

UNIVERSITY OF TEXAS AT ARLINGTON

DEPARTMENT OF INTERNAL AUDIT

ANNUAL AUDIT REPORT
FISCAL YEAR 2008



TABLE OF CONTENTS

I. Letter from the Director	2
II. Audit Committee	3
III. Quality Assurance Reviews	4
IV. Departmental Infrastructure	5
V. Selection of Audits	6
VI. Engagement Summaries	7
VII. Information Technology Engagement Summaries.....	10
VIII. Upcoming Audit Projects	11
IX. Work Plan by Category	11
X. Follow-Up Audit Recommendations	12
XI. Results — Customer Surveys	13
XII. Work Plan Achievement	14
XIII. Professional Activities	15
XIV. Volunteer & Community Support	16
XV. Our Staff	16
XVI. Audit Charter	17

LETTER
FROM
THE DIRECTOR OF INTERNAL AUDIT



I have read that auditing has roots that date back to 3500 B.C. As auditors, we still make funny little marks beside numbers involved in financial transactions as was done in those times, portraying a system of verification. As you will see when reviewing our first edition of a special annual report, internal auditing has gone far beyond just a simple “tick and tie” numbers crunching service to something much more. Modern professional internal auditing as we know it today began to evolve in 1941 when the Institute of Internal Auditors (IIA) was first formed. Now internal auditing covers such broad areas as examination and appraisal of internal controls, operational performance, risk, governance, compliance, information technology and finance. Our engagement summaries section of this report and upcoming audit projects list demonstrate the diversity in the kinds of value-added services that modern internal audit departments provide.

A key upcoming event is our Peer Quality Assurance Review which is being scheduled for the spring of 2009. In our last peer review, the review team concluded that Internal Audit “generally conforms” and “partially conforms” with the *International Standards for the Professional Practice of Internal Auditing*, which is the highest two of three possible ratings. More detail about the quality assessment process is provided later in this report.

The Audit Committee is a major oversight function in the University’s control and governance processes. The members of the committee bring a wide range of expertise and knowledge to the direction of our internal audit function. Our “Audit Committee” page highlights some additional facts.

As you review the various sections of this first special edition of our annual report, we hope that you find the material useful and informative.

I am thankful to have a dedicated, professional staff that continues to make our audits successful and value added.

Sincerely,

A handwritten signature in blue ink that reads "Ken Schroeder".

Ken Schroeder, CIA
Director of Internal Audit

AUDIT | COMMITTEE

The UT Arlington Audit Committee is a very important part of the governance processes for our University. Our committee is actively involved in supporting and setting “tone at the top” best practices.

Some facts about our Audit Committee ...

Our Audit Committee is comprised of five members of executive and senior leadership and one external member. The University Institutional Compliance and Ethics Officer and the Director of Internal Audit are also members of the committee without vote. The Director of Internal Audit reports functionally to the President who is also the Audit Committee Chairman.

Oversight and direction to the Internal Audit function at UT Arlington is provided by the committee which meets quarterly to discuss any issues relevant to the audit engagements completed or in process and receives updates on any follow-up audit activity or operational issues. The UT System Audit Director or his designee provides regular input, guidance and oversight to the audit function and is an active participant in the quarterly committee meetings. In addition to the quarterly meetings, the Director meets with the Committee Chairman periodically for appropriate interim updates and issues.

Communication with the Audit, Compliance, and Management Review (ACMR) Committee of the UT System Board of Regents

Quarterly, all audits including audits by external sources such as the State Auditor’s Office, that contain significant findings and recommendations are summarized for the ACMR Committee. The significant recommendations are then tracked by internal audit and their status is reported quarterly to the ACMR. Periodically, the UT Arlington Internal Audit Director, as coordinated by the System Director of Audits, will meet with the ACMR.

Communication with the Executive Vice Chancellor for Academic Affairs (EVCAF)

Within two weeks following the quarterly meetings, the Director provides an executive summary of the significant issues discussed to the EVCAF and to each of the UT Arlington Audit Committee members.

QUALITY ASSURANCE REVIEWS

The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* requires that a quality assurance and improvement program covers all aspects of the audit activity. The program includes periodic internal and external quality assessments and ongoing internal monitoring. In Texas, an external quality assessment is required every three years which exceeds the IIA requirement of every five years. Our last external quality review was conducted in Fiscal Year 2006 by a team comprised of Audit Directors from Mary Washington University, Stevens Institute of Technology, and the University of Texas at Brownsville. The results of the quality assessment provided a basis for Internal Audit to shore up areas that were judged as “partially conforms” [to the Standards] and to capitalize on areas that were assessed as “generally conforms.”

In our terminology, “generally conforms” means that Internal Audit has a charter, policies and processes that are judged to be in accordance with the *Standards*, but there are some opportunities for improvement. “Partially conforms” means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the internal audit activity from performing its responsibilities in an acceptable manner. As a result of the quality review, the management structure of the Internal Audit department was changed to focus and enhance the department’s ability to meet the *Standards*. As a further outgrowth of the report recommendations, the department’s ability to ensure adequate coverage of technology risks at UT Arlington was enhanced with the addition of an Information Technology Auditor.

