

Account Reconciliations and Segregation of Duties

Office of Accounting

August 2022



**The University of Texas at Austin
Office of Internal Audits
UTA 2.302
(512) 471-7117**



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

1616 Guadalupe St. Suite 2.302 · Austin, Texas 78701 · (512) 471-7117
audit.utexas.edu • internal.audits@austin.utexas.edu

August 31, 2022

President Jay C. Hartzell
The University of Texas at Austin
Office of the President
P.O. Box T
Austin, Texas 78713

Dear President Hartzell,

We have completed our audit of Account Reconciliations and Segregation of Duties as part of our Fiscal Year 2022 Audit Plan. The objective of the audit was to determine whether select Colleges, Schools, and Units (CSUs) have implemented reconciliation and segregation of duties processes, and whether the monitoring plan effectively ensures reconciliations occur across campus.

Overall, Risk Management has not fully implemented a system to review CSU reconciliation processes as required by the Segregation of Duties and Reconciliation of Accounts Monitoring Plan. Additionally, Risk Management does not consistently perform quarterly reviews of university-wide account certifications or communicate with CSUs on past due certifications.

Please let me know if you have questions or comments regarding this audit.

Sincerely,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA
Chief Audit Executive

cc: Mr. Darrell Bazzell, Senior Vice President and Chief Financial Officer
Ms. Melissa Loe, Chief of Staff, Financial and Administrative Services
Ms. Lori Peterson, Executive Director for Accounting and Financial Management
Mr. John Walker, Director for Treasury, Risk and Payment Information Services



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Executive Summary

Account Reconciliation and Segregation of Duties

Office of Accounting
Project Number: 22.006

Audit Objective

The objective of the audit was to determine whether select Colleges, Schools, and Units (CSUs) have implemented reconciliation and segregation of duties (SOD) processes, and whether the monitoring plan effectively ensures reconciliations occur across campus.

Conclusion

Overall, Risk Management has not fully implemented a system to review CSU reconciliation processes as required by the Segregation of Duties and Reconciliation of Accounts Monitoring Plan (Monitoring Plan). Additionally, Risk Management does not consistently perform quarterly reviews of university-wide account certifications or communicate with CSUs on past due certifications.

Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Reconciliation Monitoring Efforts	High	February 2023

Engagement Team

Mr. Jason Boone, CFE, Auditor III
Ms. Angela McCarter, CIA, CRMA, Assistant Director
Ms. Melanie Tolen, Auditor I

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Audit Results

Overall, Risk Management has not fully implemented a system to review CSU reconciliation processes as required by the Segregation of Duties and Reconciliation of Accounts Monitoring Plan (Monitoring Plan). Additionally, Risk Management does not consistently perform quarterly reviews of university-wide account certifications or communicate with CSUs on past due certifications.

The CSUs selected for review as part of this engagement have implemented reconciliation and SOD procedures; however, interviews with business officers, managers, and reconcilers revealed varying levels of value and effort placed on the monthly reconciliation process. While these individuals understand the departmental account reconciliation processes, multiple accounts had incomplete and past-due certifications.

Observation #1 Reconciliation Monitoring Efforts

Risk Management has not implemented a system to review CSU account reconciliation and SOD processes. They email one third of CSUs each year to inquire whether units have questions and to offer assistance with their processes if requested; however, proactive reviews do not occur. According to the Monitoring Plan, "The Risk Management section of Accounting and Financial Management will implement a system of periodically reviewing the reconciliation and SOD processes for colleges and units. Risk Management will work with Business Officers and Departmental Managers to adjust processes and correct issues as they are identified by these reviews." The goal of the review process is to work with each unit on their processes once every three years.

In addition, Risk Management does not consistently perform quarterly reviews of account certifications and notify CSUs of outstanding certifications. The Monitoring Plan requires Risk Management to "monitor university-wide expense account certifications on a quarterly basis," and explains that "expense reconciliations should be completed prior to 30 days after the close of the prior month." However, preparation and approval of reviews are not prioritized, resulting in past-due certifications and non-compliance with the Monitoring Plan. For example, Risk Management did not run a report of past due account certifications for the first quarter of Fiscal Year 2022 until February 2022, and as of May 2022, Risk Management had not identified outstanding account certifications for the second quarter. Additionally, in February 2022, CSUs had not certified 633 of 10,030 accounts for the first quarter. The uncertified accounts totaled \$10,314,130 in expenses.

Recommendation: Risk Management should verify that CSUs are conducting expense reconciliations in compliance with the Monitoring Plan and should update processes to ensure notifications of past-due monthly certifications are regularly communicated. Risk Management should also implement an escalation process for account owners who do not reconcile and approve their accounts timely.



Management’s Corrective Action Plan: Risk Management will implement a regular review process to identify CSUs with past due account certifications and notify them of their status. If corrective action is not taken within 30 days of notification, the unit reviewer will be notified and asked to ensure corrective action is taken. If the accounts are not certified within 30 days of this notification, Risk Management will inform the Executive Director for Accounting and Financial Management.

Review and notification process will be implemented following close of the first quarter of fiscal year 22-23, November 30, 2022.

Risk Management will also develop additional verification of expense reconciliation processes as part of the annual outreach to CSUs. Risk Management will engage with 1/3 of CSUs each year with the goal of ensuring every CSU has an opportunity for review and training over a three-year cycle.

Responsible Person: Director for Treasury, Risk and Payment Information Services

Planned Implementation Date: February 28, 2023

Background

In accordance with The University of Texas System Administration Policy 142.1, Policy on the Annual Financial Report, each institution is required to develop and maintain a Monitoring Plan for the SOD and reconciliation of accounts. The University of Texas at Austin’s (UT Austin) Monitoring Plan was updated and published as a result of a Fiscal Year 2020 audit.

The monitoring plan should be risk-based and establish the minimum requirements for the institution. At UT Austin, the Expense Account Certification (EAC) system is accepted as the minimum standard for expenditure account review and reconciliation.² EAC uses a “risk-based review process to ensure material expenditures without three distinct approvers” receives additional review.

Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

²UT Austin Monitoring Plan - <https://afm.utexas.edu/treasury-risk-administration/risk-management/segregation-reconciliation-accounts-monitoring>



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The scope of this review includes fiscal year 2022. The audit objective was to determine whether select CSUs have implemented reconciliation and SOD processes, and whether the monitoring plan effectively ensures reconciliations occur across campus.

The following procedures were conducted:

- Obtained and reviewed UTS 142.1 – Policy on the Annual Financial Report, Handbook of Business Procedures 2.5 – Account Reconciliation, and UT Austin’s Monitoring Plan.
- Conducted interviews and walkthroughs with reconcilers and business officers/departmental managers from a sample of CSUs to determine whether reconciliation procedures aligned with UT Austin requirements.
- Tested certification data and determined how Risk Management monitors university-wide account certifications and reconciliations.
- Tested a sample of reconciliations and reviewed SOD processes to evaluate compliance with the requirements outlined in UTS 142.1, UT Austin’s Monitoring Plan, and determine the adequacy of SOD.
- Communicated results of CSU reviews to respective management for the Cockrell School of Engineering, Jackson School of Geosciences, College of Fine Arts, Intercollegiate Athletics, and University Unions. Communications included the following past-due certifications for the period of September 2021-December 2021:

CSU	Certifications Required	Certifications Past-due
Cockrell School of Engineering	1,798	194
Jackson School of Geosciences	404	217
College of Fine Arts	402	27

Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.



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Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.

Report Distribution

The University of Texas at Austin Institutional Audit Committee
The University of Texas System Audit Office
Legislative Budget Board
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State Auditor's Office