



UNIVERSITY OF
TEXAS
ARLINGTON

**FISCAL YEAR 2013 ANNUAL INTERNAL AUDIT REPORT
AS REQUESTED BY THE STATE AUDITOR'S OFFICE**

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I. Compliance with House Bill 16: Posting the Internal Audit Plan, Internal Audit Annual Report and Other Audit Information on the Web Site

In accordance with House Bill 16, UT Arlington’s Internal Audit has posted its FY 2013 Annual Report and FY 2014 Work Plan, required to be filed by November 1, 2013, on its web site, www.uta.edu/internalaudit. (See: <http://www.uta.edu/internalaudit/annualreports.php>)

For the FY 2014 Approved Work Plan and the FY 2014 Approved Annual Report required to be filed by November 1, 2014, the University will include a summary of issues raised and a summary of actions taken to address concerns, if any, for the FY 2014 reporting period.

II. Internal Audit Plan for Fiscal Year 2013

Report Number	Report Title (Audit)	Budgeted Hours	Status as of 8/31/13, Report Issued Date
FINANCIAL AUDITS			
12-13	FY 2012 Annual Financial Report Audit	300.00	Completed, 1/18/13
[Deloitte]	FY 2013 Annual Financial Report Audit (Interim)	150.00	Completed
12-13	FY 2012 Financial Statement Certifications	10.00	Completed
[UT System]	NCAA Financial Audit	50.00	Completed
13-07	President's Travel and Entertainment Expenses	80.00	Completed, 11/30/12
--	Spot Audits of Petty Cash Funds (Campus Wide)	30.00	Completed, 9/24/12
13-06	Joint Admissions Medical Program (JAMP) Award	80.00	Completed, 10/30/12
<i>Subtotal Financial Audits</i>		700.00	
OPERATIONAL AUDITS			
13-16	Procurement Card Audit - Analytical Reviews	200.00	*Reporting Stage
13-15	Executive Travel and Entertainment Expense Audit	300.00	*Reporting Stage
13-14	Review of Significant Research Awards -- Billing Operational Review	200.00	*Fieldwork Stage
13-02	Departmental Reviews: Student Activities, University Events, Leadership Center	600.00	Completed, 7/2/13
--	Management Requests, Investigations and Consulting on Operational Issues	200.00	On-going
12-10	(C/F) Audit of University-Owned Tablet Computers such as iPads	40.00	Completed, 3/13/13
12-11	(C/F) Telecommunications Operational Review/Physical Controls	80.00	Completed, 2/1/13
11-07	(C/F) Disability Services/Fire & Life Safety	60.00	Completed, 4/9/13
--	Special Audits & Other Audit-Related Activities	300.00	On-going
<i>Subtotal Operational Audits</i>		1,980.00	



COMPLIANCE AUDITS			
13-09	NCAA Eligibility	200.00	*Fieldwork Stage
13-05	Equipment Inventory Audits - Selected Departments	800.00	Completed, 6/17/13
13-01	Nursing Shortage Reduction Program Audit (\$971,606 Award)	40.00	Moved to FY 2014
13-10	THECB Facilities Audit -- Peer Review	100.00	Completed, 4/23/13
--	SAO -- A133 Statewide Single Audit -- Follow-Up and Liaison	100.00	On-going
--	Clery Act Compliance Review	-	Moved to FY 2014
13-08	Norman Hackerman Advanced Research Program	20.00	Cancelled
12-12	(C/F) Research Compliance Review	40.00	Completed, 10/11/12
	Special Audits & Other Audit-Related Activities	130.00	On-going
<i>Subtotal Compliance Audits</i>		1,430.00	
INFORMATION TECHNOLOGY AUDITS			
13-11	TAC 202 Biennial Requirement (Phase 3)	200.00	*Fieldwork Stage
13-13	TAC 202 Biennial Requirement (Phase 4)	200.00	*Planning Stage
13-12	Laptop Encryption Process	100.00	Completed, 6/28/13
--	Deloitte IT Security Consulting Follow-Up	50.00	On-going
--	PeopleSoft Implementation - Application Testing and Other Reviews	200.00	On-going
--	Application of IDEA Computer-Assisted Audit Techniques	150.00	On-going
--	TeamMate -- Implementation to 10.1	120.00	Completed
<i>Subtotal Information Technology Audits</i>		1,020.00	
FOLLOW-UP AUDITS			
--	Follow-Up Audits (IT-Related)	100.00	On-going
--	Follow-Up Audits (Non IT-Related)	150.00	On-going
<i>Subtotal Follow-Up Audits</i>		250.00	
PROJECTS			
--	UT System Requests	240.00	On-going
--	FY 2014 Annual Audit Plan Preparation	120.00	Completed, 8/2013
--	Annual Internal Audit report	20.00	Completed, 9/2013
--	Committees (e.g. Internal Audit, Compliance and Other Committee Involvement)	220.00	On-going
--	Risk Assessment Process	125.00	Completed
--	Special Requests -- Consulting	125.00	On-going
<i>Subtotal Projects</i>		850.00	
TOTAL HOURS		6,230.00	

* = As audits were in process as of 8/31/13, they were carried-forward to FY 2014 for completion.



