THE UNIVERSITY OF TEXAS AT ARLINGTON

INTERNAL AUDIT ANNUAL REPORT

FOR FISCAL YEAR ENDING AUGUST 31, 2018

AS REQUESTED BY THE STATE AUDITOR'S OFFICE

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Purpose of the Internal Audit Annual Report

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

The Texas Internal Auditing Act Texas (Government Code, Chapter 2102) requires that an annual report on internal audit activity be filed by November 1st of each year and submitted to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the entities' governing boards and chief executives. The Texas State Auditor's Office prescribes the form and content of the report.

The annual report was prepared using the guidelines provided by the Texas State Auditor's Office. Additional information regarding the UT Arlington Office of Internal Audit (Internal Audit) can be found at the following website: http://www.uta.edu/internalaudit/

I. Compliance with Texas Government Code, Section 2102.015

In accordance with Texas Government Code, Section 2102.015, The University of Texas at Arlington Office of Internal Audit plans to post the FY 2018 Internal Audit Annual Report and the approved FY 2019 Audit Plan on the following website: http://www.uta.edu/internalaudit/annualreports.php.

II. Internal Audit Plan for Fiscal Year 2018

Report Number	Report Title (Audit)	Report Issued Date or Status as of 8/31/2018
RISK BASED AUDITS		
--	College of Nursing Departmental Review	(A)
--	Human Resources Business Processes Review	(B)
18-01	Information Security Program Review	8/9/2018
--	IT Governance Audit	(B)
--	Travel Department Process Review	(B)
--	Lab Safety	(A)
--	Parking and Transportation Departmental Review	(B)
--	NCAA Compliance Audit -- Student Financial Aid	(B)
-- -- 17-04 --	*Carry-Forward Audits*: • Audit of Processes for Budget Versus Actual • Endowment Accounting in PeopleSoft Audit • NCAA Compliance Audit - Eligibility • FY 17 Executive's Travel & Entertainment Expenses Audit	(B) (B) 11/29/2017 (B)
REQUIRED AUDITS - EXTERNAL AND INTERNAL		
(UT System	FY 2017 NCAA Annual Financial Audit (support for UT System Audit Office)	Complete
(Deloitte)	FY 2017 Annual Financial Report (AFR) Audit	Complete
(Deloitte)	FY 2018 Annual Financial Report (AFR) Interim Work	Complete
18-04	FY 2017 UTS 142.1 Assurance Work	8/10/2018
(UT System)	President's Travel, Entertainment, and University Residence Maintenance Expenses Audit	(B)
--	SAO Annual Reporting Requirement on Procurement Policies	10/24/2017
--	Nursing Shortage Reduction Program Awards Audit	(A)
--	Benefits Proportionality by Fund Audit	8/27/2018 (C)
--	State Auditor's Office (SAO) Statewide Single Audit (Student Financial Aid)	Complete
RISK BASED CONSULTING PROJECTS		
--	Sponsored Projects Uniform Guidance Consulting	(A)
--	Crisis Management Review Consulting	(D)
--	Reserve for Consulting Project Requests	Complete
--	Data Analytics Projects	Complete
--	University Committee (e.g. Compliance, Institutional) Participation	Complete [1]
--	Responding to Institutional Requests for Information and Advice	Complete [1]
FOLLOW-UP		
--	Follow-Up on Past Recommendations	Complete

RESERVE		
--	Reserve for Unanticipated Audits or Other Activities	Complete
--	Reserve for Investigations	Complete
PROJECTS, DEVELOPMENT AND OTHER		
--	UT System, SAO, etc., Reporting/Requests	Complete [1]
--	Annual Internal Audit Report	Complete [1]
--	Internal Audit Committee participation	Complete [1]
--	Internal Quality Assurance and Improvement Program Activities	Complete [1]
--	External Quality Assurance Review	Complete [1]
--	FY 2019 Annual Work Plan Development & Risk Assessment Process	Complete [1]
--	TeamMate, IDEA Development, Maintenance and Support	Complete [1]
--	Management of the Audit Activity	Complete [1]
--	Monthly Staff Meetings	Complete [1]
--	UT System Audit Office Initiatives and Participation	Complete [1]
--	Institutional Strategic or Other Initiatives	Complete [1]
--	Professional Organization and Association Participation	Complete [1]
--	Individual Continuing Professional Education (CPE) Training	Complete [1]

Footnotes:
(1)   No reporting for these projects

Explanation of Changes to Approved Audit Plan:
(A) On 6/26/2018, the Institutional Audit Committee approved moving these audits from the FY 2018 audit plan to the FY 2019 audit plan.
(B) Audits in progress at the end of FY 2018 and were carried forward for completion in FY 2019.
(C) Approval received on 12/13/17 by the Institutional Audit Committee to add this audit to the FY 2018 plan.
(D) Approval received on 6/26/2018 by the Institutional Audit Committee for cancellation of this audit from the FY 2018 audit plan.

Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institution:
A compliance audit of Benefits Proportionality Funding (Report No. 16-08) was completed on August 27, 2018. The audit resulted in no issues or significant recommendations. This was required by Rider 8 of the General Appropriations Act (85th Legislature).

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

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

Summary of FY 2018 Recommendations and Status

Texas Government Code, Section 2102.015, also requires entities to include the following on their website:
- A "detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report."
- A "summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report."

To address these requirements, an entity can summarize fiscal year 2018 internal audit recommendations and report on its action and progress toward implementing those recommendations. Suggested progress classifications include: fully implemented, substantially implemented, incomplete/ongoing, or not implemented. Note that substantially implemented indicates that management has stated that the recommendation has been implemented, but Internal Audit has not tested implementation.

The following represents the status of implementation on the FY18 audit recommendations, as well as any outstanding prior audit recommendations from previous fiscal years.

Report Date	Report # and Title	Recommendation	Implementation Status
10/2/2012	12-08 – TAC 202: Managing Physical Security and Business Continuity Planning	The Emergency Management Coordinator should work with Office Of Information Technology (OIT) and senior management to review the classification of recovery periods based and help ensure that departmental Business Continuity Plans (BCP) are updated accordingly.	Fully implemented
		OIT and senior management should help ensure that the recovery of critical systems can be accomplished in a timely manner. Estimated system recovery times should be communicated to the BCP owner via the Emergency Management Coordinator.	Fully implemented
6/28/2016	15-10 – Form I-9, Employment Eligibility Verification, Compliance Review	Periodically, Human Resources should review the Form I-9s to help ensure proper completion and that the required supporting documentation is retained and updated. A training refresher for the staff involved in the review process is also	Not implemented

		recommended. Finally, consideration should be given to establishing a query to facilitate internal compliance reviews.	
4/12/2017	16-02 – Executive Travel and Entertainment Expenses Audit	Travel Support Services should conduct training for travel and entertainment expense processes.	Fully implemented
8/14/2017	16-06 – Title IX Compliance Review Audit	Coordinator should review and update related Title IX available resources as recommended by UTA Procedure 21-1.	Fully implemented
4/18/2017	16-11 – Conflict of Interest Compliance Audit	We recommend University Compliance Services include FAQs on its website in relation to definitions and requirements for reporting outside activities.	Fully implemented
		We recommend that Regulatory Services work with the Office of Compliance and Legal Affairs to: Ensure that the HOP Research Conflict of Interest Policy is up to date and includes the Regulatory Services COI Policy, and 'additional elements' of UTS 175.	Fully implemented
		We recommend University Compliance Services develop and implement a plan to include specific monitoring activities of outside activities and disclosures to help ensure an effective monitoring process. As part of the monitoring activities, a review of outside activity requests and approvals in the Outside Activity Portal should be performed.	Fully implemented
1/9/2017	16-12 – College Park Center Operations Review	Box Office Management should review and update the Box Office Manual to comply with Procedure 2-14 (Cash and Check Handling) and UTS166, (Cash Management and Cash Handling), in order to meet the needs of the business.	Fully implemented
		Box Office Management should review requirements of segregation of duties and re-assign duties. The following should be addressed: receiving cash, authorizing void/refund transactions, preparing and verifying deposits.	Fully implemented
		The Box Office Management should help ensure that all deposits are taken to the Bursar's Office on a daily basis as required by Procedure 2-14.	Fully implemented

