>181.47</b>	<b>3,111.75</b>

\*This category includes permanent part-time nonfaculty, nonclassified employees, and temporary employees.

**Source: Compiled by The University of Montana.**

The table on the next page shows The University of Montana student FTE enrollments for fiscal year 2010-11. The student FTE for The University of Montana (All Campuses) was 19,040.

Table 2  
**The University of Montana Student FTE**  
 Fiscal Year 2010-11  
 Summer 2010 through Spring 2011

<b>The University of Montana–Missoula</b>	
Undergraduate Resident	7,537
Graduate Resident	1,346
Resident-College of Technology	1,664
<b>Total Residents</b>	<b>10,547</b>
Undergraduate Nonresident	2,010
Graduate Nonresident	486
Nonresident-College of Technology	104
Western Undergraduate Exchange Program-UM Missoula	758
Western Undergraduate Exchange Program-College of Technology	13
<b>Total Nonresidents</b>	<b>3,371</b>
<b>TOTAL THE UNIVERSITY OF MONTANA–MISSOULA</b>	<b>13,918</b>
<b>Montana Tech of The University of Montana</b>	
Undergraduate Resident	1,617
Graduate Resident	68
Resident-College of Technology	343
<b>Total Residents</b>	<b>2,028</b>
Undergraduate Nonresident	375
Graduate Nonresident	50
Nonresident-College of Technology	17
Western Undergraduate Exchange Program-UM Tech	128
Western Undergraduate Exchange Program-College of Technology	15
<b>Total Nonresidents</b>	<b>585</b>
<b>TOTAL MONTANA TECH OF THE UNIVERSITY OF MONTANA</b>	<b>2,613</b>
<b>The University of Montana–Western</b>	
Undergraduate Resident	1,053
Undergraduate Nonresident	88
Western Undergraduate Exchange Program	221
<b>TOTAL THE UNIVERSITY OF MONTANA–WESTERN</b>	<b>1,362</b>
<b>The University of Montana–Helena College of Technology</b>	
Resident	1,122
Nonresident	11
Western Undergraduate Exchange Program	14
<b>TOTAL THE UNIVERSITY OF MONTANA–HELENA COLLEGE OF TECHNOLOGY</b>	<b>1,147</b>
<b>Total UM Resident</b>	<b>14,750</b>
<b>Total UM Nonresident</b>	<b>3,141</b>
<b>Total UM Western Undergraduate Exchange Program</b>	<b>1,149</b>
<b>Total for The University of Montana</b>	<b>19,040</b>

Source: Compiled by the Office of the Commissioner of Higher Education.

## **The University of Montana Funding**

The level of state support for the Montana University System is determined by the Montana legislature. The legislature appropriates state funds, comprised of general fund and six-mill levy revenues, in a lump sum for the educational units and all other higher education programs except the research and public service agencies, community colleges, and tribal college assistance programs. The Board of Regents allocates the lump sum appropriation to the various programs and campuses. The Board of Regents' allocation formula is based upon resident enrollment, an analysis of faculty salaries in states with similar per capita income, the academic program offerings of the university, the necessary support expenditures, regent priorities and the amount of state funds available.

## **The University of Montana–Missoula**

The University of Montana-Missoula was established in 1893 in Missoula as a comprehensive university. The campus offers four-year undergraduate programs along with masters and doctoral graduate programs. It includes professional schools and significant research activities. The campus is the center of liberal arts education in the Montana University System and operates the only law school in the system. Other schools/colleges include Business Administration, Education and Human Science, Visual and Performing Arts, Forestry and Conservation, Health Professions and Biomedical Sciences, Extended and Lifelong Learning, Honors, Graduate, and Journalism. In addition, the campus includes a two-year college of technology, which provides a broad range of technical and occupational education and training courses. College of Technology students receive either a certificate of completion or a two-year degree upon completion of a program.

## **Montana Tech of The University of Montana**

Montana Tech of The University of Montana was established in 1893 in Butte as the Montana School of Mines. It provides a variety of four-year and graduate programs with a focus on mineral, geological, environmental, petroleum, mining, and other engineering and science programs. It also includes a college of technology, which provides core education courses and two-year degrees in various occupational and technical programs.

