The University of Texas System Administration
Monitoring Plan for Segregation of Duties and Review of Financial Activity
Last Updated: July 26, 2021

Purpose

To establish UT System Administration's monitoring plan for segregation of duties and reconciliation of accounts required by UTS 142.1 – Policy on the Annual Financial Report.

Responsibilities

The **Financial Reporting Officer** is responsible for the integrity of UT System Administration's Annual Financial Report (AFR), including the establishment of efficient and effective internal controls over the preparation of the AFR.

The Financial Reporting Officer is also responsible for developing, implementing, and updating this Monitoring Plan.

The **Chief Audit Executive** annually certifies that this Monitoring Plan for Segregation of Duties and Review of Financial Activity (the Monitoring Plan) has been reviewed and known frauds have been reported and addressed.

The Plan

I. Segregation of Duties

Certain duties should be performed by separate individuals to reduce the risk of fraud or errors, and no one individual should have responsibility for all aspects of a transaction.

In general, the following transaction-related duties are considered incompatible and should be performed by separate individuals:

- Initiating
- Approving
- Record Keeping
- Asset Receipt – Including Cash Receipt
- Reconciliation of the related transactions

Managers should be aware of duties that are potentially incompatible and arrange assignments so that no employee has incompatible duties. Managers of smaller departments where segregation of certain duties may not be feasible must implement mitigating controls such as detailed management review of reconciliations.

Segregation of duties for vouchers is largely governed automatically through PeopleSoft routing and approval requirements.

II. Cost Center/Project Reconciliation

A. Revenue and Expense Transaction Reconciliation & Review

Reconciliation of all revenue and expense activity is required. Reconciliation of transactions must be completed every month and any required corrections need to be identified and processed. Reconciliation may be less frequent than monthly (e.g. quarterly, annually) for certain exceptions identified based on type or frequency of activity and as coordinated with the Controller's Office. Completion is tracked in the PeopleSoft Account Reconciliation Application (SAHARA).

Cost center and project reconciliation and approval demonstrate good stewardship and accountability of financial resources. It is a comparison of the department's monthly financial transactions in PeopleSoft to supporting documentation. Reconciliation is essential for an effective internal control environment to ensure:

- The accuracy and validity of the entries and balances.
- The transactions are accurately recorded.
- Unauthorized charges/changes did not occur.
- Resolution of discrepancies occurs in a timely fashion.

Although departments may review their ongoing cost center activity throughout the month, a formal reconciliation of the accounting records is required monthly. A reconciliation consists of:

- Comparing supporting documentation with the current month's recorded transactions (actual transactions) listed in SAHARA.
- Ensuring all transactions have supporting documentation and are accurate, authorized, and appropriate.
- Ensuring all transactions meet Federal and State laws, and UT System policies and guidelines.
- Noting any errors or questionable transactions in the system and initiating corrective action.
- Completing the system reconciliation by clicking the reconciliation check boxes.

The review and approval of a cost center is a broader and less detailed process than the steps involved in the reconciliation. Specifically, the approver should consider the following questions:

- Do the transactions appear appropriate for departmental/UT System business?
- Are there any suspicious-looking transactions?
- Does it appear the accounts have been reconciled (i.e., the reconciler has noted transactions)?

- Has the reconciler explained any unrecognized transactions?
- When the approver completes the review process and believes all transactions are logged, accurate, appropriate, and authorized, they will select the "approved" check box. In doing so, they affirm the review/approval of the reconciliation and all related notes for the cost center's monthly activity.

B. **Retaining Documentation**

Supporting documentation for transactions recorded to the cost center and used for reconciliation purposes should be retained. Supporting documentation should be kept in accordance with record retention guidelines.

General Guidelines

A. Monitoring Responsibilities

1. Monthly

The department head, or their designee (Owner), shall approve account reconciliations on active cost centers and projects on a monthly basis. Approval is tracked in PeopleSoft SAHARA.

Department Heads can review a monthly actual to budget comparison report (ABC report) for their department, which allows them to analyze revenue and expense totals by natural classification compared to budgeted amounts. This higher-level analysis will supplement the detailed review of the monthly reconciliations

2. Annually

Department Heads are required to complete the Annual Financial Certification, using SAHARA , which asserts, among other items, that all departmental cost centers and projects have been reconciled and appropriate separation of duties have been observed. Controller's office will provide specific deadlines for this at year-end.

The Financial Reporting Officer reviews the Annual Financial Certifications to monitor reconciliation processes and segregations of financial duties, and to identify any potential issues.

3. Monitoring of Reconciliations

The Controller's Office will perform a quarterly review of SAHARA to determine if monthly reconciliations are being performed, identify departments or reconcilers who have not been completing sign-off in SAHARA, and support the departmental reconciliation process by contacting the departments to identify any issues or questions. Communications with reconcilers and approvers is part of the quarterly review if issues are identified. Unresolved issues will be escalated as determined by the Associate Vice Chancellor & Controller.

B. Training Requirements

All reconcilers, approvers/owners, and department heads shall receive training and will sign a statement acknowledging their training attendance and understanding of their reconciliation responsibilities.

As part of the quarterly monitoring the Controller's Office will ensure that all SAHARA reconcilers have completed training by comparing the training list against SAHARA access list.

Monitoring Plan Definitions

Active Cost Center or Project: A cost center or project that has any completed (final approved) transaction posted during the month.

Comparison: The process of examining financial information for similarities or differences.

Financial Reporting Officer: Per UTS 142.1, each UT institution must designate a single financial reporting responsible party, known as the 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.

Internal Controls: The practices performed by departments to provide management with reasonable assurance that assets are safeguarded, and transactions are authorized, valid, complete, and accurate.

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Annual Financial Certification: The Annual Financial Certification is signed by the Department Head after the close of each fiscal year. These certifications provide assurance to the Financial Reporting Officer that all cost centers and projects, and ultimately the financials of UT System, are accurate and without material errors or known fraud. Annual Financial Certifications are used to complete UT System's annual financial certification.

Owner in SAHARA: Financial Officers, Department Heads, or their designee responsible for the activity processed through a given cost center or project. Owners approve monthly reconciliations completed by Reconciler.

Reconciler in SAHARA: Performs the reconciliation of financial activities which have occurred within departmental accounting records.

Reconciliation: The process of comparing information which exists in two systems or locations, analyzing differences and making corrections so the information is accurate, complete, and consistent in both systems and locations. For departmental purposes, the process includes comparing the supporting documentation retained by the department to the information recorded in the Account Reconciliation Application (SAHARA).

Review: The process of examining financial information for accuracy and reasonableness. If determined to appear inaccurate or unreasonable, further investigation is warranted.

Segregation of Duties: The concept of having more than one person required to complete a task. To create a good segregation of duties, the individual steps of a task that should be separated between multiple employees include authorization, custody, record keeping, and reconciliation.

Verification: The process of examining information contained in an account, report, or system to ensure it is accurate and complete.