

UT Dallas
Internal Audit Annual Report
FY 2013

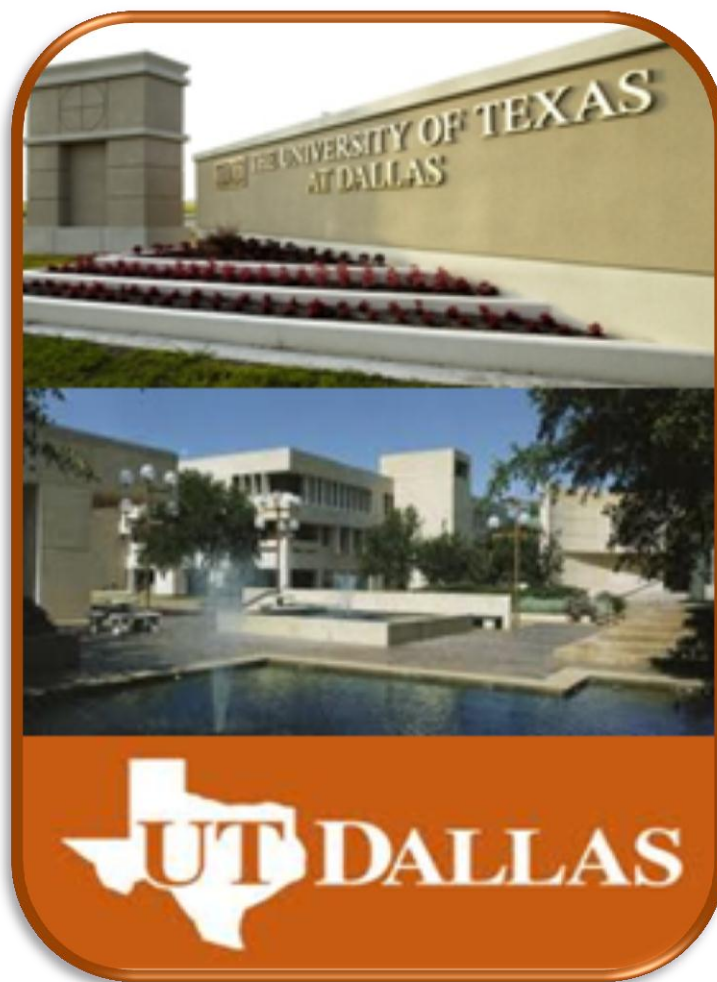


TABLE OF CONTENTS

Purpose of the Internal Audit Annual Report	3
Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site	4
Internal Audit Plan for Fiscal Year 2013.....	4
Consulting Services and Non-audit Services Completed	7
External Quality Assurance Review	8
Internal Audit Plan for Fiscal Year 2014.....	11
• High Risks Identified but Not on Audit Plan.....	15
• Risk Assessment Methodology	17
External Audit Services Procured in Fiscal Year 2013	18
Reporting Suspected Fraud and Abuse.....	19
• Fraud Reporting	19
• Coordination of Investigations.....	19
Office of Internal Audit	20
• Internal Audit Staff.....	21
• Organization Chart	22

PURPOSE OF THE INTERNAL AUDIT ANNUAL REPORT

The purpose of this annual report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual internal audit report assists oversight agencies in their planning and coordination efforts.

The [Texas Internal Auditing Act](#), Texas Government Code, Chapter 2102, requires that an annual report on internal audit activity be filed by November 1st of each year. Refer to the Texas Government Code, Section 2102, as amended by H. B. 2485 during the 78th Legislature.

[House Bill 16](#) (83rd Legislature, Regular Session) amended the Internal Auditing Act to require posting of the internal audit plans, internal audit annual reports, and any weaknesses or concerns resulting from the audit plan or annual report on the institution's website as prescribed by the State Auditor's Office.

The annual report was prepared using the guidelines provided by the Texas State Auditor's Office. In addition to the minimum requirements, we also included other information we felt was important to the internal audit operations during fiscal year (FY) 2013. Additional information regarding the UT Dallas Office of Audit and Compliance can be found at the following website: <http://www.utdallas.edu/audit-compliance>.

Respectfully submitted,



Toni Stephens, CPA, CIA, CRMA
Executive Director of Audit and Compliance

Report Distribution:

- State Auditor's Office
- Governor's Office of Budget, Planning, and Policy
- Legislative Budget Board
- Sunset Advisory Commission
- Members of the UT Dallas Audit and Compliance Committee
- UT System Office of the Executive Vice Chancellor for Academic Affairs
- UT System Staff Attorney
- UT System Audit Office

COMPLIANCE WITH HOUSE BILL 16: POSTING THE INTERNAL AUDIT PLAN, INTERNAL AUDIT ANNUAL REPORT, AND OTHER AUDIT INFORMATION ON INTERNET WEB SITE

In accordance with House Bill 16, the UT Dallas Office of Audit and Compliance has posted its Fiscal Year 2013 Internal Audit Annual Report and the approved Fiscal Year 2014 Audit Plan at the following web site: http://www.utdallas.edu/audit-compliance/audit_reports.htm.