## **The University of Montana–Western**

The University of Montana–Western was established in 1893 in Dillon as the state's Normal School for teacher education. It now provides undergraduate degrees in a number of liberal arts, professional, and pre-professional areas using a unique scheduling system in which students take one class at a time.

## **The University of Montana–Helena College of Technology**

The University of Montana–Helena College of Technology was established in 1939 in Helena as a Vocational-Technical School. It has evolved into a growing two-year college offering 32 credentials in 14 different areas, as well as general transfer degrees and a variety of learning opportunities in personal enrichment and customized training. Through these offerings, UM-Helena serves around 1,500 students each semester throughout Helena and the surrounding area.

### **Prior Audit Recommendations**

The prior financial-related audit of The University of Montana (university) for the two fiscal years ended June 30, 2009, contained two recommendations. The university implemented both recommendations. Discussed below is a prior audit recommendation from the 07-12 university audit related to art inventory.

### **Art Inventory**

In the financial-related audit of the university for the two fiscal years ended June 30, 2007, we recommended the university complete timely inventory counts and reconciliations as required by state policy for the art donated to the Montana Museum of Art and Culture. In the last four years the university has made significant progress toward maintaining complete and accurate records for the artwork. This included the purchase of a database system which was in use as of June 2011.

During the current audit, we attempted to obtain a complete listing of all artwork and locate several pieces. One complete list with all art was not available. Upon selecting several pieces of art to locate from lists that were available, we noted several pieces were not in the location documented. While all art was located by university staff within less than a day, this indicates inventory processes over the artwork could still be improved. Due to the progress the university has made and the impact the newly implemented database is likely to have, we make no further recommendation at this time.

## Chapter II – Findings and Recommendations

### **Banner Internal Controls**

The Banner system is used by The University of Montana (university) to assist in the administration of financial, human resource, student, and financial aid records. The Banner system consists of four modules:

- ◆ Finance – manages university financial data including budget, accounts, ledgers, purchases, and payments.
- ◆ Human Resources (HR) – manages university employment information and payroll processing including job and employee information, taxes, benefits, and deductions.
- ◆ Student Services – manages university student academic information including admissions, class registration, course information, rosters, grading, and enrollment status of students.
- ◆ Financial Aid – manages the university student financial aid process from the receipt of the student’s financial aid form through needs assessment and award issuance.

Automated systems store one of an organization’s most valuable assets – data. These systems are critical in supporting the organization’s operations. In order to protect the system and data from unauthorized activity, access should be controlled. Controlling access allows employees to complete assigned job responsibilities while increasing security over confidential information. The university relies on user access controls in all components of Banner as one means of ensuring segregation of duties.

Segregation of duties is an important aspect of an entity’s internal control system. Typically, proper segregation of duties will not allow the same person to enter and approve transactions without some other compensating control. An employee with the ability to enter and approve transactions has an increased opportunity for personal gain and increases the likelihood management will not detect, or detect in a timely manner, any erroneous or fraudulent transactions.

During the audit we reviewed select user access in the Finance, HR, and Financial Aid (FA) modules and noted the following access issues.

## Banner Access

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### **Banner access was not appropriately limited for all employees.**

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The Banner security plan and industry standards provide guidance on appropriate user access. We reviewed access to Banner based on this guidance. As a result of the audit work completed by our office, we identified the following Banner access issues:

