

Fiscal Year 2006 Annual Internal Audit Report



The University of Texas
ARLINGTON™

THE OFFICE OF INTERNAL AUDIT
BOX 19112
ARLINGTON, TX 76019-0112



**Annual Internal Audit Report
Fiscal Year 2006**

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 2006

Audit/Project	Budgeted 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>	0
<i>UT System Requested Carry forward</i>	0
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>	0
Externally Required Subtotal	1280
<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	2040
<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



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Audit/Project	Budgeted Hours
Management Review	
<i>Change in Management Audits</i>	80
<i>Change in Management Carry forward</i>	0
Change in Management Subtotal	80
Follow-up	300
Audit Projects	
U. T. System Requests	80
FY 2007 Audit Plan Preparation	80
Annual Internal Audit Report	40
Audit Projects Subtotal	200
Consulting Projects	
Special Requests - Consulting	80
Consulting Projects Subtotal	80
Other Projects	
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	1132
Total Hours	5832



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Explanation of Deviations from 2006 Audit Plan

The Fiscal Year 2006 Work Plan was accomplished as approved by the Audit Committee except as noted below. The following audits were completed and were awaiting report issuance or were in progress at August 31, 2006:

- Financial Audit of Auxiliary Enterprises
- Financial Statement Audit -- 2006

The Director plans to complete these audits and issue the reports prior to December 31, 2006. As discussed and approved by the audit committee members, the TAC 202 Compliance Audit, the BPM 53 – Security Review of Systems Newly Acquired or Developed, and the Risk Based General Computer Controls audits were not completed during Fiscal Year 2006 but were carried forward to the Fiscal Year 2007 Work Plan. Additionally, as discussed and approved by the audit committee members, the following audits were not completed during Fiscal Year 2006:

- Fraud Initiative Compliance Audit

Two management request audits were approved by the audit committee and were completed which were not listed separately on the Fiscal Year 2006 Work Plan. They were: “Mav Express Cash Receipting Audit” and “Review of President’s Travel Expenditures”.



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II. External Quality Assurance Review (Peer Review)

Following is the Executive Summary from the Quality Assessment Review of The University of Texas at Arlington Office of Internal Audit Report issued in May 2006. The entire report can be requested from the Director of Internal Audit at (817) 272-2018.

EXECUTIVE SUMMARY

As requested, we have conducted a quality assurance review (QAR) of the Internal Audit function (Internal Audit), within the Office of Assurance Services, at the University of Texas at Arlington (UT Arlington) for the period April 1, 2005 through March 31, 2006. The principal objectives of the QAR are to assess Internal Audit's conformity to The Institute of Internal Auditing (IIA) *International 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 UT Arlington's management), and identify opportunities to enhance its management and work processes, as well as its value to UT Arlington.

As part of the preparation for the QAR, Internal Audit prepared a detailed self-study and sent surveys to its staff and to a representative sample of UT Arlington executives. During the onsite work performed by the QAR team on May 1 through 5, 2006, the team interviewed key executives (including each member of the University Audit Committee) and the Internal Audit staff. Additionally, we reviewed Internal Audit's risk assessment and audit planning processes, 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 in which we performed our review is very dynamic. Five of the six staff are relatively new to UT Arlington Internal Audit; two have less than one year with the Internal Audit function and the remaining three (including the Director of Internal Audit) have less than two years with the function. In June 2004, the Office of Internal Audit was combined with the Office of Institutional Compliance and renamed the Office of Assurance Services. At that time, Mrs. Chapman became the Executive Director of Assurance Services and a search was initiated for a Director of Internal Audit.

On October 1, 2004, Mr. Schroeder was appointed the Interim Internal Audit Director and on January 10, 2005 was appointed as the Director of Internal Audit; however, Mrs. Chapman continued as the Chief Audit Executive (CAE). The Executive Director of Assurance Services also serves as the Institutional Compliance Officer, Ethics Officer, Fraud Coordinator, and HIPAA Privacy Officer. The last QAR was performed in 2003.

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 software; professional training and encouragement of certifications for Internal Audit staff; concise reports with a focus on risk; and a good reporting relationship and credibility with customers. Consequently, our comments and recommendations are intended to build on the foundation already in place in Internal Audit.

Our recommendations are divided into two groups:

- Those that concern UT Arlington as a whole and suggest actions by senior management. Some of these are matters outside the scope of the QAR, as set out above, which came to our attention through the surveys and



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interviews. We include them because we believe they will be useful to UT Arlington 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, with support from senior management.

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

PART I — MATTERS FOR CONSIDERATION BY UT ARLINGTON MANAGEMENT

1. Improve the management structure of the Internal Audit function to ensure compliance with the *Standards* and appropriate management of the audit staff.
2. Support/facilitate the development of an information technology audit function/position to ensure adequate audit coverage of technology risks at UT Arlington.

PART II — ISSUES SPECIFIC TO INTERNAL AUDIT

3. Update the *Audit Manual* to reflect the new *Standards* and include the position description for the Executive Director of Assurance Services.
4. Improve the timeliness of reports by decreasing the time between fieldwork and the issuance of the report.
5. Ensure the necessary resources are in place to complete the information technology audits planned for the last quarter of 2006 (June-August).
6. Enhance audit follow-up effectiveness by improving the follow-up policy to include a specific timeframe for follow-up reviews.
7. Involve the Internal Audit staff in the development of the annual risk assessment and audit planning process to increase their depth of knowledge and awareness of UT Arlington risks.
8. Enhance Internal Audit staff members' development and training, particularly in the areas of higher education, information technology, UT Arlington's administrative systems, and audit software.
9. Evaluate the efficiency of the internal Quality Assurance Review (QAR) program performed on individual audits.
10. Improve the effectiveness of developing an audit finding.



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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),
- 1300 – Quality Assurance/Improvement Program,
- 2100 – Nature of Work,
- 2200 – Engagement Planning,
- 2300 – Performing the Engagement,
- 2600 – Management’s Acceptance of Risks, and
- The IIA’s Code of Ethics.

It is our opinion that the IA activity partially conforms to the following *Standards*:

- 1100 – Independence and Objectivity,
- 1200 – Proficiency and Due Professional Care,
- 2000 – Managing the Internal Audit Activity,
- 2400 – Communicating Results and
- 2500 – Monitoring Progress.