The implementation of the recommendations made in the Fiscal Year 2006 quality reviews and our continuous quest for improvement, positions us very favorably for our next external quality assessment which is scheduled for the Spring/Summer of 2009.

Web site

During Fiscal 2007, audit leadership saw the need to develop a departmental Web site that would serve the audit staff and be a significant resource to help us expand our client's knowledge of UT Arlington Internal Audit. We conducted research to compare and analyze how internal audit departments at other UT System academic institutions present web based information on the internet. Information included through the site includes areas such as:

- Audit Charter
- Services Provided
- Frequently Asked Questions with topics including:
 - ⇒ Why was I selected For an Audit?
 - ⇒ What Happens During an Audit?
 - ⇒ Who Audits the Auditors?
 - ⇒ Information Related to Suspected Fraud and Breaches of Standard of Conduct
- Staff Contact Information and Biographies
- Organization Chart
- Resources that includes Regulations & Standards and Professional Organizations
- Annual Internal Reports

Performance Measures

Internal Audit leadership recognizes the need for continuous improvements from our audit staff. The performance metrics we use to continuously measure our progress are as follows:

- analysis of customer satisfaction surveys
- percentage of completion of the annual audit plan
- number of hours of professional education and training
- timeliness of report issuance

Presently, the audit departments throughout the UT System are developing criteria that will help us explore other measures that we can adopt to ensure best practices are followed in UT Arlington Internal Audit. A "balanced scorecard" approach to this endeavor is being used in the following four major categories: Audit Committee, Management/Audit Customers, Resource/Competencies, and Internal Audit Processes. It is anticipated that there will be some standard measures that will be used by each audit department across the system as well as some that will be specific for individual departments at the discretion of each department.

DEPARTMENTAL | INFRASTRUCTURE

Bi-weekly Staff Meetings/Web Based Training





Our bi-weekly meetings have increased our productivity through team interaction, problem recognition and problem solving. The bi-weekly meetings provide a forum for additional training for our staff which supplements our more formal training provided at various times throughout the year. Staff members are encouraged to share auditing techniques, skills and information about our University that they have learned from their assigned work. Also, we take every opportunity to learn from training offered by the Association of College and University Auditors through their “webinars.”

Skills Inventory

One of the standards required by the International Standards for the Professional Practice of Internal Auditing is to consider whether the department has the resources necessary to perform audit engagements. While internal skills assessment in past years has been performed on an informal basis, a goal of Internal Audit is to develop a more formalized method of evaluation to ensure that resources required for particular audits are appropriately matched to the audit requirements. We would like to have this in place by the next planning cycle. The skills inventory will help guide the types of training and staff development offered to our staff.

SELECTION | OF AUDITS

For audit planning purposes, UT Arlington Internal Audit utilizes the Enterprise Risk Management (ERM) model espoused by UT System. When risks are identified, the methodology assigns a probability and an impact rating for each risk that categorizes the risk into one of the following categories

-  Red Risk -- Extensive risk management & considerable risk management (at all levels of control plus a traditional audit)
-  Yellow Risk -- Manage and monitor (all levels of control but no traditional audit)
-  Green Risk -- Monitor (only execution controls & supervisory controls)
-  Grey Risk -- Accept (accept the risk and have no controls)

Once management has completed risk assessments for their areas, we conduct interviews with the key management members throughout the University and utilize the resultant “heat map footprints” for each significant activity within the University. The risks in each activity are identified and evaluated to focus our audit plans in the higher red risk areas.

Other audits that typically are included in our audit plan for a particular year come from those that are required either by UT System from their assessment of risk and from outside interests such as funding agencies and the State Auditor’s Office.

President's Travel, Entertainment and Housing Expenditures

Regents Rule 20205 requires that an audit of the President's travel, entertainment and housing expenses be completed within 90 days after the end of each fiscal year. Therefore, in compliance with this rule, we conducted an audit to provide assurance that the Fiscal Year 2007 travel and entertainment expenses for the President comply with these policies and procedures. We performed an analytical review of transactions in accounts under the direct responsibility of the President, tested transactions on a sample basis to determine whether significant controls were functioning for the President's expenses and reviewed quarterly reports which require information on the President's travel and entertainment expenditures greater than \$100. The expenditures and reimbursements were reasonable and appropriate and complied with applicable State, Federal, Board of Regents' and University rules.

Texas Workforce Development Grants

We performed an audit of the Technology Workforce Development Grants (TWD grants). The grants provide seed money that would enable institutions to expand enrollments in engineering and computer science programs, increase both the quantity and quality of baccalaureate-level engineers and computer scientists and foster cooperative relationships and activities involving technology companies and universities that offer engineering and computer science degrees. The objective of this audit was to provide assurance that the University is complying with the procedures specified by the TWD grants and the grant conditions contained in the Program Announcement. We determined that the University adhered to the grant terms and conditions as specified by the Texas Higher Education Coordinating Board except for one strategy as outlined in the project proposal.

