



**DATE:** February 10 , 2021

**TO:** Mr. Mark McGurk, Vice President for Business Affairs

**FROM:** Lori Wertz, Chief Audit Executive, Office of Auditing and Consulting Services

**SUBJECT:** Audit 21-112 UTS 142.1 Monitoring Plan

*Lori Wertz*

## 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) 2020.

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, 2019 to August 31, 2020. 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 Office of the Vice President for Affairs (VPBA) reviews a sample of reconciliations for accuracy, completeness, and segregation of duties.
- **Training:** The University provides training to explain the requirements for account reconciliations.

During FY 2020, UTEP implemented SAHARA, an online reconciliation tool available through PS. With SAHARA, the VPBA is able to monitor the status of cost center reconciliation preparations and reviews.

The UTEP HOP does not differentiate between cost centers and project accounts; however, the grant account owners confirm their accounts are reconciled in the Project Information Center (PIC) tool, and record their final certification in SAHARA.

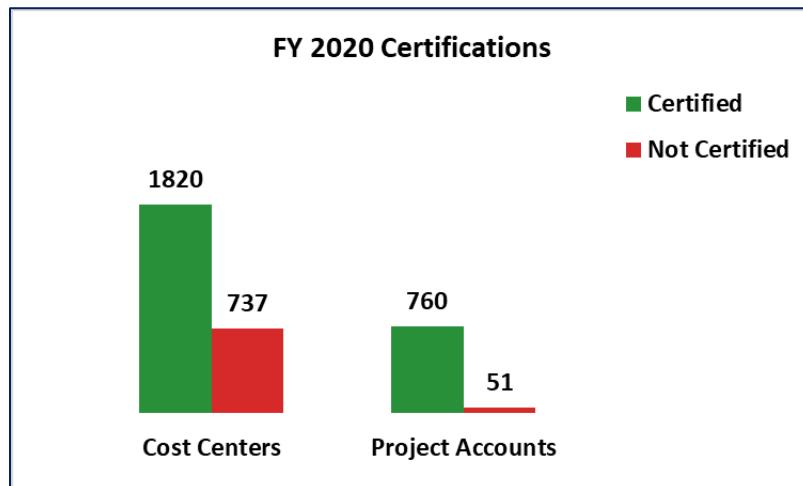
## Results:

### A. Certification

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.”*

At the end of each fiscal year, the VPBA identifies all individuals with signature authority (account owners) over University cost centers/project accounts. The VPBA contacts all cost center/project account owners and asks them to certify the cost center/project accounts under their control were fully reconciled, and there is proper segregation of duties within their departments. For FY 2020, the VPBA identified 380 individuals with signature authority and sent five reminder emails to encourage 100% participation. However, there are no consequences when a cost center/project account owner does not complete the certification survey.

The chart below summarizes the FY 2020 certifications for cost center and project accounts.



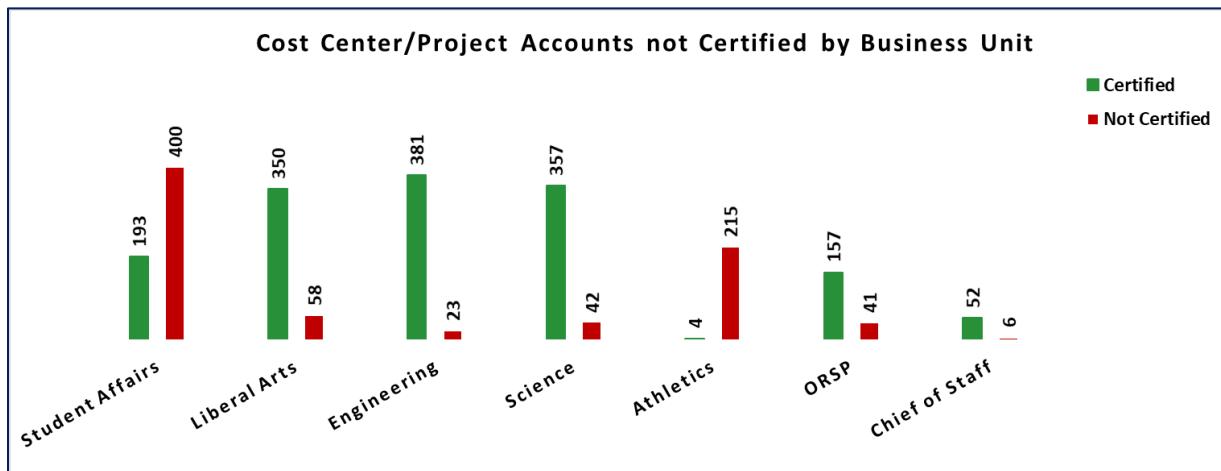
For FY 2020, 356 of 380 (94%) of cost center/project account owners certified their accounts were fully reconciled. This is an improvement over FY 2019 where 176 of 208 (85%) individuals certified their accounts.