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*, with some opportunities for improvement, as discussed in our recommendations. “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. “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.

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

A handwritten signature in black ink that reads 'Helen C. Vanduland'.

Helen C. Vanduland, CPA
Peer Review Team Leader
Internal Audit Director at the University of Mary Washington

Peer Review Team Members:

Doug Horr, CIA, CBA, Institute Auditor
Stevens Institute of Technology

Norma Ramos, CIA, CGAP, Director of Internal Audits
University of Texas at Brownsville



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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
05-09	August 23, 2005	Contracting Audit	Our objectives were to provide reasonable assurance that the UTA processes associated with contractor selection, approval, payment, and oversight are adequate and operating effectively.	<p>Based upon the results of our review, it appears the University’s contracting processes are operating in a manner that provides reasonable assurance that the contractor selection, approval, and payment processes are adequate and operating effectively. and documentation of contract oversight. During our review, we identified opportunities for improvement in the areas of contract monitoring and oversight and document retention for contracts executed outside the procurement services department.</p> <ul style="list-style-type: none"> • Departments that execute contracts signed by the Vice President of Finance for Administration and Campus Operations should be responsible for contract file 	<ul style="list-style-type: none"> • Implemented <p>Implemented</p>	Reduce the risk of non-compliance with University Policies and Procedures.



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				<p>maintenance and for maintaining a registry of contracts for their area. For purposes of overall contract reviews, management should consider having the lists from each department sent to a centralized contract coordinator on a consistent periodic basis.</p> <ul style="list-style-type: none"> • We recommend that complete files be maintained within the monitoring departments for all significant contracts. A complete file would include all documentation in the different areas of contract administration (selection, approval, payment/value, oversight) and would include documenting activity related to the contracting process. • We recommend that each department designate a contract person. That person should coordinate with Procurement Services for oversight and 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>Implemented</p> <p>Implemented</p>	



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				<p>monitoring of their contracts and to ensure that there is not unnecessary duplication of files.</p> <ul style="list-style-type: none"> • We recommend that procurement services offer training in the areas of contract management and oversight for the university personnel who make contracts that do not require a purchase order. • Procurement Services should establish requirements and offer guidance to all those with authority to negotiate contracts. A checklist is one means by which Procurement could provide the guidance. 	<p>In-Progress</p> <p>In-Progress</p>	
05-11	August 10, 2005	Key Control Audit	The objective of this audit was to provide reasonable assurance that the internal controls over Key Control are adequate and effective.	Based on our audit, it appears that processes and procedures are in place to provide management with reasonable assurance that controls in the Key Control office are adequate and effective.		Reduce the risk of non-compliance with University Policies and Procedures.



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				<p>Implementation of the following recommendations and completion of the annual inventory will enhance controls.</p> <ul style="list-style-type: none"> • We recommend that a study be conducted to determine the cost/benefit of converting high turn over areas to the keyless entry methods. • We recommend that the Key Control Office work with appropriate members of management to develop policies and procedures for the issuance of master keys. The policy and procedure should provide guidelines for when master keys should be issued. In addition, a list of master key holders should be reviewed regularly by executive management. Before a master key is issued, the person responsible for the key should be made aware and should acknowledge in 	<p>Implemented</p> <p>Implemented</p>	



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				<p>Best Key Data Base System and other administrative responsibilities. A checklist of duties and responsibilities should be developed to provide guidance to the designated backup person.</p> <ul style="list-style-type: none"> • We recommend that the Key Control Office request a monthly list of terminated or transferred employees from the Human Resources Department to reconcile to their records to ensure that Key Control records are updated and keys are returned in a timely manner. A review to determine that all appropriate key return forms have been received should also be done monthly by Key Control. • We recommend that the Key Control office issue monthly out of service reports to the appropriate departments to 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>Implemented</p> <p>In-Progress</p>	



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				review for unusual trends and to mitigate the potential for property loss. <ul style="list-style-type: none"> We recommend that the Key Control develop a process to periodically confirm the information in the database with the individual issued the keys to ensure that any changes are appropriately reflected in the records. This could be accomplished by periodic unannounced audits as suggested by Fiscal Regulation 6-15 V. 4. 	Implemented	
05-14	January 23, 2006	Human Subjects Research Audit	The audit objectives were: <ul style="list-style-type: none"> Determine whether the composition of the Institutional Review Board (IRB) membership complies with federal regulations and UTA policies & procedures. Determine whether IRB members and staff, research Principal Investigators (PI), 	Based on our audit, it appears that general procedures within the ORIC relating to human subjects research are in compliance with the federal regulations but application of the policies and procedures established by the ORIC and the IRB are not fully being complied with. The following recommendations will	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of non-compliance with University Policies and Procedures and federal regulations.



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			<p>and key personnel are educated, on an ongoing basis, about the regulatory requirements for the protection of human subjects.</p> <ul style="list-style-type: none"> • Determine whether the IRB initial and continuing review process for research protocols involving human subjects provides reasonable assurance that the processes comply with federal regulations. • Determine the effectiveness of the quality assurance monitoring program performed by the ORIC. • Determine the effectiveness of the IRB investigations of noncompliance allegations. <ul style="list-style-type: none"> ▪ Determine the existence of the Federal wide Assurance and the period(s) the assurance covers. 	<p>help to improve and strengthen the overall effectiveness of the ORIC and provide reasonable assurance that policy and procedures comply with federal regulations.</p> <ul style="list-style-type: none"> • We recommend that the ORIC take the appropriate actions to ensure that all Principal Investigators and key personnel are timely and adequately completing the compliance training pursuant to UTA's policies. • We recommend that the ORIC ensures that the IRB Form#1 is completely signed and dated by the responsible parties. • We recommend that the ORIC establish a monitoring plan which is based upon a prioritization of identified high risk protocols. This plan should include a planned number of protocol reviews 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	



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				and time frames along with required staffing levels. The plan may need to include the hiring of additional staff so that the planned number of high risk reviews can be completed.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
05-18	September 13, 2005	Time and Effort Reporting Principles Review	The objective of this review was to determine if all principal investigators are completing their time and effort reports accurately based on a check list provided by the UT System Audit Office.	<p>The following criteria were followed upon:</p> <ul style="list-style-type: none"> • Designated responsible party for the time and effort reporting compliance. • The effort report should reflect the individual's total work-related activity for the time period covered by the certification period and be a reasonable estimate of the percentage of effort. • The effort report is being completed at least semi-annually by professorial, professional and non-professional employees 	<p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	Reduce the risk of non-compliance with Time and Effort reporting principles.