- ◆ The university has controls in place to authorize and monitor the level of access given to employees operating in the Banner HR Module. However, two individuals have incompatible access rights that provides them the ability to create an employee and enter billable time for that employee. While the university has a compensating control in place to detect fictitious employees, the individual who performs the compensating control also has the access to create employees. University personnel stated the individual retained the access needed to perform previously assigned responsibilities, but has since removed that access.
- ◆ The university implemented controls to authorize and monitor the level of access given to employees operating in the Banner Financial Aid Module. The university identified incompatible roles within the system. University personnel performed an annual review to identify employees with the incompatible roles. During the most recent security review, the university identified 11 student employees who had access to award financial aid to a student in the system. This could result in the students making unauthorized changes to award aid to themselves or other students. Although the security review identified award access for student employees as inappropriate, financial aid management did not follow up to ensure access was removed as requested.
- ◆ While the most recent security review found students with access to award aid, it failed to detect 16 financial aid employees who can divert financial aid money to themselves and assign responsibility to a student without being detected. According to university personnel, the incompatible roles are a result of the Registrar's Office granting access to a form for a business purpose and not realizing the access, in combination with access granted by the Financial Aid Office, resulted in incompatible roles.
- ◆ The university allowed 13 programmers to have access to update the directories where Banner production files are stored. Best practices indicate there should be a segregation of duties to prevent malevolent activity. Programmers have both the knowledge and understanding to manipulate programming code to make changes to data or system processing without being detected. Programmers with access to modify the production environment can make unapproved changes to system processes and data. Such changes can have intentional or unintentional negative impacts on financial transactions, payroll, or financial aid records. University personnel stated the access was allowed because they believe it is needed as part of the programmers' job duties.

Although our audit did not identify any unauthorized transactions, the above instances indicate there is an increased risk for these to occur. Management should review all employees' access for incompatibility and remove inappropriate access when identified.

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**RECOMMENDATION #1**

*We recommend the university:*

- A. *Enhance security review procedures to identify incompatible access within business processes.*
  - B. *Remove inappropriate access when identified by security reviews.*
  - C. *Limit programmer access to production code or implement controls to mitigate the increased risk programmer access creates.*
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## **Access to Enter and Approve Invoices**

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### **Certain university personnel can enter and approve the same invoice within Banner which could result in erroneous or fraudulent transactions.**

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Our audit identified a university employee who has the ability to both enter and approve the same invoice for payment. Due to the remote location, this individual is also the only employee present when the items ordered are received. Because the university does not have compensating controls in place to manually review and approve all of these invoices outside of Banner, the employee could be creating erroneous or fraudulent transactions. Management indicated the Banner access was necessary in order to facilitate prompt payment to vendors and thought risks were mitigated by spot checking some of the invoices.

We further identified 147 other individuals with this same access. Because it was not cost effective, we did not further investigate the access for each individual. However, management indicated a form should be completed when enter and approve access is granted within Banner. The form states that all source documents must be reviewed and signed off by a higher level authority either before or after entry into the Banner Finance System within a reasonable time frame. Management should review each of the 147 other individuals to ensure a form is on file and perform monitoring procedures to determine if source documents are reviewed as required.

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**RECOMMENDATION #2**

*We recommend the university:*

- A. *Review the individuals with the ability to enter and approve transactions in Banner and determine if the access is proper.*
  - B. *Perform monitoring procedures to ensure source documents are reviewed as required.*
- 

## **Board of Regents Indirect Cost Rate Policy**

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**The University of Montana – Missoula under collected approximately \$1.1 million by not receiving indirect cost recoveries from state agencies at rates prescribed by Board of Regents’ policy.**

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Indirect cost recoveries fund the university’s costs for administering research and development programs. Board of Regents’ (board) policy specifies indirect cost rates for various grant types, including grants where a state agency is the grantor. University staff indicated some state agencies refuse to include indirect cost rates as prescribed by board policy, or exclude indirect cost rates altogether. According to university projections, over a two year period UofM–Missoula budgeted approximately \$9.6 million in direct costs from state or federal moneys passed through various state agencies. On this amount, the university has received approximately \$1.1 million less in indirect cost recoveries than what would be collected if rates in board policy were included in grant agreements with state agencies. Of the \$1.1 million, approximately \$500,000 is related to grants made with state funds and \$600,000 is related to grants from federal agencies passed through to the university. This under collection is over the life of the grant which can span more than one fiscal year.

While nothing in board policy directs the university to decline grant awards not containing the indirect cost rates stated in the policy, the university’s continued acceptance of these agreements places fiscal pressures on program administration. Because the board policy is silent regarding a university unit’s authorization to accept grant awards that do not comply with board mandated indirect cost rates, the university continues to accept the grants because the research benefits the state as a whole.