Account reconciliations are an important part of the internal control process over the fair presentation of the financial statements. By certifying that accounts are reconciled and there is segregation of duties within the department, cost center/project account owners are indicating to the VPBA there are procedures in place to protect University assets.

We summarized the certifications by Business Unit. The following Business Units certified 98% of their cost center/project accounts were reconciled:

- The President's Office,
- Office of Institutional Advancement,
- Provost,
- College of Education,
- College of Health Sciences,
- School of Pharmacy,
- Extended University,
- Information Resources,
- School of Nursing,
- College of Business, and
- Business Affairs.

The chart below identifies Business Units with less than 98% of cost center/project accounts certified.



#### Recommendation:

*The VPBA should:*

- develop an escalation process for individuals that do not certify their cost center/project accounts are reconciled and*
- send a report to Executive Management quarterly detailing the account owners and the corresponding cost center/project accounts that have not been certified.*

#### Management Response:

Management partially agrees with the recommendation. An escalation process for the year-end certification process will be proposed in late spring for implementation in the upcoming certification cycle. The year-end certification is only open for a specified period, about 4 to 6 weeks, so weekly updates will be provided to the VPBA in lieu of quarterly report as recommended. The report will contain a summary of pending certifications by division, college and individual cost center owner. A final report will be issued once the certification period has ended.

#### Responsible Party:

Charlie Martinez, AVPBA/Comptroller

#### Implementation Date:

July 31, 2021

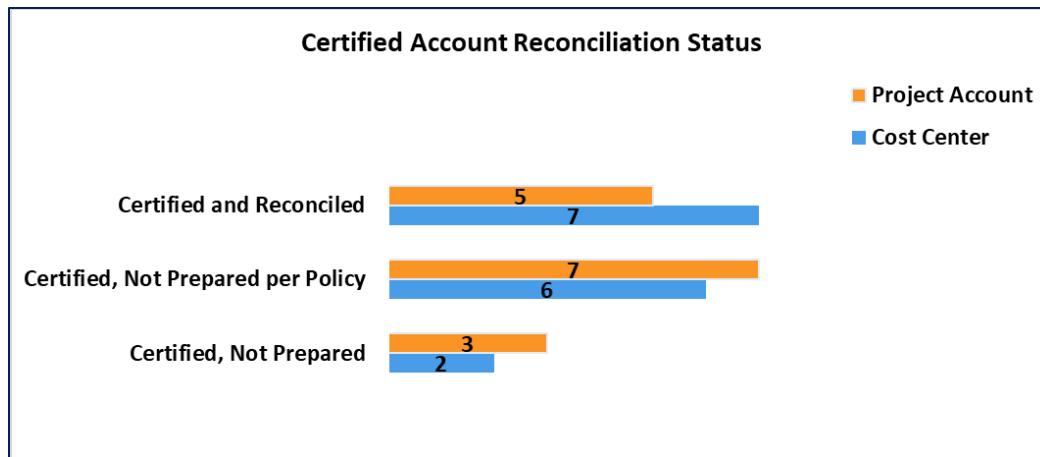
## B. Account Reconciliations

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.*

We selected a sample of 30 of 356 (8%) cost center/project account owners who certified their accounts were reconciled. We tested one reconciliation for each account owner in the sample. Detailed testing revealed that only five of 15 (33%) project accounts and seven of 15 (47%) cost centers were fully reconciled.