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				<p>supported by grant funding.</p> <ul style="list-style-type: none"> • Faculty salaries based on a nine-month appointment have been annualized to twelve months to determine Institutional Base Salary. • The Designated Responsible Party (DRP) has inventoried joint institutional appointments and effective communication and internal controls exist over them. • The Monitoring Plan has been developed and approved by the DRP, Institutional Compliance Officer and Institutional Compliance Committee. • All specific risks and every internal control relied upon to mitigate the specific risk and evidence associated with the internal control is documented in the monitoring plan. • Formal risk assessment on the 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>Implemented</p> <p>Not Applicable to UTA</p> <p>In-Progress</p> <p>In-Progress</p> <p>In-Progress</p>	



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				<p>institution's control environment, culture, types of externally funded research, known problem areas, etc. has been performed.</p> <ul style="list-style-type: none"> • Effective internal controls have been established and include periodic interviews with individuals who have completed time and effort reports. • Supervisory controls are performed by someone who has no involvement with executing the operation controls. • Monitoring results are communicated in writing in a timely manner to the DRP, Institutional Compliance Officer, and Institutional Compliance Committee. • A documented specialized training plan has been developed and approved by 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>In-Progress</p> <p>Implemented</p> <p>In-Progress</p> <p>In-Progress</p>	



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				<p>the DRP, Institutional Compliance Officer and Institutional Compliance Committee.</p> <ul style="list-style-type: none"> Principal Investigators confirm the accuracy of all time and effort reports that substantiate payroll charges to their contract/grant. 	Implemented	
05-19	September 29, 2005	TAC 202 Information Security Compliance Audit Follow-up	The objective of this review was to determine if the University is in compliance with the standards of TAC 202.	<p>The following recommendations were followed upon:</p> <ul style="list-style-type: none"> The Office of Information Technology (OIT) 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 agreement. Per TAC §202.71, the University should identify owners and custodians of information resources and define, document and communicate their 	<p>In-Progress</p> <p>In-Progress</p>	Reduce the risk of non-compliance with TAC 202.



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				<p>responsibilities.</p> <ul style="list-style-type: none"> ● Per TAC §202.72, the Office of Information Technology should update the security risk analysis annually for those resources which have been ranked as high risk. ● Per TAC §202.73, a campus wide review of physical security measures for information resources has not been conducted. ● The <u>Business Impact Analysis (BIA)</u> was developed with the assistance of key operating units and the OIT management staff. Per review of TAC §202.74, the BIA did not assess the loss of personnel resources and some key support services such as voice networks and equipment. More importantly, the assessment did not estimate the potential impact of the loss of essential services or resources. A <u>Security Risk Assessment</u> (as defined within TAC §202.1) is the process of evaluating the results 	<p>In-Progress</p> <p>In-Progress</p> <p>In-Progress</p>	



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				<p>of the risk analysis by projecting losses, assigning levels of risk, and recommending appropriate measures to protect information resources. OIT has completed a risk assessment/vulnerability assessment. The identified threats/vulnerabilities were assessed as high, medium, or low. Following the completion of the vulnerability assessments, action plans were developed to address those threats/vulnerabilities identified. These action plans identified the findings, the actions to be taken, the costs, the timeframe, and the implementation barriers. However, neither the vulnerability assessments nor the action plans projected losses associated with the identified threats/vulnerabilities.</p> <ul style="list-style-type: none"> The Office of Information Technology has not performed a review of those information systems that contain confidential information to determine if these information systems provide a 	<ul style="list-style-type: none"> Implemented Planned In progress Factors delay implementation Agency does not plan to implement recommendation <p>In-Progress</p>	



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				means to establish individual accountability.		
05-20	September 29, 2005	Follow up on the Controls Over the Use and Administration of ProCards at Selected Institutions of Higher Education Audit	The objective of the review was to determine the current status of implementation of the recommendations included within the “Controls Over the Use and Administration of ProCards at Selected Institutions of Higher Education” audit report issued in March 2005 by the State Auditor’s Office (SAO).	<p>The following recommendations were followed upon:</p> <ul style="list-style-type: none"> • Expand the written procedures for monitoring ProCard use to include more detail about the review and approval process of ProCard monitoring results. • Update of ProCard policies and procedures to address exceptions, including who has authority to grant exceptions and how they will be documented. • Establish and communicate per-transaction and monthly spending limits and establish procedures requiring additional training, limiting or revoking privileges for those cardholders who violate the established limits. • Communicate with the 	<p>Implemented.</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	Reduce the risk of non-compliance with University Policies and Procedures.



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				<p>cardholders to emphasize that the cardholder is accountable for all purchases made with their ProCard and that the ProCard is not to be shared.</p> <ul style="list-style-type: none"> • Follow the established policies concerning the deactivation of unused cards. • Return the ProCard to the Program Administrator upon termination of employment or transfer to a different department. • Revise the transaction log to require verification that the Comptroller of Public Accounts web site has been checked to verify vendor warrant hold status prior to initiating purchases or payments. • Revise ProCard procedures to address administrative and/or disciplinary action as appropriate. 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>Implemented</p> <p>Implemented</p> <p>Implemented</p> <p>Implemented</p>	



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				transactions, to identify how notification is sent to cardholders who have been identified to have split transactions.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
06-01	January 31, 2006	Follow-up on the Health Services, Cash Handling Procedures Review	The objective of this review was to determine the status of the implementation of management responses to the recommendations in the Health Services, Cash Handling Procedures Review report dated July 20, 2005.	<p>The following recommendations were followed upon:</p> <ul style="list-style-type: none"> • Health Services Center should inquire with the Pyramed vendor to determine if they can develop and implement a log on for the billing and accounting system to identify the transaction to the person entering the transaction. • In order for a daily cash reconciliation to be made simpler to perform, we believe it is imperative that transactions are entered intact into the CICS system from the "Export Invoice List" daily and are balanced to daily batch totals. Also, the daily 	<p>Not Implemented. The management has accepted the risk of not implementing the control because the cost to implement out weighs the benefit that would be received.</p> <p>In-Progress</p>	Reduce the risk of financial misstatement through improved controls.



