UNIVERSITY OF TEXAS ARLINGTON

FISCAL YEAR 2012 ANNUAL INTERNAL AUDIT REPORT

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TABLE OF CONTENTS

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.

I. Internal Audit Plan for the Fiscal Year 2012

Report Number	Report Title (Audit)	Budgeted Hours	Completed/Report Issued Date
Financial			
11-15	FY 2011 Financial Statement Audit (AFR)	400	12/21/2011
*(Deloitte)	FY 2012 Financial Statement Audit (Interim)	100	In Process
12-03	Presidential Housing, Travel & Entertainment Expenses	100	11/30/2011
*(UT System)	NCAA Financial Audit	150	12/16/2011
N/A	Spot Audits of Petty Cash Funds	30	9/19/2011
Operational			
12-01	Change in Management Audit : Office of Information Technology	250	5/07/2012
12-10	Audit of University-Owned Tablet Computers such as iPads	200	Carried To FY 2013
12-11	Telecommunications Operational Review/Physical Controls	250	Carried to FY 2013
11-07	(C/F) Disability Services/Fire & Life Safety	100	Carried to FY 2013
11-13	(C/F) Procurement Card Audit	75	3/19/2012
11-12	(C/F) Employee Check-Out Process	75	6/28/2012
*	Special Requests TBD	120	*
*	Special Audits & Other Audit-Related Activities	150	*
Compliance			
12-07	Dependent Eligibility Audit	300	In Process
*(SAO)	Statewide Single Audit (assistance to the SAO)	80	*
12-05	NCAA Compliance Audit – Recruiting	220	8/6/2012
12-06	Nursing Shortage Reduction Program FY 2011 Awards	230	11/1/2011
12-02	UT Arlington Nursing Simulation Award Audit	250	Carried To FY 2013
12-12	Research Compliance Review	100	Carried To FY 2013
*	Special Requests TBD	120	*
*	Special Audits & Other Audit-Related Activities	150	*
Information Technology & Consulting			
12-04	TAC 202 Biennial Requirement (Phase I)	200	5/17/2012
12-08	TAC 202 Biennial Requirement (Phase II)	200	In Process
11-14	(C/F) TAC 202 Biennial Requirement (FY 2011)	50	10/10/2011
*	PeopleSoft Implementation	500	* (In Process)
*	Deloitte IT Security Consulting Follow-Up	50	Complete
*	TeamMate Conversion and Procedures	200	* (In Process)
Follow-up Audits			
*	Follow-Up Audits	150	*
*	Follow-Up Audits	150	*
Projects			
*	UT System Requests	400	*
*	FY 2013 Audit Work Plan Preparation	140	Complete
*	Annual Internal Audit Report	40	Complete
12-09	Quality Assurance Review	250	6/15/2012
*	Committees (e.g. Internal Audit, Compliance, etc.)	250	Ongoing/Complete
N/A	Investigations	200	Ongoing/Complete

* = No official report on behalf of Internal Audit required for this project.

Deviations from plan:

- The Institutional Audit Committee approved the re-allotment of the Deloitte IT Security Follow-Up hours at their 3/23/2012 quarterly meeting. Internal Audit postponed this follow-up review to FY 2013. The budgeted hours not used were applied towards Investigations.

- Nursing Shortage Reduction Program FY 2011 Awards Audit was re-assigned to the FY 2013 Work Plan. Per award stipulations, the award needs to be fully spent prior to auditing it. As funds are projected to be completely spent by December 2012, the budgeted hours for this audit were applied towards Investigations. The re-allocation was approved by the Institutional Audit Committee Chair on 7/27/2012.

