Fiscal Year 2007 Annual Internal Audit Report

The University of Texas
ARLINGTON™

Annual Internal Audit Report
Fiscal Year 2007

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 2007

Audit/Project	Budgeted Hours
UT System Requested	
Audits	
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
UT System Requested Subtotal	**1,380**
Externally Required	
Audits	
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
Carry forward	20
Externally Required Subtotal	**1,050**
Risk Based: Institutional	
Audits	
Follow Up Mav Express Cash Handling	80
Fixed Asset Management, Tracking, Counting, Reporting and Surplus Property Audit	300
Consulting	200
Carry forward	180
Risk Based: Institutional Subtotal	**760**

Audit/Project (Continued)	Budgeted Hours
Risk Based: Auditable Area	
Research	
Audits	
Animal Subjects Research Audit	320
Grants and Contracts Audit	350
Biosafety Audit	300
Development	
Audits	
Development Audit--Processes and Procedures	320
Information Technology	
Audits	
General Computer Controls -- Delivery and Support / Systems Security	280
MyMav Student Information Systems Audit	320
Consulting	100
Carry forward	200
Risk Based: Tier Two Subtotal	**2,190**
Management Review	
Change in Management Audits	240
Change in Management Subtotal	**240**
Follow-up	**260**
Audit Projects	
U. T. System Requests	80
FY 2008 Audit Plan Preparation	80
Annual Internal Audit Report	40
Special Requests - Audits	
Audit Projects Subtotal	**200**
Consulting Projects	
Special Requests - Consulting	80
Consulting Projects Subtotal	**80**

Audit/Project (Continued)	Budgeted Hours
Other Projects	
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
Carry forward	160
Other Projects Subtotal	**790**
Projects Total	**1,070**
Total Hours	**6,950**

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Explanation of Deviations from 2007 Audit Plan

The Fiscal Year 2007 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, 2007:

- Financial Statement Audit – 2007
- Compliance With Payment Card Industry Data Security Standards (In Process)
- TAC 202 Biennial Requirement (In Process)
- NCAA Recruiting (In Process)
- NCAA FY 2007 Financial Audit Interim (Moved to FY 2008 Audit Plan)
- Delivery and Support Systems Security (In Process)
- MyMav Student Information Systems (In Process)

The Director plans to complete these audits and issue the reports prior to December 31, 2007. As discussed and approved by the audit committee members, the Grants and Contracts Audit and the Quality Assurance Review [Follow-Up] were not completed during Fiscal Year 2007 but were carried forward to the Fiscal Year 2008 Work Plan. Additionally, as discussed and approved by the audit committee members, the audit department assisted in the following audits by outside agencies as follows: SAO Enrollment and Accountability, SAO A-133 Research Cluster Audit, OIG TMAC Contract Audit, and the Texas Criminal Justice Department Monitoring Review of one State Funded Grant.

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

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.

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.

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

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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

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) • Implemented • Planned • In progress • Factors delay implementation • Agency does not plan to implement recommendation	Fiscal Impact/ Other Impact
06-17	11/22/06	Annual Financial Report Audit	The objectives of the audit were as follows: • Identify any misstatements in excess of $9 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 ended August 31, 2006. • Report these misstatements to Deloitte & Touche, LLP for consideration in rendering their opinion on The University of Texas System-wide Consolidated Financial Statements for	We determined that there were no material unadjusted differences meeting the $9 million materiality threshold for reporting to Deloitte & Touche, LLP. During the course of fieldwork, we identified processes in which internal controls could be improved which are discussed as below: • We recommend that the Office of Accounting and Business Services continue to work with the Office of Information Technology to develop an aging schedule that is in agreement with the DEFINE student accounts receivable balance.	Implemented	Reduce the risk of financial misstatement through improved controls.

