

**The University of Texas at Arlington
Annual Internal Audit Report
Fiscal Year 2005**

THE UNIVERSITY OF TEXAS AT ARLINGTON

Fiscal Year 2005 Annual Internal Audit Report



November 1, 2005

THE OFFICE OF ASSURANCE SERVICES
BOX 19110
ARLINGTON, TX 76019-0110

**The University of Texas at Arlington
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Purpose of the Annual Report: To provide information on the benefits and effectiveness of the internal audit function. In addition, the annual report assists central oversight agencies in their work planning and coordinating efforts.

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I. Internal Audit Plan for Fiscal Year 2005

Audit/Project	Budgeted Hours
Key Financial and Operating	
<i>System-wide Financial Audits</i>	
Assistance to Outside Auditors - Statewide Audit	120
Assistance to Outside Auditors - Statewide Federal Audit	120
Assistance to Outside Auditors - UT System Audit Opinion	1000
<i>Mandatory Financial Audits</i>	
NCAA Financial Audit	240
Advanced Technology Programs/Advanced Research programs	160
<i>Risk-based Financial Audits</i>	
Cash Counts	60
<i>Financial Consulting</i>	
Special Requests - Consulting	40
<i>Financial Carry forward</i>	320
Key Financial and Operating Information Subtotal	2060
Institutional Compliance	
<i>System-wide Audits</i>	
None Currently Identified	
<i>Compliance Program Audits</i>	
NCAA Eligibility	280
Equal Opportunity and Affirmative Action	80
Campus Security/Law Enforcement and Crime Control	80
Physical Plant	80
Intercollegiate Athletics	80
Account Reconciliations/Procurement Cards/Segregation of Duties	120
Endowments Follow-up	40
<i>Compliance Consulting</i>	
Special Requests - Consulting	40
Hotline Investigations	80
<i>Compliance Carry forward</i>	0
Institutional Compliance Subtotal	880
Information Technology	
<i>System-wide Audits & IT Audits</i>	
Risk-based General Controls Audit	220
Risk-based Information Security Audit	220
TAC 202 Information Security Audit	160
<i>Information Technology Consulting/Meetings/Special Projects</i>	200
<i>Information Technology Carry forward</i>	
Information Technology Subtotal	800

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Audit/Project	Budgeted Hours
Core Business Processes	
<i>System-wide Audits</i>	
Contracting	200
<i>Core Business Processes Audits</i>	
Classroom and Building Utilization	200
Key Control	160
Cash Handling and Receipting	200
Follow-up on Contracts and Grants	80
Office of Research	320
<i>Core Business Consulting</i>	
Enterprise Risk Management	120
Special Requests - Consulting	40
<i>Core Business Carry forward</i>	0
Core Business Subtotal	1320
Change in Management	
<i>Change in Management Audits</i>	180
<i>Change in Management Carry forward</i>	20
Departmental Audits Subtotal	200
Follow-up	300
Audit Projects	
U. T. System Requests	60
Audit Plan	86
Annual Internal Audit Report	40
Audit Projects Subtotal	186
Other Projects	
Internal Audit Committee	80
Reserve for other Special Requests	450
Other Projects Subtotal	530
Projects Total	716
Total Hours	6276

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Explanation of Deviations from 2005 Audit Plan

The following audits were completed and were awaiting report issuance or were in progress at August 31, 2005:

- Contracting Audit
- Key Control Audit
- Follow-up on the Controls Over the Use and Administration of ProCards
- TAC 202 Follow-up Audit
- Office of Research – Human Subjects Research (In Planning Stage)

The Director plans to complete these audits and issue the reports prior to December 31, 2005. As discussed and approved by the audit committee members, the Risk-Based General Controls Audit and the Risk-Based Information Security Audit were not completed during Fiscal Year 2005 but were carried forward to the Fiscal Year 2006 Work Plan. Additionally, as discussed and approved by the audit committee members, the following audits were not completed during Fiscal Year 2005:

- Equal Opportunity and Institutional Affirmative Action (Compliance)
- Campus Security / Law Enforcement and Crime Control (Institutional Compliance)
- Intercollegiate Athletics (Institutional Compliance)

Two staff members resigned in early Fiscal Year 2005. This led to several projects that were in progress at fiscal year end since it took a few months to fill these vacancies.

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II. External Quality Assurance Review (Peer Review)

The following represents the Executive Summary from the Quality Assessment Review of The University of Texas at Arlington Office of Internal Audit Report issued in June 2003. The entire report can be requested from the Executive Director of Assurance Services at (817) 272-3089.

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EXECUTIVE SUMMARY

At your request, we have conducted a quality assessment of the Office of Internal Audit (Internal Audit) at The University of Texas at Arlington (UTA). The principal objectives of the quality assessment (QA) were to assess Internal Audit's conformity to The IIA's *Standards for the Professional Practice of Internal Auditing (Standards)*, evaluate Internal Audit's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of UTA's management), and identify opportunities to enhance its management and work processes, as well as its value to UTA.

As part of the preparation for the QA, Internal Audit prepared a self-study, with detailed documentation. Prior to the commencement of the onsite work by the QA team, the team members reviewed the self-study and supporting documentation. During the onsite work performed by the QA team on March 24 - 26, 2003, the team interviewed key executives and Internal Audit staff. Additionally, we reviewed Internal Audit's risk assessment and audit planning process, audit tools and methodologies, engagement and staff management processes, and a representative sample of Internal Audit's working papers and reports.

The Internal Audit environment where we performed our review is currently in transition. The Director of Internal Audit resigned effective January 31, 2003, and a part-time Interim Director has been appointed. Additionally, three other members of the staff have left the employment of UTA during the past month, leaving two full-time employees. The Interim Director is actively recruiting to fill two of the vacancies.