INTERNAL AUDIT PLAN FOR FISCAL YEAR 2013

The University of Texas at Dallas (UTD) fiscal year 2013 Audit Plan is a description of the internal audit activities that were planned to be completed by the UTD Office of Internal Audit during fiscal year 2013. Our overall objective was to develop a standardized audit plan which addressed the highest risks within UTD, consistent with the [Internal Audit Charter](#) and UTD's [Strategic Plan](#). The Plan complied with the [Texas Internal Auditing Act](#) (Texas Government Code 2102), The University of Texas (UT) System Policy UTS129, [Internal Audit Activities](#), The Institute of Internal Auditors' (IIA) [International Standards for the Professional Practice of Internal Auditing](#), [Government Auditing Standards](#), and specific instructions from The UT System Audit Office.

The information on pages 5-6 contains the Internal Audit Plan for FY 2013, including the report numbers, report dates, deviations from the original plan, and the status of completion of the audit.

Report No.	Report Date	Audit Plan/Audit Project Name	Audit Plan Status at October 31, 2013
Financial			
		FY 2012 Financial Statement Audit	Complete
R1329	8/29/2013	Financial Statement Certifications	Complete
		FY 2013 Interim Financial Statement Audit Work	Complete
R1310	12/3/2012	Presidential Travel and Entertainment Expenses Audit	Complete
		Salaries and Wages	In process. Report to be issued November 2013.
R1312	12/20/2012	Joint Admission Medical Program (JAMP)	Complete
		African American Museum	In process. Report to be issued October 2013.
		Financial Consulting	Complete
Operational			
		Contracts	Deleted at 3rd quarter ACC meeting - delayed to FY 2014
R1328	8/29/2013	Budget Process	Complete
		Financial Reporting - Cash/Treasury Management	Deleted at 3rd quarter ACC meeting - delayed to FY 2014. Compliance Office did inspection of cash handling during FY 2013.
		Tuition and Fees	In process. Report to be issued November 2013.
R1325	6/26/2013	Property Administration	Complete
		Human Resources Management: Hiring and Compensation Process	Deleted at 3rd quarter ACC meeting - delayed to FY 2014
		Contracts and Grants Revenues	Did not complete. Moved to FY 2014 Audit Plan.
R1401	9/19/2013	Purchasing	Complete
		Scholarships	In process. Report to be issued November 2013.
		Meal Plan	Moved to FY 2014 Audit Plan.
		Gifts	Deleted at 1st quarter ACC meeting due to UT System audit plan to audit Gifts.
Departmental Reviews			
		Executive Education	Moved to FY 2014 Audit Plan.
		Center for Vital Longevity	In process. Report to be issued November 2013.
R1323	5/10/2013	VP Research	Complete
R1327	8/15/2013	VP Budget and Finance	Complete
		Facilities Management	Moved to FY 2014 Compliance departmental review.
R1403	9/19/2013	Procurement Management	Complete
R1316	3/8/2013	Records & Registration	Complete
R1319	4/23/2013	Comet Center	Complete
		Naveen Jindal School of Management	Deleted at 3rd quarter ACC meeting - delayed to FY 2014
R1402	9/19/2013	Space Sciences	Complete
R1322	5/6/2013	Information Resources	Complete
		Provost	Moved to FY 2014 Compliance departmental review.
		Center for Brain Health	Investigation completed instead of audit. Moved regular audit to FY 2014 Audit Plan.
R1321	5/6/2013	Strategic Planning & Analysis	Complete
		Office of Technology Commercialization and Venture Development Center	Moved to FY 2014 Compliance departmental review.
		Ackerman Center for Holocaust Studies	In process. Report to be issued November 2013.
		Logistics/Auxiliaries	Moved to FY 2014 Compliance departmental review.
		Management Requests, Investigations, and Consulting on Operational Issues	Complete
FY 2012 Audits Carried Forward			
R1304	10/11/2012	Issues in Science and Technology	Complete
R1311	12/14/2012	Chemistry	Complete
R1303	10/5/2012	Geosciences	Complete
R1302	9/28/2012	Center for Lithospheric Studies	Complete
R1305	10/17/2012	Student Wellness Center	Complete
R1313	1/10/2013	Human Resources Management Departmental Audit	Complete
R1314	1/2/2013	Center for Behavioral & Experimental Economic Science	Complete