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			the year ending August 31, 2006.			
06-19	5/22/07	General IT Controls – Planning and Organization Audit	Our objective was to provide assurance that the information resources are effectively and efficiently managed and utilized to achieve The University of Texas at Arlington's mission and goals.	Based on our review, the Office of Information Technology has aligned its strategies with the University's mission and goals. There are, however, IT controls that need to be established or improved to ensure effective and efficient use of information resources in meeting the University's goals: • We recommend the creation of an IT Strategy Committee that will ensure adequate IT governance, advise on strategic direction, and review major investments on behalf of senior management. We also recommend that the OIT create an IT Steering Committee that is well represented by user management and IT executives. This committee	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2008.	Reduce the risk of mismanagement of IT resources.

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				should oversee all IT projects with significant investments. • To adequately and effectively secure the University's information, a classification scheme needs to be established based on criticality and sensitivity of data that applies to both electronic and printed data throughout the University. The data classification scheme should include the formal appointment of data owners and custodians with clearly defined roles and responsibilities for the type of classification based on criticality and sensitivity. The documentation should include a definition of appropriate security levels and protection controls, a description of data retention, and the destruction requirements. • We recommend that the OIT document and maintain		

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				policies, procedures, standards, and methodology for all key IT processes. Technology / security baseline configurations for computer hardware and software should be documented. Policies and procedures should also cover other IT investments such as network, server, operating systems, and security projects. • We also recommend that the OIT establish a program management process and evaluate whether the projects support the program's objectives. • The OIT should perform periodic compliance testing on current configuration settings of computer hardware and software against IT technical and security standards. • We recommend that the OIT include in its project		

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				management methodology the creation of a security plan that will document and baseline all security and internal control requirements of an application system that includes the physical security, O/S, DBMS, application systems, and the network. Based on this security plan, the OIT Security Services can validate and certify that all the security requirements were met, and the user management can review, test, and certify the effectiveness of internal controls in the system. • We recommend that the Project Management ensures that test strategy, plans, and scripts be documented, reviewed, and approved prior to start of testing. Test results should also be documented and reviewed to enable evaluation of whether the system provided the expected features. Different		

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				testing such as integration, system, stress, security, regression, etc., should also be included in the test strategy and plan. • For future projects, we recommend that the OIT conduct a comprehensive conversion planning and document all the essential elements (e.g., conversion approach, all source systems, conversion rules and rationale, data integrity verification, and human resources available) of a conversion process, obtain approval of the strategy, and ensure that specific conversion plans are derived from the conversion strategy. • In the future, we recommend that prior to every project closure the user department formally certifies that the system performs its intended		

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				functional requirements before implementation. • We recommend that the OIT implement a quality management system that identifies the following: quality requirements and criteria; key IT processes; and methods for detecting, correcting, and preventing nonconformity to quality standards • We recommend that the OIT ensures that all terminated employees' access rights are cancelled in accordance with Fiscal Regulation 2-24: Section IV: 5. • To minimize the exposure to critical dependency on key IT personnel, we recommend that the OIT implement a process of knowledge capture (documentation), knowledge sharing, succession planning,		

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				and staff backup.		
07-01	10/27/06	Joint Admission Medical Program "JAMP"	The objective of this audit was to provide assurance that that the institution is in compliance with JAMP Agreement requirements and the JAMP Expenditure Guidelines.	The audit resulted in no findings of non-compliance with the JAMP Agreement or JAMP Expenditure Guidelines.		Risk of non-compliance with JAMP agreement requirements.
07-02	11/22/06	Presidential Travel & Entertainment Expense Audit	The objectives of the audit were to • Provide assurance that Presidential Travel and Entertainment expenses are handled in accordance with Regents' Rule 20205; • 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,	Based on our audit, we believe that overall, the reimbursements and payments to third parties on behalf of both the President and his spouse were reasonable and appropriate. All applicable State, Federal, Regents' and institution's rules have been complied with. We found only minor errors in travel and entertainment reimbursements resulting in a reimbursement due to the President of approximately $32.50.		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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			• Determine if the President utilized the services of Facilities Management at his personal residence.			
07-03	7/16/07	BPM 66-01-06: Protecting the Confidentiality of Social Security Numbers Audit	Our audit objective was to provide assurance that the University is in compliance with the UTS 165 Re: Information Resources Use and Security Policy – focusing on the Protection of the Confidentiality of Social Security Numbers (SSN).	Based on our review, the University is in compliance with the UTS 165 protection criteria of reducing the use, collection, and public display of SSNs. There are, however, controls that need to be strengthened to better protect the confidentiality of SSNs. • Management should escalate the development of the written security plan to a higher priority. The security plan, as required by UTS 165, should include administrative, physical, and technical safeguards. • We recommend that OIT Security Services, in coordination with the user management, perform a	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2008.	Risk of non-compliance with BPM 66-01-06.

