



UNIVERSITY OF
TEXAS
ARLINGTON

**FISCAL YEAR 2017 ANNUAL INTERNAL AUDIT REPORT
AS REQUESTED BY THE STATE AUDITOR'S OFFICE**

OCTOBER 31, 2017

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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 and submitted to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the entities' governing boards and chief executives. The SAO prescribes the form and content of the report.

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) 2017. Additional information regarding the UT Arlington Office of Internal Audit (Internal Audit) can be found at the following website: <http://www.uta.edu/internalaudit/>

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Web Site

In accordance with Texas Government Code, Section 2102.015, Internal Audit has posted its FY 2017 Internal Audit Annual Report and the approved FY 2018 Audit Plan on its web site: <http://www.uta.edu/internalaudit/annualreports.php>.



II. Internal Audit Plan for Fiscal Year 2017

Report Number	Report Title (Audit)	Report Issued Date AND/OR Status as of 8/31/2017
RISK BASED AUDITS		
N/A	UT Share IT Controls Audit	Cancelled (A)
N/A	Information Security and OIT Processes for Cyber Protection Audit	Cancelled (A)
17-08	Audit of Processes for Budget Versus Actual	Carried to FY 2018 (B)
N/A	Suspense Items Audit	Cancelled (A)
17-06	Endowment Accounting in PeopleSoft Audit	Carried to FY 2018 (B)
N/A	NCAA Compliance Audit - Enforcement and Discipline or Response and Prevention	Cancelled (A)
16-02 16-04 16-05 16-06 16-07 16-09 16-11 16-12 16-13	<i>Carry-Forward Audits:</i> <ul style="list-style-type: none"> Executive Travel & Entertainment Expenses FY 2016 Student Financial Aid Continuous Monitoring - Data Analysis Student Financial Aid - Financial System Interface Title IX Compliance Review Identity Management Review Purchasing and Contract Administration Conflict of Interest Compliance College Park Center Operations Review Scholarship Management 	04/12/2017 03/08/2017 03/08/2017 08/14/2017 01/09/2017 03/10/2017 04/18/2017 01/09/2017 05/04/2017
REQUIRED AUDITS (EXTERNALLY AND INTERNALLY)		
(UT System)	FY 2016 NCAA Annual Financial Audit (support for UT System Audit Office)	Completed Assistance
17-02	Joint Admissions Medical Program (JAMP) Award Audit	10/31/2016
17-03	Nursing Shortage Reduction Program Awards Audit	02/28/2017
17-04	NCAA Compliance Audit -- Eligibility	Carried to FY 2018 (B)
(Deloitte)	FY 2016 Annual Financial Report (AFR) Audit	Completed Assistance
(Deloitte)	FY 2017 Annual Financial Report (AFR) Interim Work	Completed Assistance
(UT System)	FY 2016 UTS 142.1 Assurance Work	Completed
N/A	President's Travel, Entertainment, and University Residence Maintenance Expenses Audit	Cancelled (A)
17-05	Executive's Travel and Entertainment Expenses Audit	Carried to FY 2018 (B)
N/A	Federal Portion of the Statewide Single Audit (assistance to the SAO)	Completed Assistance
CONSULTING PROJECTS		
N/A	PeopleSoft Consulting - Business Process Review of A/P and Purchasing	Cancelled (A)



N/A	PeopleSoft Consulting - Business Process Review of Human Resources	Cancelled (A)
N/A	PeopleSoft Consulting - Business Process Review of Grants	Cancelled (A)
N/A	PeopleSoft Consulting - Business Process Review of Asset Management	Cancelled (A)
N/A	IT Governance Program, Project Management and Service Model	Cancelled (A)
N/A	Enterprise Risk Management Consulting	Cancelled (A)
INVESTIGATIONS		
N/A	Investigations	Completed
FOLLOW-UP		
N/A	Follow-up of past recommendations	Completed
GENERAL RESERVE		
N/A	Management Requests, Consulting, etc.	Completed
DEVELOPMENT – OPERATIONS		
N/A	UT System, SAO, etc., Reporting/Requests	Completed
N/A	Internal Quality Assurance and Improvement Program activities	Completed
N/A	External Quality Assurance Review	Completed (C)
N/A	FY 2018 Annual Work Plan Development & Risk Assessment Process	Completed
N/A	Committees (e.g. Internal Audit, Compliance, Institutional and Council) participation	Completed
N/A	TeamMate, IDEA, etc., development and maintenance	Completed
N/A	Management of the audit activity	Completed
DEVELOPMENT – INITIATIVES AND EDUCATION		
N/A	UT System Audit Office Initiatives and Participation	Completed
N/A	Institutional Strategic or Other Initiatives	Completed
N/A	Professional Organization and Association Participation	Completed
N/A	Individual Continuing Professional Education (CPE) Training (including related travel)	Completed

