

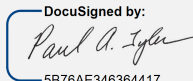
The University of Texas at San Antonio

UTSA Auditing & Consulting Services

UTS 142 Monitoring Plan: Account Reconciliations / Quality Assurance Review Internal Audit

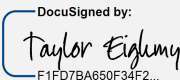
Project# 2023-21

June 14, 2023


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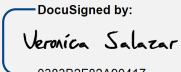
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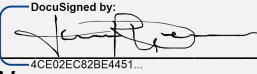
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 Executive Director for Institutional
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Executive Summary

Conclusion

For FY22, segregation of duties in the account reconciliation process existed, and sub-certifications were performed timely and appropriately. However, account reconciliations were not always timely.

The Office of Institutional Compliance and Risk Services (OICRS) completed a significant number of Quality Assurance Reviews (QARs) in the 2018-2022 timeframe; however, all active Department Managers did not receive a QAR within the required five-year period. QARs did not include a review of 1 of 5 Key Financial Business Processes outlined in the Monitoring Plan. OICRS could increase QAR effectiveness by consulting on risk priorities with Subject Matter Experts.

Observation Rating

Priority
High
Medium
Low
Satisfactory

Background:

[UT System Policy 142 \(UTS 142\) Financial Accounting and Reporting](#) establishes internal controls to ensure funds are expended and recorded appropriately and to provide accurate and complete financial reporting. UTS 142 requires the Financial Reporting Officer to develop a Monitoring Plan for the segregation of duties and reconciliation of accounts. UTSA's [Monitoring Plan for Segregation of Duties and Review of Financial Activity \(Monitoring Plan\)](#) outlines responsibilities and monitoring of Key Financial Business Processes, Fiscal Management Sub-certification, and Quality Assurance Reviews. Annually, Department Managers complete a sub-certification to attest that segregation of duties is maintained, internal controls are established, timely reconciliations are complete, and suspected fraud is reported. The Office of Institutional Compliance and Risk Services performs Quality Assurance Reviews (QAR) of Department Managers to ensure that Internal Controls, as outlined in the Monitoring Plan, exist and are effective.

Audit Objectives and Scope

- Assess that UTSA's Monitoring Plan has been implemented effectively in FY22 by determining that:
 - Accounts are being reconciled timely,
 - Segregation of duties has been implemented in the reconciliation process, and
 - Annual Management Sub-certifications are performed timely and appropriate.
- Determine that the FY22 Quality Assurance Reviews address key components of the Monitoring Plan, specifically in the:
 - Selection of departments to review and
 - Assessment of department risk levels.

Observations, ratings, and planned implementation dates:

1	Monthly Financial Reviews in FY22 were past-due.	12/1/2023
2	Financial Guidelines do not include oversight expectations for past-due monthly financial reviews.	12/1/2023
3	All Department Managers did not receive a Quality Assurance Review in a five-year period.	2/29/2024
4	Quality Assurance Reviews do not include one of five Key Financial Business Processes.	11/30/2023
5	Subject Matter Experts are not consulted on risk priorities included in the Quality Assurance Reviews.	11/30/2023

Audit Observations

1. Monthly Financial Reviews in FY22 were past-due.

High

Observation

Condition

In FY22, Cost Center/Project ID financial reviews were past-due for Approvers and Reconcilers. The Department Manager is typically the Approver. The table below summarizes past due and on-time reconciliations by Reconciler by the Approver.

Role	Greater than 30 Days Past Due	Less than 30 Days Past Due	On Time
Approver	26% / \$317M	14% / \$99M	58% / \$392M
Reconciler	16% / \$216M	15% / \$116M	68% / \$480M

1% of cost centers (\$3M) were not reconciled prior to year-end.

Many Reconcilers and Approvers completed the Monthly Financial Reviews close to fiscal year-end in preparation for the annual sub-certification process.

Criteria

[UTSA Financial Guideline: Department Financial Review](#) states: "The department reconciler should complete reconciliations by the end of the month following the month being reconciled. The department manager should ensure the reconciliation is completed and approved by six weeks after month-end."

Impact

Past-due financial reviews could lead to inappropriate transactions and errors not being corrected timely.

Cause

In FY22, some Department Managers had trouble tracking new cost centers.

Responsible Party:

Greg Yturalde, Assistant VP and Controller – Financial Affairs
Sheri Hardison, Senior Associate VP and Deputy CFO – Financial Affairs

Planned Implementation Date:
12/01/2023

Management Action Plan

1. Financial Affairs (FA) is working with UT System Shared Information Services on a past-due report that will be sent to late reconcilers and approvers.
2. FA is developing a query that will be sent to Business Service Centers (BSC) that will identify any uncompleted reconciliation or reconciliation requiring approval.
3. One of the major contributors to late reconciliation and approvals was the lack of reconcilers and owners assigned to cost centers or projects timely, and only assigned during annual certification. In March of 2023, FA and Business Information Systems (BIS) launched a new process that identifies all reconcilers, managers, and department owners. The report will allow BSC to add/replace reconcilers for projects and cost centers before year-end.
4. FA created a workgroup dedicated to SAHARA (Account Review Application in PeopleSoft) to identify future enhancements.
5. FA will prepare an annual report for executive leadership identifying all cost centers/projects not reconciled and approved within 30 days of the due date without identified issues.

Audit Observations

2. Financial Guidelines do not include oversight expectations for past-due monthly financial reviews.

Medium

Observation

Condition

Supervisors of Department Managers are unaware of past-due Monthly Financial Reviews throughout the year.

The annual Sub-Certification process requests that Monthly Financial Reviews be completed prior to the year-end Sub-Certification. Some Supervisors of Department Managers are made aware of the past-due financial reviews as part of the year-end Sub-Certification process.

