

## MEMORANDUM

16-17:004

TO: Rick Anderson, Executive Vice President for Finance and Administration

FROM: Eloy R. Alaniz, Jr., Institutional Chief Audit Executive 

COPY: Mirna Gonzalez, Vice President for Finance and Public Policy

DATE: December 2, 2016

SUBJECT: UTS 142.1 Segregation of Duties and Account Reconciliations Audit

### **Background**

Section 6 of UTS 142.1, *Policy on the Annual Financial Report*, requires the institutional Chief Audit Executive perform annual testing, within 60 days of the fiscal year end, of the institutional Monitoring Plan and the sub-certifications, and validate the assertions on segregation of duties and account reconciliations.

### **Scope and Procedures**

As required by UTS 142.1, we tested UTRGV's Monitoring Plan process to ensure that the sub-certification of accounts and management's assertions on segregation of duties were valid. The scope of our audit was for fiscal year (FY) 2016. In addition to our testing of sub-certifications at year end, we relied on the inspections and results conducted by the Office of Accounting and Reporting during the year.

### **Objectives**

Our objective was to determine whether UTRGV's Monitoring Plan and sub-certification process is in place and functioning as intended. This included determining whether account reconciliations are being performed and whether duties are adequately segregated as asserted by management.

### **Standards**

This audit was conducted in accordance with guidelines set forth in The University of Texas System's Policies UTS 129 and the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (Standards)*. The *Standards* set criteria for internal audit departments in the areas of independence, professional proficiency, scope and performance of audit work, and management of internal auditing department. UTS 129 requires that we adhere to those *Standards*.

### **Office of Audits and Consulting Services**

One West University Blvd.  
Brownsville, Texas 78520  
(956) 882-8200

1201 West University Blvd.  
Edinburg, Texas 78539  
(866) 441-8872

2102 Treasure Hills Blvd.  
Harlingen, Texas 78550  
(956) 365-8779

[utrgv.edu](http://utrgv.edu)

### **Results**

The institution is required to submit a Monitoring Plan for its segregation of duties and reconciliation of accounts to UT System annually. The plan should be risk-based but also include random monitoring of low risk departments for the fiscal year.

UTRGV developed a draft *Segregation of Duties and Reconciliation of Account Monitoring Plan* for its FY 2016 sub-certification process. The Monitoring Plan was approved by the Executive Vice President for Finance and Administration, the designated Financial Reporting Officer for UTRGV and was submitted to UT System on November 28, 2016. We reviewed the Monitoring Plan and determined it provides an adequate process for monitoring of financial statement certifications, segregation of duties and account reconciliations. We noted the Monitoring Plan was referred to in the Office of Accounting and Reporting's website; however, the details of the plan, including the draft monitoring plan, were not available.

We obtained the sub-certifications completed for FY 2016, from the Office of Accounting and Reporting. We reviewed the list of sub-certifications and determined there were a total of 2,478 project accounts with financial activity. A total of 2,341 (95%) of the project accounts were certified. A total of 137 (5%) of the project accounts were not certified by their respective project managers. Of the 2,341 project accounts certified, 2,272 (92%) were reconciled whereas 69 (3%) were in the process of being completed. The majority of the reconciliations not completed were from the School of Medicine and the College of Engineering & Computer Science.

To verify that there was adequate segregation of duties and that account reconciliations were completed, we selected and tested a total of 40 accounts that had certified that account reconciliations were completed at year end. Our sample included risk-based accounts such as revenue accounts as well as accounts selected randomly. We determined 11 (28%) of the 40 accounts tested were not reconciled for the months of July and August 2016. However, the 11 accounts were reconciled, approved and verified as of November 29, 2016. The Office of Accounting and Reporting inspected 37 accounts during the semi-annual certification period in April 2016 and determined all account reconciliations were completed and adequate segregation of duties was maintained. We relied on the inspections and results conducted by the Office of Accounting and Reporting during the semi-annual certification period.

### **Conclusion**

Based on the procedures performed, we determined UTRGV's Monitoring Plan and sub-certification process is in place and is reasonably functioning as intended. Due to the transition to a new university, UTRGV management continues to improve its processes to comply with UTS 142.1.