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				thorough review of all the access rights and permissions to the MyMav and other mission-critical systems containing SSNs to determine whether current permissions are given on a need-to-access basis. • We recommend that OIT Security Services regularly monitor network traffic to detect unencrypted SSNs or any other confidential data such as credit card numbers, driver licenses numbers, etc. • We recommend that OIT Security Services Develop a process to make offenders aware of these security breaches and to penalize recurring violators; • We recommend that OIT Security Services coordinate with user management to scan servers and workstations for SSNs and other confidential		

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				data and confirm with them the legitimacy of storing this information. • We recommend that OIT Security Services explore providing a campus wide solution to encrypt stored and transmitted sensitive information. • We recommend that OIT and individual departments adhere to the OIT Client Services policies and procedures that they should be responsible for erasing the data on their respective hard drives of surplus computers before turning them over to Asset Management for redistribution or donation. Asset Management should verify each hard drive to ensure that these are empty of University data. The cleaning of hard drives by respective departments including OIT and		

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				the verification of Asset Management should be documented in the Inventory Transaction form or Equipment Transfer Form. • We recommend that the Information Security Officer, in coordination with University departments, maintain a master list of all the parties collecting and using SSNs and perform assessment on the legality of such. Once the use and collection of SSN has been established as lawful and needed to perform one's job, then this documentation could be used to authorize departments and employees to have physical or electronic access to records that contain SSN. • We recommend that the Information Security Officer coordinate with Forms Management to ensure that any		

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				form collecting SSNs has the SSN disclosure statement.		
07-04	6/27/07	Implementation Progress of UTS 163: Guidance on Effort Reporting Policies Audit	The objective of this audit was to provide assurance that the University is in compliance with UTS 163: Guidance on Effort Reporting Policies.	Based on the results of our review, we believe that UT Arlington is making satisfactory progress in implementing UTS 163 in a well thought out, steady, and purposeful manner. However, the following areas need to be improved: • *UTS 163 Section 2* -- UT Arlington's cost sharing policy needs to be updated to include all of the general requirements as outlined in the Policies. The UT Arlington policy was effective September 1, 1998 and has not been revised since then. • *UTS 163 Section 5.6* -- Include in the policy a requirement "to identify, monitor, and track all mandatory and voluntary committed Cost Sharing	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2008.	Risk of non-compliance with UTS 163.

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				covered by this policy. An annual report shall be completed by each UT Institution for use by the institution's administration and to provide the information necessary to reclassify cost sharing to the appropriate direct cost base in the facilities and administrative rate proposal." • *UTS 163 Section 6.5* -- Include in the policy "that no salary cost transfers are permitted after effort certification is completed unless it benefits the sponsor (i.e. a transaction is moved off of a sponsored account)." • *UTS 163 Section 6.6* -- Include in the policy "that no are cost transfers permitted after "closeout date" unless it benefits the sponsor (i.e. a transaction is moved off of a sponsored account)."		