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				<p>Pyramed reports should be reconciled to the daily CICS BRJ00069 reports to ensure the balance due entries entered into CICS are accurate and have the reconciliation done by someone other than the Accountant III.</p> <ul style="list-style-type: none"> • Health Services should review Fiscal Regulation 2-7, Working Fund, and the Custodian and Working Fund Authorization forms currently on file should be updated with current information. • A report should be generated from the Pyramed system that reflects adjustments made and the supporting documents should be attached to the report and reviewed by the preparer's supervisor. • The person who enters transfer transactions into 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>Implemented</p> <p>In-Progress</p> <p>Implemented</p>	



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				<p>CICS should ensure that an entry is made in the Pyramed system to reduce the Pyramed accounts receivable balance.</p> <ul style="list-style-type: none"> • Health Services should consider using the Pyramed accounts receivable system to manage the open and unpaid insurance receivables (claims) and should periodically reconcile the open claims maintained via the Excel spreadsheet to the open insurance receivables balance in Pyramed. • Health Services should implement a procedure to ensure that insurance checks received are posted promptly and intact in the Pyramed system. • Health Services should create formal policies to address processes and procedures for keeping the CICS system 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation <p>Implemented</p> <p>Implemented</p> <p>In-Progress</p>	



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				<p>reconciled to Pyramed.</p> <ul style="list-style-type: none"> Health Services should provide Pyramed training for key personnel in the areas of accounting and financial reporting. Health Services should consider hiring a qualified business manager to oversee the accounting and financial aspects of the Health Center. 	<p>In-Progress</p> <p>Implemented</p>	
06-02	March 8, 2006	Outsourced Operations-Bookstore Audit	Our objective was to provide reasonable assurance that UTA and Follett comply with the terms of their agreements.	<p>Based upon the audit steps performed in the above areas, it appears that both the University and Follett Higher Education Group, Inc. are substantially in compliance with the terms of the Ground Lease and Services Agreements. However, several areas were identified where the agreement terms were not being followed.</p> <ul style="list-style-type: none"> The Services Agreement states that discounts should 	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of non-compliance with Bookstore agreements.



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				<p>not be given on University procurement card purchases; however, Follett honors discounts on University procurement card purchases.</p> <ul style="list-style-type: none"> The higher of the monthly annual percentage rent or the minimum monthly rent is not being paid in accordance with contract terms. Follett has elected to pay the minimum monthly rent of \$16,667 each month and pay any annual percentage rent due at the end of the lease year. The Ground Lease Agreement states that the higher of the annual percentage rent or the minimum monthly rent should be paid each month. The method used by Follett results in the same annual commissionable rent; however, due to the timing of the rent receipts, the University loses an estimated 	<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>\$2,400 in earnable interest based upon a 4% interest rate.</p> <ul style="list-style-type: none"> • The Services Agreement states that “Follett will not sell merchandise at prices exceeding the normal gross profit margin for similar merchandise within the campus bookstore industry”. Follett targets a 54% gross margin on general merchandise other than books. Follett’s average gross margin for general merchandise for the two month period ending August 31, 2005 was about 47%. One industry source, the “2005 College Store Industry Financial Report” published on the <i>National Association of College Stores</i> web site shows an industry average gross margin for general merchandise (excluding computers) of about 35%. • The Services Agreement 	<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>states that all bookstore financial records shall be maintained by Follett in Tarrant County, Texas for a period of four years from the creation thereof for auditing by UTA at any time during regular working hours without prior notice. The Services Agreement also states that Follett will keep fully computerized sales records on the UTA Bookstore premises at all times. We noted that some records are maintained on the bookstore premises, while other records are maintained by the Follett home office in Illinois.</p> <ul style="list-style-type: none"> The Services Agreement states that a Bookstore Liaison Committee should be established to consider suggestions to monitor, improve or expand operations, and assess market conditions. 	<ul style="list-style-type: none"> Implemented Planned In progress Factors delay implementation Agency does not plan to implement recommendation 	



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				A UTA Bookstore Liaison Committee does not exist.		
06-03	February 2, 2006	Library Purchasing and Inventory Processes Audit	<p>The objectives of our audit were to:</p> <ul style="list-style-type: none"> • Determine the effectiveness of the purchasing processes utilized by the Library. • Determine the effectiveness of the receiving processes utilized by the Library. • Determine the effectiveness of the payment processes utilized by the Administrative Accounting department of the Library. • Determine whether segregation of duties exists in the purchasing, receiving, and authorizing functions of the Library. • Determine whether materials removed from inventory and sent to surplus were properly authorized. 	<p>Based on our audit, the internal controls over the library purchasing and inventory processes appear effective and adequate. The following recommendation will help to improve and strengthen the overall effectiveness and adequacy of internal controls over the Library purchasing and inventory processes.</p> <ul style="list-style-type: none"> • Procedures should be developed and implemented that require: the Content Librarians to document approval of the purchase request forms; the forms to be retained in the Library files; management approval on purchases above an established dollar limit prior to acquisition staff placing the order. 	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of non-compliance with University Policies and Procedures.



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			<ul style="list-style-type: none"> Determine whether bids are obtained from vendors when renewing a contract. 		<ul style="list-style-type: none"> Implemented Planned In progress Factors delay implementation Agency does not plan to implement recommendation 	
06-04	May 31, 2006	Laboratory Safety Audit	The objective of the audit was to provide assurance that an effectively designed compliance program has been implemented by the Environmental Health and Safety (EH&S) Office to ensure that the University is in compliance with the Texas Hazard Communication Act.	<p>Based on the results of the audit steps performed, we determined that the monitoring and specialized training plans are effectively designed. Also in the audit nothing led us to believe that the compliance program does not meet the requirements of the Texas Hazard Communication Act. The following recommendations will help to improve and strengthen the effectiveness of the compliance program.</p> <ul style="list-style-type: none"> EH&S should weigh the benefits of including deficiencies in the database against the costs to maintain the additional information. Once the entries are made in the database someone should check the posting to reduce 	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of non-compliance with Texas Hazard Communication Act.