Report No.	Report Date	Audit Plan/Audit Project Name	Audit Plan Status at October 31, 2013
		Compliance	
		Time and Effort Reporting - Follow-Up Audit	Deleted at 3rd quarter ACC meeting - delayed to FY 2014 due to FY 2012 audit being performed during FY 2013.
		HIPAA	Deleted at 3rd quarter ACC meeting - delayed to FY 2014.
R1315	2/26/2013	Norman Hackerman Advanced Research Program (NHARP) Grants	Complete
		Code of Ethics	Deleted at 3rd quarter ACC meeting - delayed to FY 2014.
		Travel and Entertainment	In process. Report to be issued November 2013.
		Education Research Center (ERC) (required annually)	Awaiting contract from THECB. Moved to FY 2014 Audit Plan.
R1320	4/23/2013	Lena Callier Trust (required annually)	Complete
		Consulting by Internal Audit on Compliance Issues	Complete
		Federal Portion of the Statewide Single Audit (assistance to the SAO)	Complete
		<i>FY 2012 Audits Carried Forward</i>	
R1324	5/24/2013	THECB Facilities Audit	Complete
R1306	10/25/2012	Medical Billing	Complete
R1317	3/8/2013	Time & Effort	Complete
		Information Technology	
R1326	8/5/2013	TAC 202 (IT Security)	Complete
		IT Governance	Consulting project - complete
		Active Directory	In process. Report to be issued November 2013.
		Network Perimeter Security	Moved to FY 2014
R1318	4/19/2013	PeopleSoft Access Controls	Complete
		Checkout Process	In process. Report to be issued November 2013.
		OnBase	Moved to FY 2014.
		eDiscovery	Moved to FY 2014.
		Encryption	In process. Report to be issued November 2013.
		PeopleSoft Implementation - Consulting and Meetings	Complete
		IDEA Audit Software Maintenance	Complete
		Teammate - Implementation to 10.0	Complete
		IT Consulting and Special Requests (not including PeopleSoft)	Complete
		<i>FY 2012 Audits Carried Forward</i>	
R1308	11/1/2012	Texas Schools Project	Complete
R1309	11/26/2012	PeopleSoft Application Review: Financial Aid	Complete (Note: FY 2012 Audit Plan showed title as Financial Aid - Cash Management Review. Audit report title changed.)
		Follow-up Audits	
		Quarterly Follow-up of Significant Audit Recommendations	Complete
		Annual Follow-up Audit Work	Ongoing
		FY 2012 Follow-up Audits	Complete - combined with 2013
		Projects	
		Annual Internal Audit Report	Complete
		Audit & Compliance Committee	Complete
		Executive Management and Leadership of the Internal Audit Department	Complete
		FY 2014 Audit Plan	Complete
		Internal Quality Assurance Review (quality assurance for individual audits is included in the audit project time)	Deleted at 3rd quarter ACC meeting - delayed to FY 2014 per UT System guidance.
		External Quality Assurance Review	Deleted at 3rd quarter ACC meeting - delayed to FY 2014 per UT System guidance.
		Quality Assurance Reviews for Other Audit Departments	Deleted at 3rd quarter ACC meeting - delayed to FY 2014.
		Hotline Team Management	Complete
		UT System Audit Management Projects	Complete
		UT System Requests	Complete

CONSULTING SERVICES AND NON-AUDIT SERVICES COMPLETED

Report Date*	Name of Report	High-Level Consulting Engagement/Non-audit Service Objectives	Observations, Findings, and Recommendations	Fiscal Impact/ Other Impact
10/31/12	<i>Electrical Engineering</i>	Review over departmental account reconciliations and expenses.	Improve departmental controls over account reconciliations and expenses. The recommendations were implemented.	Increased risk of error or fraud occurring and not being detected in a timely manner
4/9/13	NCAA	Review NCAA compliance	University has addressed potential compliance issues. A full audit has been planned for FY 2014.	Penalties could be assessed by NCAA
N/A	N/A	Participation on the PeopleSoft Operations Committee	Participation, guidance, research, advice	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.
N/A	N/A	Participation on the Information Resources Planning, and Policy Committee	Participation, guidance, research, advice	Provides independent consultation and guidance regarding information resources governance.
N/A	N/A	Participation on the Endowment Compliance Team	Participation, guidance, research, advice	Provides independent consultation and guidance to help ensure compliance with endowments.
N/A	N/A	Facilitated the University's ethics/compliance hotline and served on committee to address calls to the hotline (Executive Director)	Participation, guidance, research, advice	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized and helps ensure that institutional compliance issues are being addressed.

*Consulting and non-audit services were not issued report numbers

EXTERNAL QUALITY ASSURANCE REVIEW

In accordance with IIA Standards, an external quality assurance review (QAR) was performed during fiscal year 2010. The report letter and an excerpt from the executive summary, dated January 7, 2010, is shown on pages 8-9.

Such reviews are required every three years by the Texas Internal Auditing Act and every five years by the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*. The principal objectives of the quality assurance review were to assess the Internal Audit function of UTD's Office of Audit and Compliance and its conformity to the IIA Standards, evaluate the department's effectiveness in carrying out its mission as stated in its adopted charter and as expressed in management's expectations, and identify opportunities to enhance its management, work processes, and its value to UT Dallas. The QAR team also evaluated the department's conformity to the standards promulgated by [Governmental Auditing Standards \(GAS\)](#) and the Texas Internal Auditing Act.

The review concluded that the Internal Audit function generally conforms to the *Standards* as a whole and demonstrates the necessary evidence to show conformity to the Texas Internal Auditing Act. Recommendations were made in the areas of: presence on the President's cabinet, staffing needs, and updating the Charter as shown on the next page. All recommendations have been implemented.

During fiscal year 2013, a strategic assessment of UT System internal audit operations was performed. As a result of the assessment, the Board requested that a full external quality assurance review be conducted on a system-wide level for all UT System audit departments. The UT System Audit Office requested that audit offices within the UT System delay external quality assurance reviews that may have been due and required. Due to this requested delay, UT Dallas is currently not in compliance with the Texas Internal Auditing Act or Governmental Auditing Standards; however, UT Dallas remains in compliance with the IIA Standards through January 2015.

We anticipate that the next external quality assurance review for UT Dallas will be performed during fiscal year 2014 as part of the UT System-wide quality assurance review.