Thirteen of the 30 (43%) 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,
- reconciliations were not approved by the account owner to indicate segregation of duties.



Although the PS team offers account reconciliation trainings, 18 of 30 (60%) reconciliations tested were not prepared or did not follow University policy. Account reconciliations were also found to be a problem during Audit #20-125 UTS 142.1 Monitoring Plan.

UTS 142.1 requires all departments to complete monthly reconciliations for all cost center/project accounts under its responsibility. Account reconciliations are an important internal control to identify errors in a timely fashion and to reduce the risk of misappropriation of assets.

**Recommendation:**

- *Accountability reports should be sent to Executive Management on a quarterly basis.*
- *The trainings provided should focus on the importance of the review of support documentation, timeliness and segregation of duties to ensure account reconciliations comply with University policy.*
- *A sample account reconciliation should be included as part of the training.*

**Management Response:**

We agree with the recommendations. Processes are currently being developed to implement a monthly monitoring plan for all cost center reconciliations. Results of the monthly reconciliation process will be reported to Executive Management quarterly. We will also review current training materials and guides and update as needed to ensure all the points listed in the recommendations are appropriately addressed.

**Responsible Party:**

Charlie Martinez, AVPBA/Comptroller

**Implementation Date:**

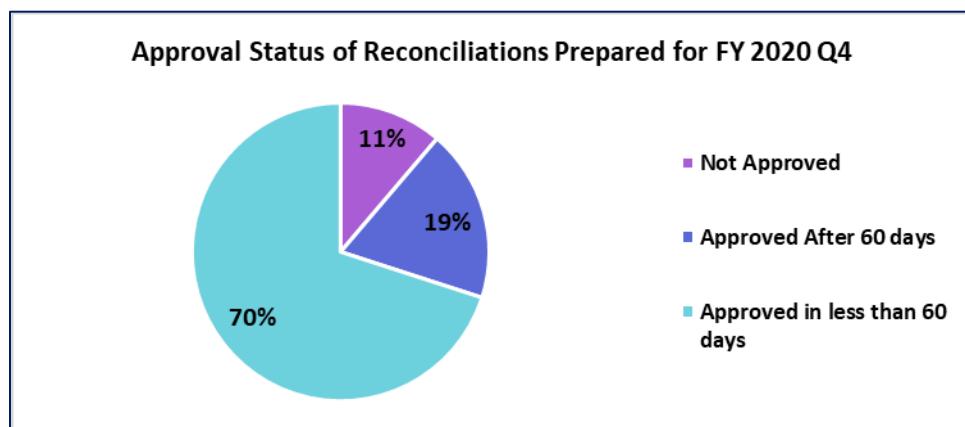
June 30, 2021

## C. Monitoring Plan

The Monitoring Plan Segregation of Duties/Reconciliation of Cost Centers/Projects states, “*the Office of the VPBA will review account reconciliations for accuracy and completeness.*”

The VPBA did not perform any departmental reviews to monitor account reconciliations during FY 2020.

We summarized the fourth quarter cost center reconciliations performed in SAHARA with the following results:



Account reconciliation review is an important part of the internal control process over the fair presentation of the financial statements. It provides assurance to account owners and the VPBA that the transactions recorded are accurate and complete.

### Recommendation:

*The VPBA should:*

- *utilize PS queries to monitor the status of cost center reconciliations,*
- *send reminder notices for all reconciliations not completed within 60 days,*
- *perform departmental reviews to monitor cost center/project account reconciliations for compliance with University policy and*
- *provide hands on training for departments that do not pass the departmental review or internal audits.*

**Management Response:**

We are in the process of hiring and training a team of students to conduct departmental reviews. We will work with Internal Audit to develop a monitoring plan, a sampling methodology and best practices for virtual departmental reviews. Summary reports will be provided to department heads at the end of each review. In addition, summary reports will be provided to Executive Management on a quarterly basis. Monthly reports will be provided to AVPBA/Comptroller and VPBA.