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				• A plan should be developed to identify employees who will not get training at the time of program proposal or renewal. They should be scheduled for training within a reasonable time frame. • One method of assessment may be to implement a survey that could be completed online after the training is taken. The completion certificate could be generated for each participant once the survey is completed. • When the monitoring plan is reviewed and revised, consideration should be given to including the above list of specific risks to be monitored within the plan. Approval of the plan should be obtained in writing. Additionally, the monitoring activities specified in the plan by each responsible party should be performed and		

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				documented. • We recommend that management reassess the resources needed to complete the above elements and determine revised implementation dates.		
07-06	3/1/07	Advanced Technology Program/Advanced Research Program Grants Audit	Our objective was to provide reasonable assurance that the University is complying with the procedures specified by the Texas Higher Education Coordinating Board pertaining to the ATP / ARP grants and the grant conditions.	Management control systems provided by the University are implemented with reasonable assurance and reliability. There is adherence to the grants terms and conditions specified by the Texas Higher Education Coordinating Board, except for management oversight of the creation of Personnel Effort Reports (PERs) which was rectified during the audit period.	Implemented during audit period.	Risk of non-compliance with ATP/ARP grant conditions.
07-10	1/5/07	SACS Financial Statement Review (Internal Audit assisted Deloitte &	A review consists principally of inquiries of University personnel and analytical procedures applied to financial data, with the purpose of expressing a limited assurance that the financial statements are free from material misstatements.	Based on the review, with the exception of the matter described in the next paragraph, the reviewers are not aware of any material modifications that should be made to the financial statements	Financial Review Report was Issued Satisfactorily	One element among many allowing the University to be successfully accredited.

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		Touche in this assignment)	It is substantially less in scope than an audit.	for them to be in conformity with accounting principles generally accepted in the United States of America. The University has not presented a management's discussion and analysis section that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be part of the basic financial statements.		
07-11	5/4/07	Mav Express Cash Handling Follow Up Audit	The objective of this audit was to follow up on the recommendations and the departmental changes related to the FY 2006 audit, including a review of Mav Express technology protection.	There were twenty-three recommendations in the initial audit report, based upon the results of the audit, eighteen recommendations have been implemented and five are in the process of being implemented. Of the recommendations initially presented, one was considered significant to the institution. This recommendation has been implemented as the maintenance of the CS Gold system (the accounting system used at the Mav	In Progress	Risk of mismanagement of financial assets.

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				Express Office for Mav Money) has been separated from the cash receipting function of the Mav Express Office. Also, the technical aspects and the servers are maintained by the Office of Information Technology. We will continue to follow up on the items that are in process until completed. The open recommendations are: • We recommend that management implement policies and procedures related to the accuracy of ringing up transactions on the register, such as correctly 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		

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				corrected or voided with the proper approval of a supervisor. • 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 which includes the adjustments made on the Z-report to support the daily deposit reconciliation report. This report should be approved by a Supervisor. • Management should develop and implement policies and procedures associated with the processing of credit card deposit transactions for persons		

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				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. • We recommend that a person other than someone affiliated with the ATO organization process the ATO CS Gold and DEFINE transactions. • 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		

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				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.		
07-12	8/22/07	Fixed Asset Management Audit	The objective of this audit was to provide assurance that the University follows policy and procedure to minimize the risk of financial loss.	Overall, the policies and procedures in the fixed asset management process are adequate. Management, should, however, direct more emphasis to departments that are not following the prescribed policy and procedure. We believe that the following recommendations will help to improve and strengthen the overall asset management process. • We recommend that, as required in Fiscal Regulation 4-11, Asset Management ensure that copies of the supporting documents for asset purchases are sent along with the Asset	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2008.	Risk of mismanagement of UT Arlington's financial resources.