UT Arlington Health Services

As part of the FY 2007 audit plan, Internal Audit conducted an audit of general procedures related to UT Arlington Health Services. The objective of the audit was to provide assurance that an adequate system of internal control exists and that UT Arlington is in compliance with applicable policies, procedures and regulations that could have a significant impact on operations. We evaluated the operations at Health Services utilizing guidelines presented in the Texas Administrative Code (TAC) which includes the Texas Medical Board, Texas State Board of Pharmacy, Texas Board of Nursing Examiners and Nursing Practice Act, and Texas State Board of Examiners of Psychologists. Additional guidelines utilized were found in the Texas Department of Health Services, Texas Occupation Code, Texas Health and Safety Code, Radiation Control, and Texas Education Code section § 54.50891. We conducted interviews with persons associated with the operations and management of Health Services and reviewed documents such as medical records, offers of employment, licenses, collaborative practice agreements, standing delegation orders, inventory records, billing records, and departmental policies and procedures. Our audit revealed that management has designed controls that are generally effective at ensuring compliance with applicable policies, procedures, laws, and regulations but some improvements are recommended to ensure full compliance.

Special Request- Endowment Management and Administrative Fee

The University of Texas (“UT”) System Board of Regents approved a change to the existing “fee for endowment compliance” in the fall of 2007. The Board voted to expand the fee to cover management and administrative expenses incurred by the institutions and System Administration up to .20% of market value provided that each perform an analysis of expenses incurred and that internal audit validate those expenses. As a result of this, Internal Audit performed an audit to determine whether endowment management and administrative expenses determined by the Development Office were allowable, reasonable and supported adequately for the year ending August 31, 2007. Testing was performed on supporting documentation for expenses, including recalculation of overhead and fringe benefit rates. Management and administrative expenses relating to endowments for the year ending August 31, 2007 were determined to be allowable, reasonable and adequately supported.

Post Payment

The Texas Comptroller’s Office Claims Division selected UT Arlington for a routine post-payment audit of payroll, purchases, and travel transactions. Internal Audit’s role in this audit was that of a liaison between the Comptroller’s Office and the Office of Accounting and Business Services. A corrective action schedule was issued by the Texas Comptroller’s Office Claims Division identifying issues during the audit, and UT Arlington Management responded to the corrective actions timely and appropriately. There were no major reportable findings.

Procurement Card Monitoring Plan

The audit objective was to review the design of the Monitoring Plan in place for Procurement Card transactions and reconciliations to provide assurance that the Monitoring Plan is functioning as designed and is mitigating the misuse and risks associated with procurement cards. Audit testing covered procard transactions and transaction logs from September 2007 to March 2008. We concluded that the Monitoring and Specialized Training Plan is mitigating the risks associated with procard transactions. Except for lack of supporting receipts in some instances at the time of approval of the procard log, the criteria set by UT Arlington’s Fiscal Procedure on procards and procard reconciliations are being complied with.

Investigations

Internal Audit conducts investigations as warranted based upon complaints and allegations of improprieties that may come from a number of sources such as: ethics line calls, direct correspondence, referrals from other departments and from management. In conducting investigations, we have the objectives of reviewing and evaluating the issues in the allegations and reviewing any related fiscal and administrative controls for weaknesses that need to be corrected. Where appropriate, recommendations for internal control improvements are communicated to appropriate members of management for corrective action. During Fiscal 2008, 157 hours were committed to investigative efforts.

NCAA Compliance - Recruiting

Based on the high risk areas identified in the Athletics Department by the Office of Institutional Compliance, Internal Audit performs an audit in one of these areas annually. In FY 2008, a compliance audit focused on the National Collegiate Athletic Association (NCAA) Bylaws and rules governing the recruiting process for student-athletes. The objective of this audit was to determine whether the UT Arlington Intercollegiate Athletics Department is in compliance with the 2006-07 NCAA Division I manual, Bylaw, Article 13 on recruiting. The results of the audit revealed that management has designed controls that are generally effective at ensuring the organization's compliance with NCAA Bylaws in the area of recruiting, but some improvements are recommended to ensure full bylaw compliance.

BioSafety

The Biosafety Research program at UT Arlington involves research with recombinant DNA (rDNA) and other disease causing agents. rDNA as defined by the National Institute of Health (NIH), are molecules that are constructed outside living cells by joining natural or synthetic DNA segments to DNA molecules that can replicate in a living cell; and molecules that replicate as a result of these experiments. The audit objectives were to determine if: 1) UT Arlington is in compliance with National Institute of Health (NIH) guidelines and the University's policies and procedures, 2) Institutional Biosafety Committee members and individuals working with Biosafety Research are completing the required training, and 3) safety inspections are being performed and deficiencies are being corrected. We evaluated the Biosafety Research program at UT Arlington, basing it on the institutional policies and procedures established as of the fieldwork date for research with rDNA and infectious agents' research. These institutional policies and procedures have been based on applicable federal laws such as NIH and CDC guidelines, and applicable state statutes. We concluded that the Biosafety Research protocols at UT Arlington are in compliance with NIH guidelines and University's policies and procedures.