Deviations from Audit Plan Submitted:

- (A) The department staffing level declined via attrition from seven to three full-time professionals. As a result, significant reductions were made to the plan via approval from the Institutional Audit Committee.
- (B) Audits in progress at the end of FY 2017 were carried forward for completion in FY 2018.
- (C) The Institutional Audit Committee approved adding the External Quality Assurance Review as UT System engaged a third party to conduct the assessments system-wide.



Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institution:

A compliance audit of Benefits Proportionality Funding (Report No. 16-08) was completed on February 29, 2016. The audit resulted in no issues or significant recommendations. This was required by Rider 8 of the General Appropriations Act (85th Legislature). An audit of FY15 – FY17 will be conducted in FY18.

TEC Section 51.9337(h):

Senate Bill 20 of the 84th Legislative Session (SB 20) made several modifications to existing requirements and added new requirements for state agencies and institutions of higher education related to purchasing and contracting. These requirements were written into the Texas Government Code and/or the Texas Education Code (TEC) and were effective September 1, 2015. TEC §51.9337 requires that, “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.”

Based on review of current institutional policy and the UT System Board of Regents’ Rules and Regulations, UT Arlington has generally adopted all of the rules and policies required by TEC §51.9337. Review and revision of institutional and System policy is an ongoing process. These rules and policies will continue to be assessed annually to ensure continued compliance with TEC 51.9337.

III. Consulting Services and Non-audit Services Completed

Internal Audit has completed no consulting services or non-audit services as part of the FY 2017 approved annual audit plan.



IV. External Quality Assurance (Peer Review)-Summary



Candor. Insight. Results.

September 14, 2017

Ms. Dana Nuber, Assistant Director, Office of Internal Audit
The University of Texas at Arlington

In September 2017, University of Texas at Arlington (UTA) Office of Internal Audit (OIA or IA) completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). UTA OIA engaged an independent review team consisting of three internal audit professionals with extensive higher education experience to perform an independent validation of OIA's QAR self-assessment. The primary objective of the validation was to verify the assertions made in the QAR report concerning IA's conformity to the Institute of Internal Auditor's *International Standards for the Professional Practice of Internal Auditing* (the IIA *Standards*) and Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA).

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by OIA, we conclude that OIA's internal audit function "**Partially Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics due to challenges related to Standards 2000 – Managing the Internal Audit Activity, 2010 – Planning, and 2030 – Resource Management. We agree with OIA's conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

This information has been prepared pursuant to a client relationship exclusively with, and solely for the use and benefit of, The University of Texas System Administration and OIA and is subject to the terms and conditions of our related contract. Baker Tilly disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than The University of Texas System Administration and University of Texas at Arlington.

The review team appreciates the cooperation, time, and candid feedback of executive leadership, stakeholders, and OIA personnel.

Very truly yours,

Baker Tilly Virchow Krause, LLP





V. Internal Audit Plan for Fiscal Year 2018

The FY 2018 Audit Work Plan and budgeted hours are as follows. Detailed schedules, risk assessments and analysis for preparation of the FY 2018 Audit Work Plan may be requested by calling UT Arlington's Office of Internal Audit at 817-272-0150, or emailing internalaudit@uta.edu.

ENGAGEMENT	BUDGETED HOURS
RISK-BASED AUDITS	
College of Nursing Departmental Review	500
Human Resources Business Processes Review	400
Information Security Program Review	450
IT Governance Audit	300
Travel Department Process Review	325
Lab Safety	325
Parking and Transportation Departmental Review	350
NCAA Compliance Audit -- Student Financial Aid	350
FY 17 Carry forward audits	500
REQUIRED AUDITS (EXTERNALLY AND/OR INTERNALLY)	
FY 2017 NCAA Annual Financial Audit (support for UT System Audit Office)	120
FY 2017 Annual Financial Report (AFR) Audit	20
FY 2018 Annual Financial Report (AFR) Interim Work	45
FY 2017 UTS 142.1 Assurance Work	100
President's Travel, Entertainment, and University Residence Maintenance Expenses Audit	40
SAO Annual Reporting Requirement on Procurement Policies	50
State Auditor's Office (SAO) Statewide Single Audit (Student Financial Aid)	40
RISK BASED CONSULTING PROJECTS	
Sponsored Projects Uniform Guidance Consulting	250
Crisis Management Review Consulting	50
Reserve for Consulting Project Requests	400
Data Analytics Projects	125
University committees (e.g. Compliance, Institutional, etc.) participation	100
Responding to Institutional Requests for Information and Advice	50
INVESTIGATIONS	
Reserve for Investigations	150
FOLLOW-UP	
Follow-Up of past recommendations	160
RISK BASED RESERVE	
Reserve for Unanticipated Audits or Other Activities.	200
DEVELOPMENT – OPERATIONS	
UT System, SAO, etc., Reporting/Requests	100
Annual Internal Audit Report	40
Internal Audit Committee participation	150
Internal Quality Assurance and Improvement Program activities	100