Annual Internal Audit Report
Fiscal Year 2007

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) • **Implemented** • **Planned** • **In progress** • **Factors delay implementation** • **Agency does not plan to implement recommendation**	Fiscal Impact/ Other Impact
				Information Form to verify that the information on the form is correct. • It is recommended that the Asset Management and Computer Science and Engineering Department Chairperson ensure that the fiscal regulations are adhered to when equipment is removed from the University Campus, as required in Fiscal regulation 2-46.1. • We recommend that Asset Management ensure that the annual inventory is completed in a timely manner as stipulated in their memorandum. • We recommend that Asset Management ensure that the Inventory Transaction Form is completed before it is approved by Asset Management.		
07-13	7/17/07	Animal Subjects Research	The audit objectives were to determine if: • UT Arlington is in	Based on the results of the audit steps performed, the Institutional Animal Care and Use Committee	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2008.	Risk of non-compliance with federal

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		Audit	compliance with federal animal care guidelines. • safety inspections are being performed and deficiencies are being corrected. • individuals working with animals are completing the required training. • security procedures for limiting access to the laboratories are being followed.	(IACUC) is generally fulfilling its responsibilities in accordance with federal law and UT Arlington policies and procedures. Areas requiring improvement include protocol review, completion of training requirements for researchers, policies and procedures related to animal purchases and unauthorized access to the Animal Care Facility. The following recommendations were made: • The Office of Research Administration should ensure that all IACUC protocols are initially sent to the attending veterinarian for a review to determine that optimal veterinary procedures will be followed for all animal procedures. The veterinarian is responsible for reviewing all veterinary procedures including: appropriate sedation, analgesia, anesthesia and		guidelines and UT Arlington policies and procedures.

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				euthanasia. Once the veterinarian approval is received, then the protocol should be forwarded by email to all voting members of the IACUC for a review. • At a minimum, policies and procedures should be developed and implemented to define how to order animals. The policies and procedures should include such items as how animal purchase requests are to be made, how documentation is to be maintained, and the required approvals. The *Request for Animals* form should be updated to reflect the name of the person requesting the purchase, the signature of the person approving the purchase, indication/verification that the protocol is active and that it has been verified to ensure that the number of animals ordered is within the protocol		

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				requirements. • We recommend that management perform a cost benefit analysis to determine if the use of an Animal Care Software package would be beneficial to the Animal Care program at UT Arlington. • We recommend that the IACUC ensure that researchers complete all of the required training prior to approving the protocols. • We recommend that the Office of Research Administration review the CS Gold listing of persons who have access to the Animal Care Facility and work with the Mav Express Office and the various departments listed on the access report to remove access for persons who no longer require it. Procedures should also be established with the Mav Express Office on how access		

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				will be granted in the future. • We recommend that management evaluate whether the door in question can be repaired properly or if the door needs to be replaced so that unauthorized access does not occur • With the benefits associated with AAALAC accreditation, UT Arlington management should conduct a cost benefit analysis to determine if and when AAALAC accreditation should be obtained. There are costs associated with AAALAC accreditation and UT Arlington may need to upgrade its animal care program to qualify.		
07-16	6/26/07	Development Audit- Gift Acceptance Processes and Procedures	The objectives of this audit were to: • Determine if gifts and pledges to the University are processed on a timely basis	Based on our audit, we believe that overall, the Development Office is in compliance with all established rules and regulations. They also consistently follow the departmental policies and	In Progress. Internal Audit has not completed a follow-up review but expects to do so in fiscal 2008.	Risk of non-compliance with UT Arlington policies and procedures.