Internal Audit strives to ensure that the *Standards* are understood and management is endeavoring to provide useful audit tools and implement appropriate practices. Among these tools and practices are automated audit sampling software; professional training and encouragement of certifications for Internal Audit staff; concise reports with a focus on risk; and a good reputation and credibility with customers. Consequently, our comments and recommendations are intended to build on this foundation already in place in Internal Audit.

Our recommendations are divided into two groups:

- Those that concern UTA as a whole and suggest actions by senior management. Some of these are matters outside the scope of the QA, as set out above, which came to our attention through the interviews. We include them because we believe they will be useful to UTA management and because they impact the effectiveness of Internal Audit and the value it can add.
- Those that relate to Internal Audit's structure, staffing, deployment of resources, and similar matters that should be implemented within Internal Audit activity, with support from senior management.

Highlights of our recommendations are set forth below, with details in the main body of our report.

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PART 1 - MATTERS FOR CONSIDERATION OF UTA MANAGEMENT

1. Support/facilitate the filling of vacant positions to ensure an appropriate audit staffing level is maintained.
2. Support/facilitate increased coverage of UTA's operations, including those operations outside the financial areas of the organization.

PART II - ISSUES SPECIFIC TO INTERNAL AUDIT

1. Update the Audit Manual to reflect the new *Standards* and any other changes in departmental operating procedures.
2. Enhance the audit plan process by establishing a documented process for development of the risk universe to ensure that appropriate coverage is given to UTA's risks in the developed audit plan.
3. Enhance relations with Internal Audit's customers and solicit their input into the engagement planning process.
4. Enhance the engagement preparation and planning process to ensure that planning documentation includes both strengths and weaknesses of the operations being reviewed and the consideration these are given in the assessment of risk and development of the audit program.
5. Ensure changes in audit scope and objectives are clearly documented within the working papers.
6. Enhance the oversight of Internal Audit management on individual engagements. This should include establishment of appropriate time budgets with regular monitoring and regular, timely review of working papers.
7. Enhance the internal quality assurance process to ensure that working paper documentation supports reported information (including referencing and dispositions).
8. Ensure audit reports are timely and contain management responses and implementation dates, when appropriate. Consideration should also be given to including information related to improving effectiveness.
9. Customer survey forms should be sent out to all auditees subsequent to the audit report being issued.
10. Develop a consistent, documented follow-up process for audit recommendations to ensure timely implementation.
11. Review the Internal Audit resources and skill set mix, in light of the current budget constraints, staffing needs, and the expected discontinuation of co-sourcing the IT audit activities with Deloitte & Touche.
12. Develop a plan for staff enhancement that includes annual training and certifications.

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OPINION AS TO CONFORMITY TO THE STANDARDS

It is our opinion that Internal Audit generally conforms to the following *Standards*:

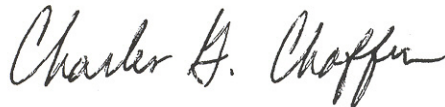
- 1000 - Purpose, Authority, and Responsibility (Charter),
- 1100 - Independence and Objectivity,
- 1200 - Proficiency and Due Professional Care
- 1300 - Quality Assurance/Improvement Program, 2100 - Nature of Work,
- 2400 - Communicating Results,
- 2600 - Management's Acceptance of Risks, and
- The IIA's *Code of Ethics*.

It is our opinion that Internal Audit partially conforms to the following *Standards*:

- 2000 - Managing the Internal Audit Activity,
- 2200 - Engagement Planning,
- 2300 - Performing the Engagement, and
- 2500 - Monitoring Progress.

In our terminology, "generally conforms" means that Internal Audit has a charter, policies, and procedures that are judged to be in accordance with the *Standards*, with some opportunities for improvement, as discussed in our recommendations. "Partially conforms" means deficiencies in practice are noted and are judged to deviate from the *Standards*, but these deficiencies did not preclude Internal Audit from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities. It is our opinion that there are no areas in which Internal Audit does not conform to the *Standards*.

We appreciate this opportunity to be of service to UTA. We will be pleased to respond to further questions concerning this report and to furnish any desired information.



Charles G. Chaffin, CPA, CIA
Team Leader
Director of Audit
The University of Texas System

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III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
04-11	January 28, 2005	Internal Controls over Expenditures/ Materials and Supplies Expenditures	Our objectives were to examine and evaluate the adequacy and effectiveness of internal controls over expenditures to provide reasonable assurance that the systems are operating as designed by management; and to determine if materials and supplies expenditures are fairly presented in the financial statements in all material respects.	Based upon our audit, we believe that internal controls over expenditures are functioning as designed, and that materials and supplies expenditures are materially accurate in the University's Financial Statements. During our review we noted several areas where there is opportunity for improvement. We recommended that OABS develop and implement procedures to ensure the correct object codes are assigned by departments for procurement card transactions. We also recommended that OABS develop and implement procedures to ensure that expenditures being processed appear appropriate for the department's operations. If not, these expenditures should be questioned. We recommended that the Office of Employment Services develop and implement a procedure to ensure that appointment documents require	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>In Progress</p>	Reduce the risk of financial misstatement through improved controls.

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				the hiring department to input the job posting number, when applicable, within the appropriate field before the document can be approved and routed to the next level in the department's reporting structure.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
04-13	November 13, 2004	Departmental Audit -- Architecture	<p>The objective of this review was to determine if the Department has addressed the action steps outlined in the Internal Control Training Course, <i>Effectively Controlling Risks</i>, which focuses on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, ▪ Segregation of duties, ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p>We recommended that personnel within the School of Architecture review <u>Fiscal Regulations and Procedures, Section 2-14, Cash and Check Handling</u> and implement a policy whereby all receipts are deposited timely. Additionally, the employee responsible for opening the mail should prepare a log of checks received through the mail. Finally, the person making the deposit should not be charged with completing the Department's account reconciliations. We recommended that the School of Architecture develop and maintain a Departmental Policy and Procedures Manual specific to the Department. A template for this Manual is available on the UTA website. We recommended that the School</p>	In Progress.	Reduce the risk of non-compliance with University Policies and Procedures.