AUBURN UNIVERSITY

INTERNAL AUDITING

Ms. Toni Messer, CPA, CIA
Director of Audit and Compliance
University of Texas at Dallas

January 7, 2010

Dear Ms. Messer:

We have completed a Quality Assurance Review of the University of Texas at Dallas Internal Audit Department (UTDIA). Our review was conducted December 14-16, 2009, and covered departmental activities from the date of the last review to the end of the most recent fiscal year, September 1, 2006, through August 31, 2009. The objective of the Quality Assurance Review was to provide reasonable assurance that the internal auditing program at the University of Texas at Dallas conformed to The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* and *Code of Ethics* as well as additional standards imposed by the Texas Internal Auditing Act. The objective was achieved by means of interviews with selected clients, key administrators at the University of Texas at Dallas, the Chair and several additional members of the Audit Committee, and members of the UTD Internal Audit staff and management; review of the quality control processes implemented by the department; and evaluation of the department's work products.

In our opinion, the University of Texas at Dallas Internal Audit Department "**Generally Conforms**" to the *IIA Standards* in all material respects during the period under review.

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of the University of Texas at Dallas and the University of Texas System Internal Audit Department.

Sincerely,

Kevin Robinson, CIA, CFE, CCEP
Team Leader
Executive Director, Department of Internal Auditing
Auburn University

Charles Hrcir, CPA
Director, System Internal Audit Department
Texas A&M University System

Andrea Claire, JD, MBA, CIA
Supervisor of Internal Audit
UT Southwestern Medical Center at Dallas

304 Samford Hall, Auburn, AL 36849-5106; Telephone: 334-844-4389; Fax: 334-844-6608

www.auburn.edu



AUBURN UNIVERSITY

INTERNAL AUDITING

January 7, 2010

Dr. David Daniel, President
Chair of Audit and Compliance Committee
The University of Texas at Dallas
800 West Campbell Road AD32
Richardson, TX 75080

Dear Dr. Daniel,

At the request of Ms. Toni Messer, Director of Audit and Compliance, we conducted an external quality assessment review (QAR) of the University of Texas at Dallas Internal Audit Department (UTDIA). A prior QAR was conducted for the three years ending August 31, 2006. Therefore, our review covered departmental activities for the three year period of September 1, 2006 through August 31, 2009. Our on-site fieldwork was conducted December 14-16, 2009. Members of the review team were Kevin Robinson, Auburn University; Charles Hrcir, Texas A&M University System; and Andrea Claire, UT Southwestern Medical Center at Dallas.

Executive Summary

In our opinion, the University of Texas at Dallas Internal Audit Department “**Generally Conforms**” in all material respects to the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* and the *IIA Code of Ethics* during the period under review. Opportunities for continued improvement were noted in the following three areas: Presence on the President’s Cabinet, Staffing needs of the Department, and Updating the Internal Audit Charter.

Background

The Texas Internal Audit Act requires the UTDIA to conform to standards established by the Institute of Internal Auditors (IIA) and the U.S. Government Accountability Office (GAO). The *IIA’s International Standards for the Professional Practice of Internal Auditing (Standards)* require external assessments to be performed at least once every five years by a qualified, independent reviewer or review team from outside the organization, while Government Auditing Standards issued by the GAO require an external assessment at least every three years. In conformance with standards, it has been 3 years since the last UTDIA Quality Assurance Review. We performed our review using The Institute of Internal Auditors’ Quality Assessment Manual, 6th edition, as a reference guide.

Objectives

The principal objectives of the quality assurance review were to assess the UTDIA’s conformity to the *IIA Standards*, evaluate UTDIA’s effectiveness in carrying out its mission as set forth in its charter and expressed in the expectations of management, and identify opportunities to enhance its management and work processes, as well as its value to the University of Texas at Dallas.

INTERNAL AUDIT PLAN FOR FISCAL YEAR 2014

FY 2014 Audit Plan Audit/Project	Budgeted Hours	% of Total	Description
<i>Financial</i>			
Expenditure Process: Payables and Receiving	350		To provide assurance that adequate controls exist over the expenditure process, including receiving, to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.
FY 2013 Financial Statement Audit	120		Assistance to Deloitte on the FY 2013 AFR audit of UT System. Hours provided by UT System.
FY 2014 Interim Financial Statement Audit Work	80		Assistance to Deloitte on the FY 2014 AFR audit of UT System.
Sponsored Programs Billing and Receivables	300		To provide assurance that adequate controls exist over the sponsored programs billings and receivables process ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.
Reserve for Completion of FY 2013 Financial Audits	40		Reserve to complete remaining financial audits concluding procedures.
Financial Subtotal	890	8%	
<i>Operational</i>			
Assistance to UT System Audit for Presidential Travel and Entertainment Audit	20		Assistance to UT System on their audit of Presidential travel and entertainment audit.
Callier Center for Communication Disorders	300		Provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies, and procedures, and the reliability and integrity of financial and operational information.
Cash Handling/Treasury Management	350		To provide assurance that adequate controls exist over the cash management and treasury process to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.
Center for Brain Health	300		Provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies, and procedures, and the reliability and integrity of financial and operational information.
Contracting Process	250		To provide assurance that adequate controls exist over the management of high-risk contracts and to determine if UTD and the contractor were in compliance with the terms of the contract. Will include conflicts of interest and compliance with new UTD policies.
Executive Education	350		Provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies, and procedures, and the reliability and integrity of financial and operational information.
Executive Travel and Entertainment Expenses	200		To ensure compliance with travel and entertainment policies and procedures, focusing on the director level and above.
Hiring and Compensation Process	300		To provide assurance that adequate controls exist over Hiring and Compensation processes to ensure the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.
International Students/SEVIS	190		To provide assurance that adequate controls exist over International Students/SEVIS processes to ensure the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information. Audit scope will include student hiring.
Travel Process	350		To provide assurance that adequate controls exist over the travel process to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.
Meals and Catering	100		To provide assurance that adequate controls exist over the catering process to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information. Audit hours for audit planning and supervision of student interns who will be assisting on the audit.
Consulting Review: Construction Management: Repairs, Renovations, and Work Orders	300		To provide assurance that adequate controls exist over the construction management process for campus repairs, renovations, and work orders is adequate to ensure the safeguarding of assets, the effectiveness and efficiency of operations, compliance with applicable laws, and the reliability and integrity of financial and operational information.
Consulting Review: Parking Services	300		A consulting review of rate setting, capital construction planning and financial operations.

