



The University of Texas at El Paso
Office of Auditing and Consulting Services

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DATE: February 17 , 2020
TO: Mr. Mark McGurk, Vice President for Business Affairs
FROM: Lori Wertz, Chief Audit Executive, Office of Auditing and Consulting Services
SUBJECT: Audit 20-115 UTS 142.1 Monitoring Plan

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) 2019.

The objectives of the audit were to:

- perform testing of the Monitoring Plan and subcertification process as required by UTS 142.1, and
- validate management's assertions on the segregation of duties and account reconciliations.

The scope of the audit was September 1, 2018 to August 31, 2019. To achieve our objectives, we performed a risk analysis, reviewed applicable University of Texas System (UT System) and UTEP policies, interviewed personnel, and performed detailed testing on a sample basis.

Background:

UT System Administration Policy UTS 142.1(UTS 142.1), *Policy on the Annual Financial Report*, requires each institution to create a Monitoring Plan. The UTEP Monitoring Plan addresses the following areas:

- **Certification**: All account owners are required to certify annually their expenses are true and accurate and there is proper segregation of duties in their department.
- **Departmental Review**: The PeopleSoft team reviews a sample of reconciliations for accuracy, completeness, and segregation of duties.
- **Training**: The University provides training to explain the requirements for an account reconciliation.

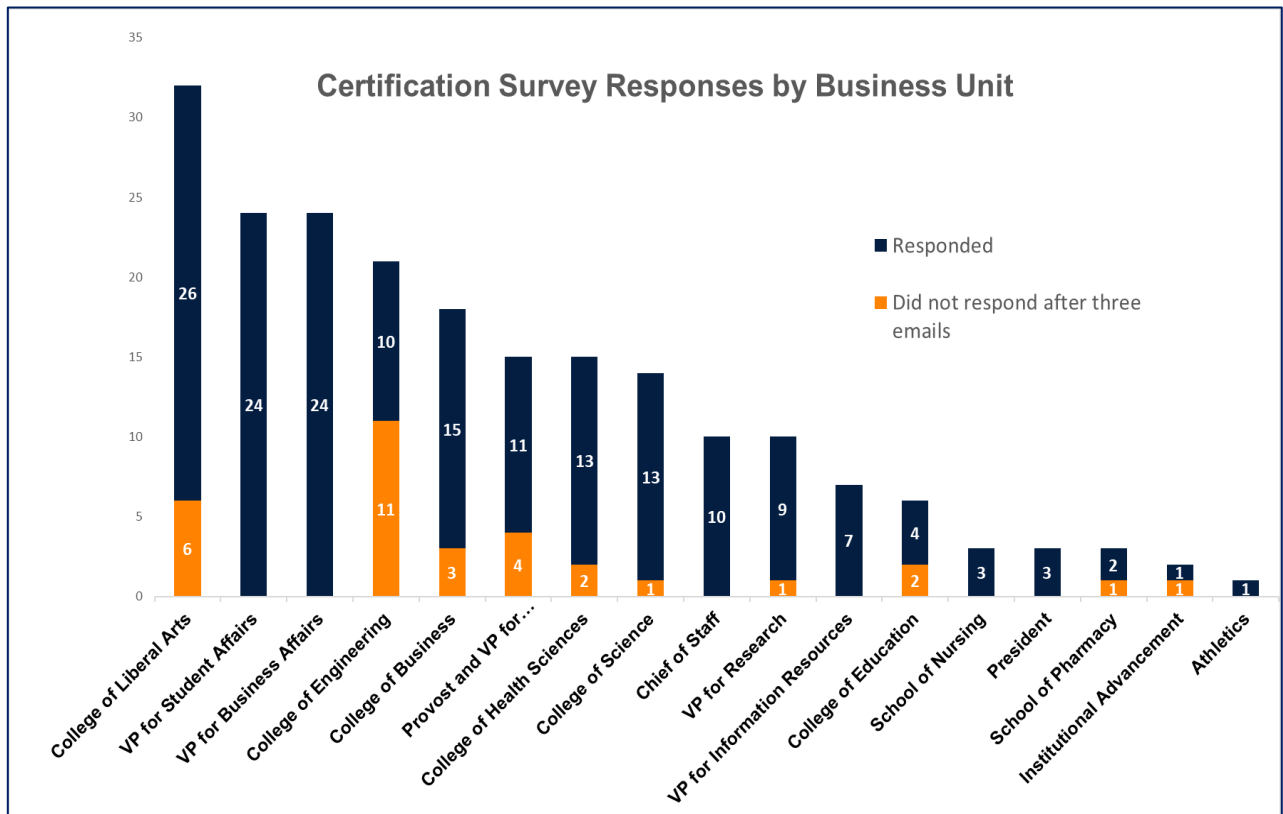
Results:

A. Certification

A.1 Certification Process

The UTEP Monitoring Plan states, “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 Vice President for Business Affairs (VPBA) identified 208 cost center/project account owners for FY19. On November 16, 2019, an email was sent to all account owners requesting they complete the survey to certify their accounts had been reconciled and there was proper segregation of duties within their department. Reminder emails were sent out on November 14th and 21st. A total of 176 of 208 (85%) individuals responded to the survey.