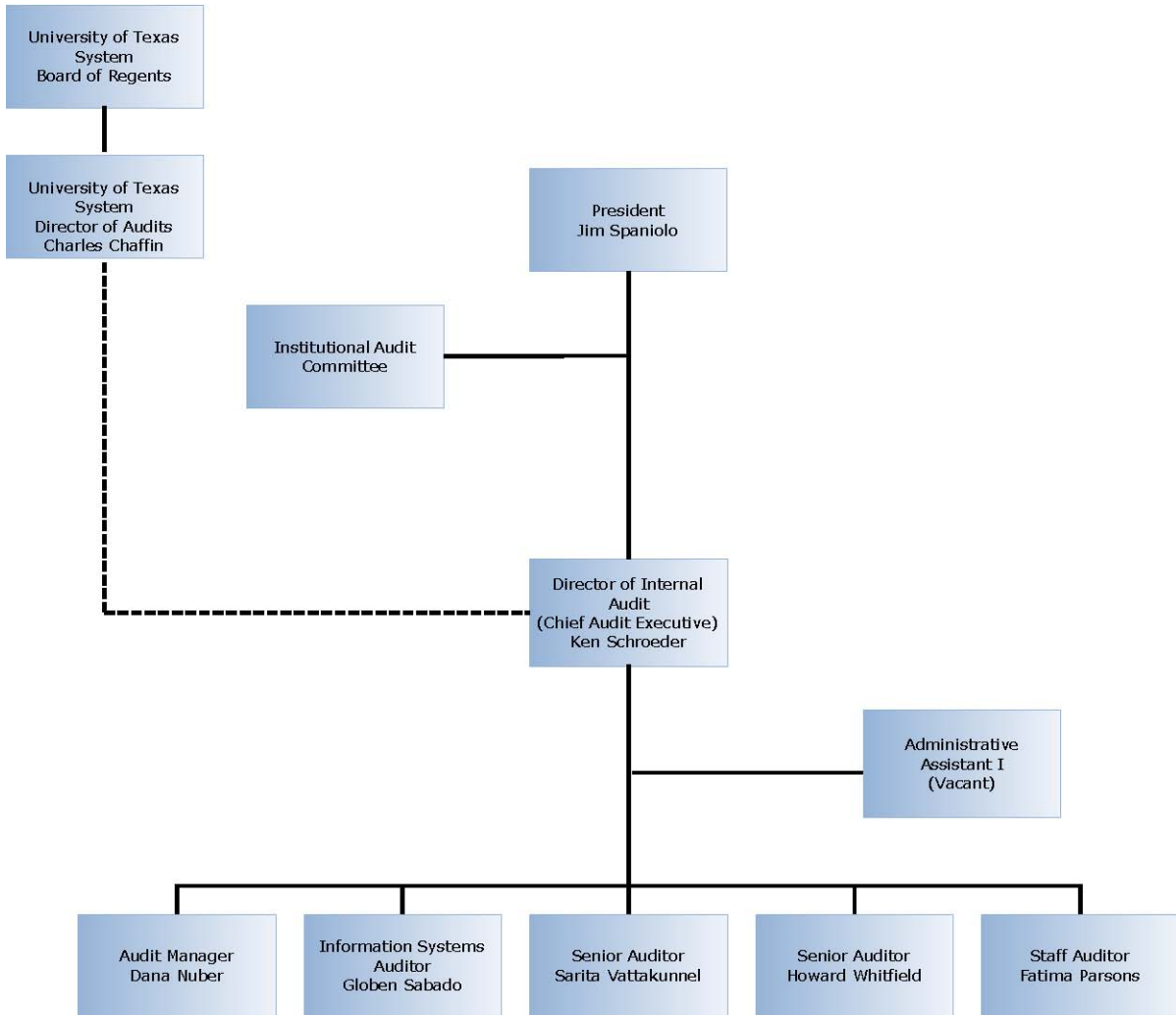| Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In progress** • **Factors delay implementation** • **Agency does not plan to implement recommendation**	Fiscal Impact/ Other Impact
			and documented in accordance with applicable policies and procedures. • Determine if gifts and pledges are properly classified and recorded in DEFINE. • Determine if gift-in-kinds are processed in accordance with the applicable rules and regulations. • Determine whether donor recognition is timely and in conformance with applicable policies and procedures. • Determine whether proper donor records are maintained. • Assess the department's treatment of security surrounding the use of credit cards and SS numbers.	procedures on gift processing, documentation and monitoring. Overall, the management is confident about the security of confidential information and our testing has not come across any deficiency in their systems and procedures. However, we recommend as an added security feature to black out all credit card information after it has been processed from the documentation physically maintained for each gift.		

