



Segregation of Duties and Reconciliation of Accounts

Accounting & Financial Management

April 2025

Office of Internal Audits
UT Austin's Agents of Change



OFFICE OF INTERNAL AUDITS
THE UNIVERSITY OF TEXAS AT AUSTIN

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Executive Summary

Segregation of Duties and Reconciliation of Accounts

Accounting & Financial Management

Project Number: AUS25AS0013

Audit Objective

The objective of this audit was to evaluate the effectiveness of the monitoring procedures for segregation of duties (SOD) and reconciliation of accounts as required by The University of Texas System Administration Policy 142, *Financial Accounting and Reporting* (UTS 142).

Conclusion

Risk Management has not implemented effective monitoring procedures and is not compliant with The University of Texas at Austin's (UT Austin) Segregation of Duties and Reconciliation of Accounts Monitoring Plan (Monitoring Plan).

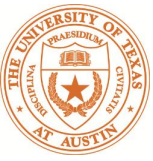
Audit Observations¹

Recommendation	Risk Level	Estimated Implementation Date
Segregation of Duties and Account Reconciliation Monitoring	High	August 2025

Engagement Team

Ms. Autumn Gray, CIA, Assistant Director
Ms. Kalie Rhodes, Auditor II

¹ Each observation has been ranked according to The University of Texas System Administration (UT System) Audit Risk Ranking guidelines. Please see the last page of the report for ranking definitions.



Conclusion

Risk Management has not implemented effective monitoring procedures and is not compliant with UT Austin's Monitoring Plan.

The following table provides a summary of the audit results.

Table: Controls Assessment

Audit Objective	Controls Assessment
Evaluate the effectiveness of the monitoring procedures for segregation of duties and reconciliation of accounts as required by UTS 142.	Ineffective

Background

In accordance with UTS 142, each institution is required to develop and maintain a monitoring plan for the SOD and reconciliation² of accounts. The monitoring plan should be risk-based and establish the minimum requirements for the institution.

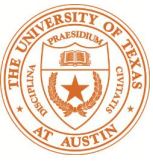
This engagement is the third audit of UT Austin's SOD and account reconciliation process since 2020. In February 2020, we identified three observations, including the need to update the Monitoring Plan and to develop guidance and communication regarding reconciliation responsibilities and timeliness. As a result, the Handbook of Business Procedures (HBP) Part 2.5 *Account Reconciliation*, and the Monitoring Plan were updated and communicated to CSUs. In August 2022, we identified that the updated Monitoring Plan had generally not been implemented. Management's corrective action plan to address the observation included implementation of regular reviews of outstanding reconciliations and related escalation procedures, as well as an updated process to engage with every CSU over a three-year cycle to assess their SOD and reconciliation procedures.

Detailed Audit Results

Observation #1 Segregation of Duties and Account Reconciliation Monitoring

Risk Management has not implemented an effective monitoring system to review CSU account reconciliations and SOD processes. While Risk Management follows up with CSUs that have outstanding reconciliations at the end of the fiscal year, they do not conduct the quarterly follow-up as outlined in the Monitoring Plan and the previous management corrective action plans.

² The process whereby department personnel periodically review or monitor the reasonableness and appropriateness of financial activity that have occurred within departmental accounting records.



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Delays in performing monthly reconciliations increase the risk of undetected or uncorrected errors and potential noncompliance with federal or state regulations. Furthermore, if transaction-related responsibilities are not assigned to different individuals, the risk of fraud or errors is heightened. Without regular monitoring, Risk Management cannot effectively assist CSUs with strengthening their processes and controls to reduce the likelihood of fraud or errors.

Recommendation: Risk Management should revise and implement the monitoring plan. As part of the revision, management should include:

- Who will monitor reconciliations and segregation of duties
- How often reconciliations will be monitored (e.g., monthly, quarterly)
- How monitoring will be completed and documented
- How Risk Management will engage with CSUs to review segregation of duties processes

Management's Corrective Action Plan: Risk Management hired a new assistant director who is currently being trained to review and manage the monitoring process. Risk Management will begin to conduct quarterly Expense Account Certification monitoring by May 31, 2025.

Risk Management will implement a risk-based triennial review of all CSU SOD and reconciliation processes with the goal of ensuring every CSU has an opportunity for review and training over the three-year cycle. The review will include a proactive assessment of each CSU's processes in lieu of current procedures which generally only occur when a CSU seeks guidance. We will identify and work with the first one-third of CSUs on their reconciliation and SOD processes prior to August 31, 2025.

Responsible Person: Director for Treasury, Risk, and Payment Information Services

Planned Implementation Date: August 31, 2025

Scope, Objectives, and Methodology

This audit was conducted in conformance with The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*. Additionally, we conducted the audit in accordance with Generally Accepted Government Auditing Standards and meet the independence requirements for internal auditors. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions on our audit objectives.

The scope of this review includes segregation of duties and account reconciliation monitoring efforts in the office of Risk Management.

Specific audit objectives and the methodology to achieve the objectives are outlined in the table below.



OFFICE OF INTERNAL AUDITS REPORT: SOD AND ACCOUNT RECONCILIATION

Table: Objectives and Methodology

Audit Objective	Methodology
Evaluate the effectiveness of the monitoring procedures for segregation of duties and reconciliation of accounts as required by UTS 142.	<ul style="list-style-type: none">Reviewed UTS 142, UT Austin's Monitoring Plan, HBP 2.5, Account <i>Reconciliation</i>, and prior audit reports.Interviewed the Director of Treasury, Risk and Payment Information Services and the Interim Controller to gain an understanding of current controls and processes.

During the planning phase, Risk Management acknowledged they are not performing quarterly monitoring of reconciliations or conducting the triennial review of CSU SOD processes. As a result, no additional testing was performed.

Criteria

- HBP 2.5, *Account Reconciliation*
- Segregation of Duties and Reconciliation of Accounts Monitoring Plan
- UTS 142, *Financial Accounting and Reporting*

Observation Risk Ranking

Audit observations are ranked according to the following definitions, consistent with UT System Audit Office guidance.

Risk Level	Definition
Priority	If not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of The University of Texas at Austin (UT Austin) or the UT System as a whole.
High	Considered to have a medium to high probability of adverse effects to UT Austin either as a whole or to a significant college/school/unit level.
Medium	Considered to have a low to medium probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.
Low	Considered to have minimal probability of adverse effects to UT Austin either as a whole or to a college/school/unit level.

In accordance with directives from UT System Board of Regents, Internal Audits will perform follow-up procedures to confirm that audit recommendations have been implemented.



Report Submission

We appreciate the courtesies and cooperation extended throughout the audit.

Respectfully Submitted,

A handwritten signature in blue ink that reads "Sandy Jansen".

Sandy Jansen, CIA, CCSA, CRMA, Chief Audit Executive

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