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>of Architecture develop and implement procedures to ensure that annual performance reviews are submitted in a timely manner to the Office of Human Resources. As of May 5, 2004, three employees' evaluations had not been submitted to the Office of Human Resources. We recommended that the School of Architecture develop and implement procedures to ensure that supervisors verify the hours worked prior to approving the timecard. After a timecard is approved and payment has been made, any errors should be immediately reported to the Office of Payroll Services so that the necessary corrections can be made.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
04-16	March 25, 2005	Departmental Audit – Registrar	The objective of this review was to determine if the Department has addressed the action steps outlined in the Internal Control Training Course, <i>Effectively Controlling Risks</i> , which focuses	Overall, within the Registrar's Office, it appears that employees have an awareness of internal controls and a desire to improve those controls where necessary. During our review of the	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of non-compliance with University Policies and Procedures.

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			<p>on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, ▪ Segregation of duties, ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p>Department's procurement cards, we reviewed the statement period 4/6/2004 – 5/5/2004 and noted the transaction log for one cardholder included a transaction dated February 1, 2004. It appears that the cardholder adjusted the transaction log to include those transactions that were also included on the VP7 statement and also avoided the requirement to complete a purchasing card reconciliation log. Therefore, we recommend that purchasing card transaction logs only include transactions dated within the statement period noted on the log. Reconciliation logs should also be prepared when the total on the purchasing card transaction logs does not agree to the totals on the VP7 document. For one of the two timecards selected for salaried employees, we could not agree our recalculation of hours worked to the timecard. Additionally, we were unable to agree the leave reported on the timecard to the DEFINE Report of Vacation and Sick Leave because the timecard</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>did not identify the type of leave taken. For the other timecard reviewed, we noted that this employee worked 20 hours per week and received the full four hours of comp time given for the Good Friday holiday. Half-time employees, in accordance with <u>Fiscal Regulations and Procedures, Section 3-8</u>, should only receive two hours of compensatory time. Therefore, we recommend that the Registrar's Office obtain additional training related to timecard completion from the Office of Human Resources to improve the accuracy and quality of the time reporting. We selected two Outside Employment forms for review and noted that both forms were unavailable. Based on discussions with departmental personnel, Outside Employment Forms were not obtained from all employees. Therefore, we recommend that the Registrar implement procedures to ensure that each employee completes the Outside Employment Form annually. Additionally, upon</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>completion, these forms should be forwarded to the Office of the Provost for approval.</p> <p>The Department should introduce a standard form to complete at the end of each day to balance the cash, checks, and credit card receipts to the cash register tape. The department should consider purchasing a new cash register that provides a control feature to ensure that credit card and check receipts are recorded as a part of the processing of the transaction. Additionally, the Registrar should develop and implement policies and procedures that incorporate the use of the cash register for all transaction types (e.g., cash, check and credit card transactions). In accordance with <u>Fiscal Regulations and Procedures, Section 2-14</u>, all receipts should be deposited on a daily basis if they total \$200 or more and weekly if they are less than \$200. The Registrar should develop and implement policies and procedures to ensure that receipts are deposited in a timely manner.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>The Registrar should develop and implement policies and procedures to ensure that the check received from Credentials is reconciled to the number of transcripts ordered and issued during the period. During our review of account reconciliations and based on discussions with Departmental personnel, we noted that the Department does not reconcile the Statements of Account for Fee Income (Transcripts and Graduation) and Operating Income. Therefore, we recommend that the Registrar develop and implement procedures to reconcile all the Department's accounts, including the revenue budget categories in accordance with <u>Fiscal Regulations and Procedures, Section 2-3</u>. The procedure could include reviewing the revenue budget categories for reasonableness. Once the reconciliations are complete, they should be signed and dated by both the preparer and the reviewer. During our review of account reconciliations, we also noted that</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				<p>the Registrar signed the “Reconciliation Acknowledgment” form as specified in the <u>Fiscal Regulations and Procedures, Section 2-3</u>; however, the form did not list each individual account number as required. Therefore, we recommend that the Department revise the “Reconciliation Acknowledgment” form to include each 10 digit account number. During our review of the Extension Summary and Detail Reports for the Department’s telephones, we noted one instance where the Detail Report was not included in the supporting documentation and four instances where Detail Reports were available but were not signed by the user. We also noted an instance of a duplicate charge for an international call that had not been discovered. Therefore, we recommend that someone be assigned responsibility for each phone extension in the department and they verify and sign the detail report as evidence of their review</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				for personal or unusual charges. This would include fax machines as well as data and departmental phones. If someone in the department leaves, another person should be assigned the responsibility for the extension for as long as it is an operating extension. Someone should also review the documents received from Telecommunications to ensure that a Detail Report is received for each extension that shows a long distance charge on the Extension Summary Report.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
04-17	October 13, 2004	Departmental Audit – Honors College	<p>The objective of this review was to determine if the Department has addressed the action steps outlined in the Internal Control Training Course, <i>Effectively Controlling Risks</i>, which focuses on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, 	<p>The Department should develop a procedure to ensure that cash receipts are deposited timely in accordance with Fiscal Regulation 2-14, Cash and Check Handling. Additionally, if a student requires a refund because they are unable to take the trip abroad, a voucher should be processed within the DEFINE system.</p>	<p>Recommendations:</p> <ul style="list-style-type: none"> ▪ One in progress ▪ Four implemented 	Reduce the risk of non-compliance with University Policies and Procedures.