Deviations

Deviations from the (original) FY 2013 Work Plan were as follows:

Audit	Hours Adjusted	Audit	Hours Adjusted
FY 2012 Financial Statement Certifications	(50.00)	Follow-Ups, Non-IT Related	50.00
Norman Hackerman Advanced Research Program	(100.00)	Departmental Reviews: Student Activities, University Events, Leadership Center	100.00
Nursing Shortage Reduction Program	(160.00)	[Operational Audits] Special Audits & Audit-Related Activities	160.00
Clery Act	(200.00)	Departmental Reviews: Student Activities, University Events, Leadership Center	200.00
PeopleSoft Implementation	(400.00)	Equipment Inventory Audit	400.00
<i>Adjustment Totals</i>	(910.00)		910.00

III. Consulting Services and Nonaudit Services Completed

Internal Audit had no consulting engagements in FY 2013 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. 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 Hrcir (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
<i>Attribute Standards</i>	
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
<i>Performance Standards</i>	
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 by calling 817-272-0150, or via email at internalaudit@uta.edu.

V. Internal Audit Plan for Fiscal Year 2014

The following identifies the FY 2014 Audit Work Plan and each project’s budgeted hours. Detailed schedules, risk assessments and analysis for preparation of the FY 2013 Audit Work Plan may be requested by calling Internal Audit at 817-272-0150, or emailing internalaudi@uta.edu.

FINANCIAL AUDITS	
FY 2013 Annual Financial Report (AFR) Audit	380.00
FY 2014 Annual Financial Report (AFR) Interim	125.00
FY 2013 Financial Statement Certifications	25.00
President's Travel and Entertainment and University Residence Maintenance Expenses Audit	50.00
NCAA Financial Audit	50.00
Executive Travel and Entertainment Expenses Audit	250.00
Spot Audits of Petty Cash Funds (Campus-Wide)	20.00
Financial Audits Subtotal	900.00
OPERATIONAL AUDITS	
College Park Box Office Ticketing Audit	400.00
Procurement Card Audit	200.00
FY 2013 Carried-Forward Audits	75.00
Operational Audits Subtotal	675.00
COMPLIANCE AUDITS	
College Park Contractual Reviews and Oversight	250.00
Nursing Shortage Reduction Program Awards Audit	300.00
NCAA Compliance Audit -- Athletic Student Financial Aid	250.00
Review of Chemical Safety Inventory System	300.00
Clery Act Compliance Review	300.00
Tuition Discount Program Audit	300.00
CPRIT Awards Audit	300.00
Federal Portion of the Statewide Single Audit (assistance to the SAO)	100.00
Compliance Audits Subtotal	2,100.00
INFORMATION TECHNOLOGY AUDITS	
TAC 202 Biennial Requirement	300.00
PeopleSoft Implementation -- Application Testing and Other Reviews	300.00
PeopleSoft (HR/Fin) Security settings and Access Rights/Oracle Access rights	150.00



IT Security in Decentralized Environment	200.00
FY 2013 Carried-Forward Audits	100.00
Information Technology Audits Subtotal	1,050.00
FOLLOW-UP AUDITS	
Follow-Up Audits (IT-Related)	100.00
Follow-Up Audits (Non IT-Related)	100.00
Follow-Up Audits Subtotal	200.00
PROJECTS	
UT System Reporting/Requests	200.00
External Quality Assessment	100.00
Internal Quality Assurance and Improvement Program activities, including workgroup initiatives	75.00
FY 2015 Work Plan and Risk Assessment Process	225.00
Annual Internal Audit Report	25.00
Committees (e.g. Institutional Audit Committee, Compliance, Council, and Professional organizations) participation	225.00
Management of the audit activity	325.00
TeamMate, IDEA, etc., development and maintenance	200.00
Projects Subtotal	1,375.00
RESERVE	
Management Requests, Investigations and Consulting	300.00
TOTAL AUDIT HOURS	6,600.00

Risk Assessments

To prepare the plan, Internal Audit followed the UT System’s *Annual Audit Plan Guidelines*. 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 risk assessment and audit selection. 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 2014 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 2014 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.	
Information Technology: Impact of shared services on campus (e.g. HR/FIN and TXSIS)	Currently, there are discussions between UT Arlington's Office of Information Technology and UT System on the disposition of Shared Services at the ARDC. Thus, it is not warranted to audit at this time.	
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)		The THECB Peer Review (review of facility additions during the past five years required to be submitted to the Coordinating Board)



		conducted in FY 2013 covered this area.
Facilities Operations: Inadequate security staffing levels	This pertains to not being able to provide adequate security at venues when the facilities are rented out. A project like this would be better served by consulting with industry experts and not Internal Audit.	
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.	
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.	
Institutional Support: Disaster Recovery Planning/Business Continuity Plan		The TAC 202 Audit includes a review of the Disaster Recovery and Business Continuity Planning.
Student Services: Student Conduct (e.g. sexual assaults, harassment, hazing, etc.)	The Office of Student Conduct are responsible for the implementation of the Student Conduct & Discipline Handbook of Operating Procedures. Other risks were determined to be more critical and audit effort will be focused there.	
Student Services: Inability to predict and/or prevent student crisis situations	Predicting a crisis is non auditable. The University has processes in place to monitor activity. This includes training programs and the Behavior Intervention Team.	



VI. External Audit Services Procured in Fiscal Year 2013

- 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

VII. Reporting Suspected Fraud and Abuse

In accordance with Section 7.09 - Fraud Reporting, *General Appropriations Act* (83rd Legislature, Conference Committee Report), Article IX, and with Texas Government Code, Section 321.022, *Coordination of Investigations*, The University of Texas at Arlington has implemented the following:

- 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.