Budget Procedures

Audit Report # 19-101
September 11, 2020

The University of Texas at El Paso

Office of Auditing and Consulting

The University of Texas at El Paso
Office of Auditing and Consulting Services

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September 11, 2020

Dr. Heather Wilson
President, The University of Texas at El Paso
Administration Building, Suite 500
El Paso, Texas 79968

Dear Dr. Wilson:

The Office of Auditing and Consulting Services has completed a limited- scope audit of Budget Procedures. During the audit, we identified opportunities for improvement and offered the corresponding recommendations in the audit report. The recommendations are intended to assist the department in strengthening controls and help ensure that the University's mission, goals and objectives are achieved.

We appreciate the cooperation and assistance provided by the Budget Department staff during our audit.

Sincerely,

Lori Wertz
Chief Audit Executive

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EXECUTIVE SUMMARY

The Office of Auditing and Consulting Services has completed a limited scope audit of Budget Office procedures.

During the audit we noted the following:

- Many processes of the Budget Office have incomplete written policies and procedures. Examples include balance forwards and approval levels.
- Current PeopleSoft functionality causes the Budget Office to manually calculate balance forward amounts outside the system.
- There is no formal policy or published guidance for allowable budget transfers and adjustments.
- Users outside of the Budget Office have access to PeopleSoft budget roles not consistent with their job responsibilities.

Implementing the recommendations from this report can improve overall operations in the Budget Office.

BACKGROUND

The Budget Office manages the administration of the University's operating budget, which totaled $ 494,664,557 in fiscal year (FY) 2020. The office is responsible for the preparation of the legislative appropriations request on a biennial basis, annual budget for UT System, internal budget transfers, balance forwards and adjustments. The Budget Office also performs a monitoring role to ensure the University operates in a fiscally responsible environment.

As part of managing the budgets for salaries and operations, the Budget Office has a specialized team for Employment Data Management (EDM). They process employee information in PeopleSoft to enable an efficient integration with other areas in the University such as Human Resources, Payroll, and others.

AUDIT OBJECTIVES

The objectives of this audit were to determine if the Budget Office:

- has implemented adequate controls over the budget process and related transactions,
- complies with University policies and state regulations, and
- exercises appropriate monitoring and oversight.

SCOPE AND METHODOLOGY

The audit was conducted in accordance with the *International Standards for the Professional Practice of Internal Auditing* and the authoritative guidelines of the *International Professional Practice Framework* issued by the Institute of Internal Auditors.

The audit scope was Fiscal Year 2018 and the first quarter of Fiscal Year 2019.

RANKING CRITERIA

All findings in this report are ranked based on an assessment of applicable qualitative, operational control and quantitative risk factors, as well as the probability of a negative outcome occurring if the risk is not adequately mitigated. The criteria for the rankings are as follows:

Priority	An issue identified by an internal audit that, if not addressed timely, could directly impact achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
High	A finding identified by internal audit considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.
Medium	A finding identified by internal audit considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.
Low	A finding identified by internal audit considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

AUDIT RESULTS

A. Budget Office procedures

A.1 Incomplete written policies and procedures	Medium Risk

The Budget Office does not have written policies and procedures for many processes, to include balance forwards, transfers, and approvals. Policies and procedures are necessary to ensure continuity of operations particularly if key personnel leave the office. Daily operations may not be carried out on a timely basis, and there is a higher risk of costly mistakes due to lack of clear guidance, as policies and procedures identify key activities and provide a plan of action to carry out organizational operations.

Recommendation:

Budget Office Management must develop comprehensive policies and procedures that reflect current departmental operations to provide guidance to employees and facilitate oversight and monitoring.

Management Response:

The Budget Office is currently reviewing all processes and documentation to ensure proper written documentation is in place and updated.

Responsible Party:

Monica Rayos, Budget Director

Implementation Date:

September 1, 2021

A.2. Guidance for the balance forward process is not documented	Medium Risk

The Budget Office does not have documented guidance for the balance forward process. In addition, current PeopleSoft functionality causes the Budget Office to manually calculate balance forward amounts outside the system. Clear guidance on the rules for each fund group is necessary to reduce the possibility of errors. The balance forward process is complex, and without appropriate guidance is harder to monitor and to verify its accuracy.

Recommendation:

The Budget Office should review the process to determine the key steps, specify details to correctly calculate balance forward amounts, and document the process.

Management Response:

The Budget Office is currently reviewing all processes and documentation to ensure proper written documentation is in place and updated. We are also reviewing the options for automating the process.

Responsible Party:

Monica Rayos, Budget Director

Implementation Date:

July 31, 2021

A.3. Ad hoc process for transfers and adjustments	Medium Risk

The Budget Office has an ad hoc process for the approval of special transfers/adjustments requests, which led to the following exceptions:

- Informal approval process for transactions involving salaries, reserve, incidental fees, and student fees accounts.
- Incomplete backup documentation to support the transactions.

A formal policy for allowable budget transfers and adjustments can prevent the processing of unauthorized transactions or transfers that could violate fund restrictions.

Recommendation:

The Budget Office should develop formal procedures for budget transfers and adjustments. In addition, such procedures must provide guidance for allowable transactions consistent with fund restrictions.

Management Response:

The transfer/adjustment process guide exists and is followed but it does not properly account for exceptions needed due to urgency or Management requests. Notation of such exceptions will be added to the process guide.

Responsible Party:

Monica Rayos, Budget Director

Implementation Date:

January 1, 2021

B. Employee access

B.1. Some users outside of the Budget Office have access to PeopleSoft budget roles	**Medium Risk**

Some users outside of the Budget Office have access to PeopleSoft budget roles inconsistent with their job responsibilities. These security roles allow users to make changes to budget security and the ability to enter and update budget journals. Users with access inconsistent with their job responsibilities could lead to intentional or unintentional transactions. Without proper oversight, these transaction errors may not be detected.

Recommendation:

The Budget Office should review users with access to PeopleSoft budget roles inconsistent with their job responsibilities and modify/remove access when appropriate.

Management Response:

Access to budget roles should route to the Budget Director or Assistant Vice President of Budget and Personnel Services for approval. We have asked IT to remove access to users outside the Budget Office as requested through this audit. The CAOs will maintain access to the transfer module as the workflow is in testing and will be implemented in December of this year.

Responsible Party:

Monica Rayos, Budget Director

Implementation Date:

December 1, 2020

CONCLUSION

Based on the results of audit procedures performed, we conclude operations generally comply with University policies and state regulations. However, implementing the following recommendations can improve overall operations in the Budget Office.

- Although the Budget Office has controls and procedures in place to perform key activities, formally documenting procedures would provide for more consistent operations.

- Budget monitoring and oversight could be enhanced by performing an employee access review to prevent unauthorized transactions and improve operations.

We wish to thank the management and staff of Budget and Fiscal Management for their assistance and cooperation provided throughout the audit.