External Quality Assurance Review	50
FY 2019 Annual Work Plan Development & Risk Assessment Process	200
TeamMate, IDEA, etc., development, maintenance and support	90
Management of the Audit Activity	300
Monthly Staff Meetings	120
DEVELOPMENT – INITIATIVES AND EDUCATION	
UT System Audit Office Initiatives and Participation	200
Institutional Strategic or Other Initiatives	40
Professional Organization and Association Participation	150
Individual Continuing Professional Education (CPE) Training (including related travel)	360
TOTAL HOURS ON FY 2017 PLAN	7,300

Risk Assessment and Methodology

The UT Arlington 2018 Audit Plan outlines the internal audit activities that will be performed by Internal Audit during FY 2018 in accordance with responsibilities established by the [UT System](#), the [Texas Internal Auditing Act](#), the Institute of Internal Auditors' [International Standards for the Professional Practice of Internal Auditing](#), and [Generally Accepted Government Auditing Standards](#). The plan is prepared using a risk-based approach to ensure that areas and activities specific to UT Arlington with the greatest risk are identified for consideration to be audited.

As part of the FY 2018 Audit Plan process, the UT System Audit Office risk assessment methodology was used. The goals for this common risk assessment approach were to start at the top with an awareness of critical initiatives and objectives to ensure the risks assessed were the most relevant. The assessment process was standardized by creating common terms and criteria, enabling trending of risk and System-wide comparisons. An emphasis was placed on collaboration with other functions that assess, handle, or manage risk. The risk assessment approach was based on a top-down process that included conversations and requests for input with risk collaborators, executives and managers from the various operating areas on campus.

The Audit Plan does not include an internal audit related to expenditure transfers, capital budget controls, or other limitations or restrictions in the General Appropriations Act. A compliance audit of Benefits Proportionality Funding for FY 15-FY 17 was not included in the above FY 2018 plan. Internal Audit will seek approval from the Institutional Audit Committee in the second quarter of FY 18 to add this audit to the plan as required by Rider 8 of the General Appropriations Act (85th Legislature). In addition, the project titled "SAO Annual Reporting Requirement on Procurement Policies" is included as required by TEC Section 51.9337(h) to address contract management.

Additional critical risks that were identified but not part of the Audit Plan, were in the general areas of information technology, research, enrollment management, and facilities management. While related engagements are currently not part of the FY 2018 Annual Audit Plan, there are other mitigating activities underway that address the objectives at risk.



VI. External Audit Services Procured in Fiscal Year 2017

- UT Arlington engaged the State Auditor's Office to perform the Fiscal Year 2016 A-133 Statewide Single Audit
- UT Arlington engaged the firm of Weaver and Tidwell, L.L.P. to conduct the required Agreed-Upon Procedures of the Cancer Prevention and Research Institute of Texas (CPRIT) awards for FY 2016.

VII. Reporting Suspected Fraud and Abuse

Actions taken to implement the requirements of General Appropriations Act (84th Legislature), Article IX, Section 7.09, Fraud Reporting and Texas Government Code, Section 321.022 include:

- SAO fraud reporting link on the bottom left of the UT Arlington homepage (www.uta.edu)
- UT Arlington Policy 5-103 *Dishonest or Fraudulent Activities* ([Policy 5-103](#))
- UT Arlington Ethics Hotline, which provides employees a way to report instances of suspected fraud, theft, and other unethical behavior ([Ethics Hotline](#)), including a link to report suspected fraud, waste, and abuse involving state funds to the SAO (<https://sao.fraud.texas.gov/>)
- Policies and Procedures have been updated for the requirement that the Chief Administrative Officer shall report suspected fraud to the State Auditor's Office.