		The Box Office Management should request that the appropriate personnel rivet and bolt the safe room vault and periodically change the safe's combination.	Fully implemented
		The Box Office Management should update the Box Office Manual and provide training to help ensure that appropriate documentation and signatures are received and maintained.	Fully implemented
		The Box Office Management should develop and implement procedures for the ticketing system. These procedures should include: assigning review responsibilities, as well as authorizing and approving tasks in the system. Procedures related to password creation and change requirements should also be included.	Fully implemented
5/4/2017	16-13 – Scholarship Management Audit	A formal procedure should be developed and implemented to help ensure all colleges, schools, and units use the new scholarship application and award process. The procedure should define ownership, training, management and administration, accounting, reporting, as well as monitoring of scholarships.	Fully implemented
		The Office of Development should develop and implement a formal procedure to ensure that designations of scholarships are updated and accurate in both the UTIMCO and MSS systems.	Fully implemented
		The Office of Development and Alumni Relations should develop and implement an exception reporting process that covers all endowments accumulating over two times the annual distribution (unless below $2,500). Any exceptions should have documented justification and a spending plan.	Fully implemented
		The Office of Development should develop and implement a formal procedure to manage MSS administrator accounts. This process should include documenting the formal approval of the administrator.	Fully implemented

		Additionally, periodic reviews should be performed to confirm that the administrator's access is valid and appropriate.	
8/9/2018	18-01 - Information Security Program Review Audit	The report contains confidential information that relates to information security and is not subject the disclosure requirements of the Texas Public Information Act, based on the Government Code 552.139 exception.	Not fully implemented

III. Consulting Services and Non-audit Services Completed

No consulting services or non-audit services were completed as part of the FY 2018 approved annual audit plan.

IV. External Quality Assurance (Peer Review)

See next page.

September 14, 2017

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

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

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

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

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

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

Very truly yours,

Baker Tilly Virchow Krause, LLP

V. Internal Audit Plan for Fiscal Year 2019

The FY 2019 Audit Work Plan and budgeted hours are as follows.

ENGAGEMENT	BUDGETED HOURS
RISK-BASED AUDITS	
Information Security and OIT Processes for Cyber Protection Audit	400
PeopleSoft Business Process Review of Human Resources	300
PeopleSoft Business Process Review of Grants	300
PeopleSoft Business Process Review of A/P and Purchasing	300
Summer Camps Audit	250
Campus Visitors Audit	250
Lab Safety Audit	350
Form I-9 and Employment Compliance Audit	300
College of Nursing and Health Innovation Departmental Review	500
Financial Aid Audit	350
Human Resources Business Processes Review (Phase 2)	400
FY 2018 UTS 142.1 Assurance Work	100
NCAA Compliance Audit -- Recruiting	300
FY 18 Carry forward audits	400
CONSULTING PROJECTS	
Sponsored Projects Uniform Guidance Consulting	250
Reserve for Consulting Project Requests	200
Data Analytics Projects	125
Participation on University committees (e.g. Compliance, IT Security, Institutional, etc.)	200
Responding to Institutional Requests for Information and Advice	80
RESERVE	
Reserve for Unanticipated Audits or Other Activities.	300
REQUIRED AUDITS (EXTERNAL AND/OR INTERNAL)	
FY 2018 NCAA Annual Financial Audit (support for UT System Audit Office)	60
FY 2018 Annual Financial Report (AFR) Audit	10
FY 2019 Annual Financial Report (AFR) Interim Work	25
Nursing Shortage Reduction Program Awards Audit	80
Senate Bill 20 - Annual Reporting Requirement on Procurement Policies	50
State Auditor's Office (SAO) Statewide Single Audit (Student Financial Aid)	40
Cybersecurity Board Reporting Project	50
INVESTIGATIONS	
Reserve for Investigations	150
FOLLOW-UP	
Follow-Up of Past Recommendations	240
DEVELOPMENT - OPERATIONS	
UT System, SAO, etc., Reporting/Requests	150
Annual Internal Audit Report	40

Internal Audit Committee Preparation and Participation	250
Internal Quality Assurance and Improvement Program activities or other quality processes	50
Implementation of the External Quality Assurance Review (EQAR) findings	100
FY 2020 Annual Work Plan Development & Risk Assessment Process	200
TeamMate, IDEA, etc., development, maintenance and other technical support	150
Executive Management and Leadership of the IA Department	500
Project Status Staff Meetings	200
DEVELOPMENT – INITIATIVES AND EDUCATION	
UT System Audit Office Initiatives and Participation	50
Institutional Strategic or Other Initiatives	50
Professional Organization and Association Participation	100
Individual Continuing Professional Education (CPE) Training (including related travel)	500
TOTAL HOURS ON FY 2019 PLAN	8,700

Risk Assessment and Methodology
The Audit Plan outlines the internal audit activities that will be performed by Internal Audit during FY 2019 in accordance with responsibilities established by the UT System, the Texas Internal Auditing Act, the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing,* and Generally Accepted Government Auditing Standards. The plan was prepared using a risk-based approach to help ensure that areas and activities specific to The University of Texas at Arlington with the greatest risk are identified for audit consideration.