II. External Quality Assurance (Peer Review)

UT Arlington's Department of Internal Audit completed a Quality Assurance Review (QAR) in June 2012. The QAR process used an internal QAR self-assessment with independent validation. The independent review team was comprised of Charlie Hrncir (Director, Internal Audit for Texas A&M University System) and Dyan Hudson (Audit Manager for University of Texas System). The review concluded that the University of Texas at Arlington's Department of Internal Audit **Generally Conforms** with the standards in all areas. The following table shows the analysis of how Internal Audit activities conform to each section of the *Standard:*

Standard Type and Description	Opinion
Attribute Standards	
1000 – Purpose, Authority and Responsibility	Generally Conforms
1100 – Independence and Objectivity	Generally Conforms
1200 – Proficiency and Due Professional Care	Generally Conforms
1300 – Quality Assurance and Improvement Program	Generally Conforms
Performance Standards	
2000 – Managing the Internal Audit Activity	Generally Conforms
2100 – Nature of Work	Generally Conforms
2200 – Engagement Planning	Generally Conforms
2300 – Performing the Engagement	Generally Conforms
2400 – Communicating Results	Generally Conforms
2500 – Monitoring Progress	Generally Conforms
2600 – Resolution of Senior Management's Acceptance of Risks	Generally Conforms
The Institute of Internal Auditors' Code of Ethics	Generally Conforms

The independent validation team interviewed members of the University's management team and members of the Institutional Audit Committee. All were complimentary of Internal Audit staff and its interaction among clients throughout the University. A copy of the QAR report can be requested from the Director of Internal Audit at (817) 272-2018, or via email at internalaudit@uta.edu.

III. Consulting Engagements and Non-audit Services Completed

Internal Audit had no consulting engagements in FY 2012 as defined by the IPPF. Additionally, it conducted no non-audit services as defined by sections 3.33 - 3.58 of the Government Auditing Standards.

IV. Internal Audit Plan for Fiscal Year 2013

The following identifies the FY 2013 Audit Work Plan and each project's allotted hours. Detailed schedules, risk assessments and analysis for preparation of the FY 2013 Audit Work Plan may be requested by calling the Director of Internal Audit at (817) 272-2018, or via email at internalaudit@uta.edu.

AUDIT	BUDGETED HOURS
Financial	
FY 2012 Financial Statement Audit (AFR)	300
FY 2013 AFR Interim Work	150
FY 2012 Financial Statement Certifications	60
NCAA Financial Audit	50
President's Travel and Entertainment Expenses (TBD)	80
Spot Audits of Petty Cash Funds (Campus Wide)	30
Joint Admissions Medical Program (JAMP) Award Audit	80
Financial Audits Subtotal	750
Operational	
Procurement Card Audit – Analytical Reviews (High-Risk Departments)	200
VPs and Deans Travel and Entertainment Review	300
Review of Significant Research Awards – Billing Operational Review	200
Departmental Reviews: Student Activities, University Events, Leadership Center	300
Management Requests, Investigations and Consulting on Operational Issues	200
FY 2012 Carried-Forward Audits	180
Special Audits & Other Audit-Related Activities	140
Operational Audits Subtotal	1,520
Compliance	
NCAA Eligibility Audit	200
Equipment Inventory Audits – Selected Departments	400
Nursing Shortage Reduction Program Audit ($971,606 Award)	200
THECB Facilities Audit – Peer Review	100
SAO – A133 Statewide Single Audit – Follow-up and Liaison	100
Clery Act Compliance Review	200
Norman Hackerman Advanced Research Program	120
FY 2012 Carried-Forward Audits	40
Special Audits & Other Audit-Related Activities	130
Compliance Audits Subtotal	1,490
Informational Technology	
TAC 202 Biennial Requirement (Phase III)	200
TAC 202 Biennial Requirement (Phase IV)	200
Laptop Encryption Process	100

Deloitte IT Security Follow-Up	50
PeopleSoft Implementation – Application Testing and Other Reviews	600
Application of IDEA Computer-Assisted Audit Techniques	150
TeamMate – Implementation to 10.1	120
Information Technology & Consulting Subtotal	1,420
Follow-Up	
Follow-Up Audits	200
Follow-Up Audits Subtotal	200
Projects	
UT System Requests	240
FY 2014 Audit Work Plan Preparation	120
Annual Internal Audit Report	20
Committees (e.g. Internal Audit, Compliance and Other Committee Involvement)	220
Risk Assessment Process	125
Special Requests – Consulting	125
Projects Subtotal	850
TOTAL AUDIT HOURS	**6,230**