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			<ul style="list-style-type: none"> ▪ Segregation of duties, ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p>The Department should review Fiscal Regulation 3-7, Time Reports, and Fiscal Regulation 3-6B, Overtime, and ensure that timecards accurately reflect leave taken and compensatory time accrued. The Department should also consider participating in the timecard training offered by the Office of Human Resources. In accordance with Fiscal Regulation 2-3, <u>Statement of Accounts</u>, and the DEFINE training manual, <u>Reading the Statement of Account and Account Reconciliation</u>, the Department should develop and implement a procedure to ensure the Statements of Account include evidence of reconciliation to document that the preparer has compared the Statements to the supporting documentation. The Department should develop and implement a procedure to ensure that travel advances obtained are settled in a timely manner.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
04-18	October 13, 2004	Departmental Audit –	The objective of this review was to determine if the Department	The Department needs to ensure that Outside Employment Forms	In Progress. Internal Audit has not completed a follow-up review but	Reduce the risk of non-

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		Academic Accounting	<p>has addressed the action steps outlined in the Internal Control Training Course, <i>Effectively Controlling Risks</i>, which focuses on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, ▪ Segregation of duties, ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p>are updated annually by each employee with copies maintained on file within the Department, in accordance with the <u>Handbook of Operating Procedures, Part I, Chapter 5, Subchapter 5-2500</u>.</p> <p>In accordance with Fiscal Regulation 4-11, <u>Purchasing Card (Procard) Program Guide</u>, the Department needs to ensure that transactions are logged as they occur and when necessary, use the Pro Card Reconciliation Form to reconcile the transaction log to the VP7 statement. In addition, supporting documentation for transactions should be marked or stamped as “paid”. The Department should review Fiscal Regulation 3-7, <u>Time Reports</u>, and Fiscal Regulation 3-6B, <u>Overtime</u>, and ensure that the timecards accurately reflect leave taken and compensatory time accrued and the time is accurately reported in DEFINE. The Department should also consider the timecard training offered by the Office of Human Resources. Additionally, the Department needs to correct the</p>	<p>expects to do so in fiscal 2006.</p> <ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	<p>compliance with University Policies and Procedures.</p>

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				<p>compensatory time balance in DEFINE for the part-time secretary since she was already paid for this compensatory time in the previous year.</p> <p>In accordance with Fiscal Regulation 2-3, <u>Statement of Accounts</u>, and the DEFINE training manual, <u>Reading the Statement of Account and Account Reconciliation</u>, the Department should develop a procedure to ensure the preparer and the Chair sign-off and date the reconciliations upon completion and review, and that supporting documentation for the reconciliations are marked or stamped "paid."</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
04-19	April 04, 2005	Internal Controls Over Revenues	Our objective was to examine and evaluate the adequacy and effectiveness of internal controls over revenues to provide reasonable assurance that the systems are operating as designed by management.	Based upon the results of the audit steps performed, we believe that the controls over revenues in the above mentioned areas are operating in a manner that will result in materially accurate accounting and reporting of these transactions. During our review we noted several areas where there is opportunity for improvement.	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of financial misstatement through improved controls.

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				<p>We recommend that the person opening the mail at OABS also prepare the check log before handing the checks over to be processed, in accordance with Fiscal Regulation and Procedures Section 2-14 Cash and Check Handling.</p> <p>The Office of Accounting and Business Services should develop, implement and communicate policy and procedures to ensure that departmental personnel reconcile the manual adjustments report to the prior days entry input. In addition, the reconciliation report should be reconciled and approved by a person independent of the person that makes the manual adjustments. We recommend that the Bursar's office retain a copy of the deposit ticket and a copy of the foreign check as support within the cash fund reconciliation for audit trail purposes.</p> <p>The Police department cash fund reconciliation reports should be approved by a Police Department Supervisor, someone independent</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>of the person who prepares the report prior to sending the report to the Bursar's office. When the Bursar's office receives the Police Department reports the Bursar's office should ensure that someone in the Police Department has approved the report.</p> <p>The Parking Office should review Fiscal Regulation and Procedures, Section 2-14 Cash and Check Handling Procedure and implement a procedure to ensure that checks received in the mail are logged and processed to the Bursar's Office daily and intact. In order to accomplish this, we recommend that the Parking Office work with the Office of Accounting Services and the Bursar to set up a cash clearing account so that cash can be deposited the same day it is received.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
04-20	November 15, 2004	Departmental Audit -- Biology	The objective of this review is to determine if the Department has addressed the action steps outlined in the Internal Control	The Department should develop and implement a procedure to ensure cash receipts are deposited timely in accordance with <u>Fiscal</u>	Recommendations: <ul style="list-style-type: none"> ▪ In Progress – 4 ▪ Implemented – 2 	Reduce the risk of non-compliance with University

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			<p>Training Course, <i>Effectively Controlling Risks</i>, which focuses on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, ▪ Segregation of duties, ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p><u>Regulations and Procedures, Section 2-14, Cash and Check Handling.</u> The Department should develop and implement procedures to ensure that each employee receives and certifies their detailed extension report on a monthly basis for long distance calls made and reimburses the University for any personal long distance calls, including state sales tax. In accordance with <u>Fiscal Regulations and Procedures, Section 2-3, Statement of Accounts</u>, the Department develop and implement a procedure to ensure the Statements of Account are signed and dated by the preparer and reviewed and approved by the account administrator on a monthly basis. An alternative to the account administrator signing each statement for each budget category of a given account, would be to sign the Statement of Account Reconciliation and Acknowledgement Form. Each ten digit account number must be</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	<p>Policies and Procedures.</p>

