DATE: March 14, 2018
TO: Richard Adauto, Executive Vice President
FROM: Lori N. Wertz, Chief Audit Executive, Office of 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 4.3, each institution is required to develop and maintain a Monitoring Plan for the segregation of duties and reconciliation of cost centers and projects. The University of Texas at El Paso (UTEP) Monitoring Plan was developed and is maintained by the PeopleSoft Office.

In order to maintain compliance with UTS 142.1, UTEP has developed a Cost Center/Project Review Policy, which is detailed in Section VII, Financial Services, Chapter 5, of the Handbook of Operating Procedures (HOP). Additional guidance is provided in the Office of the Vice President for Business Affairs (VPBA) Business Process Guidelines: Account Review, which describes the appropriate support documentation for the different expenditure types.

Objective: The objective of this review was to determine compliance with UTS 142.1, the HOP policy and the Business Process Guidelines.

Results of Review:

A. Training

Per the UTEP Monitoring Plan, "The PeopleSoft Office schedules reconciliation training and workshops throughout the year. Budget review and account reconciliation classes provide users with the skills to review and reconcile their accounts."

The PeopleSoft Team offers an account reconciliation training which provides guidance on how to navigate and run a Reconciliation Report in PeopleSoft. Additionally, the following Quick Guides are available on the PeopleSoft website:

- Account Reconciliation Queries
- Account Reconciliation Report
- Downloading Excel Files from PeopleSoft
- Account Reconciliation Journal Entries
As currently presented, the training does not offer guidance on preparing reconciliations in order to meet the requirements in the HOP, or the Business Process Guidelines posted by the Vice President for Business Affairs. Rather, the training emphasizes the mechanics of running the required reports in PeopleSoft.

The Office of Research and Sponsored Projects (ORSP) created the Project Information Center version 2 (PIC2). PIC2 offers principal investigators (PIs), project administrators (Admins), Contracts and Grants staff and research administrators access to all transactions related to sponsored projects, as well as a budget overview to help track expenditures. In order to assist Admins and PIs with the reconciliation process, a live training program was developed to provide guidance on preparing project payroll reconciliations. The training is interactive and includes detailed templates and instructions for proper reconciliations.

**Recommendation:**
The account reconciliation training should be updated to incorporate University requirements for an account reconciliation. All individuals involved in the reconciliation process should participate in the training.

**Management Response**

*The PeopleSoft Account Reconciliation training sessions offer training on the navigation and the processing of the reconciliation report to include detailed instructions on how to reconcile. During the two-hour training session, the detailed reconciliation report is reviewed and the trainer explains how to research transactional data and discusses the supporting documentation that should be included. In addition, workshop sessions are offered twice a month where reconcilers are encouraged to attend and work side-by-side with the trainer in order to complete a full reconciliation.*

*Moving forward the training material will include a list of supporting documentation that should be included in the reconciliation.*
B. Certification

According to the UTEP 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."

The VPBA identified 444 cost center/project account owners for Fiscal Year 2017. On October 25, 2017, an email was sent to each account owner requesting they certify "that proper internal controls are maintained within their particular unit and that the accounts they are responsible for have been reconciled." A reminder email was sent on December 13, 2017. In total, 63% of the account owners responded to the certification inquiry. The responses are summarized in the chart below.

![Responses to Certification Inquiry](chart.png)
Based on the responses, a sample of five account owners was chosen and the August 2017 reconciliation for each account owner was tested to determine if the reconciliation was prepared in accordance with HOP guidelines. The results of the testing are summarized in the chart below.

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For the reconciliations tested, there was no documentation available to support the review of salary payments as part of the reconciliation process. Therefore, we were unable to determine if salaries are reviewed.

**Management Response**

Account Reconciliation training on Salaried Cost Center/Project follows that which is stated in the HOP 5.2a which states "The cost center/project administrator or designee should review the expenditures to verify reasonableness, the name of individuals receiving payments and their employment status, if the amounts paid are correct, if a name which should be included in the statement is missing, if additional research is required, etc. The payment of wages is triggered by approved wage rates and hours of work reported in the time sheet, which should also be checked for reasonableness."

The HRAC process was designated to both provide approvals and verify funding source for changes to pay and new assignments. Moving forward the Account Reconciliation training will incorporate the required documentation that should be included when pay increases or new appointments are processed and reports will be available that can be used to verify salary rosters. Additional training sessions will be scheduled with an emphasis on reconciliation for salary accounts.
C. Departmental Review

As stated by the Monitoring Plan, "The Office of the VPBA will review for segregation of duties and reconciliation of all departmental expense activity."

The PeopleSoft team implemented an account reconciliation review process in January 2017. The objective of the assessments performed was to obtain reasonable assurance that the transactions under review were processed in accordance with the University’s policies and procedures. The team has completed five reviews since the program began. At the conclusion of each assessment, a memo summarizing the results of the testing is distributed to the account owner, the Interim Vice President of Business Affairs, the Comptroller, and the Director of PeopleSoft.
Internal Audit also performed limited testing to determine if cost center/project accounts were being reconciled on a monthly basis. A sample of twelve cost center/project accounts were chosen for testing. Seven of twelve reconciliations tested did not meet at least one of the requirements for account reconciliations outlined in the HOP. The results of the testing are summarized in the chart below.

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Conclusion:

The UTEP Monitoring Plan has been developed and is improving, particularly with the addition of departmental reviews. Improved training on the preparation of account reconciliations is recommended in order to meet the UTS 142.1 policy requirements. Additionally, all individuals involved in the reconciliation process should participate in the training to ensure reconciliations are accurate and completed in a timely manner.
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