FY 2007 Annual Financial Audit

A risk-based audit of the financial information composing UT Arlington's Annual Financial Report (AFR) to identify any misstatements in excess of \$1 million was performed as part of the FY 2008 audit plan. The audit was also performed to identify and test key controls over financial reporting including Information Technology (IT) controls and the certification process required by UT System policy. We noted no material unadjusted differences meeting the \$1 million materiality threshold. However, we identified processes in which internal controls could be improved.

Time and Effort Follow-Up Report

The initial audit focused on whether UT Arlington made satisfactory progress toward implementing UTS 163: Guidance on Effort Reporting Policies related to Federal Grants. The objective of the follow up audit was to determine the implementation status of the recommendations. Results of the review revealed that one of the four recommendations included in the initial report has been implemented and there are three that are still in process of implementation with new target completion dates.

Texas Administrative Code 202 Audit

Texas Administrative Code §202 Subchapter C – Information Security Standards for Institutions of Higher Education (TAC 202) requires that an audit be performed biennially. We performed an audit to provide assurance that the university is in compliance with TAC 202. Based on our review a number of key security elements are already in place and the university continues to work towards full compliance with the TAC 202 requirements.

Systems Security

Our audit objective was to provide assurance that the University is implementing information security based on best practices embodied in the UTS 165, Re: Information Resources Use and Security Policy and the requirements of Texas Administration Code (TAC) 202, Re: Information Security Standards for Institution of Higher Education. We evaluated controls over Information Technology (IT) security management, user account management, security monitoring, incident handling, malicious software prevention, detection, and correction, vulnerability management, and network security. Based on our review, the implementation of information security to the following areas conforms to best practices: management of IT security, security monitoring, and incident handling. There are, however, security measures that need to be implemented or improved to better secure the University information resources as follows: strengthen security of Virtual Private Network (VPN), acquire firewall expertise, perform formal network penetration testing, implement a comprehensive vulnerability management system, enforce official anti-virus software and acquire anti-spyware, identify all mission-critical applications and centrally manage access control, Information Security Officer (ISO) should report directly to the Chief Information Officer (CIO).

MyMav Student Information System - Tuition and Fees

We conducted an audit to provide assurance that the Tuition Calculation and Fees function of the MyMav Student Information System generates accurate and reliable information including accurate financial reporting. Our review revealed that tuition rates and fees entered in the MyMav system were based on rates approved by the State and Board of Regents. Controls over the set up and maintenance of tuition and fees are in place. A combination of manual and automated controls ensured complete and accurate tuition calculation. Internal Audit, however, recommended some opportunities for improvements in the areas of application access controls, verification of updates to tuition and fees, documentation of tuition and fees reconciliation and standard reporting controls.

UPCOMING | AUDIT PROJECTS

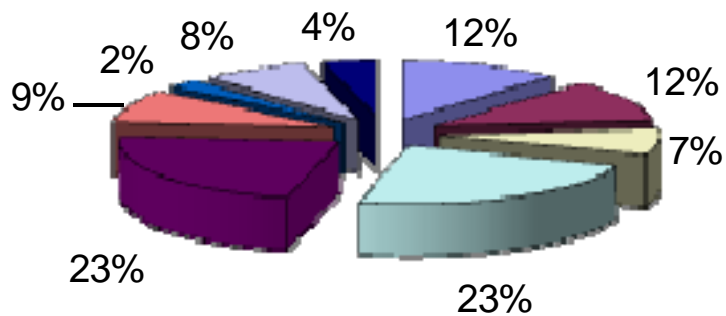
The list below is not inclusive of all audit projects in the Fiscal Year 2009 Audit Plan but are presented to show the ongoing diversity of audit projects.

Description	Objectives	Audit Type
NCAA Financial Audit -- Annual Requirement	Audit the Statement of Revenues and Expenses for accuracy	Financial
Advanced Technology Program / Advanced Research Program Grants Audit – Bi-annual Requirement	Provide assurance that the University is complying with the terms of the Grants	Compliance
Governance Audit	Evaluate the design, implementation, and effectiveness of governance activities	Operational
UTS 165 – Digital Research Data Audit	Determine that protection of Digital Sensitive Data is in effect	Information Technology and Compliance
Payment Card Industry Data Security Standards Audit	Evaluate the University's compliance with the standards.	Information Technology and Compliance
IT Systems Change Management Audit	Provide assurance that procedures for changes to computer applications, operating systems and hardware are in affect and working.	Information Technology
Payroll and Payables Data Files Audit (Using ACL – Audit Command Language)	Review to detect irregularities and provide assurance that systems are operating as designed	Information Technology and Financial

WORK PLAN | BY CATEGORY

Internal Audit FY 2008 Work Plan included a variety of projects such as Consulting, Information Technology, Investigations and more. Below is a break-down of the span of audits represented in FY 2008.