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				<p>the chance of errors.</p> <ul style="list-style-type: none"> • Follow-up inspections should be completed within the calendar year. All inspection forms should be signed and dated. • We recommend that Institutional Compliance and EH&S develop a procedure to resolve the incomplete status contained in the Macromedia Breeze software. The lists of persons who have access to labs should be cross-checked with the Breeze Software to ensure that anyone having authorized access has taken the required training. 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
06-06	May 22, 2006	Budgeting, Planning and Enrollment Management Audit	<p>The objectives of our audit were to determine if the:</p> <ul style="list-style-type: none"> • budgets were created in accordance with pre-determined approved policy objectives. 	<p>Based on the results of the audit steps performed, it appears that budgets are created in accordance with pre-determined approved policy objectives. The responsibilities of management for</p>	<p>In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.</p>	<p>Reduce the risk of non-compliance with University Policies and Procedures.</p>



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			<ul style="list-style-type: none"> • enrollment management processes utilized in the preparation of the annual budget were effective. • monitoring processes used to evaluate the financial results against detailed budgets were effective. 	<p>preparing the budgets are properly defined and the strategic plan identifies the Institutional Planning Priorities. Additionally, the processes used to evaluate the tuition and fees appear reasonable. Following recommendations will help to improve and strengthen the effectiveness and adequacy of the annual budget processes.</p> <ul style="list-style-type: none"> • We recommend that documents and schedules that are used to support the estimations in projecting the enrollment be retained by the preparer. • Considering that no one prediction model will contain all the variables that may be pertinent to final enrollment, we recommend that the University consider investigating the various tools available on the market that may assist in providing continued close estimates. 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	



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				<ul style="list-style-type: none"> We recommend that management designate a back up for the Assistant Vice President for Budget and Financial Planning and that they be cross trained on the processes used to monitor the budget. Written guidelines for use in the budget monitoring process should also be developed to provide guidance to the designated back up person. 	<ul style="list-style-type: none"> Implemented Planned In progress Factors delay implementation Agency does not plan to implement recommendation 	
06-07	August 30, 2006	Financial Audit of Auxiliary Enterprises	The objective of our audit was to provide reasonable assurance that the major auxiliary enterprises, focusing on the Housing Office and Continuing Education Department, are materially accurate in the University's financial statements.	In our audit of Housing Revenue, we noted that rental income for two months tested was not properly reflected in the monthly financial statements of the University. However, the Housing Office discovered the problem and has been working with the Office of Accounting and Business Services to resolve the problem. Other than this item, we believe that revenues for both the Housing	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of financial misstatement through improved controls.



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				<p>Office and Continuing Education Department were materially accurate and properly accounted for. Additionally, expenses are being accurately reflected in the monthly financial statements, were properly authorized and contained appropriate supporting documentation for both the Housing Office and Continuing Education Department. Timely reconciliation of Statements of Accounts was lax in the Continuing Education Department. Also, the following recommendations were made in the audit report.</p> <ul style="list-style-type: none"> We recommend that management develop and implement policies and procedures to ensure that credits applied to a renter's account are reviewed and authorized by a Supervisor prior to the credits being issued to the renter's account. 	<ul style="list-style-type: none"> Implemented Planned In progress Factors delay implementation Agency does not plan to implement recommendation 	



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				<ul style="list-style-type: none"> • We recommend that the Housing Office work with the Office of Accounting and Business Services (OABS) to determine the reason income was not posted to account 29-0470-1695 object code 3751 for the months of May and June and review other operating income accounts to ensure that income has been accurately reported. • We recommend Continuing Education develop and implement internal control procedures to ensure that credit card refunds are approved by the Associate Director prior to issuance. • We recommend exceptions to the cancellation fee policy be documented on the refund form and approved prior to refund. • We recommend Continuing Education require valid 	<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>purchase orders or other acceptable documentation to support the receivable, and this documentation should be received by Continuing Education prior to enrollment.</p> <ul style="list-style-type: none"> • We recommend Continuing Education’s Medical Program Action Plan be finalized and implemented as soon as possible. • We recommend the reconciliations of the Statement of Accounts are performed timely in accordance with UTA Fiscal Regulation 2-3 and that Continuing Education review the signature authority, as listed in DEFINE, to ensure that the persons listed are appropriate. • We recommend that the department restructure the duties assigned to the Administrative Services 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	



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				Officer to allow for a segregation of duties between the cash deposit preparation, accounts receivable processes and preparation of the departmental reconciliations.		
06-08	June 2, 2006	Construction Program Management Audit	The audit objective was to review the work order management system and the related construction in progress contracts/expenditures to determine whether systems are operating as designed and provide for an appropriate level of internal control.	<p>Our review and testing indicated that the Facilities Management manages the construction projects effectively and the systems are operating as designed and provide for an appropriate level of internal control. The following recommendations will help to improve and strengthen the overall effectiveness and adequacy of internal controls and construction program management.</p> <ul style="list-style-type: none"> The role of the Space Allocation Committee and their authority in construction and renovation project decisions should be more clearly defined. It is recommended that the Space 	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of non-compliance with University Policies and Procedures.



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				<p>Allocation Committee be involved in the approval process of all campus construction and renovation projects.</p> <ul style="list-style-type: none"> • It is recommended that a policy be established for maintaining an approval document for each in-house project. The department should also consider using the Award Memo for in-house projects. • It is recommended that Facilities Management establish a policy to update the contract projects cost information in MP2 work order system as the invoices are paid. • We recommend that project managers ensure that invoices or cost information from other departments are provided or communicated timely to the Accounting services staff at 	<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 Office of Facilities Management to be input into MP2.</p> <ul style="list-style-type: none"> • If the Facilities Management deviates from the Uniform Policies, including changes to retention percentage, the deviations should be documented in the contract agreement/task order form. • We recommend that the Facilities Management establish a system for correctly identifying and recording all paid invoices and all costs incurred for a project in MP2. Also, the shop supervisor and/or the reviewer of MP2 should verify the accuracy of the amounts and the work order invoice numbers to avoid over/under charging a project. Regardless of whether direct or indirect charges, all charges should be recorded in MP2. 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	



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				<ul style="list-style-type: none"> • We recommend that all over budget or under budget project variances be analyzed. The justification of variances should be documented in the project file for better evaluation and accounting of the project cost. • We recommend that Facilities Management compile a departmental policies and procedures manual that establish a standard method of construction program management and document other departmental procedures. A template is available on the University Web Site for this purpose. 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
06-09	June 14, 2006	Mav Express Cash Handling Audit	The objective of our audit was to review the cash handling procedures in the Mav Express Office to determine that appropriate controls are in place and are functioning as designed.	Based on the results of the audit steps performed, we believe that, overall, appropriate internal controls either have not been established or are not functioning as designed. The following	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of misappropriation of financial assets.