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				<p>listed and the corresponding reconciled statement must be attached. By signing this form, the reconciler also certifies that each reconciliation is attached, and has been reviewed by he/she.</p> <p>The Department should create a listing of all high risk, non-capitalized assets in accordance with <u>Fiscal Regulations and Procedures, Section 2-41, Responsibility and Accountability for University Property</u>. The Department should review <u>Fiscal Regulations and Procedures, Section 4-11, Purchasing Card (ProCard) Program Guide</u> and develop and implement procedures to ensure that the transaction logs include only those transactions made during the statement period (currently beginning the 6th day of the month through the 5th day of the subsequent month); a procurement card reconciliation log is completed if there is a difference between the balance on the transaction log and the balance on the VP7 statement; and the cardholder's supervisor should</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>sign and date the reconciliation log upon review.</p> <p>In accordance with <u>Fiscal Regulations and Procedures, Section 3-7, Time Reports</u>, the Department needs to ensure that the time sheets accurately reflect the total number hours worked and are properly completed.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
04-23	December 17, 2004	TAC 202 Audit	<p>Our objective was to determine if UT Arlington's Information Security Program complies with TAC 202.</p>	<p>Based on our audit, although the University has established an information security program, we believe the University is in partial compliance and is in the process of complying with TAC 202. By implementing the recommendations listed below, the University's information security program would be enhanced in accordance with the requirements outlined in TAC 202.</p> <p>The Office of Information Technology should develop a form/method for authorized users to formally acknowledge that they will comply with the security policies and procedures of the University. This form/method may also serve as a non-disclosure</p>	<p>In Progress – Internal Audit has completed a follow-up visit and will review again in fiscal 2006.</p>	<p>Reduce the risk of non-compliance with TAC 202.</p>

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				<p>agreement.</p> <p>Per TAC §202.3 [§202.71], the University should identify owners and custodians of information resources and define, document and communicate their responsibilities.</p> <p>The Office of Information Technology should update the security risk analysis annually for those resources which have been ranked as high risk. In accordance with TAC §202.5 [§202.73], the University should complete a review of physical security measures for information resources annually.</p> <p>The OIT should review TAC §202.6 [§202.74] and ensure the Business Impact Analysis addresses the loss of personnel and key support services such as voice networks and equipment and provides an estimate of the impact of the loss of essential services or resources.</p> <p>The OIT should review the Security Risk Assessment definition noted at TAC §202.1, and ensure the Risk Assessment</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				includes projected losses associated with the identified threats/vulnerabilities. Per TAC §202.7 [§202.75 and §202.76], the Office of Information Technology should evaluate those information resources that contain confidential data and ensure that these systems provide a means whereby authorized personnel have the ability to audit and establish individual accountability for any action that can potentially cause access to, generation of, modification of, or effect the release of confidential information.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
05-01	February 16, 2005	Departmental Audit – Dean’s Office, College of Liberal Arts	<p>The objective of this review is to determine if the Department has addressed the action steps outlined in the Internal Control Training Course, <i>Effectively Controlling Risks</i>, which focuses on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, ▪ Segregation of duties, 	<p>For faculty travel paid out of the Dean’s accounts, the Dean’s Office should obtain copies of supporting documentation and review this documentation during Statement of Account reconciliation process. Each timecard employee and his/her supervisor should review the timecards for mathematical accuracy before signing the timecards.</p>	.In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of non-compliance with University Policies and Procedures.

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			<ul style="list-style-type: none"> ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p>The Department should inform its timecard employees that timecards should reflect the actual hours worked, and that no employee should complete a timecard based on his/her work schedule.</p> <p>The Department should periodically review its inventory listing to ensure that room numbers are accurately reflected on the inventory listing, and that all equipment included on the inventory listing is appropriately tagged.</p> <p>The Department should periodically review its policies and procedures manual to ensure the manual is up-to-date and that it accurately reflects the processes followed by the Department.</p> <p>Performance evaluations for the Executive Assistant to the Dean and the Dean should be completed and forwarded to Human Resources</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
05-02	March 21, 2005	Departmental Audit – English	The objective of this review was to determine if the Department has addressed the action steps outlined in the Internal Control	The Department should ensure that outside employment forms are completed and forwarded to the Provost’s Office for fiscal year 04-	.In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of non-compliance with University

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			<p>Training Course, <i>Effectively Controlling Risks</i>, which focuses on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, ▪ Segregation of duties, ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p>05. The Coordinator of Developmental English should develop a written job description that includes responsibilities for internal control. The Director of the Writing Center should update her job description to include her responsibilities for internal control. These job descriptions should be reviewed by the appropriate supervisor and copies should be forwarded to the Office of Human Resources.</p> <p>The Department should review Fiscal Regulation 2-3, <u>Statement of Accounts</u>, and upon completing the monthly Statement of Account reconciliations, the Administrative Assistant should initial and date the Statements to document her review. The Department should review the Fiscal Regulations for asset management, including Fiscal Regulations 2-41, <u>Responsibility and Accountability for University Property</u>, 2-42, <u>DEFINE Inventory Module</u>, and 2-47, <u>Departmental Property Records</u>. The Department should</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	<p>Policies and Procedures.</p>

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				<p>also develop a procedure to ensure that all capital and controlled assets are tagged, and that the inventory listing is updated as necessary to reflect the actual building/room numbers of items included on the listing.</p> <p>The Department should review Fiscal Regulation 4-11, <u>Purchasing Card (ProCard) Program Guide</u>, and ensure that transaction logs are prepared, transactions are logged as they occur, and transaction logs are reconciled to the VP7 statement and the supporting documentation.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
05-04	May 16, 2004	Building and Classroom Inventory Audit	<p>Our objectives were to:</p> <p>Determine the accuracy of the Building and Classroom Inventory Database used by The Texas Higher Education Coordinating Board (THECB) in the annual calculation of the classroom and class laboratory utilization rates.</p> <p>Evaluate processes, procedures, and criteria used to capture</p>	<p>We believe that UTA adheres to the facility inventory reporting guidelines set forth by THECB. However, the accuracy of the Building and Classroom Inventory Database can be improved. Processes, procedures, and criteria used to capture and report changes that may impact utilization rates should be documented. Operational and academic management should review the</p>	.In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Utilization rates below THECB benchmark levels could result in loss of growth opportunities.