Criteria

As a best practice, Financial Guidelines should clarify that Supervisors are expected to ensure Department Managers complete Financial Reviews timely.

Impact

Past-due Monthly Financial Reviews could lead to inappropriate transactions and errors not being corrected timely.

Cause

[UTSA Financial Guideline: Department Financial Review](#) and the [UTSA Financial Guideline: Monitoring Plan for Segregation of Duties and Review of Financial Activity](#) does not include oversight procedures for Supervisors of Department Managers to be alerted to past-due financial reviews.

Management Action Plan

1. Financial Affairs (FA) is working with UT System Shared Information Services on a past-due report that will be sent to late reconcilers and approvers.
2. FA is developing a query that will be sent to Business Service Centers (BSC) that will identify any uncompleted reconciliation or reconciliation requiring approval.
3. Financial Guidelines will be updated to include the periodic review and notify supervisors of department managers of past-due monthly financial reviews.

Responsible Party:

Greg Yturalde, Assistant VP and Controller – Financial Affairs
Sheri Hardison, Senior Associate VP and Deputy CFO – Financial Affairs

Planned Implementation Date:
06/30/2023 for the Financial Guidelines
12/01/2023 for the Reports

Audit Observations

3. All department managers did not receive a Quality Assurance Review in a five-year period.

Medium

Observation

Impact

Management Action Plan

Condition

Thirty employees that were active Department Managers since FY18 did not receive a Quality Assurance Review (QAR) by FY22.

In the five-year period, 224 QARs were performed by the Office of Institutional Compliance and Risk Services (OICRS).

Criteria

The [UTSA Financial Guideline: Monitoring Plan for Segregation of Duties and Review of Financial Activity](#) states, "a *sample of department managers from each vice president's area is selected annually to undergo a QAR. This sampling means 20% of active department managers are selected annually for a QAR, with a goal of every department manager receiving a QAR at least once every five years.*"

Assurance is not independently performed by OICRS to validate that all Department Managers understand and are adhering to Key Business Processes outlined in UTSA's Monitoring Plan.

Cause

QARs are selected based on a variety of risk factors. Other Department Managers had other risk factors that required inclusion in each year's QAR selection.

Of the Department Managers that have been identified, OICRS has scheduled a QAR for thirteen of them as part of the FY23 plan. The remaining seventeen will undergo expedited future reviews. OICRS is currently in the process of conducting these reviews.

Furthermore, OICRS is updating the risk assessment process to ensure that active Department Managers who have not been reviewed in the last five years will be selected for a QAR.

Responsible Party:

James Weaver, Executive Director of Institutional Compliance and Risk Services

Planned Implementation Date:
02/29/2024

Audit Observations

4. Quality Assurance Reviews do not include one of five Key Financial Business Processes.

Medium

Observation

Condition

The Office of Institutional Compliance and Risk Services (OICRS) Quality Assurance Review (QAR) does not cover one of five Key Financial Business Processes outlined in the [UTSA Financial Guideline: Monitoring Plan for Segregation of Duties and Review of Financial Activity](#). Specifically, the Receipt of Goods or Services is not addressed in the QAR survey or the QAR section of the [UTSA Financial Guideline: Monitoring Plan for Segregation of Duties and Review of Financial Activity](#).

Criteria

As a best practice, the QAR should address all Key Financial Business Processes.

Impact

Departments may not be following appropriate processes for the receipt of goods or services.

Cause

The key financial business processes included in QAR have been modified over time to focus on significant factors at that point in time.

Management Action Plan

The OICRS QAR process will incorporate questions pertaining to purchasing activities. OICRS will inquire about the individuals responsible for creating purchase requisitions, approving purchases, and receiving goods or verifying receipt of services for non-PO vouchers. Additionally, OICRS will assess the adequacy of the segregation of duties for the purchasing function.

Responsible Party:

James Weaver, Executive Director of Institutional Compliance and Risk Services
Greg Yturralde, Assistant VP and Controller – Financial Affairs
Sheri Hardison, Senior Associate VP and Deputy CFO – Financial Affairs

Planned Implementation Dates:

QAR Survey Update: 11/30/2023

Financial Guidelines Update: 11/30/2023

Audit Observations

5. Subject Matter Experts are not consulted on Risk Priorities included in the Quality Assurance Reviews.

Medium

Observation

Impact

Management Action Plan

Condition

Risks and concerns of Key Business Processes included in the Quality Assurance Reviews (QARs) are not renewed and updated with Subject Matter Experts (SMEs) outside of Financial Affairs.

As the environment changes or new developments unfold, the core risks associated with Key Financial Business Process could change and fall out of alignment with current QAR procedures.

As part of the upcoming Management Assessment Tool (MAT) update, OICRS plans to send a brief questionnaire to Subject Matter Experts (SMEs) to gather their feedback on each area and identify their primary concerns. OICRS will also ask them to recommend any specific items to review or focus on during our Quality Assessment Review (QAR). Additionally, OICRS will remind management annually that the MAT is available for review and update. OICRS met with Financial Affairs on June 1, 2023 to discuss the MAT and determined there are no further MAT related concerns.

Criteria

As a best practice, the Office of Institutional Compliance and Risk Services (OICRS) should make inquiries with SMEs to understand current concerns about the effectiveness of internal controls over Key Financial Business Processes.

Cause

The QAR focus is on common issues discovered in prior QARs.

Responsible Party:

James Weaver, Executive Director of Institutional Compliance and Risk Services

Planned Implementation Date:
11/30/2023



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.

Auditors communicated other, less significant issues separately in writing to university management.