



January 23, 2019

Mr. Cesario Valenzuela
Vice President for Business Affairs and Chief Financial Officer
The University of Texas Permian Basin
4901 E. University Boulevard
Odessa, Texas 79762

Dear Mr. Valenzuela:

We have completed our audit of the University of Texas Permian Basin (UTPB) account reconciliation/subcertification process; Monitoring Plan; and segregation of duties for fiscal year 2017, as required by University of Texas System (UTS) 142.1. This audit was conducted in accordance with guidelines set forth in UTS 129, the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*, and *Generally Accepted Government Auditing Standards* (GAGAS) as issued by the Comptroller General of the United States.

The purpose of our audit was to perform testing of the Monitoring Plan and subcertification process as required under UTS 142.1 and validate management's assertions on segregation of duties and account reconciliations.

From our audit we noted one medium risk finding regarding lack of signatures/dates by preparers and approvers on some of the account reconciliations. This is discussed in detail in the attached report along with management's response. Overall, we conclude that there was an adequate level of segregation of duties and the requirements of UTS 142.1 have been substantially implemented.

We wish to express our appreciation to the management and staff of UTPB for the courtesy and cooperation extended to us during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Glenn Spencer".

Glenn Spencer, CPA
Chief Audit Executive

cc: Dr. Sandra Woodley, President
Ms. Felecia Burns, Director of Accounting
Mr. J. Michael Peppers, CPA, UT System Chief Audit Executive

The University of Texas

Permian Basin

Segregation of Duties and Reconciliation of Accounts Monitoring Plan – FY 2017

December 2018



**Office of Internal Audit
4901 E. University Boulevard
Odessa, Texas 79762**

Table of Contents

Executive Summary	3
Audit Objective	3
Scope and Methodology	4
Risk Ranking Criteria	4
Current Year Audit Results	5
Conclusion	6
Appendix A – Status of Prior Findings and Recommendations	7

Executive Summary

The University of Texas System’s Policy (UTS) 142.1 requires that the internal audit department of The University of Texas Permian Basin (UTPB) perform annual testing of the subcertification process and the Monitoring Plan; and validate management’s assertions on segregation of duties and account reconciliations. This audit encompassed UTPB’s Monitoring Plan; subcertification process; and account reconciliations completed in fiscal year 2017 (FY 2017).

For our testing, we reviewed the reconciliations for ten different departments. Overall, we found that the Monitoring Plan was implemented by the Office of Accounting. However, we did note the following exception:

Risk
Rank Finding

-  **5 out of 10 departments’ account reconciliations were lacking the necessary signatures and/or dates of the preparer and/or budget head**

For the account reconciliations that had been completed and reviewed as part of our audit, there was an adequate level of segregation of duties. We noted improvement in Accounting’s monitoring and follow-up procedures from the prior year audit. Consequently, from the results of our work, we conclude that the requirements of UTS 142.1 have been substantially implemented. Additional information, along with our recommendations, is detailed in the section entitled “Current Year Audit Results”.

OVERALL CONCLUSION
There was an adequate level of segregation of duties and the requirements of UTS 142.1 have been substantially implemented

Risk Ranking for Findings:  Critical  High  Medium  Low

Audit Objective

The purpose of our audit was to perform testing of the Monitoring Plan and subcertification process as required under UTS 142.1 and validate management’s assertions on segregation of duties and account reconciliations.

Scope and Methodology

The scope of the audit was FY 2017, which was from September 1, 2016 to August 31, 2017. Our audit included the following procedures:

- Gained an understanding of the monitoring process through interviews
- Reviewed prior audit findings and recommendations
- Reviewed the account reconciliation process and results
- Reviewed the sub-certification process
- In addition to testing the monitoring conducted by the Office of Accounting, we performed additional testing at the individual department/cost center level

Our audit was conducted in accordance with guidelines set forth in UTS 129, with the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*, and with *Generally Accepted Government Auditing Standards (GAGAS)* as issued by the Comptroller General of the United States.

Risk Ranking Criteria

Risk Level	Definition
PRIORITY	An issue identified by an internal audit, if not addressed immediately, has a high probability to directly impact achievement of a strategic or important operational objective of UT Permian Basin or UT System as a whole.
HIGH	Risk that is considered to be substantially undesirable and results in a medium to high probability of significant adverse effects to UT Permian Basin either as a whole or at the college/department/unit level.
MEDIUM	Risk that is considered to be undesirable and has a low to medium probability of adverse effects to UT Permian Basin either as a whole or at the college/department/unit level. Without appropriate controls, the risk will occur some of the time.
LOW	Considered to have minimal probability of adverse effects to the UT institution either as a whole or at the college/ school/unit level. Even with no controls, the exposure to UT Permian Basin will be minimal.