IV. List of Consulting Engagements and Non-audit Services Completed Showing High-Level Objectives, Observations/Results, Recommendations, and Status

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Non-audit Service Objective(s)	Observations/ Results and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In progress** • **Factors delay implementation** • **Agency does not plan to implement recommendation**	Fiscal Impact/ Other Impact
06-18	**11/14/06**	Review of Moot Court Accounts	To look for opportunities for improvement in the handling of Moot Court transactions.	Management decided to curtail the Universities involvement in sponsoring Moot Court Activities.	Implemented	Reduced reputational risk to the University
07-20	**3/12/07**	Application Fees	To assist the Provost in obtaining information to assess application fee processing procedures and application reporting.	No major control weaknesses were noted but improvements were suggested that strengthen controls in this area.	In progress.	Reduce risk of financial loss and improve procedures connected with new student information system.
06-15	**3/23/07**	Mav Express Campus Cards	Assess the appropriateness of the use of Mav Express campus cards by campus organizations and departments.	Recommendations were made to improve procedures and controls pertaining to the use and administration of campus cards.	In progress.	Operational improvements and improved controls.

V.   Organizational Chart

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.
Participated in numerous web based seminars.	Provides information on current and hot topics that are useful to our audit team.

VII. Internal Audit Plan for Fiscal Year 2008

The following Audit Plan Table identifies 2008 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.

Audit/Project	Budgeted Hours
UT System Requested	
Audits	
FY 2007 Financial Statement Audit	600
FY 2008 Financial Statement Audit	200
Presidential Travel and Entertainment Expenses Audit	120
IT Systems Change Management Audit --UTS 165	250
Federal Portion of the Statewide Single Audit (assistance to the SAO)	20
Student Health Center	550
Consulting	-
UT System Requested Carry forward	200
UT System Requested Subtotal	**1940**
Externally Required	
Audits	
Governance -- Conflicts of Interest / Standards of Conduct	120

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Audit/Project	Budgeted Hours
Texas Workforce Development (TWD) Grants Audit	120
NCAA Financial Audit	80
NCAA Compliance Audit -- Eligibility	160
Carry forward	350
	830
Risk Based Tier One: Institutional	
Audits	
Internal Controls Related to Ticket Sales/Cash Collections	340
Crisis Management Program Assessment	400
Operation Audit-- Registration Processes	300
Risk Based Tier One: Institutional Subtotal	**1140**
Risk Based Tier Two: Auditable Area	
Research	
Audits	
Follow Up Time & Effort Reporting	100
Grants & Contracts	400
Information Technology	
Audits	
Profile System Development	220
UTS 165- Digital Sensitive Data	280
ACL Exception Reporting with focus on Payroll & Payables	350
Carry forward	400
Facilities Management	
Audits	
Construction and Renovation Projects Review Against THECB Requirements	200
Financial Management	
Audits	
Procurement Cards	100
Risk Based Tier Two: Auditable Area Subtotal	**2050**
Management Review	
Change in Management Audits	150
Change in Management Subtotal	**150**
Follow-up	**300**

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Audit/Project	Budgeted Hours
Audit Projects	
U. T. System Requests	80
FY 2009 Audit Plan Preparation	80
Annual Internal Audit Report	40
Audit Projects Subtotal	**200**
Consulting Projects	
Special Requests - Consulting	130
Consulting Projects Subtotal	**130**
Other Projects	
Quality Assurance Review	80
ACL Training	150
Internal Audit Committee	60
Investigations	80
Website Updates & Teammate Procedures	100
Reserve for other Special Requests	300
Other Projects Subtotal	**770**
Projects Total	**1100**
Total Hours	**7510**

VIII. External Audit Services

- The State Auditor's Office (SAO) performed an audit of Student Enrollment and Accountability in Fiscal Year 2007.
- 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 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.
- The OIG performed an audit of the TMAC Contract.
- The Texas Criminal Justice Department performed a monitoring review of one grant funded by the State of Texas.
- The SAO completed its A-133 Audit of the Research Cluster.