No formal communication with the Audit firm was required since this was a control deficiency. This email was sent from the Director of Financial Accounting to the Vice President for Financial Affairs with the attached response.

Julie Shelton

From: Julie Shelton
Sent: Tuesday, January 22, 2013 3:28 PM
To: Lynda Gilbert (lgilbert@fa.ua.edu)
Cc: Reba Essary (ressary@fa.ua.edu)
Subject: Create and Post Journal Entries

Dr. Gilbert,
Per your request, please see the attached document on the significant deficiency for creating and posting journal entries.

Create and Post JE
Access Cont...

Julie
348-2968
Attachment to January 22, 2013 email.

Create & Post Journal Entry Access (UA, UAB, and UAH) — Control Deficiency

At each of the System entities we noted one or more individuals that have IT system access rights that allow those individuals to both create and post a journal entry into the general ledger without the review and approval of an independent reviewer. This inherently results in a heightened risk of both fraud and error with in the financial statements.

We recommend management consider implementing one or more controls to independently monitor the activity of individuals with create & post journal entry rights to help ensure that these access rights do not inappropriately impact the financial statements. Further, the System entities should consider enhancing the manual review of journal entries and other business process review to further compensate and mitigate this control deficiency.

The University of Alabama currently has 8 individuals that have create and post access. Create and Post Access has been in place since implementation of Banner in 2006. With implementation, UA put in a manual process to review entries that are created and posted by the same individual or by pass the approvals in the upload process to load journal entries from a spreadsheet into Banner. It was noted that on unique occasions an entry was posted by one of these individuals without a manual review. UA will put place a mitigating control to review entries by those that have create and post access in addition to the current manual review process. Currently we are developing a weekly report listing batches that were created and posted by these individuals with a batch total over $1,000,000. As we develop the report we will refine the new mitigating control to one that works and is acceptable to PWC.

Individuals with create and post access:

Melissa Barnett
Meredith Boteler
Tina Dorroh
Tammy Hudson
Julie Shelton
Misty Phillips
Kathy Black
Cathy Tittle
Audit firm did request for the 2013 audit procedures implemented as a result of the 2012 control deficiency. Email providing procedures to the audit firm.

From: Julie Shelton
Sent: Friday, December 20, 2013 10:49 AM
To: caitlin.j.gray@us.pwc.com
Cc: jennifer.l.harrison@us.pwc.com
Subject: Journal entry review
Attachments: Journal Entry Review Procedures.docx

Caitlin,
See attached document on journal entry review.

Thanks,
Julie
348-2968
Journal Voucher Review

In FY12, PWC cited all UA System campuses with a Control Deficiency for create and post journal entry access. One or more individuals at UA have both create and post journal entry access. Users in the approval queue with posting capability results in create and post capability without an electronic approval. If an individual is not in the approval queue, they do not have capability to approve journal entries, so their batches would require an electronic approval. A User’s posting capability is identified on the FOMPROF record in Banner. In FY13, Julie Shelton was removed from posting capability and only has query access to forms that update Banner. She is still in the approval queue to approve journal entries created by others that have posting capability and are not in the approval queue.

UA has had a manual process since the implementation of Banner to review entries that are created and posted by those individuals in the approval queue or that bypass the approval in the manual upload process to load journal entries from a spreadsheet into Banner. In the FY12 audit it was noted that some entries did not go through the manual review process. The manual process was reviewed and procedures were added to the process to direct those individuals in the approval queue to forward journal vouchers for an independent review prior to the imaging process. Evidence of this review is noted on the batch cover sheet used for imaging purposes.

A mitigating control has been put in place to supplement the manual process. This control is not intended to be the primary control. A monthly report is produced of the batches processed by those individuals with posting authority that are in the approval queue. This report is stored on the FAR share drive and reviewed by the Director of Financial Accounting, who places a digital signature on the PDF file once the review is complete.

The mitigating review looks for:

- Non-recurring entries
- Cash entries - cash entries are identified by rule code CR05 and CD05 or fund 10100. Cash entries that are outside normal operations would be reviewed carefully.
- Entries outside of the fund type or org range that are typical for the user would be reviewed in more detail.
- Entries between income and expense would be reviewed to ensure the entry is necessary and appropriate.

In addition to the mitigating review of journal entries, a report that compares the volume of entries processed by a user in the current year vs. the prior year is reviewed to monitor unusual volumes. In FY 13 this review was done in developing the control. In subsequent years this review will be done after the 9/30 closing (period 12).
Individuals with create and post access:

Melissa Barnett
Meredith Boteler
Tina Dorroh
Tammy Hudson
Misty Phillips
Kathy Black
Cathy Tittle
Kristin Roberts

Manual Fupload processors:

Meredith Boteler
Starr Deas
Dianna Fisher
Marcia Stanley
Melissa Barnett
Cara Greene
Heather Ryan
Casey Jones
Michelle L’Etang

Final version 12/20/2013