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				<p>recommendations will help to improve and strengthen the overall effectiveness and adequacy of internal controls over the Mav Express Office cash handling procedures.</p> <ul style="list-style-type: none"> • We recommend that management enforce the policies and procedures of the department and comply with Fiscal Regulations, Section 2-14 concerning timely deposit of funds. • We recommend that the department retain the green copy of the departmental cash receipt as their record of the transaction in accordance with Fiscal Regulations, Section 2-14. • We recommend that management implement policies and procedures related to the accuracy of ringing up transactions on the register, such as correctly 	<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>ringing the tender received (checks to be rung as checks, cash as cash, etc.), ensuring that all transactions are actually rung up on the register (Mav deposit and fax fees were noted as not rung), and ensuring that transactions that are rung up incorrectly are properly corrected or voided with the proper approval of a supervisor.</p> <ul style="list-style-type: none"> We recommend that the Mav Express Office develop and implement written procedures on how to reconcile the errors noted on the Z-report, (such as incorrect tender rung up, sales not rung up, transactions rung incorrectly, and reimbursements, refunds, and voided transactions) and the daily cash reconciliation process. We also recommend that the Mav Express Office prepare an exception report 	<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 includes the adjustments made on the Z-report to support the daily deposit reconciliation report. This report should be approved by a Supervisor.</p> <ul style="list-style-type: none"> • Management should develop and implement policies and procedures for the handling of refunds and corrections made on the cash register. Documentation of all corrections and refunds should be retained and should include the customer's signature along with management approval prior to processing the transaction. • We recommend that management implement policies and procedures related to the retention of the I.D. Card Replacement Forms and ensure that these forms and the related CICS reports are retained and included with 	<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 respective daily deposit reconciliation.</p> <ul style="list-style-type: none"> • Management should develop and implement policies and procedures associated with the processing of credit card deposit transactions for persons other than the Mav Money card holder. At the time of the transaction, procedures could include noting on the credit card slip the name of the Mav Money card holder. This would assist in reconciling the credit card slips to the Mav Money deposits as listed on the CS Gold reports and may help to ensure that transactions are getting posted to the correct Mav Money account. • Policies and procedures should be developed and implemented related to the processing of transactions for remote sales. If a customer 	<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>does not have a Mav Money account and would like to make a purchase, employees should not be allowed to record the transaction onto their personal Mav Money account, but should provide the customer with the use of a guest Mav Money card.</p> <ul style="list-style-type: none"> • We recommend that management develop and implement controls to ensure that employee receivables do not occur. • We recommend that management develop and implement policies and procedures to ensure that employees are not processing transactions after business hours. • Policies and procedures should also be developed and implemented so that employees are not allowed to ring up their own transaction 	<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>on the cash register or on their Mav Express card in the CS Gold system.</p> <ul style="list-style-type: none"> • We recommend that management develop and implement policies and procedures related to the timeliness of the deposits related to the JSA web-based Mav Express transactions. Deposits should be made the next business day after the date noted on the Payment Batch Summary Report to be considered deposited timely. • We recommend that management obtain the proper documentation necessary for distributions requested from the Mav Express accounts and that such documentation is retained in the Mav Express Office. Additionally, requests for refunds other than book advances or Mav Money balances should be processed 	<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>through the proper departments (for example, scholarships should be processed through the UTA Scholarship Office).</p> <ul style="list-style-type: none"> • The form used by the Mav Express Office to request a Mav Money/Book Advance refund should be modified to include a comment stating that the student authorizes this request from their Mav Express card and a place for their signature as evidence of their authorization. • We recommend that a person other than someone affiliated with the ATO organization process the ATO CS Gold and DEFINE transactions. • We recommend that senior management gain an understanding of the purpose of the Mav Express card for the Mav Express Office - #888840348 to ensure that the 	<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>use of this card is in compliance with the policies of UTA and that departmental income is not inappropriately being used.</p> <ul style="list-style-type: none"> • We recommend that management revise the policies and procedures of the department to ensure that the deposit reconciliations are reviewed on a daily basis by the Assistant Director of the Mav Express Office prior to submission for deposit so that errors can be detected and corrected in a timely manner. • The Assistant Director of Mav Express should receive the training necessary to fully understand the preparation of the daily deposit reconciliations so that errors can more easily be detected when performing the review function. • We recommend that the 	<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>Account Administrator for the Mav Money Deposits – DEFINE account 29-0010-2097; review the monthly Statement of Account reconciliations as required by UT Arlington’s DEFINE policies.</p> <ul style="list-style-type: none"> • The preparation of the reconciliation between the Mav Money Card System (CS Gold) and DEFINE should be adjusted so that the unallocated/timing difference is shown as the net difference and not “plugged” into a vendor payable amount. Additionally, this difference should be researched to identify the components. Once the differences are identified any required correcting entry should be made in order to properly maintain the reconciliation. • Management should 	<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>implement policies and procedures related to the access of persons to the Mav Express Office area. Only persons who are currently “on the clock” should be permitted to have access to the Mav Express areas.</p> <ul style="list-style-type: none"> • Retail tickets should be locked in a secured place to prevent theft. Procedures should be implemented so that the logs for the retail ticket or fax sales are completed fully by the sales associate and these logs should be reconciled daily against the retail sales as noted on the cash register Z-report. • We recommend that the cash receipting function be separated from the maintenance of the CS Gold System and that the maintenance of the computer 	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	



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				system servers be moved to the Office of Information Technology.		
06-10	November 30, 2005	Annual Financial Report Audit	<p>The objectives of the audit were:</p> <ul style="list-style-type: none"> • Identify misstatements in excess of \$4 million in The University of Texas at Arlington Annual Financial Report (AFR) - Exhibits A and B – Balance Sheet and Statement of Revenues, Expenses and Changes in Net Assets for fiscal year • Report these misstatements to Deloitte & Touche, LLP for consideration in rendering their opinion on The University of Texas System-wide Consolidated Financial Statements for the year ending August 31, 2005. 	<p>We determined that there were no material unadjusted differences meeting the \$4 million materiality threshold for reporting to Deloitte & Touche, LLP. During the course of fieldwork, we identified processes in which internal controls could be improved.</p> <ul style="list-style-type: none"> • We recommend that allowances be created for <i>Other Intergovernmental Receivables, Interest and Dividends, and Other Receivables</i>. Additionally, allowances should be developed based on the collectibility of amounts based upon the aging schedules as opposed to fixed numbers or fixed percentages of the total balance of a receivable class. Also, the 	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of financial misstatements through improved controls.