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			changes in the facilities inventory and classroom status that may impact THECB utilization rates.	<p>Building and Classroom Inventory Database to gain assurance that room type designations are consistent with actual room use to ensure maximization of the University's utilization rates. The existing facility data bases should be corrected before they are migrated to the new People Soft – MyMAV system. Consideration should be given to establishing a room use certification process similar to the process used for equipment inventory certification. Responsible persons across the University should be accountable for their room use based upon THECB guidelines.</p> <p>Executive management should determine acceptable levels of accuracy and initiate corrective actions. In the process of correcting the deficiencies noted, departmental management should determine the root causes and implement corrective measures. We recommend that the responsible departments collaboratively develop written internal policies and procedures,</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>which include specifically defining each group's responsibilities in the building and room utilization process. The Physical Plant should be accountable for recording room changes in CICS as they are responsible for updating the THECB Facilities Inventory Database. Other departments involved should only have read-only access to the UR09 and UR10 maintenance screens to verify and be able to use the data as they need it.</p> <p>The Physical Plant should establish an internal confirmation method, in the room survey process, that shows the date a room use change was observed. Maintaining a clear history allows efficiency when filing an updated facilities inventory with THECB as the adjustments have been previously determined; requiring only the need to transfer the data from the most recent set of documentation and submit the update(s) to the State. The Space Allocation Committee Charter</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>should be reviewed and their authority in space decisions should be well defined. Consideration should be given to granting the Space Allocation Committee more authority to become one of the sanctioned bodies to evaluate and authorize changes in facilities before the changes are made. The estimated impact on space utilization rates for purposes of THECB should be calculated and understood before executive management authorizes the changes.</p> <p>The Physical Plant should establish a regular update schedule for the THECB Facilities Inventory to ensure that they have the latest most accurate file.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
05-04	April 6, 2004	Departmental Audit – Military Science	<p>The objective of this review was to determine if the Department has addressed the action steps outlined in the Internal Control Training Course, <i>Effectively Controlling Risks</i>, which focuses on five internal control activities:</p> <ul style="list-style-type: none"> ▪ Control conscious environment, 	<p>We recommend that the Department complete the outside employment form annually for the UTA full-time employee and submit it to the Office of the Provost.</p> <p>We recommend that the Department develop a procedure to ensure that the inventory listing is updated as necessary to reflect</p>	.In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of non-compliance with University Policies and Procedures.

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			<ul style="list-style-type: none"> ▪ Segregation of duties, ▪ Authorization and approval, ▪ Safeguarding of assets, and ▪ Monitoring. 	<p>the actual location of all assets Assigned to the department. We recommend that the Department begin stamping or marking ProCard source documents as “paid”. In addition, supporting documentation for expenditure account reconciliations should be marked or stamped “paid”. When entry errors are made in DEFINE, the error should be corrected in DEFINE with appropriate notations describing the nature of the error. The error should not be corrected by incorrectly recording time on the time sheet. We recommend that the account administrator review Fiscal Regulation 1-13 concerning time cards and take the DEFINE training class on Employee Time Management.</p> <p>We recommend that the Department ensure that all the detail extension reports are distributed to the appropriate employees for signature and be returned to the Administrative Assistant. The Department should</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				<p>also consider removing the phone service that is no longer in use and request the telecommunications department to correct the summary report for any incorrect name assignments.</p> <p>The Department of Military Science Policies and Procedures Manual should be updated to reflect any changes since the last revision.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
05-05	October 26, 2004	JAMP Review	The objective of this audit was to provide assurance that that the institution is in compliance with JAMP Agreement requirements and the JAMP Expenditure Guidelines.	The audit resulted in no findings of non-compliance with the JAMP Agreement or JAMP Expenditure Guidelines.	Not Applicable	Not Applicable
05-06	May 12, 2005	Advanced Technology Programs / Advanced Research Programs	Our objective was to provide reasonable assurance that the expenditure of funds and project performance is in adherence to the grant terms and conditions.	We recommend that Grant Accounting continue to stress the need for timely PERs and follow up with the Principal Investigators on a routine basis.	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of non-compliance with University Policies and Procedures.
05-07	May 03,2005	NCAA Eligibility	Our objective was to determine whether the University of Texas at Arlington (UTA) Intercollegiate Athletics Department is in compliance with the 2004-05 NCAA Division I Manual, Bylaw 14, entitled	Based on our audit, it appears that overall policies and procedures are in place to govern and monitor the eligibility determination of all student-athletes. Additionally, management appears to be effectively monitoring	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of non-compliance with NCAA rules.

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			Eligibility Requirements.	<p>eligibility requirements and determinations to mitigate the risks of violating any NCAA Division I guidelines or Bylaws relating to eligibility.</p> <p>We recommend that the Athletics Department set a specific date for the completion of the revised Departmental Policies and Procedures Manual.</p> <p>We recommend that the Athletic Department maintain formal documentation of approval granted to student-athletes for taking summer school courses at another institution.</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
05-08	August 01,2005	Cash Handling and Receipting	Our objective was to examine and evaluate the adequacy and effectiveness of internal controls over cash collection and to provide reasonable assurance that the systems are operating in accordance with Fiscal Regulation 2-14 regarding Cash Handling.	<p>We recommend that the Continuing Education Department not send the green and white copy of the University's cash receipt book to the Bursar's Office. To be in compliance with Fiscal Regulation 2-14, the green copy is to be maintained at the Department and the white copy is to be provided to the customer.</p> <p>We recommend that the School of Nursing continuing education cash collection area maintain a check</p>	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2006.	Reduce the risk of non-compliance with University Policies and Procedures.