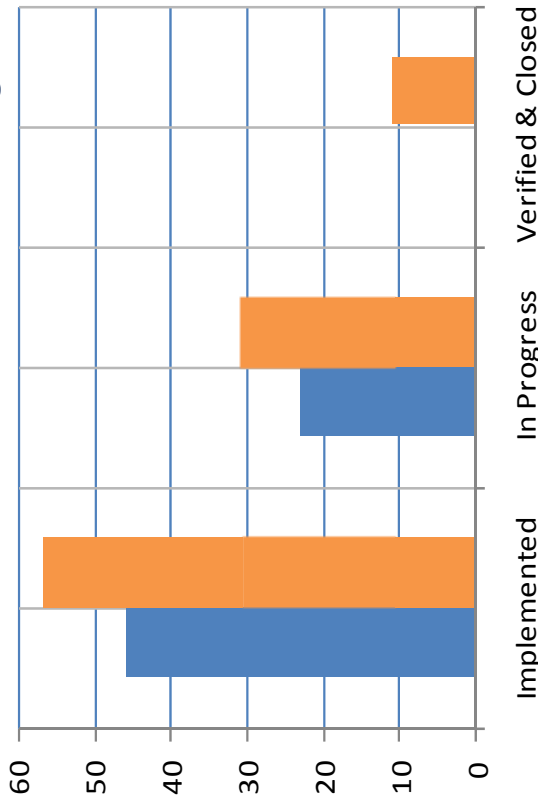
- Compliance
- Institutional Processes and Research
- Consulting
- Non-Audit Services
- Financial
- Operational
- Information Technology
- Investigations
- Follow-up



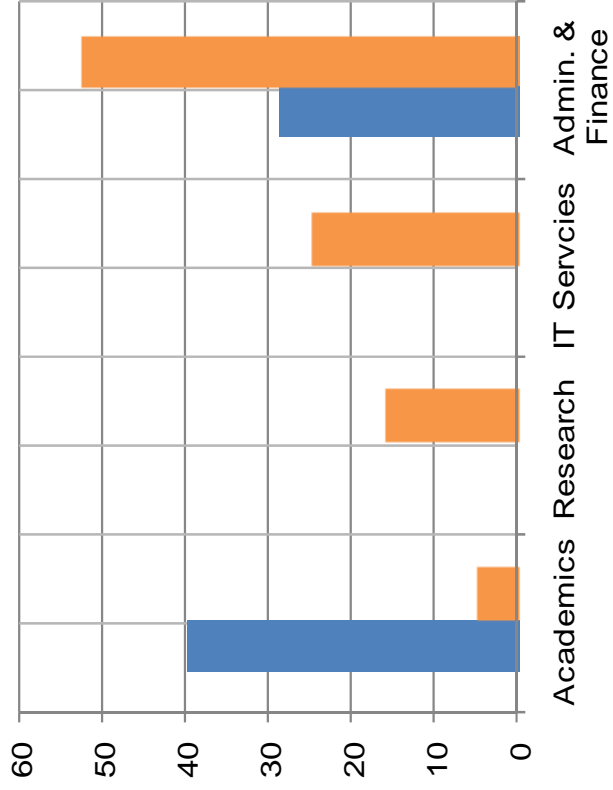
FOLLOW-UP | AUDIT RECOMMENDATIONS

The Institutional Audit Committee and executive management place a high priority on the complete and timely implementation of audit recommendations agreed upon at the completion of every audit engagement. Internal Audit follows up on these recommendations to assess and validate management's progress towards the successful implementation of the recommendations. Target dates for implementation are mutually agreed upon by the management and Internal Audit at the completion of the audit. Audit staff monitors the target implementation dates in an access database and routinely perform follow up activities every audit year. The results of the follow up audits are communicated to the Institutional Audit Committee and the management. Recommendations considered significant to the institution are followed up every quarter and results are communicated to UT System. In FY 2008, over 700 hours were expended in the follow up activities. The tables below represent the status and area of responsibility for all recommendations followed up during the fiscal years 2007 and 2008.