In the previous year, 292 of 403 (72%) of account owners responded to the survey.

The VPBA management response in Audit #18-203 stated, “*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.*”

We noted the VPBA follow-up response consisted of two reminder emails sent to account owners who did not respond to the survey. Although the response percentage increased, there is still room for improvement.

Certification of costs centers and project accounts is part of the internal control process over the fair presentation of the financial statements, and provides notice from account owners to the VPBA that financial information is accurate.

Recommendation:

The certification survey is an important component of the University Monitoring Plan. In addition to the two reminder emails, there should be an escalation process for all account owners who do not respond in order to ensure all cost center/project owners certify they reconcile their accounts.

Management Response:

The University is currently working in conjunction with UTSIS on implementing an online reconciliation tool that would be available through PeopleSoft. This new feature will provide the reports needed to better monitor cost center/project reviews during the year and during the certification process. We will also develop a back-up proposal for an improved escalation plan for this fiscal year should the online tool not become available.

Responsible Party:

Charlie Martinez, Asst. VPBA/Comptroller

Implementation Date:

September 25, 2020

A.2 Account Reconciliations

The University HOP Section VII Financial Services: Chapter 5 Cost Center/Project Review Policy, 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...The review function consists of examining supporting documentation and the actual charges against the cost center/project. Discrepancies should be resolved within 60 days after their identification."*

In FY19, 170 of 176 (97%) individuals responding to the survey certified they reconciled their cost center/project accounts. We selected a sample of 25 (15%) of 170 cost center/project account owners and chose one reconciliation per owner for testing.

- Eight of 25 (32%) account owners did not have a prepared reconciliation for review, even though they certified their accounts were reconciled.
- Seven of 25 (28%) account owners had reconciliations that were not prepared in compliance with University policy. Our review noted:
 - salary transactions were not reviewed as part of the reconciliations process,
 - support documentation for transactions was not maintained,
 - reconciliations were not completed within 60 days after the month end close,
 - one reconciliation was not signed by the account owner to indicate segregation of duties and
 - some project owners solely use the Project Information Center (PIC) Tool to reconcile, which is an incomplete process.
- Ten of 25 (40%) account owners had cost center/project reconciliations prepared in compliance with University policy.

In summary, although the account owners certified their accounts were fully reconciled, 15 of 25 (60%) of the reconciliations tested were not prepared or did not follow University policy. Account reconciliations were also found to be a problem during Audit #18-203 Monitoring Plan, where the majority of account reconciliations tested did not comply with University policy.

The VPBA response in Audit 18-203 stated, *"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."*

According to UTS 142.1, all departments should complete a reconciliation of accounts on a monthly basis for each account under its responsibility. This is an important

internal control to identify any errors in a timely fashion as well as to reduce the risk of misappropriation of assets.

Recommendation:

The VPBA should emphasize the importance of monthly account reconciliations and require both account owners and reconcilers to attend the reconciliation training.

Management Response:

A review of current policies and procedures are being conducted in conjunction with the implementation of the online reconciliation tool. New training programs will be created as part of this effort and will be presented to campus on a regular basis. There will be a mandatory training for all account owners and reconcilers once the transition to the online tool is completed.

Responsible Party:

Charlie Martinez, Asst. VPBA/Comptroller

Implementation Date:

July 10, 2020

B. Departmental Review

Per the Monitoring Plan Segregation of Duties/Reconciliation of Cost Centers/Projects, “the Office of the VPBA will review account reconciliations for accuracy and completeness.” This responsibility has been assigned to the PeopleSoft (PS) team. The team performed 16 cost center account reconciliation reviews during the year, and each assessment was followed up by a memo to the account owner summarizing the results.

Although the Monitoring Plan encompasses the segregation of duties and reconciliation of both cost centers and project accounts, project accounts were not reviewed in FY18 or FY19. Per the PeopleSoft Team, project accounts are currently not included in the review process. A review of account reconciliations is an important part of the internal control process over the fair presentation of the financial statements, and provides notice from account owners to the VPBA that financial information is accurate.