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				<p>log for check receipts detailing the check number, check amount, date of receipt of the check, reason of check, account number to be credited and the name of the payer as prescribed in Fiscal Regulation 2-14.</p> <p>It is recommended that check log maintained at Rural Health Outreach Program (RHOP) in the School of Nursing also include the date of the receipt of the check. We recommend that the continuing education and dean's departmental cash collection area at the School of Nursing make daily deposits at the Bursar's Office if the receipts are above \$200 and weekly if the deposits are less than \$200 to be in compliance with UTA Fiscal Regulation 2-14.</p> <p>It is recommended that receipt book be maintained for at least 3 years after the fiscal year end before being discarded to be in compliance with the record retention policy for similar documents such as deposit slips. We recommend that the English</p>	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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				Language Institute at the Department of Linguistics and TESOL, make daily deposits at the Bursar's Office if the receipts are above \$200 and weekly if the deposits are less than \$200 to be in compliance with UTA Fiscal Regulation 2-14.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
5-15	August 18, 2005	Endowment Follow-up Audit	The objective of this review was to determine the status of the management responses to the recommendations in the audit report.	<ul style="list-style-type: none"> • All existing and new employees have been scheduled for endowment training. • A system is in place to identify new employees who require the endowment specialized training • All scholarship recipients meet all established criteria in the endowment agreement and that all adequate documentation is maintained to support the qualification of the scholarship recipient. • Steps have been taken to ensure that unqualified expenditures are removed from the endowment account and transferred to another university account. 	<p>There were 8 recommendations in connection with the Audit Dated July 30, 2004. Recommendation Status:</p> <ul style="list-style-type: none"> • In Progress – 3 • Implemented – 3 • Not Implemented – 2 <p>There are plans in place for recommendations “Not Implemented”; however, at the time of this follow up audit those plans had not been exercised or could be exercised only after some of the “In Progress” items were completed.</p>	Reduce the risk of non-compliance with endowment agreements and related policy and procedures.

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				<ul style="list-style-type: none"> • Enhanced the specialized training module to include information regarding scholarship endowments. • OAD should analyze supporting documentation during expenditure reviews and not rely solely on DEFINE to determine if the expenditure is in accordance with the endowment agreement. • Endowment Monitoring Reports are being provided to the Endowment Compliance Sub-committee quarterly. • Establish criteria for determining when flagged endowments become an instance of non-compliance. 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
50-16	August 18, 2005	Grant & Contract Audit Follow-up	The objective of this review was to determine the status of the audit management responses that have been implemented.	<ul style="list-style-type: none"> • Timely Completion of Close Out Check Lists • Timely notification of reporting deadlines through use of a data base • System-wide contract for the personnel effort reporting software 	There were 10 recommendations in connection with the Audit Dated May 18, 2004. Recommendation Status: <ul style="list-style-type: none"> • In Progress – 3 • Implemented –7 	

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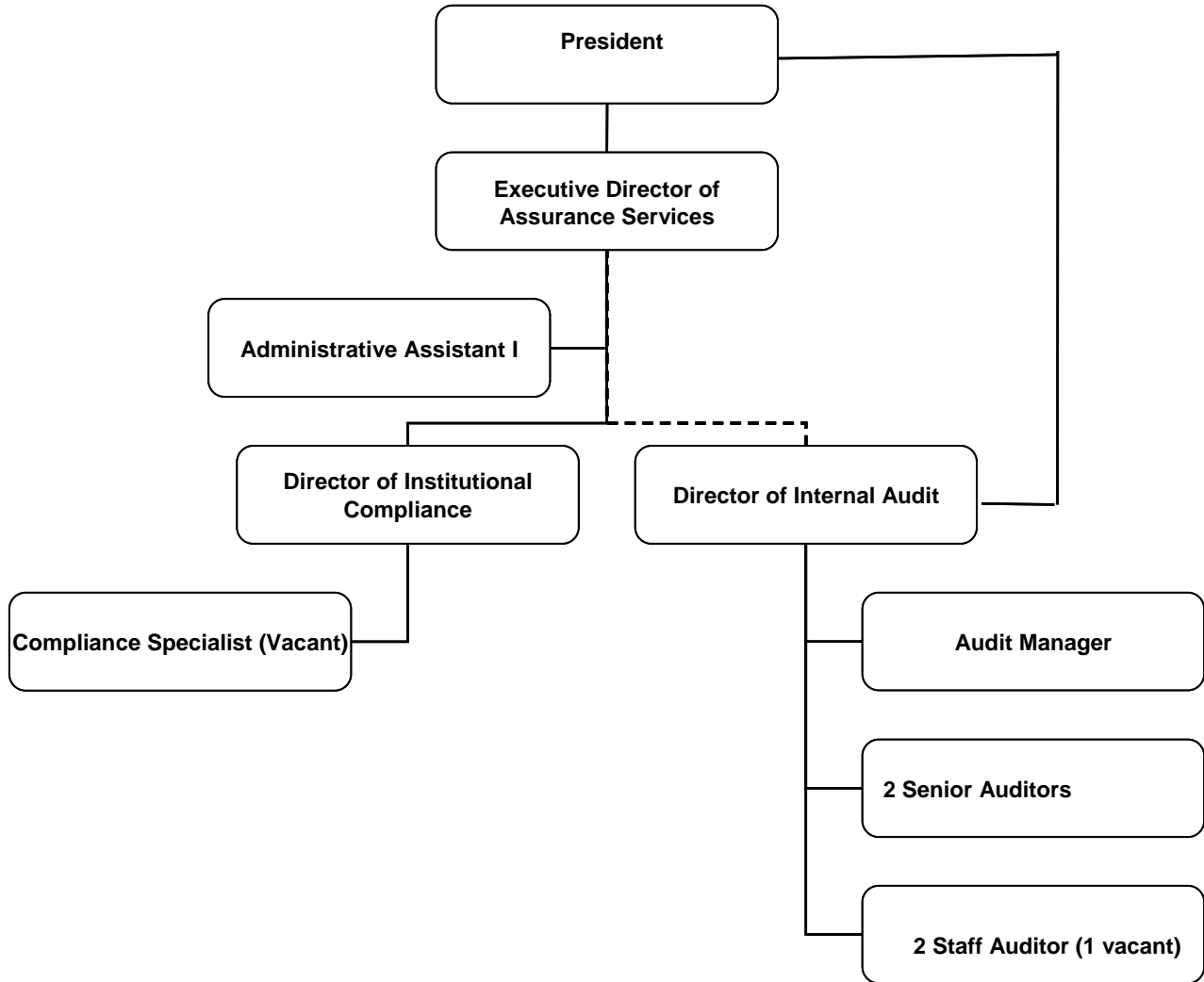
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				<ul style="list-style-type: none"> • Designated employee assigned to close-out process • Timely submission of budget revisions and monthly invoices • GRA/GTA signed certifications made available • Manual process assuring timely submission of time and effort reports • Usage of proper object code to reflect appropriate item purchased • Mathematically correct reimbursements • Completion of Conflict of Interest forms by the Principal Investigators 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