Status of Audit Recommendations as of August 31



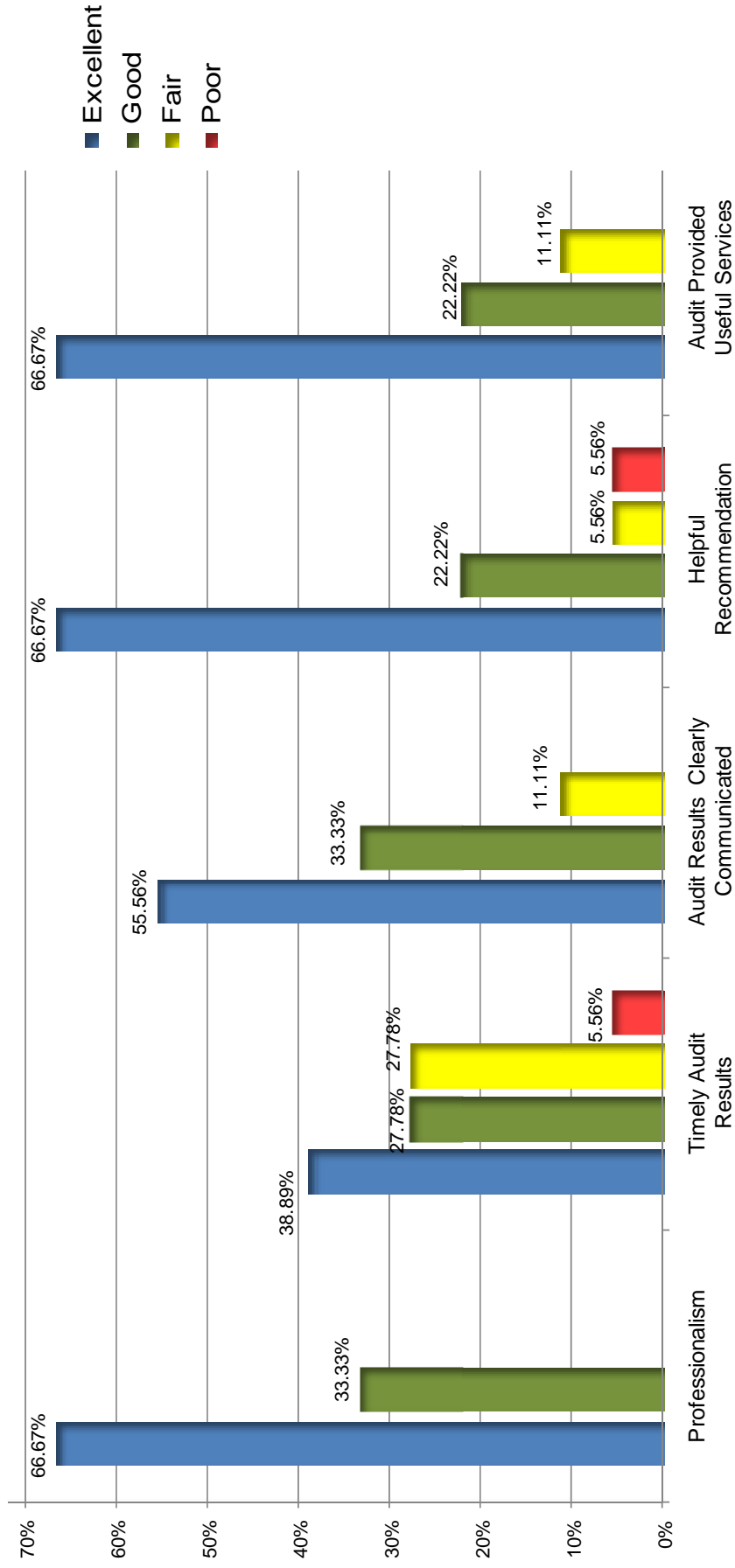
Audit Recommendations by Operational Area



■ FY 2007
■ FY 2008

RESULTS | CUSTOMER SURVEYS

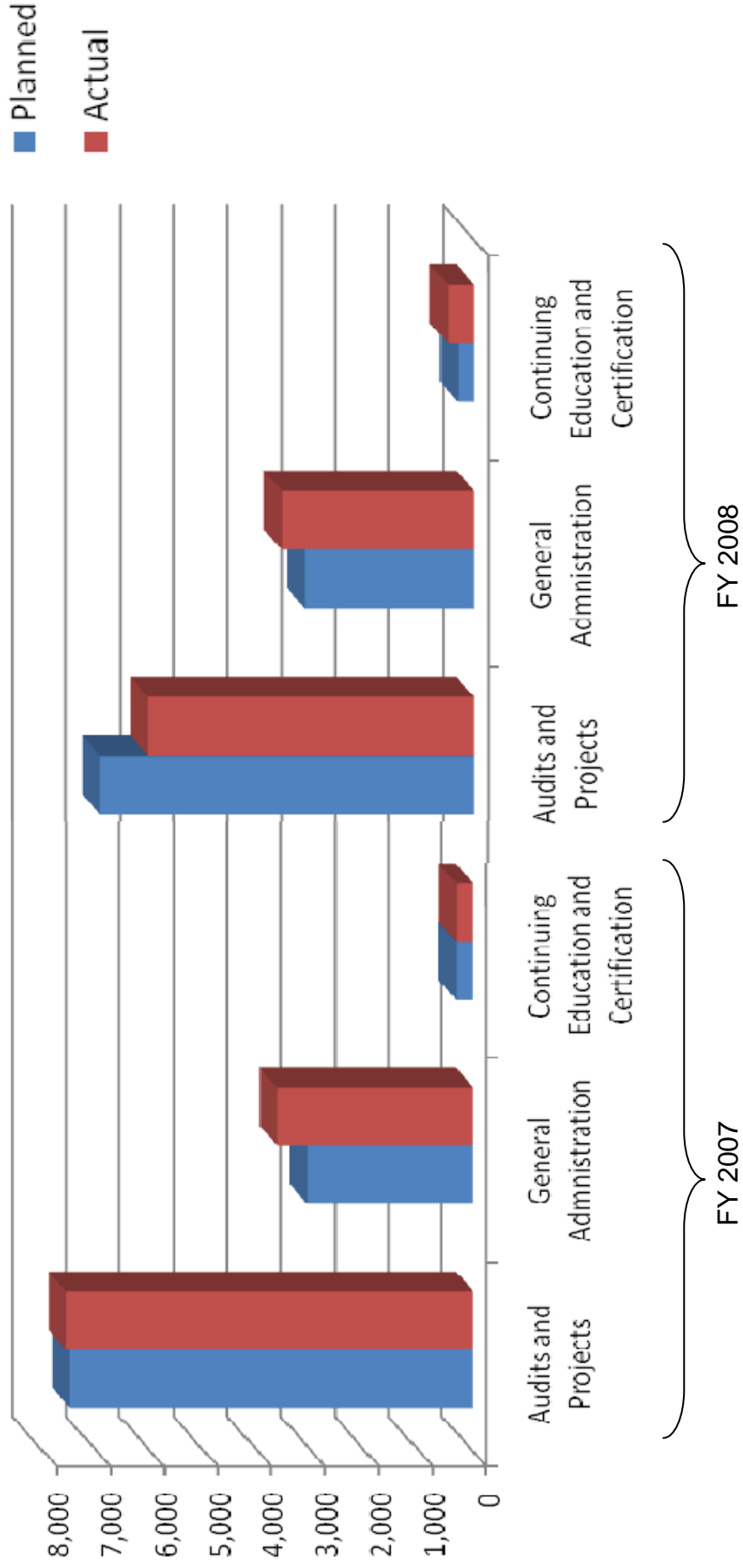
The Internal Audit Department commits to a total quality management approach to conducting its audits. At the conclusion of each engagement, clients are requested to provide feedback, comments, and evaluation in the areas of auditors' professionalism, clear and timely communication of audit results, relevance and usefulness of audit recommendations, and the overall value of audit work in the auditee's operation, system, or department. For the audit engagements completed in FY 2008, a total of 25 customer satisfaction surveys were sent, and 18 recipients responded. The graph below shows the summary of client evaluation.