As part of the FY 2019 Audit Plan process, the UT System Audit Office risk assessment methodology was used. The goals for this common risk assessment approach are to help ensure an awareness of critical initiatives and objectives so that risks assessed are relevant. The assessment process was standardized by creating common terms and criteria. This enabled trending of risk and system-wide comparisons. Emphasis was placed on collaboration with other functions that assess, handle, or manage risk. The risk assessment approach included conversations and input from risk collaborators, executives, operating management, and, importantly, internal audit committee.

A compliance audit of Benefits Proportionality Funding was not included in the above FY 2019 plan as the required audit to examine fiscal years 2015, 2016 & 2017 was completed on August 27, 2018. The project titled "Senate Bill 20 - Annual Reporting Requirement on Procurement Policies" is included as required by TEC Section 51.9337(h) to address contract management.

Critical and High Risks Not Included in the FY 19 Audit Plan

Risk	Risk Mitigation – Other Assurance Provided for Risk
Destruction or compromise of IT network due to connection of unidentified or unapproved devices.	Part of network security project - implementing NAC (Network Access Control). Audit coverage for this risk will be reconsidered in the future.
Persistent or recurring IT service failure	Other oversight functions exist: Information Technology Executive Committee; Architecture and Infrastructure Advisory Committee; Enterprise Systems Advisory Committee.
Mobile storage devices containing confidential/sensitive information stolen or lost.	The Chief Information Security Officer's office is in the process of a related policy development.
Outdated IT assets and services may not support institutional needs	Other oversight functions exist: Information Technology Executive Committee; Architecture and Infrastructure Advisory Committee; Enterprise Systems Advisory Committee.
Exposure to devices and network resources due to outdated applications and/or unpatched systems.	FY 2018 Audit of Information Security
Shadow systems or duplicative databases containing sensitive institution and/or protected personal data not identified, classified, and properly secured.	Other oversight functions exist: Information Technology Executive Committee; Architecture and Infrastructure Advisory Committee; Enterprise Systems Advisory Committee.
IT funding insufficient or funding sources not clearly identified.	FY 2018 Audit of Information Security
Inefficient business processes due to lack of user awareness of system capabilities.	Other oversight functions exist: Information Technology Executive Committee; Architecture and Infrastructure Advisory Committee; Enterprise Systems Advisory Committee.
Loss of revenue and increased reputational risk due to possible incorrect, inaccessible, or incoherent information on public-facing institutional resources (e.g., website, social media streams).	A website redesign project is underway.
Lack of adequate funding to make necessary improvements.	Other oversight functions exist: Information Technology Executive Committee; Architecture and Infrastructure Advisory Committee; Enterprise Systems Advisory Committee.
Lack of understanding of content that is required to be on university, faculty, or other websites. Lack of a comprehensive strategy for developing and managing public facing websites.	Other oversight functions exist: OIT currently has personnel reviewing websites to ensure ADA and other compliance.

Increases in inefficiencies and low morale associated with staffing shortages.	Executive leadership and others consider this risk on a daily basis.
Lack of internal controls surrounding the processing of APS forms.	Other oversight exists: Plans exist to hire a third party to conduct end to end reviews or Procure to Pay and HR/Payroll.
Risks associated with loss of a sports program and lack of overall sports program support.	Other oversight exists: Athletic Department management.
Risks associated with Student Athlete health and well-being, impact on university reputation, negative public perception and/or legal action.	Other oversight exists: Athletic Department management.
Lack of competitive pay for university employees.	Other oversight exists: Human Resources, Executive Cabinet meetings, Strategic plan focus.

VI. External Audit Services Procured in Fiscal Year 2018

The following external audit services, including financial and performance audits and attestation engagements, reviews, and agreed-upon procedures, were procured during FY18.

External Auditor	Services Provided
State Auditor's Office	Fiscal Year 2017 A-133 Statewide Single Audit
Weaver	CPRIT Audit
Baker Tilly	Human Resources Business Processes Review
Ernst & Young	College of Nursing and Health Innovation Review
Baker Tilly	Title IX Review

VII. Reporting Suspected Fraud and Abuse

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

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