FY 2014 Audit Plan Audit/Project	Budgeted Hours	% of Total	Description
Reserve for Completion of FY 2013 Operational Audits	100		Reserve to complete remaining operational audits concluding procedures.
Operational Subtotal	3,410	29%	
Compliance			
Clery Act	200		To provide assurance that an effectively designed compliance program has been implemented for the Clery Act and to determine if UT Dallas is in compliance with certain Clery Act regulations.
CPRIT (Cancer Prevention Research Institute of Texas) Grants	200		To ensure compliance with the State of Texas CPRIT grants. UT Dallas has approximately five awards totaling \$6M. http://www.cprit.state.tx.us/about-cprit/laws-rules-and-guidelines/
Endowments and Gifts	300		To ensure adequate controls exist over Endowments and Gifts to ensure compliance with appropriate laws, policies and procedures, the effectiveness and efficiency of operations, and the reliability and integrity of financial and operation information and the safeguarding of assets.
HIPAA Privacy	120		To provide assurance that an effectively designed compliance program has been implemented for HIPAA Privacy and determine if UT Dallas is in compliance with certain HIPAA Privacy regulations.
Human Subjects	300		To provide assurance that an effectively designed compliance program has been implemented for Human Subjects and to determine if the process for Human Subjects payments is effective, efficient and internal controls are in place to ensure a proper safeguarding of assets, compliance with applicable laws, policies, and procedures, and the reliability and integrity of financial information.
Lab Safety	300		To provide assurance that the Lab Safety compliance program is operating effectively and that UT Dallas is in compliance with certain Lab Safety regulations.
Lena Callier Trust	60		Annual audit of the Lena Callier Trust as required by the Trust Agreement. To ensure compliance with the criteria established by the Trust and certain UTD policies and procedures. Also, to determine if revenues are recognized and expenses are incurred in accordance with the terms of the Trust for the year ended 8/31/13. Audit hours for audit planning and supervision of student interns who will be assisting on the audit.
NCAA Compliance	200		To provide assurance that an effectively designed compliance program has been implemented for NCAA Compliance and to determine if UT Dallas is in compliance with certain NCAA Division III regulations.
Time and Effort	250		To assess the accuracy of time and effort reporting and to ensure compliance with federal regulations. Follow-up to FY 2013 audit.
Reserve for Completion of FY 2013 Compliance Audits	20		Reserve to complete remaining compliance audits concluding procedures.
Compliance Subtotal	1,950	17%	
Information Technology			
Cloud Computing	120		To ensure the process for data backups for third party providers in the Cloud is properly safeguarded and in compliance with applicable laws, policies, and procedures.
Data Centers	300		To ensure adequate controls exist over the Data Centers to ensure compliance with appropriate laws, policies and procedures, the effectiveness and efficiency of operations, and the reliability and integrity of financial and operation information and the safeguarding of assets.
Education Research Center	80		Annual audit for FY 2014 required by the THECB to certify that the Research Center is in full compliance with all terms of the contract and federal and state laws.
eLearning/Blackboard	300		To ensure adequate controls exist over eLearning/Blackboard to ensure compliance with appropriate laws, policies and procedures, the effectiveness and efficiency of operations, and the reliability and integrity of financial and operation information and the safeguarding of assets.
HIPAA Security	300		To provide assurance that an effectively designed compliance program has been implemented for HIPAA Security and determine if UT Dallas is in compliance with certain HIPAA Security regulations.
IT Governance: Policies and Procedures Consulting Review	200		Requested by the Chief Information Officer - to review policies and procedures over information technology to help identify opportunities for improvement in policy and procedures specific to operation of IT infrastructure.
IT Meetings, Consulting	100		To provide consulting on various IT projects and meetings held for application maintenance and systems development.

