



THE UNIVERSITY OF TEXAS
PERMIAN BASIN

Segregation of Duties and Reconciliation of Account Monitoring Plan

Fiscal Year 2022 Compliance Audit

July 26, 2023

Office of Internal Audit
4901 E. University Boulevard
Odessa, Texas 79762

Segregation of Duties and Reconciliation of Account Monitoring Plan Fiscal Year 2022 Compliance Audit



SUMMARY

Background and Objective

In accordance with The University of Texas (UT) Systemwide Policy 142: Financial Accounting and Reporting, Section 5, each institution is required to develop and maintain a risk-based Monitoring Plan for the segregation of duties and reconciliation of cost centers and project accounts. The goal of the account reconciliation and certification process is to detect any potential errors or misappropriation of funds in a timely manner and ensure the accuracy of financial reports. This audit was included in the annual internal audit plan based on the risk of non-compliance with UT Permian Basin's Monitoring Plan, as observed in a prior year audit.

The objective of this audit was to evaluate compliance with, and the effectiveness of, the FY 2022 Monitoring Plan.

Observation

Medium

While significant improvement has occurred since the prior year, some cost centers are still not reconciled and approved timely.

Conclusion

While there continue to be cost centers that are not properly reconciled, Monitoring Plan changes implemented by the Office of Accounting have significantly improved overall compliance with monthly reconciliations.

No segregation of duties issues were identified during the audit.



Medium

While significant improvement has occurred since the prior year, some cost centers are still not reconciled and approved timely.

UT Permian Basin’s Monitoring Plan for FY 2022 complies with all aspects of UTS 142. The Monitoring Plan was updated for FY22 to require reconciliation review and approval within 60 days of the accounting period close, with quarterly notifications to division Executives, Vice Presidents, and Deans of cost centers with incomplete or late reconciliations. The Office of Accounting reported that 18% of cost centers subject to monitoring did not complete the reconciliation process as required for FY 2022. This is a significant improvement over FY 2021, in which 41% of cost centers were not properly reconciled.

A representative sample of 20 active cost centers from the Fiscal Year (FY) 2022 Statement of Accounts Report provided by the Office of Accounting was tested to validate the assertions on the reconciliations and confirm appropriate segregation of duties. Results are shown in Table I.

No segregation of duties issues were noted.

Table I: Validation Testing Results	FY 2022	FY 2021
Reconciler did not reconcile the cost center.	3 of 20 (15%)	2 of 10 (20%)
Approver did not review and approve the reconciliation	5 of 20 (25%)	5 of 10 (50%)
Approver did not review and approve the reconciliation within 60 days of the accounting period close.	3 of 20 (15%)	N/A

Recommendation: The Office of Accounting should continue to monitor the reconciliation process quarterly to aid in determining non-compliance timely and allow for regular communication of corrective action if needed. Training opportunities should continue with newly assigned reconcilers and approvers required to attend. Training requirements should highlight the importance of the reconciliation process, the requirements outlined in the Monitoring Plan, how to reconcile, and the availability of guidance resources via SharePoint. In addition, supporting documentation requirements should be outlined in the Monitoring Plan to assist reconcilers in maintaining appropriate documentation to support transactions.

Management’s Response/Action Plan: The Office of Accounting will continue to send monthly reminders to reconcilers when reconciliations are ready to be performed and will continue to distribute quarterly monitoring reports to managers and others that may supervise reconcilers. These reports will reflect the status of reconciliations and approvals. Training will continue to be offered to new reconcilers and to others as needed and will highlight the importance of performing reconciliations. Supporting documentation requirements will be communicated during training, and specification of requirements in the Monitoring Plan will be considered in future years.

Target Implementation Date: Effective immediately and ongoing.

Responsible Parties: Interim Director of Accounting, Reporting Accountant, and Senior Vice President for Business Affairs and Chief Financial Officer



METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and generally accepted government auditing standards (GAGAS). Those standards require that we plan and perform the engagement 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 based on our audit objectives. The UTPB Office of Internal Audit meets the independence requirements set forth in GAGAS.

Scope & Procedures: The scope of the audit was the FY 2022 Monitoring Plan and associated activity. Audit procedures included a review of UT Permian Basin's FY 2022 Monitoring Plan and validation of a representative sample of reconciliations and segregation of duties for 20 active cost centers selected through a review of the FY 2022 Statement of Accounts Report.

Ratings:

Priority

An issue or condition that, if not addressed timely, has a high probability to directly impact achievement of a strategic or important operational objective of UT Permian Basin or UT System as a whole.

High

An issue considered to have a medium to high probability of significant adverse effects to UT Permian Basin as a whole or at the college/department/unit level.

Medium

An issue considered to have a low to medium probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level.

Low

An issue considered to have minimal probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level.

Criteria:

- UT Systemwide Policy 142: Financial Accounting and Reporting
- UT Permian Basin FY22 Segregation of Duties and Reconciliation of Account Monitoring Plan

Distribution:

To: Cesario Valenzuela, Senior Vice President for Business Affairs and Chief Financial Officer
cc: Dr. Sandra Woodley, President
Marcus Celaya, Interim Director of Accounting
UT Permian Basin Internal Audit Committee
External State of Texas Agencies (State Auditor, Legislative Budget Board, Governor's Office)