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				<p>Office of Accounting and Business Services (OABS) should establish a regular interval for reassessing the adequacy of existing allowance methodologies for <i>Students Receivable</i> and <i>Contributions Receivable</i>. Additionally, receivables should be reviewed at year-end to ensure that balance forwards have been reversed.</p> <ul style="list-style-type: none"> • We recommended that OABS reverse the balance forward of \$168,168 in Interest & Dividends at the beginning of FY 2006. • As authorized by the UT System Audit Office, we recommend that OABS adjust the AFR to properly reflect the current and non-current portions of loan receivables. Additionally, we recommend that OABS develop procedures to ensure that the 	<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>correct allowances are recorded in the general ledger and subsequently reflected correctly in the AFR.</p> <ul style="list-style-type: none"> • We recommend that the OABS implement procedures for deferring revenue related to housing when recording the final close entries for a fiscal year so that deferred revenue will be properly stated. • We recommend that OABS implement a review process to ensure that the correct amounts are used when calculating Faculty Salary Expense. • We recommend that UTA consider documenting its rationale for using useful lives that differ from those published by the Texas Comptroller of Public Accounts. • We recommend that the OABS implement procedures 	<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
				to review all of the schedules contained in the AFR to ascertain that each schedule that relates to another schedule agrees.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	
06-11	June 21, 2006	President's Travel and Entertainment Expenditures Audit	<p>The objectives of the audit were to:</p> <ul style="list-style-type: none"> • Determine the reliability and integrity of the President's travel and entertainment expenditures; • Determine the reliability and integrity of spousal travel and entertainment expenditures; • Determine compliance with the applicable policies, procedures, laws, and regulations; and, • Determine if the President utilized the services of Facilities Management at his personal residence. 	<p>Based on our audit, we believe that overall, the reimbursements to both the President and his spouse appeared reasonable and appropriate. We believe that the recommendations included in this report will help to improve and strengthen the internal controls over the processing of the President's travel and entertainment expenditures reimbursements.</p> <ul style="list-style-type: none"> • We recommend that supporting documentation for the President's reimbursements be reviewed prior to approving the documents in DEFINE. Additionally, we recommend that official occasion 	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2007.	Reduce the risk of non-compliance with UTA Policies and Procedures and also reduce the risk of misappropriation of UTA financial assets.



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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>expenditures, including those that occur while the President is on travel status be processed on a VP2 document in DEFINE.</p> <ul style="list-style-type: none"> We recommend that the President avoid utilizing Facilities Management staff to make repairs at his personal residence. 		
06-12	May 5, 2006	Assurance Report – Inventory of IT Data Center Services	Internal Audit performed certain procedures to determine whether the inventory data reported captures the full size, scope, and cost of data center services based on the format and level of detail determined by DIR. These procedures included obtaining and understanding of the process used to complete the inventory and testing the accuracy and completeness of the information reported on a sample basis.	Based on the results of our procedures, nothing came to our attention that caused us to believe that the inventory does not represent the size, scope, and cost of services required by the DIR.	Not applicable.	Reduce the risk of non-compliance with DIR Policies and Procedures.
06-13	July 25, 2006	NCAA	Our objective for this audit was to	Based on the results of the audit	In Progress. Internal Audit has not	Reduce the risk



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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
		Financial Aid Compliance Audit	ensure that the Intercollegiate Athletics Department at UT Arlington is in compliance with the 2005-2006 NCAA Division I Manual, Bylaw 15, pertaining to Student Financial Aid.	<p>steps performed, it appears that overall policies and procedures are in place to govern and monitor financial aid determination and awarding for student-athletes. Additionally, management appears to be effectively monitoring financial aid activities to mitigate the risks of violating any NCAA Division I guidelines. The following recommendations were made to improve the operational efficiency of the department.</p> <ul style="list-style-type: none"> • We recommend that the Athletics Department set a specific date for the completion of the revised Departmental Policies and Procedures Manual, including revised job descriptions for their staff. • We recommend that Athletics Department maintain sufficient documentation to support the reduction or cancellation of financial aid to 	<p>completed a follow-up review but expects to do so in fiscal 2007.</p> <ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	of non-compliance with NCAA rules and regulations.



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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
				student athletes.	<ul style="list-style-type: none"> • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation 	

