



THE UNIVERSITY OF TEXAS  
**PERMIAN BASIN**

# Segregation of Duties and Reconciliation of Account Monitoring Plan FY 2021

March 2022

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



## Executive Summary

We have completed our audit over the Segregation of Duties and Reconciliation of Account Monitoring Plan at UT Permian Basin, (UTPB) as included in the approved Audit Plan for fiscal year 2022.

The objective of our audit was to perform testing of the Monitoring Plan and validate the assertions on segregation of duties and account reconciliations.

### Conclusion

While testing revealed an adequate level of segregation of duties, we noted an overall lack of participation from reconcilers and approvers regarding the reconciliation processes as required and outlined in the FY 2021 Monitoring Plan.

Audit Finding	Risk Level	Detail
<p>There was an overall lack of participation from reconcilers and approvers regarding the reconciliation processes as required and outlined in the FY 2021 Monitoring Plan, specifically:</p> <ul style="list-style-type: none"> <li>a) 41% of cost centers subject to monitoring did not fully complete 6 or more months of reconciliations per the Statement of Account Report, (SOA Report) from SAHARA.</li> <li>b) 2 out of the 10 reconciliations selected for testing were not prepared.</li> <li>c) 5 out of the 10 reconciliations selected for testing were not reviewed and approved.</li> </ul>	<p>High Risk</p>	<p>Pages 3 - 4</p>



High Risk

## **Finding 1 – There was an overall lack of participation from reconcilers and approvers regarding the reconciliation process as required and outlined in the FY 2021 monitoring plan:**

- a) 41% of cost centers subject to monitoring did not fully complete 6 or more months of reconciliations per the SOA report from SAHARA.

To comply with the requirements of University of Texas System's 142.1 *Policy on the Annual Financial Report*; the Office of Accounting develops a *Segregation of Duties and Reconciliation of Account Monitoring Plan*, (Monitoring Plan) on a yearly basis. Monitoring duties for the Office of Accounting outlined in the FY 2021 Monitoring Plan include an annual review of the report over completed and approved reconciliations from the SAHARA module in Peoplesoft.

41% of the cost centers within the report over completed and approved reconciliations were marked as high risk: the criteria to be classified as high risk was 6 or more months of incomplete reconciliations. We note that the preparation and review of reconciliations within the SAHARA module of Peoplesoft was new to UTPB in FY 2021; however, the lack of participation and compliance was considerable.

- b) 2 out of the 10 reconciliations selected for testing were not prepared.

The required performance of monthly reconciliations acts as an operating control. Performing account reconciliations provides assurance that transactions are; 1) authorized and reasonable, 2) properly approved, 3) allows for verification of availability of funds, and 4) aids in identifying errors which can be corrected when detected.



High Risk

## **Finding 1 cont. – There was an overall lack of participation from reconcilers and approvers regarding the reconciliation process as required and outlined in the FY 2021 monitoring plan:**

c) 5 out of the 10 reconciliations selected for testing were not reviewed and approved.

The required review and approval over reconciliations functions as a monitoring control. Review of reconciliations; 1) confirms transactions are accurate, allowable, and appropriate, 2) ensures that transactions are reconciled to supporting documentation which aids in prevention and detection of fraud, and 3) verifies that any issues/errors have been identified and corrected.

When reconciliation processes are not performed the benefit of early detection and correction of errors is lost. This can result in inaccuracies within the cost centers, the information from which will be included in UTPB's year end account balances.

### **Recommendations:**

- The Office of Accounting should perform monitoring for compliance with the reconciliation processes on a quarterly basis. Monitoring throughout the year will aid in determining compliance, or instances of non-compliance with the reconciliation processes in a timely manner. It will allow for regular communication of corrective action needed.
- The Office of Accounting should continue their proactive efforts in educating reconcilers and approvers about the importance of, and how to perform reconciliation processes by; 1) calling attention to the training and guidance resources available on SharePoint, and 2) offering training over the reconciliation processes at various points throughout the year.



High Risk

**Finding 1 cont. – There was an overall lack of participation from reconcilers and approvers regarding the reconciliation process as required and outlined in the FY 2021 monitoring plan:**

**Management’s Response/Action Plan**

The Office of Accounting will send monthly reminders to reconcilers that reconciliations are required; and commits to distributing quarterly monitoring reports to Deans, Department Heads and VPs that reflect reconciliation and approval status for all cost centers. The monitoring reports will be attached to an email that explains what the report means and will highlight areas that need immediate attention; additionally, the reports will provide detail on obtaining instruction for departments that require training. Internal Audit will be copied on these emails to increase accountability for the Office of Accounting, as well as the departments that are having reconciliation preparation and approval issues.

**Target Implementation Date**

60 days after the end of FY22 Q1, or 01/31/2022

**Responsible Party**

Felecia Burns, Director of Accounting



# Background, Audit Objective, and Scope & Methodology

## Background

In June of 2020 UPTB implemented and required use of the SAHARA module within the Peoplesoft application for the performance of monthly reconciliation processes. In the annual risk assessment for FY 2022, UTPB's compliance with University of Texas System's 142.1 Policy on the Annual Financial Report, (UTS 142.1) regarding monthly account reconciliations and segregation of duties was determined to have an overall risk score of "high". Based on the newly implemented use of SAHARA, and an overall high-risk score in the annual risk assessment, an audit over UTPB's Monitoring Plan was approved by the Audit Committee as part of the FY 2022 Audit Plan.

## Audit Objective

The objective of our audit was to perform testing of the Monitoring Plan and validate the assertions on segregation of duties and account reconciliations.

## Scope & Methodology

- Obtained and reviewed UTS 142.1, and UTPB's Monitoring Plan for FY 2021.
- Reviewed the FY 2021 SOA Report from SAHARA for overall compliance.
- Judgmentally selected 10 cost centers from the FY 2021 SOA Report for reconciliation testing.
- Performed testing over reconciliations selected from FY 2021 to evaluate compliance with the requirements outlined in UTS 142.1, UTPB's monitoring plan, and determine adequacy and existence of segregation of duties.



## Background, Audit Objective, and Scope & Methodology cont.

We conducted this performance audit in accordance with *Generally Accepted Government Auditing Standards*. 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 based on our audit objectives. We also conducted this audit in accordance with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing*; and with guidelines set forth in UTS 129.

The UTPB Office of Internal Audit meets the independence requirements set forth in *Generally Accepted Government Auditing Standards (GAGAS)*.



## Risk Ranking Criteria for Audit Findings

Risk Definition	Risk Level
An issue or condition, 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	<b>Priority Risk</b>
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	<b>High Risk</b>
Risk that is considered 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	<b>Medium Risk</b>
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	<b>Low Risk</b>



## Distribution

**To:** Cesar Valenzuela, Vice President for Business Affairs, CFO

**cc:** Dr. Sandra Woodley, President,  
Felecia Burns, Director of Accounting  
Audit Committee Members

**From:** Glenn S. Spencer, CPA, CGMA  
Chief Audit Executive

A handwritten signature in black ink that reads "Glenn Spencer".

## Auditor in Charge

Erin Hamilton, Auditor III

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