DATE: May 29, 2015

TO: Anthony Turrietta, Associate Vice President and Comptroller

FROM: Lori N. Wertz
       Interim Director, Auditing and Consulting Services

SUBJECT: Review of Monitoring Plan for Segregation of Duties and Account Reconciliations

Background: In accordance with The University of Texas System (UT System) Administration Policy 142.1 (UTS142.1), Policy on the Annual Financial Report, section 2.3, each institution is required to develop and maintain a Monitoring Plan for the segregation of duties and reconciliation of cost centers and projects.

In order to maintain compliance with UTS 142.1, The University of Texas at El Paso (UTEP) has developed an Account Review Policy which is detailed in the Handbook of Operating Procedures. Changes to the policy have been proposed to reflect the conversion to PeopleSoft in May 2014.

Objective: The objective of this review was to determine compliance with UTS 142.1.

Results of Review:

A. Training
Per the Monitoring Plan, “The Office of Accounting and Business Services offers scheduled account reconciliation workshops throughout the year. The workshops will be centered on best practices for reconciliation of accounts and segregation of duties.” After the implementation of PeopleSoft, the University developed a reconciliation process based on queries, and trainings were offered to University employees.

In March 2015, UT System Shared Services developed a new Account Reconciliation report to replace the UTEP-generated process. The new report provides account balances and transactions in one document, thereby simplifying the account reconciliation process. To increase awareness, the PeopleSoft team sends monthly email reminders when final balances have been posted and provides information of upcoming reconciliation trainings. As of May 8, 2015, the PeopleSoft training team had offered 21 trainings for the new process and 195 employees attended.
B. Certification
According to the Monitoring Plan, "University personnel who have signature authority are required to annually certify that there is proper segregation of duties within their departments and required reconciling activity is being performed according to university policy." In order to increase awareness of the certification process, the Office of the Vice President of Business Affairs (VPBA) is planning to develop a compliance training module for cost center certification. At the time of the review, it had not yet been completed. In addition, as the certification process is not done until the end of each fiscal year, a review could not be performed at this time. This will be conducted after the year end.

C. Departmental Review
As stated by the Monitoring Plan, "Representatives from the Office of the VPBA will resume reviews of departments on campus this year. These reviews include checks for segregation of duties and reconciliation of all departmental expense activity."

At the time of this review, the Office of the VPBA had not yet conducted any reviews. Internal Audit performed limited testing to determine if cost center approvers had attended a PeopleSoft reconciliation training and were reconciling their expenses on a monthly basis. One PeopleSoft cost center for five separate approvers was chosen to test for two selected months. The results of the testing are summarized in the chart below.

<table>
<thead>
<tr>
<th>Selection</th>
<th>Attended reconciliation training?</th>
<th>Reconciliation performed?</th>
<th>Reconciliation up-to-date?</th>
<th>Aware of certification process?</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>✓</td>
<td>✗</td>
<td>✗</td>
<td>✗</td>
</tr>
<tr>
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<td>✗</td>
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<td>✓</td>
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<td>✗</td>
</tr>
<tr>
<td>5</td>
<td>✓</td>
<td>✓</td>
<td>✗</td>
<td>✓</td>
</tr>
</tbody>
</table>

D. UT System Shared Services
"The UT System external audit for August 31, 2014 resulted in a significant deficiency finding related to lack of controls for monthly bank reconciliations and journal entry approval. The University has implemented mitigating controls, but requires programmatic solutions from UT System Shared Services."

As discussed in A. Training, a new reconciliation process was implemented by UT System Shared Services. Additional planned programmatic solutions are still in process.
Conclusion:

The monitoring plan has been developed and is progressing, but the implementation of all the PeopleSoft components has not yet been completed. Full implementation will require further collaboration between UT System Shared Services and UTEP.
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