The university should work with state agencies to recover indirect cost rates according to board policy to sustain the research that benefits the state.

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**RECOMMENDATION #3**

*We recommend the university:*

- A. *Work with the Board of Regents to establish an exception process when state agencies are unable or reluctant to pay the current prescribed indirect cost rate.*
  - B. *Work with state agencies to recover indirect costs in accordance with board policy.*
-

UNIVERSITY OF MONTANA

UNIVERSITY RESPONSE



**Office of the President**  
The University of Montana  
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October 10, 2011

Ms. Tori Hunthausen  
Legislative Audit Division  
Room 135 State Capitol  
P. O. Box 201705  
Helena, MT 59620-1705

**RECEIVED**

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**LEGISLATIVE AUDIT DIV.**

Dear Ms. Hunthausen:

On behalf of The University of Montana community, I want to extend our appreciation to you and the Legislative Audit staff for their work on The University of Montana's Financial-Related Audit for the two fiscal years ending June 30, 2011. We have found this process helpful and work by the Legislative Auditor a professional and cooperative process. The University takes accountability and compliance seriously. We concur with the audit recommendations and will take necessary efforts to address the concerns noted in the report.

Again, thank you and your staff for their assistance and thoughtful efforts.

Sincerely,

Royce C. Engstrom  
President

RCE/kv  
Englet267

c: S. Stearns, Commissioner of Higher Education

# The University of Montana

Response to Legislative Audit Division

Financial-Related Audit

For the Two Fiscal Years Ended 30 June 2011

October 2011

## **RECOMMENDATION #1**

**WE RECOMMEND THE UNIVERSITY:**

- A. ENHANCE SECURITY REVIEW PROCEDURES TO IDENTIFY INCOMPATIBLE ACCESS WITHIN BUSINESS PROCESSES.**
- B. REMOVE INAPPROPRIATE ACCESS WHEN IDENTIFIED BY SECURITY REVIEWS.**
- C. LIMIT PROGRAMMER ACCESS TO PRODUCTION CODE OR IMPLEMENT CONTROLS TO MITIGATE THE INCREASED RISK PROGRAMMER ACCESS CREATES.**

**The University concurs with the recommendation.**

A. The Banner Security Plan will be updated by December 2011 to clarify specific situations of incompatible access. Annual reviews conducted of the Banner Security Plan will also emphasize this aspect.

B. Access has already been modified that gives data/business process owners the ability to view applicable security forms to see that changes were made as requested.

C. Compensating controls will be implemented by December 2011 to monitor programmer access to production code thus reducing the risk of unauthorized changes.

## **RECOMMENDATION #2**

**WE RECOMMEND THE UNIVERSITY:**

- A. REVIEW THE INDIVIDUALS WITH ABILITY TO ENTER AND APPROVE TRANSACTIONS IN BANNER AND DETERMINE IF THE ACCESS IS PROPER.**
- B. PERFORM MONITORING PROCEDURES TO ENSURE SOURCE DOCUMENTS ARE REVIEWED AS REQUIRED.**

**The University concurs with the recommendation.** The University will review Banner invoice controls and access as part of the annual security review. When approvals are not performed electronically through Banner, the compensating control will be monitored to ensure effective implementation. Monitoring procedures will be implemented by March 2012.

## **RECOMMENDATION #3**

**WE RECOMMEND THE UNIVERSITY:**

- A. WORK WITH THE BOARD OF REGENTS TO ESTABLISH AN EXCEPTION PROCESS WHEN STATE AGENCIES ARE UNABLE OR RELUCTANT TO PAY THE CURRENT PRESCRIBED RATE.**
- B. WORK WITH STATE AGENCIES TO RECOVER INDIRECT COSTS IN ACCORDANCE WITH BOARD POLICY.**

**The University concurs with the recommendation.** The University will work with Office of Commissioner Higher Education (OCHE) and other MUS personnel to establish an effective exception process for BOR consideration. University personnel will cooperatively work with State agencies to ensure compliance when possible.