



**UTS 142.1 Segregation of Duties  
and Account Reconciliation Audit**

**Report No. 18-REQ-14**

**January 24, 2018**

**Office of Audits & Consulting Services**

January 24, 2018

Dr. Guy Bailey, Founding President  
The University of Texas Rio Grande Valley  
1201 West University Drive  
Edinburg, Texas 78539

Dear Dr. Bailey,

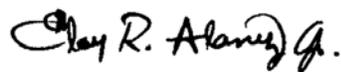
The Office of Audits & Consulting Services has completed the UTS 142.1 Segregation of Duties and Account Reconciliation Audit as part of our fiscal year 2018 Audit Plan. The audit objective was to determine whether UTRGV's Monitoring Plan and sub-certification process is in place and functioning as intended. This included determining whether account reconciliations are being performed and whether duties are adequately segregated as asserted by management.

This audit was conducted in accordance with The University of Texas System's (UTS) Policy 129 *Internal Audit Activities*, the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)* and *Generally Accepted Government Auditing Standards (GAGAS)*. The *Standards and GAGAS* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of audits. We are required to adhere to these *Standards* and UTS 129.

Based on the procedures performed, UTRGV's monitoring plan and subcertification process has been developed and is progressing, but not all components have been implemented. With new personnel hired in Office of Accounting and Reporting, UTRGV management continues to improve its Monitoring Plan to comply with UTS 142.1.

We appreciate the assistance provided by UTRGV's Athletics staff throughout the audit.

Sincerely,



Eloy R. Alaniz, Jr., CPA, CIA, CISA  
Chief Audit Officer

cc: Mr. Rick Anderson, Executive Vice President for Finance & Administration  
Mrs. Karla Loya, Associate Vice President for Financial Services  
UTRGV Internal Audit Committee  
UT System Audit Office  
Governor's Office of Budget, Planning and Policy  
Sunset Advisory Commission  
State Auditor's Office  
Legislative Budget Board

**Office of Audits and Consulting Services**  
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The Woods, 140

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## EXECUTIVE SUMMARY

As part of the approved audit plan included in FY2018, we completed the Audit of UTS 142.1 Segregation of Duties and Account Reconciliation at the University of Texas Rio Grande Valley (UTRGV).

The objective of the audit was to determine whether UTRGV's Monitoring Plan and sub-certification process is in place and functioning as intended. This included determining whether account reconciliations are being performed and whether duties are adequately segregated as asserted by management.

This report was focused on strengthening the overall internal control environment. Our audit was limited to review of account reconciliations and departmental records and interviews with departmental employees (reconcilers).

Observations and recommendations for improvements were identified to improve the current Monitoring Plan.

Based on the procedures performed, UTRGV's monitoring plan and subcertification process has been developed and is progressing, but not all components have been implemented. With new personnel hired in Office of Accounting and Reporting, UTRGV management continues to improve its Monitoring Plan to comply with UTS 142.1.

## **BACKGROUND**

Section 6 of the UTS 142.1 *Policy on the Annual Financial Report*, requires the institutional Chief Audit Executive perform annual testing, within 60 days of the fiscal year end, of the Monitoring Plan and the subcertifications, and validate the assertions on segregation of duties and account reconciliations.

## **AUDIT OBJECTIVES**

The objective of the audit was to determine whether UTRGV's Monitoring Plan and sub-certification process is in place and functioning as intended. This included determining whether account reconciliations are being performed and whether duties are adequately segregated as asserted by management.

## **SCOPE OF WORK**

As required by UTS 142.1, we tested UTRGV's Monitoring Plan process to ensure that the subcertification of accounts and management's assertions on segregation of duties were valid. The scope of our audit was for fiscal year (FY) 2017. In addition to our testing of sub-certifications at year end, we relied on the inspections and results conducted by the Office of Accounting and Reporting (OAR) during the year. Our testing was conducted in late October.

This audit was conducted in accordance with The University of Texas System's (UTS) Policy 129 Internal Audit Activities, the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing (Standards) and Generally Accepted Government Auditing Standards (GAGAS). The Standards and GAGAS set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of audits. We are required to adhere to these Standards and UTS 129.

## **AUDIT RESULTS**

### **Monitoring Plan**

UTRGV is required to submit a Monitoring Plan for its segregation of duties and reconciliation of accounts to UT System annually. The plan should be risk-based but also include random monitoring of low risk departments for the fiscal year. For FY2017, a Monitoring Plan related to segregation of duties and account reconciliations was in place. The Executive Vice President for Finance and Administration approved the Monitoring Plan, which was submitted to UT System on November 28, 2016. The Monitoring Plan is located on OAR's website and accessible to all employees.