Current Year Audit Results

Finding: Completeness and Timeliness of Monthly Account Reconciliations

According to UTS 142.1, all departments are to complete a reconciliation of the Statement of Accounts on a monthly basis for each account under its responsibility. This important internal control is used to identify any errors in a timely manner as well as to reduce the risk of misappropriation of assets.

For our audit, we reviewed a sample of monthly reconciliations for 10 different departments. Out of this sample, we found the following:

- 5 out of 10 department's account reconciliations were lacking the signatures and/or dates of the preparer and/or budget head. It is important for there to be evidence of timely preparation and supervisor review in order to mitigate against possible error.

Assessed Level of Risk: Medium

Recommendation

The Office of Accounting should continue to take proactive measures to encourage budget heads to: 1) complete their account reconciliations in a timely manner; 2) review and approve each reconciliation; and 3) ensure that all the proper signatures and dates *for both the preparer and reviewer* are included. Ongoing training of the reconciliation process should be continued, both as a refresher and also due to employee turnover.

Management's Response

The Office of Accounting continues to encourage administrative assistants and budget heads to attend account reconciliation training to ensure that they understand that reconciliations must be completed and signed monthly, and that budget heads are reviewing, approving/signing, and dating the reconciliations.

The Monitoring Plan will be updated so that all account reconciliations without the necessary signatures and/or dates will be considered incomplete and returned to the department for prompt completion. For those departments that cannot meet the reconciliation requirements on a consistent basis, all preparers and reviewers/approvers/budget heads will be required to attend refresher training.

We plan to implement considerable consequences for those departments that do not complete their reconciliations in a timely manner, and for reviewers/approvers that do not approve the reconciliations in a timely manner.

We also plan to offer account reconciliation training at least once a month for new employees, and as a refresher for current employees to learn of policy and process updates. In FY19, there will be an

upgrade of the PeopleSoft system to the 9.2 version that will automate much of the reconciliation and monitoring process.

Implementation Date

September 1, 2019

Person Responsible for Implementation

Felecia Burns, Director of Accounting

Conclusion

For the account reconciliations that had been completed and reviewed as part of our audit, there was an adequate level of segregation of duties. We continue to note annual improvements being made by the Office of Accounting in its monitoring and follow-up procedures. However, the budget heads and/or preparers for some departments are not signing and/or dating the monthly statements.

Overall, it is our opinion that the requirements of UTS 142.1 have been substantially implemented.

APPENDIX A
STATUS OF PRIOR FINDINGS AND RECOMMENDATIONS

Finding	Recommendation	Status
<p>1. Subcertifications Under UTS 142.1 and the Monitoring Plan procedures, all account owners (departments) are to submit annual sub-certifications to Accounting. For verification purposes, we found that:</p> <ul style="list-style-type: none"> ➤ 7 out of 78 departments (8.97%) did not submit their sub-certifications to Accounting, which, at the close of our fieldwork, was following-up with those departments. <p>Assessed Level of Risk: Medium</p>	<p><u>Recommendation</u> Subcertifications from all departments should be fully completed and submitted to Accounting not later than September 30th in order to allow the annual audit to be completed within 60 days after fiscal year end, as required by UTS 142.1.</p> <p><u>Management Response</u> We concur. The subcertifications must be submitted to the departments in early September in order to give the departments time to reconcile their Audit Statement of Accounts and be in compliance with the subcertification form. We are currently looking at electronic submission.</p> <p><u>Implementation Date</u> September 30, 2017</p> <p><u>Person Responsible for Implementation</u> Cuca Franco, Interim Director of Accounting</p>	<p>No similar finding noted</p>

<p><u>2. Monthly Account Reconciliations</u> We further reviewed a sample of 60 monthly reconciliations for 20 different cost centers from 10 departments in 3 different months. Out of this sample, we found the following:</p> <ul style="list-style-type: none"> ➤ 14 out of 60 monthly reconciliations that were requested directly from departments were not received. ➤ From 46 account reconciliations that were provided by departments, 1 reconciliation was missing supporting documentation for expenses; 4 reconciliations were missing supporting documentation for revenue. ➤ 17 out of 46 missing signatures and dates for the preparer and/or reviewer. ➤ 21 out 46 were not reconciled in a timely manner, ranging from 4 weeks to 54 weeks late, which could indicate that many of the reconciliations are not being completed until being requested by either Accounting or the Auditor. <p>Assessed Level of Risk: Medium</p>	<p><u>Recommendation</u> Departments should complete their account reconciliations in a timely manner and retain the supporting documentation. UTPB policy requires reconciliations to be completed within 6 weeks of the end of each month.</p> <p><u>Management Response</u> We concur. We are currently analyzing the process. We have categorized all departments in to levels of reconciliation knowledge. We have given one-on-one training to all classifications in the lower category. We are currently conducting random audits to departments consisting of department visits.</p> <p><u>Implementation Date</u> September 30, 2017</p> <p><u>Person Responsible for Implementation</u> Cuca Franco, Interim Director of Accounting</p>	<p>Implemented</p>
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