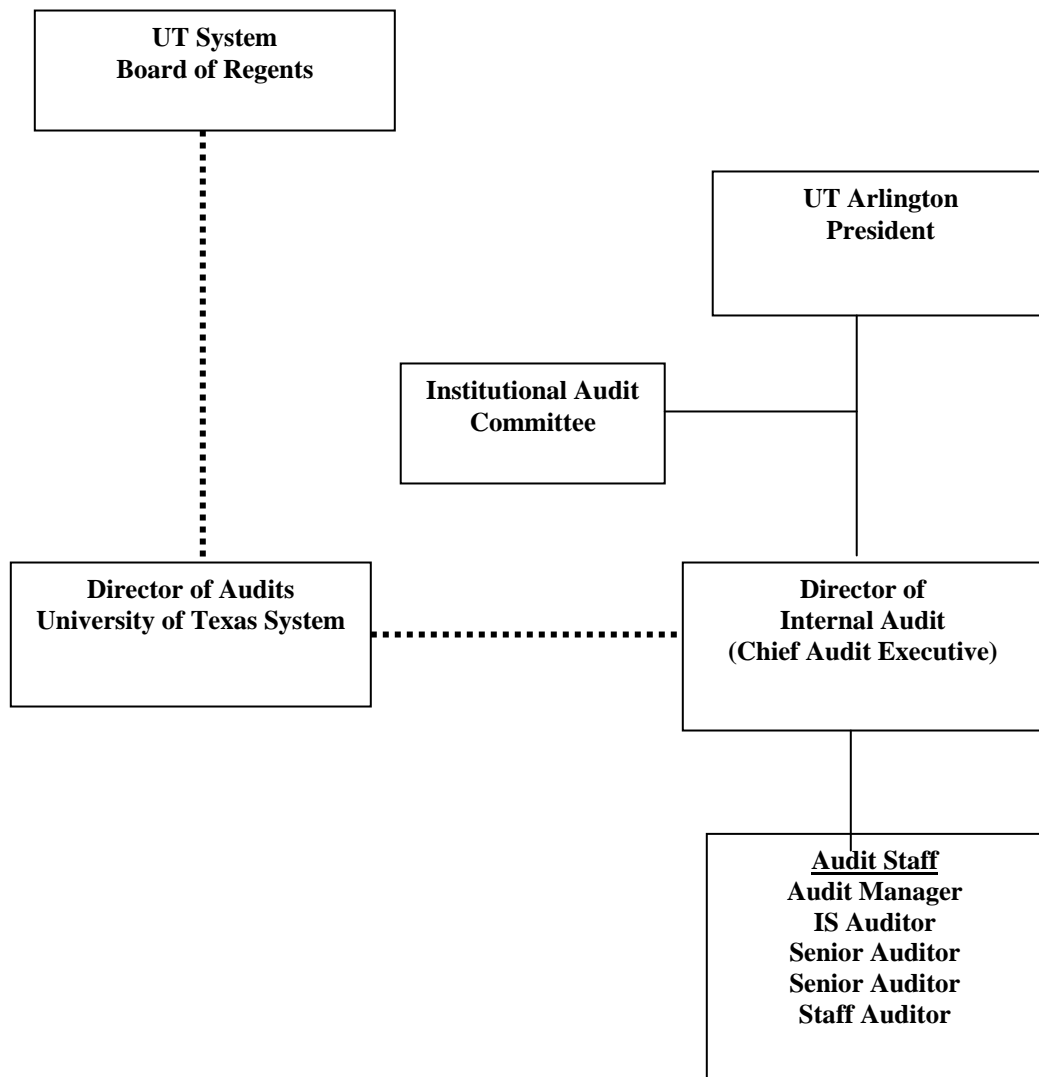


**Annual Internal Audit Report
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IV. List of Consulting Engagements and Non-audit Services Completed

The consulting projects related to the People Soft student information system conversion (MyMay) was completed in the Fiscal Year 2006 Work Plan.

V. Organizational Chart





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VI. Report on Other Internal Audit Activities

Activity	Impact
Participated with the University Institutional Compliance Office in Enterprise Risk Management Reviews	Provides a service to the University by facilitating the review and identification of high risks within the University.
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.
Served as Proctor for several training tracks at the Association of College and University Auditors Conferences. Attended various class sessions.	Attendance at the meetings provides networking with peers at other institutions of higher education and enhancement of the Department's knowledge.

VII. Internal Audit Plan for Fiscal Year 2007

The following Audit Plan Table identifies 2007 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 Director of Internal Audit at (817) 272-2018.

FY 2007 Work Plan Audit/Project	2007 Hours
<i>UT System Requested</i>	
<i>Audits</i>	
Financial Statement Audit -- Fiscal Year 2006	400
Financial Statement Audit -- Fiscal Year 2007	80
Compliance with Business Procedure Memorandum (BPM) 66-01-06: Protecting the Confidentiality of Social Security Numbers	300
Implementation Progress of BPM 76-07-06: Guidance on Effort Reporting Policies	220
Compliance with Payment Card Industry Data Security Standards	300
Presidential Travel & Entertainment Expense Audit	80
<i>Consulting</i>	-
<i>UT System Requested Carry forward</i>	-
UT System Requested Subtotal	1,380
<i>Externally Required</i>	
<i>Audits</i>	



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Joint Admission Medical Program "JAMP" (Biennial Requirement)	40
Advanced Technology Program / Advanced Research Program (ATP/ARP) Grants	120
Texas Administrative Code Section 202 (TAC 202) / Biennial Requirement	350
NCAA Financial Audit	80
NCAA Compliance Audit -- Recruiting	200
SACS Financial Statement Review / Report	240
<i>Carryforward</i>	20

Externally Required Subtotal	<hr/> 1,050 <hr/>
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Risk Based: Institutional

Audits

Follow Up Mav Express Cash Handling	80
Fixed Asset Management, Tracking, Counting, Reporting and Surplus Property Audit	300

<i>Consulting</i>	200
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<i>Carryforward</i>	180
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Risk Based: Institutional Subtotal	<hr/> 760 <hr/>
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Risk Based: Auditable Area

Research

Audits

Animal Subjects Research Audit	320
Grants and Contracts Audit	350
Biosafety Audit	300

<i>Consulting</i>	
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<i>Carryforward</i>	
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Development

Audits

Development Audit--Processes and Procedures	320
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<i>Consulting</i>	
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<i>Carryforward</i>	
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Information Technology

Audits

General Computer Controls -- Delivery and Support / Systems Security	280
MyMav Student Information Systems Audit	320

<i>Consulting</i>	100
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<i>Carryforward</i>	200
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Risk Based: Tier Two Subtotal	<hr/> 2,190 <hr/>
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<i>Management Review</i>	
<i>Change in Management Audits</i>	240
<i>Change in Management Carryforward</i>	-
Change in Management Subtotal	240
<i>Follow-up</i>	260
<i>Audit Projects</i>	
U. T. System Requests	80
FY 2008 Audit Plan Preparation	80
Annual Internal Audit Report	40
Special Requests - Audits	
Audit Projects Subtotal	200
<i>Consulting Projects</i>	
Special Requests - Consulting	80
Consulting Projects Subtotal	80
<i>Other Projects</i>	
Quality Assurance Review -- Follow Up	40
Internal Audit Committee	60
Investigations	80
Website Updates and Teammate Procedures Documentation	100
Reserve for other Special Requests	350
<i>Carryforward</i>	160
Other Projects Subtotal	790
 Projects Total	 1,070
 Total Hours	 6,950



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VIII. External Audit Services

- UT System engaged the firm of Deloitte & Touche to perform a financial audit on the consolidated UT System Financial Statements for Fiscal Year Ended August 31, 2006.
- UT Arlington engaged the State Auditor's Office to perform the Fiscal Year 2006 A-133 Audit.
- UT Arlington engaged Deloitte & Touche to perform a UT Arlington Financial Statement Review for Fiscal Year Ended August 31, 2006 in connection with Southern Association of Colleges and Schools Accreditation requirement for a review report.