FY 2014 Audit Plan Audit/Project	Budgeted Hours	% of Total	Description
IT Security	400		Provide assurance that an adequate system of internal controls is in place and adequate IT security policies and procedures are in place which will provide reasonable assurance of sound management, safeguarding of assets, effectiveness and efficiency of operations, compliance with applicable laws, policies, and procedures, and the reliability and integrity of financial and operational information. Also, to determine if previous assessment recommendations have been implemented.
PeopleSoft Roles	300		To ensure that the roles assigned and the process in place in PeopleSoft are adequate over PeopleSoft HR, Finance, and Student systems to ensure a proper segregation of duties, proper authorization, compliance with applicable laws, the reliability and integrity of financial and operational information, and the safeguarding of information system assets.
Unix	300		To ensure adequate controls exist over Unix to ensure compliance with appropriate laws, policies and procedures, the effectiveness and efficiency of operations, and the reliability and integrity of financial and operation information and the safeguarding of assets.
Vulnerability Scanning Process	120		To determine if the vulnerability scanning process is aligned with best practices, and to ensure that the vulnerabilities are being appropriately remediated in a timely manner.
Reserve for Completion of FY 2013 Information Technology Audits	80		Reserve to complete remaining information technology audits concluding procedures.
Information Technology Subtotal			
Follow-up	2,600	22%	
Follow-up	150		To follow up outstanding audit recommendations and the status of their implementation.
Follow-up Subtotal	150	1%	
Projects			
Annual Internal Audit Report	25		Preparation of the Annual Internal Audit Report, due on November 1st of each year, per the Texas Internal Auditing Act (Chapter 2101 Government Code).
Assistance to State Auditor's Office	20		Assistance to the State Auditor's Office on various requests and audits.
Audit Committee	120		Governance Project: Preparation for and attendance at the quarterly Audit Committee meetings and enhancement of the Audit Committee structure, meeting planning, and presentation.
Continuous Monitoring Project	300		To determine opportunities and develop continuous monitoring procedures to streamline audits and make more efficient use of audit resources.
Executive Management and Leadership of the Internal Audit Department	348		Includes hiring, development and update of internal audit manual and audit procedures, project management for all projects, budgeting, performance appraisals, administrative duties such as reconciliations, paperwork, time reporting, leadership and direction of the staff, promoting the internal audit department, and all other responsibilities not directly attributable to a specific audit project.
Fraud Risk Assessment, Training, and Awareness	400		Governance Project. Creation of fraud risk assessment, fraud training for UT Dallas faculty and staff, and development of fraud awareness on campus.
FY 2015 Audit Plan	80		Preparation of the FY 2015 Annual Audit Plan.
Hotline Team Management	25		Management and participation in the hotline team prior to investigation.
Internal Audit Quality Assurance Review - External	40		External quality assurance review participation.
Internal Audit Quality Assurance Review - Internal	100		Preparation for external quality assurance review.
Internal Audit Staff Meetings	200		Meetings to discuss status on multiple internal audit projects with audit staff.
Participation in Professional Organizations	120		Participation on ACUA, IIA, and other professional organizations.
Participation on Quality Assurance Reviews for Other Audit Departments	50		Participation on QARs at other colleges/universities, if needed.
TeamMate and IDEA Maintenance	80		Maintenance of TeamMate and IDEA software throughout the year.
UT System Audit Management Projects and Requests	60		Preparing reports, participation on UT System Audit task forces and other requests by UT System.
Projects Subtotal	1,968	17%	
Reserve			
Reserve for Change in Management Audits	200		Reserve for change in management audits that we are not aware of as of July 2013. Hours will be transferred to the applicable operational audit category as needed. The purpose of these audits is to provide a consulting service to the new manager by reviewing the existing internal controls in the department and providing the information necessary to assist the new manager in developing an adequate system of internal controls which will provide reasonable assurance of sound management.

FY 2014 Audit Plan Audit/Project	Budgeted Hours	% of Total	Description
Reserve for Management Requests, Investigations	600		Reserve for management requests, consulting engagements, and investigations that occur during the year. Hours will be transferred to the applicable categories as needed upon Audit and Compliance Committee approval.
Reserve Subtotal	800	7%	
Total Hours	11,768	100%	

The following is a list of all risks ranked as “high” that were identified but have not been included in the fiscal year 2014 Internal Audit Plan.

Tier One and Tier Two - Red Risks NOT Covered in Audit Plan for FY 2014

Note: Almost all red risks will receive some form of either audit, compliance, or external reviews. The following shows all red risks and the form of assurance.

In some areas, no assurance work is planned because a comprehensive audit was performed during FY 2013. Audit recommendations will be followed up on during FY 2014.