WORK PLAN ACHIEVEMENT

Internal Audit planned 38 audits or projects for FY 2008. At year-end, 25 had been completed, six were started but still in process, two would not be completed, and five were not started and carried forward to the FY 2009 Work Plan.

Planned Vs. Actual Hours for FY 2007 and FY 2008



PROFESSIONAL | ACTIVITIES

Professional Certifications

Department staff are very qualified individuals who have acquired a mix of education and varied experiences that they bring to their positions. The acquiring of professional certifications indicates their ability for achievement. Five of our current staff holds one or more certifications.

CERTIFICATIONS	NO. OF STAFF
Certified Public Accountant (CPA)	3
Certified Internal Auditor (CIA)	2
Certified Information Systems Auditor (CISA)	1

Professional Training

Continuing professional education is a very important tool to ensure staff can acquire necessary continuing education in order to acquire the knowledge to complete audit assignments in a professional and accurate manner. Professional training hours received from various sponsors are shown below:

SPONSORED BY	HOURS
Association of College and University Auditors (ACUA)	114
Texas Association of College and University Auditors (TACUA)	63
University of Texas System	75
Dallas Chapter of Institute of Internal Auditors	40
Information Systems Audit and Control Association (ISACA)	21
Pricewaterhouse Coopers (PWC)	28
Society of Corporate Compliance and Ethics	31
Solutions Training Group	8

VOLUNTEER AND COMMUNITY SUPPORT

The staff of Internal Audit (IA) is committed to their community. Every staff member supports the State Employee Charitable Campaign, and several are members of the Nedderman Society, a foundation recognizing financial contributors of UT Arlington. IA also proudly supports “Mavericks Go Green”, a campus-wide initiative to protect the environment. From using recycled office products, environmentally-friendly printing practices, and curtailed use of disposable paper goods, IA keeps sustainability efforts in mind. IA also has representatives in the Staff Advisory Council, which is an elected group serving as a channel of communication between staff and administration. Last year, IA participated with the Council in collecting school supplies, books and shoes for those in need. IA staff also donate their professional skills — serving as board members on Budget and Finance Committees of local churches and Texas Association of College and University Auditors (TACUA).

OUR STAFF

UT ARLINGTON DEPARTMENT OF INTERNAL AUDIT



From left to right: Howard Whitfield, Senior Auditor; Ashley Smith, Administrative Assistant; Fatima Parsons, Staff Auditor; Sarita Vattakunnel, Senior Auditor; Globen Sabado, Information Systems Auditor; Dana Nuber, Audit Manager and Ken Schroeder, Director of Internal Audit

CHARTER MISSION AND SCOPE OF WORK

The Office of Internal Audit (Internal Audit) provides independent, objective assurance and consulting services designed to add value and improve UT Arlington's operations. Internal Audit helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control mechanisms, and operational and governance processes.

Internal Audit is responsible for providing executive management with information about the adequacy and effectiveness of UT Arlington's system of internal administrative and accounting controls and the quality of operating performance when compared with established standards.

The scope of work of Internal Audit is to determine whether UT Arlington's network of risk management, control mechanisms, and governance processes, as designed and represented by management, is adequate and functioning in a manner to ensure the following:

- Risks are appropriately identified and managed;
- Significant financial, managerial, and operating information is accurate, reliable, and timely;
- Employees' actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Resources are acquired economically, used efficiently, and adequately protected and accounted for;
- Programs, plans, goals and objectives are achieved;
- Quality and continuous improvement are encouraged and fostered in the in-

stitution's control process;

- Internal Audit will communicate opportunities for improvement, when identified, to the appropriate level of management.