Recommendation:

The VPBA should ensure both cost center and project account reconciliations are reviewed, and an escalation process should be developed for departments that do not reconcile their accounts.

Management Response:

A review of the departmental review program will be conducted and updated to account for changes in policy and procedures related to the online reconciliation tool that will become available later this fiscal year. The updated program will also include an escalation process for departments that are found to be non-compliant. We are also looking at transitioning this function from the PeopleSoft Team to VPBA with the goal of reaching more departments throughout the year.

Responsible Party:

Charlie Martinez, Asst. VPBA/Comptroller

Implementation Date:

October 16, 2020

C. Employee Training

Per the Monitoring Plan, *“Workshops are available to assist campus users in the reconciliation process and focus on best practices for reconciliation of accounts and segregation of duties.”*

The PS team schedules reconciliation trainings throughout the year which address the requirements of an account reconciliation and provide links to the University policies. In addition, training documents are available on the UTEP PeopleSoft website

Recommendation:

The training should emphasize the need to reconcile both cost centers and project accounts in accordance with UTS 142.1 and the University HOP Cost Center/Project Review Policy.

Management Response:

All policies and procedures will be reviewed as part of the transition to the online reconciliation tool. This effort will include an update to the training program and a more collaborative effort between the PeopleSoft Team and General Accounting services. This collaboration will help emphasize the importance of the account review and certification processes

Responsible Party:

Charlie Martinez, Asst. VPBA/Comptroller

Implementation Date:

August 28, 2020

Conclusion:

The components of the UTEP Monitoring Plan have been defined. For the cost centers and project account reconciliations completed and reviewed as part of our audit, there was an adequate level of segregation of duties. However, further work needs to be done to ensure all account owners participate in the annual certification process and reconcile their cost centers and project accounts in accordance with UTS 142.1 and the UTEP HOP.

cc: Dr. Heather Wilson, President
Mr. Richard Aauto, Chief of Staff
Mr. Carlos Martinez, Assistant Vice President, Business Affairs, Finance
Ms. Iris Niestas, Assistant Vice President and Director of System Integration
Ms. Mary Solis, Director and Chief Compliance and Ethics Officer

APPENDIX A

UTS 142.1 Policy on the Annual Financial Report

Sec. 1 Purpose

This policy provides for financial reporting requirements and duties related to those responsible for financial reporting, the approval of accounting records and responsibilities for establishing internal controls to ensure that funds are expended and recorded appropriately, and procedures for obtaining services by an external audit firm.

Sec. 2 Principles

The University of Texas System institutions are responsible for the accuracy and integrity of their financial statements. Management at each institution provides an annual certification of compliance with financial reporting requirements and the fair presentation of the financial statements. The certification includes the acknowledgement of responsibility for establishing and monitoring internal controls.

Sec. 3 Requirement and Responsibility

The combined financial statements of The University of Texas System are prepared in accordance with Governmental Accounting Standards Board requirements and in accordance with the Texas Comptroller of Public Accounts' Annual Financial Reporting Requirements. The Financial Reporting Officer has direct responsibility for the establishment of efficient and effective internal controls over the preparation of the annual financial report.

Sec. 4 Designation of Financial Reporting Officer

The Chief Administrative Officer of each institution and U. T. System Administration shall designate a single financial reporting responsible party, known as the Financial Reporting Officer.

4.1 Each institution's Financial Reporting Officer is directly responsible to the respective Chief Administrative Officer for the integrity of the institution's annual financial report.

4.2 The U. T. System Administration Financial Reporting Officer is directly responsible to the Chancellor for the integrity of the U. T. System Administration Annual Financial Report and the consolidated U. T. System Annual Financial Report.

Sec. 5 Duties of Financial Reporting Officer

The Financial Reporting Officer has direct responsibility for the establishment of efficient and effective internal controls over the preparation of the annual financial report.

The Financial Reporting Officer shall develop or update a monitoring plan for the segregation of duties and reconciliation of accounts. The monitoring plan should be risk-based and establish the minimum requirements for the institution.

Sec. 6 Certification

The Chief Administrative Officer and Financial Reporting Officer will attest to the accuracy of the institution's financial statements in an annual certification letter to the Financial Reporting Officer of U. T. System Administration. They will also certify compliance with the U. T. System Financial Code of Ethics and to knowledge of any violations of the Financial Code of Ethics.

6.1 Certification. The certifying officials will provide a certification according to the format specified in the attached letter in Appendix 1.

6.2 Financial Code of Ethics. The Financial Reporting Officer will certify compliance with the Financial Code of Ethics (UTS134) by those involved in the preparation of the annual financial report and whether, to the Financial Reporting Officer's knowledge, any of those employees violated the Financial Code of Ethics. See Appendix 2 for the Financial Code of Ethics certification form.