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IV. List of Consulting Engagements and Non-audit Services Completed

The consulting projects related to the student information system conversion (MyMay) and the implementation of Enterprise Risk Management are on-going and are included in the Fiscal Year 2006 Work Plan.

V. Organizational Chart



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VI. Report on Other Internal Audit Activities

Activity	Impact
Consulted with those departments where a change in management occurred.	Provides a service to the new manager by reviewing the existing internal controls in the department and providing information necessary to assist the new manager in developing an adequate system of internal controls over the department.
Served as a non-voting member of the Student Information System Executive Steering Committee	Provides independent consultation and guidance to help ensure that the University's Student Information System is adequately safeguarded.
Consulted with management, faculty and staff with questions on various university issues such as internal controls, procedures, etc.	Provides university employees with guidance and resources.
Facilitated University's ethics/compliance hotline and served on committee to address calls to the hotline.	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.
Served as a track coordinator for the Association of College and University Auditors Annual Conference held in September 2004.	Provides networking with peers at other institutions of higher education and enhancement of the Department's knowledge.

VII. Internal Audit Plan for Fiscal Year 2006

The following Audit Plan Table identifies 2006 audit projects for various audit categories and indicates planned audit hours. Please note that the detailed schedules, risk assessments and analysis for preparation of the work plan are not included. A complete copy of the Work Plan schedules may be requested from the Executive Director of Assurance Services at (817) 272-3089.

FY 2006 Work Plan Audit/Project	2006 Hours
<i>UT System Requested</i>	
<i>Audits</i>	
Financial Statement Audit - Fiscal Year 2005	200
Financial Statement Audit - Fiscal Year 2006	120
Fraud Initiative Compliance	160
<i>Consulting</i>	
<i>UT System Requested Carry forward</i>	
UT System Requested Subtotal	480
<i>Externally Required</i>	
<i>Audits</i>	
NCAA Financial Audit	320
NCAA Compliance Audit - Student Financial Aid	280
TAC 202 Compliance Audit	200
Data Centers - Budget Rider	240
BPM 53- Security Review of System Newly Acquired or Developed	240
<i>Carry forward</i>	

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FY 2006 Work Plan Audit/Project	2006 Hours
Externally Required Subtotal	1,280
<i>Risk Based: Institutional</i>	
<i>Audits</i>	
Follow-up on Health Services Cash Handling Procedures Review	80
Financial Audit of Auxiliary Enterprises	280
Out-sourced Operations, Bookstore	240
Construction Program Management, excluding OFPC projects and maintenance projects	320
Budgeting and Planning/Enrollment Management/Budget Monitoring	280
Library	240
Research Lab Safety Audit	200
<i>Consulting</i>	80
<i>Carry forward</i>	320
Risk Based: Institutional Subtotal	2,040
<i>Risk Based: Auditable Area</i>	
<i>Information Technology</i>	
<i>Audits</i>	
Risk Based General Computer Controls Review	300
<i>Consulting</i>	200
<i>Carry forward</i>	20
Risk Based: Tier Two Subtotal	520
<i>Management Review</i>	
<i>Change in Management Audits</i>	80
<i>Change in Management Carry forward</i>	
Change in Management Subtotal	80
<i>Follow-up</i>	300
<i>Audit Projects</i>	
U. T. System Requests	80
FY 2007 Audit Plan Preparation	80
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<i>Special Requests - Audits</i>	
Audit Projects Subtotal	200
<i>Consulting Projects</i>	
Special Requests - Consulting	80
Consulting Projects Subtotal	80
<i>Other Projects</i>	
Quality Assurance Review	100
Internal Audit Committee	40
Investigations	80
Enterprise Risk Management	120
Assist with preparation for SACS Reaccreditation	40
Reserve for other Special Requests	472
Projects Subtotal	852
Projects Total	1,132
Total Hours	5,832

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VIII. External Audit Services

None