Mapping for All Red Risks

Ranking	Risk	Explanation/Mitigation (check indicates planned audit)	Internal Audit Action
Financial Management			
HM	Accounts Payable/Expenses	✓	
HM	Risk of Financial Fraud	Fraud Risk Assessment, Training, and Awareness project; Deloitte AFR work; Continuous monitoring project	
HM	Bursar Operations		Follow-up of FY 2013 investigation will be performed to ensure appropriate controls over Bursar Operations. Also included in Cash Handling audit.
HM	Payroll		FY 2013 audit of Salaries and Wages performed.
HM	Cash Handling and Treasury Operations	✓	
HM	Tax Compliance	Compliance assurance reviews and Implementation of Tax Compliance Risk Assessment and Monitoring Plan. Plan audit for FY 2015.	
HM	Endowments and Gifts	✓	
HM	Budget		FY 2013 audit of the Budget Process performed.
HM	Contract Process	✓	
Governance and Leadership			
HH	Business Continuity	✓	Cloud Computing; Follow-up TAC 202 audit
HM	Ethics	Compliance departmental reviews will incorporate Ethics into the reviews.	
HM	Conflict of Interest	Compliance working on UTS 180 Implementation.	
HM	Emergency Preparedness	Compliance assurance review/inspection in this area	
Information Technology			
HH	IT Security	✓	IT Security; HIPAA Security; PeopleSoft Roles; Vulnerability/Scanning
HM	Policies and Procedures	✓	IT Governance
HM	Organization and Management	✓	IT Governance
HM	Physical and Environmental Controls	✓	Data Centers; Cloud Computing
HM	Information Resources	✓	Unix
HM	Application-Based Controls	✓	eLearning/Blackboard;
HM	Systems Development Controls	✓	eLearning/Blackboard; Participation in IT meetings/consulting
HM	Information Resources Standards	✓	Participation in IT meetings/consulting
Plant Operations and Construction			
HM	Campus Construction Management	✓	
HM	Building, Key and Card Access Control	Compliance departmental reviews will incorporate key/card access controls into the reviews.	
Research			
HM	Lab & Bio Safety	✓	
HM	IRB	✓	
HM	Sponsored Programs Accounting	✓	
HM	Ethical Misconduct	Compliance assurance review/inspection in this area	

Ranking	Risk	Explanation/Mitigation (check indicates planned audit)	Internal Audit Action
HM	Time and Effort Reporting	✓	
HM	Post Award Management	Compliance assurance review/inspection for unallowable costs and cost sharing.	
	Student Services		
HM	Student Records Management	Compliance assurance review for FERPA FY 2013	
HM	FERPA	Compliance assurance review for FERPA FY 2013	
HM	Financial Aid	SAO audit and Department of Education program reviews performed in FY 2013. Plan audit for FY 2015.	
HM	International Students	✓	
HM	Scholarships		FY 2013 audit of Scholarships.
	External Relations & Alumni Affairs		
HM	Development, Endowments, and Gifts	✓	
	Medical/Patient Care		
HH	Callier Center HIPAA Privacy	✓	
HH	HIPAA Security	✓	

RISK ASSESSMENT METHODOLOGY

Summary of Audit Planning and Risk Assessment Process:**Audit Planning Process**

- 1 Surveyed a random sample of University faculty and staff for feedback on risks and potential audit areas. See Appendix L for survey questions.
- 2 Surveyed all directors and above for feedback on risks and potential audit areas. Also asked this group to assess risks on the areas listed on Appendix B. See Appendix M for survey questions.
- 3 Discussed potential audit areas with Audit and Compliance Committee at 3rd Quarter FY 2013 meeting.
- 4 Made a presentation to key operating areas and leadership teams such as the following:
 Compliance Subcommittee
 Information Resources
 Information Security
- 5 Considered the following during planning:
 UT Dallas Strategic Plan (<http://www.utdallas.edu/strategicplan/>)
 Potential changes in management and other new UT Dallas initiatives
 Emerging risks in higher education and compliance
 Required audits (i.e., contract/grant requirements, UT System requests, etc.)
 Annual Financial Reports and budgetary information
 Previous audit reports, plans, risk assessments, and working papers
 Risk of fraud (Appendix K)
- 6 Brainstormed with Audit and Compliance staff on risks and potential audit areas.
- 7 Prepared risk assessment (Appendices B, C, D, and E) based on the information above and on Audit and Compliance staff brainstorming.
- 8 Followed UT System instructions on preparation of the FY 2013 Audit Plan.
- 9 Presented plan to UT System Audit Office on July 3, 2013.
- 10 Presented plan to Audit and Compliance Committee for their final approval that was received on July 15, 2013.
- 11 Submitted plan to UT System for approval by the Board of Regents for their August 21-22, 2013 meeting.

Risk Assessment Process

Based on the surveys, discussions, and prior audit and compliance experience,

Determination of Impact

IMPACT of a risk is the effect a single occurrence of that risk will have upon the achievement of the institution's goals and objectives. There are three values:

- **HIGH** – The effect will cause the institution not to achieve its goals and objectives: it is a "show stopper"
- **MEDIUM** – The effect will cause the institution to operate inefficiently and/or expend unplanned resources to meet goals and objectives
- **LOW** – There will be no measurable effect upon the achievement of institutional goals and objectives

Determination of Probability

PROBABILITY of a risk is the likelihood the risk will become a reality. There are three values:

- **HIGH** – The risk will become a reality frequently
- **MEDIUM** – The risk will become a reality infrequently
- **LOW** – The risk will rarely become a reality

Mapping Critical (red) Risks

For all Tier One and Tier Two critical risks identified, we mapped them either to the audits/projects in the Annual Audit Plan OR to the appropriate explanation/mitigation strategy in Appendix G – "High Risks Not Covered."

Potential/Consequences

Bad public relations
 Loss of significant future funding
 Return of funds
 Lawsuits – Individual
 Lawsuits – class action
 Criminal fines or penalties
 Civil fines or penalties
 Letter of reprimand
 Loss of credibility
 Low morale
 Re-work
 Loss of assets
 Loss of knowledge base
 Increased oversight
 Declining enrollment
 Loss of life
 Injury to persons

Changes from Previous Audit Plan Process

Overall, the process used for FY 2014 audit planning did not differ from FY 2013. However, a new approach to departmental audits is being implemented during FY 2014. As part of the Compliance Plan, departmental reviews will now be performed on a cyclical basis of all departments. These reviews will be general in nature and cover the top internal control and compliance risks typically found in departments.