Although the Monitoring Plan in place addresses segregation of duties and reconciliation of accounts, the current controls identified in the Monitoring Plan are not fully implemented.

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Monitoring Plan	Responsible Party:	Status:
<b>Operating Controls:</b>		
Reduce the instances of non-compliance with segregation of duties and reconciliation of accounts as required by insitution policy, system policy, and Texas Code by performing reconciliations on a monthly basis.	Project Manager	In Progress
<b>Monitoring Controls:</b>		
Corrective action to bring all non-compliant project managers to meet policy	Divisional Executive	Not Implemented
Corrective Action plan shared with Accounting & Reporting and Insitutional Compliance	Divisional Executive	Not Implemented
<b>Evidence of Monitoring Controls:</b>		
Results shared with Project Dean/Director and Insitutional Compliance	Accounting and Reporting	Not Implemented

**Inspections**

During FY2017, UTRGV had a total of 7000 projects of which 4,659 contained financial activity and required certification. As of October 23, 2017, 97% of projects had been certified. Below are the results of the certifications:

Certifications	Certified Y	Certified N	Not Certified	Totals
1st	2188	8	5	2201
2nd	2340	33	85	2458
<b>TOTALS:</b>	<b>4528</b>	<b>41</b>	<b>90</b>	<b>4659</b>

The Monitoring Plan requires inspections of account reconciliations by OAR. OAR inspected a total of 87 projects, 40 after the 1st certification period and 47 after the 2nd certification period. During the 1st certification period, OAR documented that 95% of account reconciliations inspected were completed and adequate segregation of duties existed.

OAR shares its results with respective Executive Management and the Office of Audits & Consulting Services. There is continuous monitoring by OAR of outstanding certifications; however, OAR did not require Executives to submit Action Plans for instances of non-compliance as documented in the Monitoring Plan-Monitoring Controls.

**Departmental Account Reconciliation Review**

To ensure segregation of duties and adequate reconciliation processes for departments not monitored during the year, the Office Audits and Consulting Services reviewed 10 departmental projects, certified as reconciled at year end, to validate completed reconciliations and if appropriate segregation of duties were in place. Our sample included risk-based revenue accounts as well as randomly selected accounts.

Although all 10 projects submitted the certification that the project was reconciled, the following was observed:

- Reconciliation was not conducted (1 instance)
- Reconciliations were not completed timely (3 instances)
- Reconciliations were incomplete due to:
  - Lack of review of reconciling items, including a review of outstanding Purchase Orders. (2 instances)
  - Payroll expenses not reconciled (2 instances)
  - Process of payroll reconciliation completed at the Dean's level (3 instances) and School of Medicine Finance & Administration (1 instance) not documented; therefore, no evidence of payroll reconciliation.
  - Reconciler lacks an understanding of the reconciliation process. (2 instances)

Reconcilers stated that the reconciliation training was ineffective and insufficient. The training consisted of an overview and did not focused on how to reconcile accounts. Reconciling projects has been a learning process and some employees have taken a proactive approach by seeking out other individuals in other departments who perform account reconciliations for assistance. We noted that reference material, such as reconciliation forms Online and in Oracle, reference legacy institution, non-existent policy and contain inactive links making it difficult for employees seeking guidance and assistance with the reconciliation process.

No concerns that would have an impact on the financial statements were noted.

**Recommendation:** *We recommend OAR:*

- *Implement all elements of the Monitoring Plan; for instance, include a request for action plan from the Executives and expand the plan to include escalation process for instances of noncompliance.*
- *Improve training program and identify resources for reconciliation assistance. In addition, update reference material. Periodically request feedback from reconcilers to continue to assess and improve the training program.*

**Management's Response:**

**We concur with the recommendation. OAR will:**

- 1. Request from the executives the action plan with consequences for instances of noncompliance.**
- 2. Work closely with the new trainer in Business Information Systems to offer account reconciliation training and support, including periodically attending trainings to answer questions and obtain feedback from attendees.**
- 3. Work with Business Information Systems to update the reference materials on the website.**

**Implementation Date:**

1. April 30, 2018
2. June 30, 2018
3. March 31, 2018

**CONCLUSION**

Based on the procedures performed, UTRGV's monitoring plan and subcertification process has been developed and is progressing, but not all components have been implemented. With new personnel hired in OAR, UTRGV management continues to improve its Monitoring Plan to comply with UTS 142.1.

*Norma L. Ramos*

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Norma Ramos, CIA, CGAP  
Director

*Angelica Coello-Pineda*

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Angelica Coello-Pineda  
Auditor