**Responsible Party:**

Charlie Martinez, AVBPA/Comptroller

**Implementation Date:**

May 31, 2021

**D. Employee Training**

Per the UTEP 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 scheduled multiple reconciliation trainings in preparation for the rollout of SAHARA for the reconciliation of cost centers. Cost center reconcilers are required to attend training before being given access to SAHARA. Account owners are not required to attend the trainings.

We could not find specific training for project account reconciliations on the UTEP website.

When performed properly, account reconciliations are an important method to detect unintentional errors and fraud.

**Recommendation:**

*The University should develop mandatory training for cost center/ project account owners that focuses on the importance of account reconciliations as an internal control.*

**Management Response:**

A proposal will be submitted to have a mandatory training for cost center/project account owners that focuses on the importance of account reconciliations as an internal control. We will continue to work with the PeopleSoft group to ensure our trainings are up to date and reflect current policies and procedures.

**Responsible Party:**

Charlie Martinez, AVPBA/Comptroller

**Implementation Date:**

June 30, 2021

**Conclusion:**

The VPBA has developed a Monitoring Plan for UTEP as required by UTS 142.1; however, it needs to be updated to reflect current procedures and implemented across campus. Further work needs to be done to ensure all account owners are held accountable for the reconciliation and certification processes.

**cc:** Dr. Heather Wilson, President  
Ms. Andrea Cortinas, Vice President and Chief of Staff  
Mr. Carlos Martinez, Assistant Vice President, Business Affairs, Finance  
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 \(/board-of-regents/rules/20402-provision-audit-and-non-audit-services-external-audit-firms\)](#)

Office of Auditing and Consulting Services  
Audit: 21-112 UTS 142.1 Monitoring Plan

Policy Details	Related Information
<b>Responsible Office(s)</b> Controller	<b>Relevant System Policies, Procedures, and Regents' Rules</b> 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)
<b>Date Approved</b> FEBRUARY 16 2004	Rule 20501: Accounting, Operating Budgets, and Legislative Appropriation Requests (/board-of-regents/rules/20501-accounting-operating-budgets-and-legislative-appropriation-requests)
<b>Dates Amended or Reviewed</b> JANUARY 7 2010 MAY 19 2011 JANUARY 8 2015 JANUARY 14 2016 JULY 2 2018 JUNE 25 2019	UTS 134 Code of Ethics for Financial Officers and Employees (/sites/policy-library/policies/uts-134-code-ethics-financial-officers-and-employees)
<b>Contact Information</b> Office of the Controller (/offices/controller)	<b>Related Forms</b> Appendix 1 - Certification Letter - Health Institutions ( <a href="https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-1-certification-letter-health-institutions-10-02-2018.pdf">https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-1-certification-letter-health-institutions-10-02-2018.pdf</a> )  Appendix 1 - Certification Letter - Academic Institutions ( <a href="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">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</a> )  Appendix 2 - Financial Code of Ethics Certification ( <a href="https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-2-finethicscert.pdf">https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-2-finethicscert.pdf</a> )  Appendix 3 - Chief Audit Executive Certification ( <a href="https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-3-cae-certification-05-30-2019.pdf">https://www.utsystem.edu/sites/default/files/sites/policy-library/files/related-forms/uts1421/appendix-3-cae-certification-05-30-2019.pdf</a> )
	<b>Relevant Federal and State Statutes</b> Texas Government Code Section 321.020 Coordination of Certain Audits ( <a href="http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.321.htm#321.020">http://www.statutes.legis.state.tx.us/Docs/GV/htm/GV.321.htm#321.020</a> )  Article IX Rider, General Appropriations Act, General Limitations on Expenditures Section 6.20 Use of Appropriations to Contract for Audits 2010-2011 Biennium ( <a href="http://www.abb.state.tx.us/Documents/GAA/General_Appropriations_Act_2010-11.pdf">http://www.abb.state.tx.us/Documents/GAA/General_Appropriations_Act_2010-11.pdf</a> )