EXTERNAL AUDIT SERVICES PROCURED IN FISCAL YEAR 2013

The following external audit services were procured or were ongoing in fiscal year 2013. These services include, but are not limited to, financial and performance audits and attestation engagements such as a review or an agreed-upon-procedures engagement.

External Audit Service Provider	Services Procured
State Auditor's Office	A-133 Statewide Single Audit follow-up for Student Financial Aid

REPORTING SUSPECTED FRAUD AND ABUSE

The following actions were taken by The University of Texas at Dallas to implement the requirements of:

FRAUD REPORTING

Section 7.09, Fraud Reporting, General Appropriations Act (83rd Legislature, Conference Committee Report), Article IX

A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds as follows:

- (a) By providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and*
- (b) By including in the agency or institution's policies information on how to report suspected fraud involving state funds to the State Auditor's Office.*

UT Dallas has a link for fraud reporting under "Required Links" at the University's home page, www.utdallas.edu, which provides information about reporting fraud waste and abuse to the State Auditor's office. There is also a link at http://www.utdallas.edu/audit-compliance/hotline_about.htm.

UT Dallas complies with this in conjunction with the UT System Policy UTS118, *Statement of Operating Policy Pertaining to Dishonest or Fraudulent Activities*, located at <http://www.utsystem.edu/bor/procedures/policy/policies/uts118.html>.

COORDINATION OF INVESTIGATIONS

Texas Government Code, Section 321.022, Coordination of Investigations

- a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.*
- b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.*

- c) *All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.*

The UT Dallas Office of Audit and Compliance Policies and Procedures Manual, Chapter 5, *Investigations*, also references this section to ensure compliance.

UT Dallas reports such activities to the State Auditor's Office via their website at: <http://sao.fraud.state.tx.us/Hotline.aspx>.

OFFICE OF INTERNAL AUDIT

In alignment with UTD's overall mission, goals, and objectives, the mission of the Office of Internal Audit is:

To provide an independent, objective assurance and consulting activity designed to add value and improve the University's operations. To help the University accomplish its mission in learning, research and public service by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

For more information about the Office, please see Internal Audit's website at <http://www.utdallas.edu/audit-compliance/>. This site gives links to audit information including the audit charter, audit committee information, staff information, and the Internal Audit Office Strategic Plan.

In September 2005, the Offices of Internal Audit and Compliance were combined under the Office of Audit and Compliance, reporting to the Executive Director of Audit and Compliance. This reorganization was made to facilitate total enterprise risk management and enhance the efficiency and effectiveness of the two operations. The reorganization was also made in response to the peer review of the Compliance Office conducted in December 2003. Periodic peer reviews of the Compliance function provide the necessary assurances that the Compliance Program is operating effectively. The Executive Director of Audit and Compliance serves as the Chief Audit Executive and the Compliance Officer.

INTERNAL AUDIT STAFF

- **Staff Size:** The organization chart, shown on page 22, consists of the organization structure as of November, 2013. This organization chart reflects fiscal year 2013 increases in internal audit staffing with the addition of an Investigative Auditor. Despite the increased staffing, the office experienced turnover consisting of vacancies in the audit manager and staff auditor positions totaling approximately 1,400 hours in staff hours.
- **Staff Experiences and Certifications:** The internal audit staff consists of highly qualified and skilled audit professionals with certifications including Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certificate in Risk Management and Assurance (CRMA), and GIAC Systems and Network Auditor (GSNA). A complete list of internal audit qualifications can be found at <http://www.utdallas.edu/audit-compliance/staff.htm>.
- **Training:** Internal Audit staff received an average of over 50 hours of continuing professional education during fiscal year 2013. Key areas of training included emerging audit issues, risk assessment, information systems auditing, fraud, compliance, and ethics. Most of the training was received by participating in conferences, seminars, and webinars offered by the Association of College and University Auditors (ACUA), the Dallas Chapter of the Institute of Internal Auditors (IIA), SANS, and the Society for Corporate Compliance and Ethics.
- **Contributions to the Profession:** Members of the staff contributed to the profession in numerous ways:
 - The Executive Director was the Immediate Past President of the Association of College and University Auditors ([ACUA](#)) and served as a mentor for the ACUA Leads! Program.
 - The Executive Director served as a member of the [Internal Auditing Education Partnership Program advisory board](#) at the UT Dallas Naveen Jindal School of Management.
 - The audit staff works with and mentors student interns in the Internal Auditing Education Partnership (IAEP) program as they participate in various audit projects as student auditors during the year. During fiscal year 2013, Internal Audit worked with 23 student interns.
 - The Executive Director spoke at various professional conferences on topics such as quality assurance reviews and higher education auditing and to students in the IAEP on risk assessment and audit planning.
 - The staff auditor is a member of the Dallas Chapter of the Institute of Internal Auditors' Academic Relations Committee.

ORGANIZATION CHART

Organization Chart
Office of Audit and Compliance
November 2013