Risk Assessments

To prepare the plan, Internal Audit followed the UT System's *Annual Audit Plan Guidelines*. A copy of this document is on file in the Internal Audit Department. The guidelines categorize audits in the following areas: Financial, Operational, Compliance and Information Technology. Additionally, the Enterprise Risk Management (ERM) model is primarily used as a basis for selecting audits. ERM is a continuous, proactive and systematic process to understand, manage and communicate risk from a university-wide perspective. The process identifies risks for the core business processes within the university at the executive (Tier 1), mid-management (Tier 2), and department/operation levels (Tier 3) and it also allows for the development of risk responses to manage the risks. University Compliance Services, through their facilitation processes, worked with the University's Vice Presidents and the President to generate an Executive Level Risk Assessment of the Institution as a whole. Additionally, University Compliance Services facilitated mid-management risk assessments using the ERM model in the following areas:

- Accounts Payable and Travel
- Admissions, Records and Registration
- Environmental Health and Safety
- Facilities Management
- Health Services
- Information Technology
- Intercollegiate Athletics

- Office of Development
- Police Department
- Procurement Services
- Research
- Student Affairs
- Student Financial Aid

Internal Audit utilized the results of these reviews to focus the audit plan in high risk areas.

In developing the FY 2013 Audit Work Plan, Internal Audit used the ERM as the primary risk assessment methodology. Risk assessments were used in identifying audits, considering such factors as degree of risk, management input, time since the last audit for the high risk activity, and availability of audit resources.

Input on the Audit Plan was received from executive management and members of the UT Arlington Institutional Audit Committee, who also serve as members of executive management.

Below is a list of risks ranked as "high" that are not included in the fiscal year 2013 Internal Audit Plan, and the rationale as to why they were not included.

Risk	Non-Audit Explanation/Mitigation	Internal Audit Action
Research: Inadequate resources to support the expanding research mission of the institution	The Office of Research is concerned with people resources. There is a process in place to fund research projects, including acquisition of research personnel through Human Resources. Other risks were determined to be more critical and audit effort will be focused there.	
Research: Failure to properly submit grant and contract proposals	A more recent review of risks in this area has indicated that this is no longer considered a red risk by Research Management. Based on impact and probability, management now feels this is a "green" risk.	
Information Technology: Inadequate resources to support information technology infrastructure	IT Management has received additional funding and now believes that there is enough funding for infrastructure upgrades, etc.	
Information Technology: Inadequate security of information resources in decentralized departments	New policies and procedures have been developed and implemented to eliminate decentralized servers. We have an understanding with the CIO that if they need help in this area, Internal Audit would assist via consulting.	
Facilities Operations: Inability to fund the campus master plan (new construction, capital renewal and campus edge development)		THECB Peer Review -- review of facility additions during the past five years required to be submitted to the Coordinating Board.
Governance and Leadership: Inability to adjust tuition while state revenues are declining	There is a process in place that determines tuition rates. An audit was recently conducted by the State Auditor's Office on enrollment reporting that encompassed some of the elements of the tuition setting process.	

Risk	Non-Audit Explanation/Mitigation	Internal Audit Action
Institutional Support: Inadequate resources to support instructional mission - state funds	State appropriations are determined by legislative processes and is an inherent risk. University management has limited direct influence over state funds received.	
Instruction and Academic Support: Inadequate resources for faculty recruitment and retention	Not auditable as resources are determined by legislative budget , availability of resources, etc.	

V. External Audit Services

- SAO Conducts A-133 Audits for Research and Student Financial Aid.
- Deloitte & Touche LLP Conducts Annual Financial Statement Report audits and certain security/technology consulting engagements.

VI. Reporting Suspected Fraud and Abuse

The University of Texas at Arlington has implemented requirements as mandated in Article IX, Section 17.05 and Article XII, Section 5 (c), of the General Appropriations Act (81st Legislature) and Texas Government Code, Section 321.022.

Actions Taken:

- The fraud reporting direct link to the state is maintained on the "Reports to State" (Resources Section bottom of page) link on the University's home page www.uta.edu.
- UT Arlington policies have been updated to provide information on reporting fraud involving State Funds to the SAO.
- Policies and Procedures have been updated for the requirement that the Chief Administrative Officer shall report suspected fraud to the State Auditor's Office.
- With respect to ARRA reporting, information is provided on our website at http://www.uta.edu/research/recovery/memo.html with a link to www.recovery.gov.