Sec. 7 Internal Audit Risk Assessment and Certification of the Monitoring Plan

The institutional Chief Audit Executive shall perform an annual risk assessment of the Monitoring Plan. The institutional Chief Audit Executive will certify within 60 days of the fiscal year end, to the Financial Reporting Officer of U. T. System Administration, whether an audit was performed based on the risk assessment and discussion with the institutional audit committee. See Appendix 3 for the Internal Audit Certification form.

Sec. 8 External Audit of the Financial Statements

An external audit firm may be engaged to express an opinion on the U. T. System financial statements or the financial statements of any of its institutions.

8.1 Contracts. The Audit, Compliance, and Risk Management Committee of the Board of Regents is responsible for contracting with any external audit firm for the expression of an opinion on the U. T. System financial statements or individual financial statements of any institution. If the contract exceeds \$1 million, it must be approved by the Board of Regents.

8.2 External Audit Results. The results of any external audits that express an opinion on the financial statements of the U. T. System or any of its institutions should be presented to the Audit, Compliance, and Risk Management Committee of the Board of Regents.

8.3 Conflicts of Interest. An external audit firm engaged to express an opinion on the U. T. System financial statements or those of any institution must be free of any conflict of interest as prescribed by [Regent Rule 20402, 2. Sec. 1.3](#). ([/board-of-regents/rules/20402-provision-audit-and-non-audit-services-external-audit-firms](#))

Sec. 9 Approval Required by the State Auditor's Office

9.1 Texas Government Code Section 321.020(a) provides that a state agency may employ a private auditor to audit the state agency only if:

- a) the agency is authorized to contract with a private auditor through a delegation of authority from the state auditor;
- b) the scope of the proposed audit has been submitted to the state auditor for review and comment; and
- c) the services of the private auditor are procured through a competitive selection process in a manner allowed by law.

9.2 General Appropriations Act prohibits funds appropriated in the Act to be used to enter into a contract with an independent audit entity or audit services, except as follows:

- (1) an interagency contract with the State Auditor's Office (SAO) for the SAO to provide audit services to the agency or institution. At the discretion of the State Auditor and the Legislative Audit Committee, the SAO may conduct the audit or the SAO may enter into a contract with an independent audit entity to conduct the audit; or

(2) a contract with an independent audit entity for the provision of audit services pursuant to §321.020, Government Code.

Definitions

Financial Reporting Officer - person directly responsible to the respective Chief Administrative Officer for the integrity of the institution's annual financial report.

Additional Definitions in [Regent Rule 20402 \(/board-of-regents/rules/20402-provision-audit-and-non-audit-services-external-audit-firms\)](#).

Policy Details

Responsible Office(s)

Controller

Date Approved

FEBRUARY 16 2004

Dates Amended or Reviewed

JANUARY 7 2010

MAY 19 2011

JANUARY 8 2015

JANUARY 14 2016

JULY 2 2018

JUNE 25 2019

Contact Information

Office of the Controller
(/offices/controller)

Related Information

Relevant System Policies, Procedures, and Regents' Rules

Rule 20402: Provision of Audit and Non-Audit Services by External Audit Firms
(/board-of-regents/rules/20402-provision-of-audit-and-non-audit-services-external-audit-firms)

Rule 20501: Accounting, Operating Budgets, and Legislative Appropriation Requests
(/board-of-regents/rules/20501-accounting-operating-budgets-and-legislative-appropriation-requests)

UTS 134 Code of Ethics for Financial Officers and Employees
(/sites/policy-library/policies/uts-134-code-ethics-financial-officers-and-employees)

Related Forms

Appendix 1 - Certification Letter - Health Institutions
(<https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-1-certification-letter-health-institutions-10-02-2018.pdf>)

Appendix 1 - Certification Letter - Academic Institutions
(<https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-2-certification-letter-academic-institutions-updated-10-02-2018.pdf>)

Appendix 2 - Financial Code of Ethics Certification
(<https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-2-finethicscert.pdf>)

Appendix 3 - Chief Audit Executive Certification
(<https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-3-cae-certification-05-30-2019.pdf>)

Relevant Federal and State Statutes

Texas Government Code Section 321.020 Coordination of Certain Audits
(<http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.321.htm#321.020>)

Article IX Rider, General Appropriations Act, General Limitations on Expenditures Section 6.20 Use of Appropriations to Contract for Audits 2010-2011 Biennium
(http://www.lbb.state.tx.us/Documents/GAA/General_Appropriations_Act_2010-11.pdf)