ACCOUNTABILITY

The Director of Internal Audit shall be accountable to the UT Arlington President and the UT Arlington Audit Committee to:

- Provide assessments on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the Mission and Scope of Work; Guide the institution on control self-assessment by assisting managers with risk self-assessment and conducting self-audits;
- Provide assessments on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the Mission and Scope of Work;
- Report significant issues related to the processes for monitoring and controlling the activities of the organization and its affiliates, including potential improvements to those processes when identified, and provide information needed to resolve all issues as identified;
- Periodically provide information on the status and results of Internal Audit's work plan and the sufficiency of department resources needed for completion of the stated Scope of Work; and
- Coordinate UT Arlington's interaction with the State Auditor's Office and other external audit entities.

INDEPENDENCE

The Director of Internal Audit is to provide for the independence of the internal auditing activity, reports directly to the UT Arlington President and must be free of all operational and management responsibilities that would impair his/her ability to review independently all aspects of the institution (per the Texas Internal Auditing Act, Section 2102, Government Code). The Director of Internal Audit also has an indirect reporting relationship to the University of Texas System (UT System) Director of Audits who has responsibility for oversight of the internal auditing activity for the UT System and has the reporting responsibility for all components to the Board of Regents.

The Director of Internal Audit is designated as the Chief Audit Executive of UT Arlington (per the Standards for the Professional Practice of Internal Auditing).

INDEPENDENCE RESPONSIBILITY

Internal Audit has responsibility to:

- Develop a flexible annual work plan using an appropriate risk-based methodology, including any risks or control concerns identified by management;
 - Submit the annual plan to the UT Arlington President, Institutional Audit Committee, and the Board of Regents for review and approval as well as periodic updates;
 - Implement the annual work plan, as approved, including (if appropriate) any special projects requested by executive management of the institution, UT System officials or the Board of Regents;
 - Maintain a professional audit staff
- with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this charter and the Texas Internal Auditing Act;
- Evaluate and assess significant merging/consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
 - Communicate the results of engagements promptly and to the appropriate individuals;
 - Issue periodic reports to the President and Institutional Audit Committee summarizing results of audit activities;
 - Keep the President and Institutional Audit Committee informed of emerging trends and successful practices in internal auditing;
 - Assist in the investigation of significant issues within the institution and notify appropriate members of executive management of the results;
 - Conduct special audits and special consultations requested by the Board of Regents, the Chancellor, the Executive Vice Chancellors, System Administration, the UT Arlington President, or the UT Arlington Institutional Audit Committee;
 - Consider the scope of work of the external auditors and regulators, as appropriate, for the purpose of providing optimal audit coverage to the institution;

- Ensure that an appropriate internal quality control system is in place and undergo an external peer review of their auditing and attestation engagement practices at least once every three years by reviewers independent of the audit organization;
- Provide consulting and advisory services as appropriate;
- Guide the institution on control self-assessment by assisting managers with risk self-assessment and conducting self-audits;
- Provide information to the UT System Director of Audits as required or requested to fulfill the System-wide audit oversight and reporting responsibilities;
- File internal audit reports and related responses or action plans with the UT System Audit Office, the Office of the Governor, the State Auditor's Office, the Sunset Advisory Commission, and the Legislative Budget Board;
- Prepare the annual report required by the Texas Internal Auditing Act (Section 2102, Government Code) and submit the report to the UT Arlington President, UT System Audit Office, the Office of the Governor, the State Auditor's Office, the Sunset Advisory Commission, and the Legislative Budget Board.
- Allocate resources, set frequencies, select subjects, determine scopes of work, and apply the techniques required to accomplish audit objectives; and
- Obtain the necessary cooperation and assistance of personnel in units where Internal Audit performs audits, as well as other specialized services from within or outside the institution.

Internal Audit staff is not authorized or expected to:

- Perform any operational duties;
- Initiate or approve accounting transactions external to Internal Audit;
- Direct the activities of any UT Arlington employee not employed by Internal Audit, except to the extent such employees have been appropriately assigned to auditing teams or to otherwise assist the auditors; or
- Engage in any activities that Internal Audit would normally be expected to review or appraise.

INDEPENDENCE STANDARDS OF AUDIT PRACTICE

The Institute of Internal Auditors Standards for the Professional Practice of Internal Auditing, Code of Ethics, and generally accepted government auditing standards, shall serve as guidelines for internal audit activities as required by the Texas Internal Auditing Act, University of Texas System guidelines and applicable UT System Administration Policy —UTS129.

AUTHORITY

Internal Audit staff is authorized to:

- Have full, free, and unrestricted access to all functions, activities, records, property, information systems, and personnel needed to accomplish its Mission and Scope of Work;



UNIVERSITY OF TEXAS AT ARLINGTON
ANNUAL AUDIT REPORT FISCAL YEAR 2008

WWW.UTA.EDU/INTERNALAUDIT
817/272-0150

UTA Box #19112
ARLINGTON, TX 76019

