Introduction:
The Office of Auditing and Consulting Services has completed a limited scope audit of The University of Texas at El Paso (UTEP) Monitoring Plan for Fiscal Year (FY) 2018. The objective of the audit was to determine whether the University's Monitoring Plan is functioning as intended. This included a review of a sample of account reconciliations to determine whether they were prepared in compliance with University policy. The audit included financial activity for the period September 1, 2017 to August 31, 2018.

Background:
In accordance with The University of Texas System (UT System) Administration Policy UTS 142.1(UTS 142.1), Policy on the Annual Financial Report, each institution is required to develop a Monitoring Plan for the segregation of duties and reconciliation of cost centers and project accounts. Additionally, all account owners must certify annually that their accounts were reconciled for each of the twelve months during the fiscal year.

Methodology:
The testing included a review of cost center/project account reconciliations for:
- support documentation,
- segregation of duties,
- timeliness, and
- evidence of review.
Results:

A.1 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.”

Observation:

The PeopleSoft (PS) Team rolled out a new account reconciliation training in July 2018. The training offers users guidance on how to prepare a reconciliation in compliance with the UTEP Handbook of Operating Procedures (HOP) and Vice President for Business Affairs Business (VPBA) Business Process Guidelines.

A.2 Account Reconciliations

The University HOP Section VII: Financial Services, Chapter 5, states: “In accordance with UTS 142.1, all cost center/project administrators are required to review the cost center/project for which they have signature authority on a monthly basis.”

Observation:

Limited testing was performed to determine if cost center/project accounts were being reconciled on a monthly basis. A sample of 24 cost center/project account reconciliations was chosen for testing. The results of the review indicated eight of the 24 (33%) reconciliations were not prepared.

Of the 16 reconciliations prepared¹,

- nine (56%) were not dated,
- six (38%) were not reviewed by the account owner, and
- four (25%) did not maintain all the required support documentation.

The Project Information Center Tool (PIC) is utilized to reconcile all transactions for sponsored projects; however, the account reconciliation process for project accounts is ineffective. In one reconciliation, a voucher ($500) appeared in the PIC download and the reconciler verified the expense despite the fact the voucher had been deleted in PS.

Recommendation:

Account reconciliations are the primary control for verifying expenses and detecting fraud and/or errors. All reconciliations should be prepared in compliance with University policy. Both the account owner and the reconciler must sign off on the reconciliation and documentation should be retained to serve as support for all charges.

¹ A reconciliation can have multiple instances of non-compliance.
Management Response:
We agree that account reviews should be completed on a monthly basis by account owners. We will work on a communication plan to emphasize the importance of completing monthly account reviews in accordance with University policy.

B. Certification
The UTEP Monitoring Plan requires all account owners "to annually certify that there is proper segregation of duties within their departments and required reconciling activity is being performed according to University policy."

Observation:
The VPBA identified 403 cost center/project account owners for FY 2018. On October 17, 2018, 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." Reminder emails were sent out on October 24th and 29th. In total, 72% of the account owners responded to the certification inquiry.

Based on the survey responses, a sample of nine accounts was chosen and the August 2018 reconciliation for each account was reviewed for compliance with University policy. The majority of certified accounts tested did not comply with University policy.
• three (33%) reconciliations were not prepared,
• three (33%) did not comply with University policy:
  ➢ one was not signed to indicate segregation of duties,
  ➢ three did not include all the required support documentation, and
  ➢ two were not dated to demonstrate timeliness.

Recommendation:
There should be an escalation process and accountability for account owners who fail to certify. Additionally, all account reconciliations should be prepared in accordance with University policy.

Management Response:
There was an established escalation process for certifications this past cycle. We will work to ensure that the established process is implemented this coming certification cycle. We will also communicate with account owners, and their supervisors, who failed to complete the certification this year.

C. Departmental Review
Per the UTEP Monitoring Plan, “The Office of the VPBA will review for segregation of duties and reconciliation of all departmental expense activity.”

Observation:
The PS team has implemented an account reconciliation review process to provide reasonable assurance that account reconciliations were prepared in accordance with University’s policies and procedures. The team completed thirteen reviews during FY 2018. At the conclusion of each assessment, a memo summarizing the results of the testing was provided to the account owner. Ten of the thirteen (77%) reviews were for reconciliations performed in FY 2017, and the last review was for November 2017.

Recommendation:
As account reconciliations are the primary control for detecting errors and/or fraud, reviews should occur throughout the year and any feedback on the reconciliation process should be communicated in a timely manner.

Management Response:
We will work with the PS team to ensure that departmental reviews are conducted throughout the year.

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2 Reconciliations can have multiple instances of non-compliance.
Conclusion:
The UTEP Monitoring Plan has been developed and the account reconciliation training has been updated. However, based on our testwork, the results for FY 2018 were worse than the previous year. All individuals involved in the reconciliation process should be required to attend training to ensure reconciliations are accurate and completed in a timely manner.

cc:  Dr. Diana Natalicio, President
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APPENDIX A: Criteria: