



Internal Audit Annual Report

For the Fiscal Year Ended

August 31, 2018

Office of Audit and Consulting Services

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Richardson, TX 75080

972-883-4876

www.utdallas.edu/audit/



October 25, 2018

Dr. Richard Benson, President

Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We are pleased to submit the annual report of the Office of Audit and Consulting Services for the fiscal year ended August 31, 2018. This report is required by the Texas Internal Auditing Act and provides information on the assurance services, consulting services, and other activities of the internal audit function.

During fiscal year 2018, we issued 19 reports related to audits, consulting reviews, and investigations. We believe the work of our office has enhanced university operations and provided value to management with recommendations relating to governance, risk management, and control processes at the University of Texas at Dallas.

If you have any questions about the contents of this report, please do not hesitate to contact me.

Respectfully submitted,

A handwritten signature in blue ink that reads "Toni Stephens".

Toni Stephens, CPA, CIA, CRMA
Chief Audit Executive

Report Distribution:

- State Auditor's Office
- Governor's Office of Budget, Planning, and Policy
- Legislative Budget Board
- Sunset Advisory Commission
- Members of the UT Dallas Audit Committee
- UT System Audit Office



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Purpose of the Annual Internal Audit Report

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

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

The annual report was prepared using the [guidelines](#) provided by the Texas State Auditor's Office. In addition to the minimum requirements, we also included other information we felt was important to the internal audit operations during fiscal year (FY) 2018. Additional information regarding the UT Dallas Office of Audit and Consulting Services can be found at the following website: www.utdallas.edu/audit/.



I. Compliance with Texas Government Code, Section 2102.015

The Texas Internal Auditing Act (Texas Government Code, Section 2102.015: *Publication of Audit Plan and Annual Report on Internet*) requires that the internal audit plan and the internal audit annual report be posted on the institution’s website. Accordingly, the Office of Audit and Consulting Services has posted its FY18 Annual Internal Audit Report and the approved FY19 Audit Plan at the following website: <http://www.utdallas.edu/audit/audit-reports-and-plans/>.

II. Internal Audit Plan for FY18

The UT Dallas 2018 Audit Plan outlined the internal audit activities to be performed by Internal Audit during FY18 in accordance with responsibilities established by the [UT System](#), the Texas Internal Auditing Act, the Institute of Internal Auditors’ [International Standards for the Professional Practice of Internal Auditing](#), and [Generally Accepted Government Auditing Standards](#), consistent with the [UT Dallas Audit Charter](#). The plan was prepared using a risk-based approach to ensure that areas and activities specific to UT Dallas with the greatest risk are identified for consideration to be audited.

The information in **Appendix 1** contains the Internal Audit Plan for FY18, including the status of the plan at October 31, 2018. Audits that were postponed or deleted were approved by the UT Dallas Institutional Internal Audit Committee.

As required by the State Auditor’s Office FY18 guidelines for submitting this report, the following audit was performed to address the benefits proportionality audit requirement prescribed in Rider 8, page III-45, the [General Appropriations Act](#) (85th Legislature):

A compliance audit of [Benefits Proportionality Funding](#) was issued on August 28, 2018. The audit examined fiscal years 2015 – 2017, and was conducted using a methodology approved by the State Auditor’s Office. The audit resulted in no significant issues or recommendations.



An assessment regarding compliance with purchasing authority, required by the [Texas Education Code, Section 51.9337\(h\)](#), is in process as of October 31, 2018. To satisfy the requirements in the Code regarding risk-based audits of contract administration, an audit of purchasing is also in process. These reports are being combined and will be issued in November 2018. The State Auditor’s Office will receive a copy of this report when issued.

III. Consulting Services and Nonaudit Services Completed

The following is a list of consulting services completed in FY18, as defined in the Institute of Internal Auditors’ *International Standards for the Professional Practice of Internal Auditing*. Consulting services are advisory in nature and are generally performed at the specific request of an engagement client.

Date Issued	Title	High-Level Objectives	Observations, Results, and Recommendations
July 18, 2018	Internal Report No. CR1801, <i>Monthly Financial Reporting Consulting Review</i>	Ensure accuracy and reliability of the monthly financial reports.	No recommendations. Management has implemented several process improvements over the past two years.

The Office of Internal Audit did not perform any non-audit services as defined in [Government Auditing Standards](#), 2011 Revision, Sections 3.33 – 3.58, during FY18.

IV. External Quality Assurance Review

In accordance with IIA Standards and the Texas Internal Auditing Act, an external quality assurance review was conducted during FY17. A copy of the report is included at **Appendix 2**.

V. Internal Audit Plan for Fiscal Year 2019

The FY19 Internal Audit Plan was approved by the UT Dallas Institutional Audit Committee with final approval by the UT System Board of Regents’ Audit, Compliance, and Risk Management Committee on August 9, 2018. A copy of the plan, including budgeted hours, the risk assessment methodology, and audits addressing certain State requirements, is included at **Appendix 3**.



The risk assessment process identified critical and high risks that are not on the plan. The following is a list of these risks and the mitigation plan for each risk.

Risk	Risk Mitigation – Other Assurance Provided for the Risk
Lack of funding from requested tuition increases and student fees not sufficient for growth and infrastructure demands	Cabinet is addressing budget issues
Reduced enrollment in graduate courses from international students	Cabinet is addressing budget issues
System platform and application data compromise due to social engineering exploits	CISO coverage (two-factor authentication and phishing initiatives)
Lack of definitive DMZ increases institutional exposure to data or device compromise	Coverage by OIT and/or ISO: Firewall Upgrade Project
Consistent, periodic backups that provide stakeholders the capability to restore and resume business operations are underutilized/not required exposing the institution to potential data loss and extended service disruptions.	FY18 Disaster Recovery Audit; Coverage by OIT and/or ISO - Backup expansion project
Two Factor Authentication is not utilized on all high risk assets potentially permitting unauthorized access/use of information resources	Coverage by OIT and/or ISO - Two Factor Authentication Project
Lack of a predictable funding model/strategy to sustain IT service	Cabinet is addressing budget issues
Title IX and EEO - noncompliance could result in losses in funding, reputational harm, and inability to attract faculty, staff, and students	FY17 audit of Title IX
Increasing incidents reported to Title IX could result in inefficiency and noncompliance	FY17 audit of Title IX
Noncompliance with tax provisions (UBIT, NRA, etc.) resulting in fines and penalties and noncompliance	FY17 Audit and FY18 follow-up work
Risk of inaccurate financial reporting could result in poor decision-making and reputational risks	External Audit of financial statements
Lack of reserves resulting in risk of financial viability	FY18 consulting review of reserves; Cabinet is addressing budget issues
Payroll confirmation (formerly time and effort reporting) not in compliance with federal regulations	FY18 audit of payroll (compensation) confirmation
Noncompliance with federal regulations over contracts and grants, Uniform Guidance could result in loss of funding	Audits by SAO; will also cover during School, Department, and Division reviews to ensure compliance with federal regulations



Risk	Risk Mitigation – Other Assurance Provided for the Risk
Lack of successful fundraising could affect budget needs of the university	FY17 Audit of Gifts
Noncompliance with donor wishes (use/distribution) could result in decreased future revenues from gifts	FY17 Audit of Gifts
Lack of ability to create and maintain an ethical culture	Compliance Officer to be responsible for ethics - will audit once in place; consulting hours to assist
Risk of emergency response system not working in the event of a true emergency	Emergency Response System (audit on “B” list – to do if hours are available)
Clery and VAWA - noncompliance could result in losses in funding, reputational harm, and inability to attract faculty, staff, and students	Clery/VAWA (audit on “B” list – to do if hours are available)
Risk of not providing quality services could result in safety issues as well as inability to attract students; international student healthcare risks; HIPAA risks	FY18 audit of Campus Clinics
Risk of Insufficient monitoring of the persistent threat of exploitable vulnerabilities and the inability to react timely once cybersecurity event occurs (e.g., data theft, system compromise)	FY18 TAC 202 Audit
Risk of minimal institutional oversight that could fail to ensure adequate third party/vendor and/or cloud security and operational controls are in place	ISO Vendor Management Process
Loss of data and/or availability of services, damaged reputation, reduced funding, increased audit activity, or fines/punitive actions for non-compliance with security-related regulations (e.g., FISMA, GLBA, PCI-DSS)	Conducted FY18 audit of TAC 202. GLBA and PCI is covered by ISO monitoring.
Risk of loss of data and/or availability of services, damaged reputation, reduced funding, increased audit activity, or fines/punitive actions for non-compliance with security-related State, UT System, or similar community standards, policy, or best practices (e.g., TAC 202, UTS 165)	FY18 TAC 202
Unsanctioned/unmanaged end user software (e.g., Dropbox, Google docs) could increase likelihood of unauthorized data disclosures	Coverage by ISO in CometSpace initiatives.
Lack of consistent encryption of laptops could lead to disclosure of sensitive data in the event of theft or loss of device	Coverage by OIT and/or ISO



Risk	Risk Mitigation – Other Assurance Provided for the Risk
Risk of inadequate utilization of datacenters (shared and private) leading to wasted resources, duplication of effort, security issues, and gaps in disaster recovery capabilities	FY18 Disaster Recovery Audit; Data center strategy being developed, led by OIT and including OBF and Provost

VI. External Audit Services Procured in Fiscal Year 2018

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

External Auditor	Services Provided
Weaver	Cancer Prevention and Research Institute of Texas (CPRIT) required audit
Deloitte	financial audit

VII. Reporting Suspected Fraud and Abuse

The following actions were taken by The University of Texas at Dallas to implement the requirements of reporting suspect fraud and abuse by the General Appropriations Act:

A. Fraud Reporting

Section 7.09, Fraud Reporting, General Appropriations Act (85th Legislature, Conference Committee Report), Article IX

A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds by:

- (1) providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and*
- (2) including in the agency or institution's policies information on how to report suspected fraud involving state funds to the State Auditor's Office.*

The following actions have been taken by UT Dallas to ensure compliance with the fraud reporting requirements:



- UT Dallas has a link for fraud reporting under “Required Links” at the University’s home page, www.utdallas.edu, which provides information about reporting fraud, waste and abuse to the State Auditor’s office.
- UT Dallas has a hotline for reporting suspected noncompliance, ethics violations, and fraud at www.utdallas.edu/hotline.
- The Office of Internal Audit has a website for fraud at www.utdallas.edu/audit/fraud/.
- The [Standards of Conduct Guide](#) includes information on fraud, waste, and abuse.

UT Dallas complies with this in conjunction with the UT System Policy UTS118, *Statement of Operating Policy Pertaining to Dishonest or Fraudulent Activities*, located at <https://www.utsystem.edu/sites/policy-library/policies/uts-118-dishonest-or-fraudulent-activities>

B. Coordination of Investigations

Texas Government Code, Section 321.022, Coordination of Investigations

- a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.*
- b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.*
- c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.*

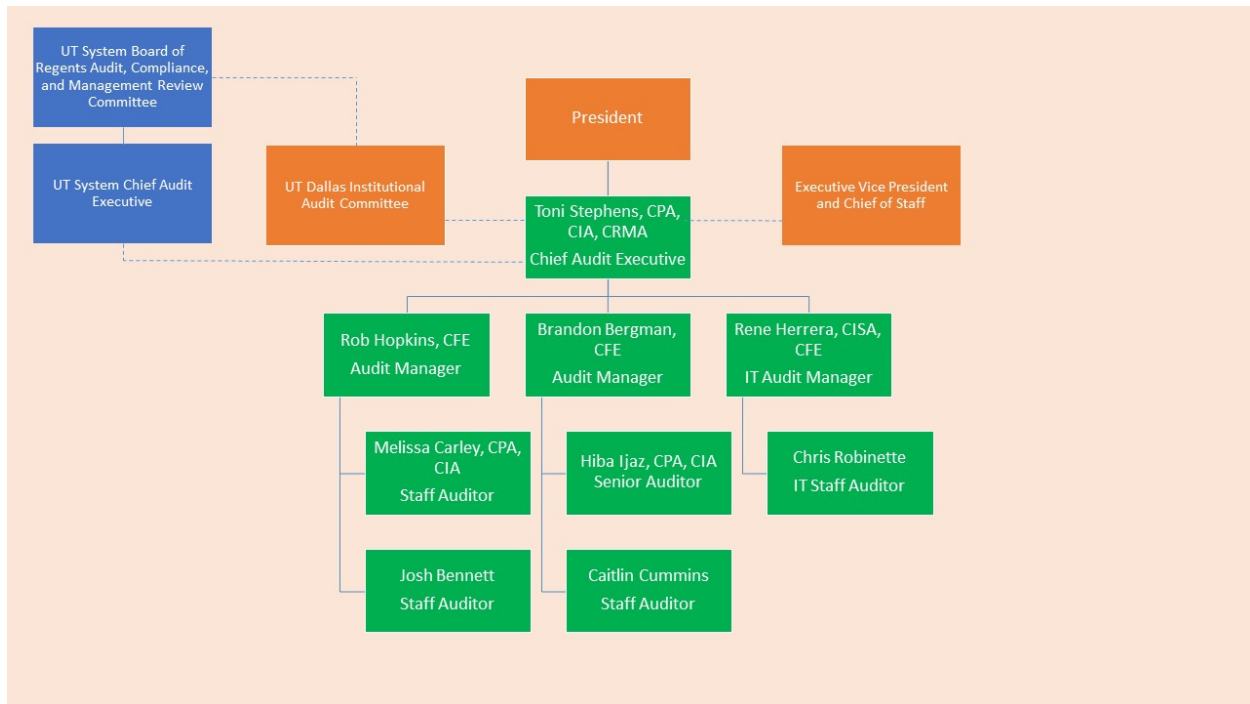
The following actions have been taken by UT Dallas to ensure compliance with the Coordination of Investigations requirements:

- The Office of Audit and Consulting Services reports the activities listed in (a) above to the State Auditor’s Office via their website at: sao.fraud.texas.gov/ReportFraud/.
- Additionally, the activities listed in (a) above are reported to the UT System Audit Office.



VIII. Office of Internal Audit

- A. **Staff Size:** The internal audit office consists of nine staff reporting up to the President, with additional reporting lines as outlined in the [organization chart](#). The following is the organization structure as of October 2018.



- B. **Staff Experiences and Certifications:** The internal audit staff consists of highly qualified and skilled audit professionals with certifications including Certified Public Accountant (CPA), Certified Internal Auditor (CIA), Certified Information Systems Auditor (CISA), Certified Fraud Examiner (CFE), Certificate in Risk Management and Assurance (CRMA). A complete list of internal audit qualifications can be found at <http://www.utdallas.edu/audit/about-us/staff/>.

- C. **Training:** Internal Audit staff received an average of 57 hours of continuing professional education during fiscal year 2018. Key areas of training included emerging audit issues, governance, risks and controls, information systems auditing, leadership, fraud, compliance, ethics. Most of the training was received by participating in conferences, seminars, and webinars offered by the Association of College and University Auditors (ACUA), the Dallas Chapter of the Institute of Internal Auditors (IIA), the Texas Association of College and University Auditors (TACUA), the Institute of Internal Auditors, ISACA, and the Association of Certified Fraud Examiners (ACFE).



D. **Contributions to the Profession:** Members of the staff contributed to the profession in numerous ways:

- The Chief Audit Executive (CAE) participated on the Association of College and University Auditors ([ACUA](#)) faculty and served as the Director of the ACUA Recognition Committee.
- The CAE served as a member of the [Internal Auditing Education Partnership Program advisory board](#) at the UT Dallas Naveen Jindal School of Management.
- The audit staff works with and mentors student interns in the Internal Auditing Education Partnership (IAEP) program as they participate in various audit projects as student auditors during the year. During fiscal year 2018, Internal Audit worked with 12 student interns.
- The CAE co-presented a 2 ½ day seminar at the ACUA Midyear Conference on “The ABC’s of CAE’s” and presented a session at the ACUA Annual Conference on Audit Standards.
- The CAE participated in a peer review of a large university.
- A Senior Auditor served on the ACUA Risk Dictionary Committee.

APPENDIX 1

FY18 AUDIT PLAN

Appendix 1: FY18 Audit Plan
As of 10/31/18

FY 2018 Audit Plan	Status at 10/25/18	Report No.	Report Date	Comments
Risk Based Audits				
Academic Hiring and Compensation	Deleted by AC			Deleted from FY18 plan by Audit Committee on 6/29/2018. Rescheduled for FY20.
Admissions and Recruiting Process	CF FY19			FY19 Audit Plan
Brain Performance Institute	In Process			Audit completed. Awaiting management responses to report.
Conflicts of Interest	CF FY19			FY19 Audit Plan
Data Warehouse Reporting	In Process			Audit completed, report drafted, exit meeting scheduled.
<i>Departmental Reviews</i>				
Departmental Review School of BBS	CF FY19			Deleted from FY18 plan by Audit Committee on 3/9/2018. Rescheduled for FY19.
Departmental Review School of EPPS	Completed	R1811	5/7/2018	
Departmental Review Callier Center	CF FY19			FY19 Audit Plan
Departmental Review Parking & Transportation	CF FY19			FY19 Audit Plan
Departmental Review Material Science	In Process			Audit completed, report drafted, exit meeting scheduled.
Departmental Review Athletics	In Process			
Ethics	CF FY19			Deleted from FY18 plan by Audit Committee on 3/9/2018. Rescheduled for FY19.
HIPAA	CF FY19			FY19 Audit Plan
Institutional Compliance Program	CF FY19			FY19 Audit Plan
IT Governance	In Process			
Library Operations	CF FY19			Included as part of Decentralized Computing audit FY19.
Payroll Confirmation (time and effort reporting)	Completed	R1902	9/6/2018	
PeopleSoft Infrastructure Review	In Process			Included as part of the Data Warehouse Reporting audit (see above).
Policy and Procedure Governance	Deleted by AC			Deleted from FY18 plan by Audit Committee on 6/29/2018.
Programs for Minors	CF FY19			FY19 Audit Plan
Purchasing Process (An assessment regarding compliance with purchasing authority, required by the Texas Education Code, Section 51.9337(h), is in process as of October 31, 2018. To satisfy the requirements in the Code regarding risk-based audits of contract administration, an audit of purchasing is also in process. These reports are being combined and will be issued in November 2018)	In Process			
Research Participants	CF FY19			FY19 Audit Plan
Restricted Research Expenditures	Completed	R1810	4/23/2018	
Scholarships	CF FY19			FY19 Audit Plan - in process
Social Media	Completed	R1808	2/22/2018	
TAC 202	Completed	R1812	6/27/2018	
Texas Analog Center of Excellence (TxACE)	CF FY19			FY19 Audit Plan - in process
University Reserves	In Process			No longer an assurance audit; instead, moved to a consulting review.
<i>Risk Based Reserve</i>				
Decentralized Computing AU17-07	In Process			Completed risk assessment as part of FY18 plan. Moved fieldwork to FY19 Audit Plan - in process.
Disaster Recovery AU17-08	Completed	R1809	3/5/2018	
Collaboration Tools AU17-04	Deleted by AC			Deleted from FY18 plan by Audit Committee on 3/9/2018.
Confidential Data Management AU17-05	CF FY19			
Property AU17-13	In Process			
Campus Clinics AU17-02	In Process			Audit completed. Report in draft.
VP Administration C17-11	Completed	R1903	9/27/2018	
Campus Construction AU17-03	CF FY19			FY19 Audit Plan - in process
Restricted Research AU17-16	Completed	R1810	4/23/2018	
Academic Advising	Completed	R1813	7/16/2018	
Lab Safety	Completed	R1803	10/23/2017	
Tax Compliance	Completed	R1802	10/6/2017	

Appendix 1: FY18 Audit Plan
As of 10/31/18

FY 2018 Audit Plan	Status at 10/25/18	Report No.	Report Date	Comments
Required Audits (External and/or Internal)				
Benefits Proportionality (Performed to address the benefits proportionality audit requirement prescribed in Rider 8, page III-45, the General Appropriations Act (85th Legislature))	Completed	R1814	8/28/2018	
Federal Portion of the Statewide Single Audit Assistance to SAO	Completed	N/A	N/A	
Financial Statement Audit Assistance	Completed	N/A	N/A	
Lena Callier Trust	Completed	R1901	9/4/2018	
Purchasing (Senate Bill 20) (An assessment regarding compliance with purchasing authority, required by the Texas Education Code, Section 51.9337(h), is in process as of October 31, 2018. To satisfy the requirements in the Code regarding risk-based audits of contract administration, an audit of purchasing is also in process. These reports are being combined and will be issued in November 2018)	In Process			
UTS 142.1 Assurance Work	Completed	R1807	11/28/2017	
Purchasing (Senate Bill 20)	Completed	R1805	10/26/2017	
Emergency Management	Completed	R1804	10/23/2017	
Texas Schools Project	In Process			Added to plan. Audit completed. Awaiting management responses to report.
Risk-Based Consulting				
Reserve for Change in Leadership Reviews	N/A	N/A		
Consulting with Housing on Transition from Management Company	N/A	N/A		
Data Analytics Projects	N/A	N/A		
Participation in SACSCOC	N/A	N/A		
Participation on University Committees and UT Dallas Initiatives	N/A	N/A		
Physical Access Controls - Smart Card implementation	N/A	N/A		
Providing Advice to University Employees	N/A	N/A		
Training Provided by Internal Audit to UT Dallas	N/A	N/A		
Vulnerability Assessment	N/A	N/A		
Monthly Financial Reporting	Completed	CR1801	7/18/2018	
Reserve for Consulting Reviews	N/A			
Investigations				
Reserve for Investigations	N/A			
Project UTD18INV01	Completed	INV1801	1/31/2018	internal reports
Project UTD18 INV02	Completed	INV1802	2/9/2018	internal reports
Project UTD18 INV03	Completed	I1901	9/27/2018	internal reports
Project UTD18 INV04	Completed	INV1803	7/16/2018	internal reports
Project UTD18 INV05	In Process			
Project UTD18 INV06	In Process			
Project UTD18 INV07	In Process			
Follow Up				
Quarter 1	Completed			Results reported at Audit Committee meetings
Quarter 2	Completed			
Quarter 3	Completed			
Quarter 4	Completed			
Risk-Based Reserve				
Reserve for Unanticipated Audits or Other Activities	N/A	N/A		
Development - Operations				
Annual Internal Audit Report	Completed	N/A	11/1/2017	
CAE Weekly Meetings with UT System	N/A	N/A		
Executive Management and Leadership of the IA Department	N/A	N/A		
External Quality Assurance Review	Completed	N/A	9/22/2017	
FY 19 Audit Plan	N/A	N/A		
Hotline Participation	N/A	N/A		
Internal Audit Committee	N/A	N/A		
Internal Quality Assurance and Improvement Program	N/A	N/A		
Monthly Staff Meetings	N/A	N/A		
Reporting and Requests for Information	N/A	N/A		
TeamMate Maintenance	N/A	N/A		
Technical Support	N/A	N/A		
Website Maintenance	N/A	N/A		
Internal QAR	Completed	N/A	9/22/2017	Included as part of External QAR report
Manager Leadership	N/A	N/A		
Development - Initiatives and Education				
CPE & related travel	N/A	N/A		

Appendix 1: FY18 Audit Plan

As of 10/31/18

FY 2018 Audit Plan	Status at 10/25/18	Report No.	Report Date	Comments
Participation in Professional Organizations	N/A	N/A		
Participation in Quality Assurance Reviews for Other Organizations	N/A	N/A		
Professional writing, publications, external presentations	N/A	N/A		
Student Internship Program	N/A	N/A		
System Audit Office Initiatives	N/A	N/A		

APPENDIX 2

EXTERNAL QUALITY ASSURANCE REVIEW

September 22, 2017

Ms. Toni Stephens, Chief Audit Executive
The University of Texas at Dallas

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

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

Based on our independent validation of the QAR performed by OIA, we agree with OIA's overall conclusion that the internal audit function "**Generally Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, as well as with OIA's conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

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

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

Very truly yours,

Baker Tilly Virchow Krause, LLP

Report of the Results of the Independent Validation of the Quality Assessment Review of Office of Internal Audit the University of Texas at Dallas

September 22, 2017

September 22, 2017

Ms. Toni Stephens, Chief Audit Executive
The University of Texas at Dallas

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Based on our independent validation of the QAR performed by OIA, we agree with OIA's overall conclusion that the internal audit function "**Generally Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, as well as with OIA's conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

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

Very truly yours,

Baker Tilly Virchow Krause, LLP

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Candor. Insight. Results.

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Background

Baker Tilly was engaged to conduct an independent validation of The University of Texas at Dallas Office of Internal Audit's self-assessment with the assistance of an internal audit executive from a peer institution. The primary objective of the validation was to verify the assertions made in the attached self-assessment report concerning adequate fulfillment of the organization's expectation of the internal audit activity and its conformity to the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, Generally Accepted Government Auditing Standards, and relevant requirements of the Texas Internal Auditing Act.

The approach and scope for the independent validation included:

- > Interviewing stakeholders of the IA function, including the President and other members of the UT Dallas' leadership team, Institutional Audit Committee members, and the OIA team
- > Reviewing the self-assessment and a sample of IA documents related to fiscal years 2016 and 2017
- > Considering current internal audit activities in relation to the *Standards* promulgated by the IIA as well as GAGAS and TIAA requirements
- > Identifying opportunities to enhance the internal audit function and other institution-wide considerations

Conclusions of the Independent Review Team

Based on our independent validation of the QAR performed by OIA, it is our overall opinion that the internal audit function "**Generally Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics. The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

We agree with OIA's conclusions regarding its adherence to GAGAS and TIAA requirements.

Our review noted strengths as well as opportunities for enhancing the internal audit function and processes that affect OIA's effectiveness, as further detailed on the following pages.

Strengths

During our review we noted the following strengths:

- > **IA team members' involvement in external activities** – IA team members possess strong experience and bring fresh perspectives from their participation in external professional activities, including the Association of College and University Auditors and the local Institute of Internal Auditors. This involvement supports the development of the audit function and serves as a foundation for succession planning efforts.
- > **Incorporation of Systemwide risk information into UTD IA planning** – IA presents in its annual IA plan some relevant aggregated Systemwide IA information as a point of comparison for planning purposes.
- > **Practices of the Institutional Audit Committee (IAC)** – The IAC employs a number of leading practices, including formally orienting new IAC members; providing input into the CAE's performance evaluation; and cultivating a diverse committee composition, including external members with information technology (IT) and IA backgrounds.
- > **Intern program** – IAC collaborates with UTD's world class IA academic program to deploy well-supervised students who, among other activities, conduct department and division reviews, the results of which are valued by management. Five full-time professionals within IAC came from this program.
- > **IT audit capabilities and use of data analytics** – OIA possesses strong capability in the areas of cybersecurity and IT risk. OIA deploys data analytics across many of their audits.
- > **IAC and audit report presentation** – OIA's reports contain engaging infographics. IAC reports include strategic and thoughtful analysis of the impact of OIA staffing levels on the IA plan.

"IA's work on changing areas of the institution gives me confidence."

"IA reports are balanced, provide context, and highlight strengths as well as opportunities for improvement."

"OIA finds a way every year to renew its energy and invigorate the OIA office."

"IA seems to be focused on the areas with the most impact."

"They have been an integral part of how we look at things due to their expertise."

Opportunities for Enhancement

Internal Audit-Specific Observations

The review team agrees with the *Standards* assessment and opportunities for enhancement identified in OIA's self-assessment report, included in **Appendix D**. We offer the following observations and recommendations to build on OIA's strong performance:

- > **Partnering with management to support institutional resource optimization and infrastructure development** – As UTD evolves its school-level infrastructure and processes, IA can collaborate with management to support the balance of process reengineering with effective risk management and control.
IA Response: During FY18, the CAE will meet with key members of executive management to develop strategies for risk management and control. At the December 2018 meeting, the status of this recommendation will be shared with the Audit Committee.
- > **Supporting management action, accountability, and strategic communication** – OIA can support the continued evolution of UTD's risk management and control environment through the following actions:
 - o Increase incisiveness of OIA reporting.
 - o Escalate issues with University-wide impact or that span functional areas and convene strategic discussions to spur action in order to develop impactful management action plans.
 - o Report specifics of managements' action plans.
 - o Provide aging of management's planned actions first to senior leaders and then to the IAC.
 - o Meet with key stakeholders on an ongoing basis.
 - o Hold pre-IAC meeting review discussions with the President and other leaders whose areas will be discussed with the IAC.*IA Response: IA will implement the audit recommendation as follows:*
 - o *During FY18, the staff will brainstorm on ways to increase incisiveness in audit reporting and recommendations and implement into FY18 audit reports.*
 - o *Begin separating audit recommendations with University-wide impact within audit reports and escalate the issues to executive management.*
 - o *Report the specifics of managements' action plans on a more detailed level to the Audit Committee.*
 - o *Provide an aging of action plans for prior audit recommendations first to senior leaders via face to face meetings, then to the Audit Committee, at the December 2017 meeting.*
 - o *Schedule in person meetings at least twice a year with key stakeholders.*
 - o *Schedule in person meetings with key stakeholders prior to each Audit Committee meeting whose areas will be discussed with the IAC.*
- > **Planning for succession and supporting auditor retention** – Formalize the process for CAE succession planning and involve the IAC. Develop additional OIA leadership and consider designating a deputy or associate director. Add quality oversight and reporting support to free up the CAE for increased strategic communication with senior leaders. To support retention within OIA, benchmark OIA professionals' compensation relative to the Dallas-area market (beyond state agencies). To support compliance with *Standards*, include the IAC not only in CAE performance evaluation, but also in CAE compensation.

IA Response: *The CAE will conduct the following by August 31, 2018, with input from the Audit Committee:*

- *Develop a succession plan. In conjunction with this plan, review the current organization structure and revise as necessary to ensure leadership development and other management roles.*
 - *Request benchmarking of other OIA professionals' compensation relative to the Dallas-area market and present results to the Audit Committee for their input.*
 - *Implement procedures to ensure that the Audit Committee is included in annual budgetary decisions, including CAE compensation.*
- > **Developing risk assessment and audit plan** – To further enhance this strong process:
- Consider facilitating a group discussion of risk assessment results with key senior leaders.
 - Communicate more specifically regarding coverage of high priority risks, including the basis for any reliance on management and System activities. In particular, clarify coverage regarding construction risks.
 - In addition to presenting the five-year IA plan history, show the historical audit coverage relative to highest priority risks.
 - Consider conducting a research risk assessment to provide visibility to the body of research-related risks and IA coverage in this growing area of the institution.

IA Response: *During the FY19 audit planning process, the Office of Internal Audit will do the following:*

- *Facilitate group discussions of risk assessment results with key senior leaders in addition to having individual meetings as has been done in the past.*
 - *Improve communication to the Audit Committee regarding the coverage of high priority risks and ensure the committee is fully aware of the reliance and mitigation activities for each of the high priority risks.*
 - *Exhibit the historical audit coverage relative to the highest priority risks in the audit plan.*
 - *Conduct a separate research risk assessment.*
- > **Reducing efforts for “required” audits** – Explore with end-users of these projects whether certain “required” efforts should remain as priorities relative to higher-risk areas. Where possible, engage resources outside of IA to conduct these lower-value activities.

IA Response: *Required audits comprise 4% of the FY18 audit plan. While most of these audits are mandated by State Law or a grant or contract, we will discuss the required audits with the Audit Committee and with UT System at the February 2018 meeting prior to the development of the FY19 audit plan.*

- > **Enhancing the project planning process** – Consider the following:
- Engage senior leaders in project-level risk assessments prior to entrance conferences to consider their strategic perspectives regarding the specific challenges and opportunities in the areas under audit when developing specific scopes of work.
 - Share project-level risk assessments with process owners for feedback, including confirmation of testing criteria up-front.

IA Response: *Effective for all FY18 audits going forward, we will meet separately with executive management and senior leaders in project-level risk assessment prior to the entrance conferences to obtain their perspectives. Although we have procedures to share project-level risk assessment with process owners for feedback, we will include documentation of their feedback as well as confirmation of the testing criteria prior to beginning fieldwork. These procedures have been added to our formal audit planning procedures for risk-based audits.*

Institution-wide Considerations

Although our assessment was of OIA's, the IIA *Standards* require review teams to consider the intersection of internal audit activities with risk management and compliance activities across the institution. Addressing these observations will help to optimize the efforts of OIA:

- > **Considering a strategic reassessment of Institutional Compliance** – Stakeholders expressed concern regarding the efficacy of Institutional Compliance and its intersection with OIA. As UTD continues to evolve its Compliance program, consider a strategic reassessment of Institutional Compliance's alignment and capability, including the following:
 - o Reevaluate the alignment of Institutional Compliance to provide a direct reporting line to the President, consistent with leading practices.
 - o Ensure executive leadership clarity regarding the mission and objectives of Institutional Compliance.
 - o Clearly delineate the division of responsibilities between OIA and Institutional Compliance to eliminate confusion, which we noted as prevalent based on our stakeholder interviews.
 - o Support collaborative risk assessment and planning between OIA and Institutional Compliance to optimize resources and avoid current duplication of efforts, consistent with leading practices (i.e., Compliance focuses on facilitation and oversight of management's monitoring, while Internal Audit focuses on, ultimately, testing compliance with policies and procedures).
 - o Avoid overlap in agendas between the IAC and the Executive Compliance Committee (ECC). Focus the ECC on compliance risks and management's mitigation thereof.
 - o Consider obtaining an independent review of Institutional Compliance.

Management Response: *Executive management is in the process of assessing Institutional Compliance and will take the above recommendations into consideration.*

- > **Ensuring sufficient resources to support investigations** – Regardless of which unit conducts the investigations, apply the right skills to these activities to ensure adequacy of investigations and timely resolution. Access specialized forensic capability (e.g., email analysis) where needed (and supplement the OIA budget from other sources, where necessary).

Management Response: *As investigations occur that require additional skills or specialized forensic capabilities, executive management will be consulted.*

- > **Evolving IAC discussions and agendas** – Promote a culture of senior leader willingness to discuss issues in this forum. Establish a consent agenda for routine matters (e.g., updates).

Management Response: *The President and the Audit Committee Chair will discuss ideas for audit committee discussions, including the establishment of a consent agenda for routine matters.*

- > **Demonstrating institutional commitment to a strong internal control environment** – Senior leaders clearly support, appreciate, and rely upon the strength of OIA. Demonstrate this institutional commitment via periodic communications to the campus community from the President to promote a strong "tone-at-the-top" and internal control environment, and to encourage timely response to OIA's recommendations. Consider adding the CAE in an official Cabinet role.

Management Response: *Executive management will work together on strategies to continue to promote a strong tone-at-the-top and internal control environment and encourage timely responses to audit recommendations. The CAE currently attends all cabinet meetings.*

In completing our review, the independent review team:

- > Conducted interviews with 18 individuals from positions across UT Dallas (see list in **Appendix B**) to understand their views of the current internal audit function in relation to strategic goals, major initiatives, and challenges;
- > Reviewed documentation, including, but not limited to:
 - Internal audit charter
 - Recent annual audit plans
 - Recent annual risk assessments
 - Departmental policies and procedures
 - Staff training plans and qualifications
 - Reports to the Audit Committee
 - Sample internal audit reports
 - Quality assurance and improvement plan (QAIP) documentation
- > Considered the current internal audit function in relation to the *Standards* promulgated by the IIA in the areas of:
 - Structure and reporting relationships
 - Charter
 - Roles and responsibilities
 - Degree of independence and objectivity
 - Education, training, qualifications, and experience of personnel
- > Reviewed results of OIA's work paper reviews on internal audit projects performed during the past year, validating the appropriateness and completeness of the internal assessment performed; and
- > Assessed additional materials, as necessary, to further validate the self-assessment completed.

Institutional Audit Committee Member

Lisa Choate, Institutional Audit Committee Chair

Executive and Senior Leadership

Dr. Richard Benson, President
James Dockery, Assistant Vice President, Institutional Equity & Compliance
Frank Feagans, Chief Information Officer, Vice President of Information Technology
Nate Howe, Chief Information Security Officer
Dr. Calvin Jamison, Vice President, Administration
Rafael Martin, Interim Vice President, Research
Dr. Inga Musselman, Interim Provost
Terry Pankratz, Vice President, Budget and Finance
Dr. Hobson Wildenthal, Executive Vice President

OIA

Brandon Berman, Senior Auditor II
Melissa Carley, Staff Auditor III
Rob Hopkins, Senior Auditor II
Hiba Ijaz, Senior Auditor I
Ray Khan, Staff Auditor II
Ashley Mathew, Staff Auditor II
Toni Stephens, Chief Audit Executive
Ali Subhani, IT Audit Manager

Raina Rose Tagle, CPA, CISA, CIA

Partner and National Higher Education Consulting Practice Leader, Baker Tilly

Raina Rose Tagle is a Partner with Baker Tilly, an accounting and advisory firm with more than 2,700 personnel nationwide. Raina leads Baker Tilly's higher education and research institutions industry consulting practice, as well as its national risk, internal audit, and cybersecurity services practice, which provides services in the areas of enterprise risk management and institutional compliance programs, financial and operational risk management, construction audit, fraud investigation, cybersecurity and technology risk consulting, and organizational governance. In addition to her extensive work with higher education and academic medical center clients, Raina's practice serves the healthcare, financial services, real estate, manufacturing, not-for-profit, government contracting, and professional services industries. Raina started her career with Arthur Andersen. Prior to joining Baker Tilly, she led her own consulting practice that offered strategic planning facilitation, executive coaching, and organizational development for not-for-profits. Raina holds a bachelor of science in accounting from Oklahoma State University. Her community involvement includes serving as the selection committee chair for the 2010 *Washington Post* Award for Excellence in Nonprofit Management. Raina presents at conferences of the Association of College and University Auditors, the National Council of University Research Administrators (NCURA), and the National Association of College and University Business Officers, and has co-authored articles in *NCURA Magazine* and *Research Global*. Raina's clients include the University of California System, the University of Wisconsin System, the University of Washington, the University of Michigan, the University of North Carolina at Chapel Hill, Cornell University, Princeton University, Stanford University, the University of Pennsylvania, Massachusetts Institute of Technology, Harvard University, and Georgetown University.

Sharon M. Kurek, CPA, CFE

Director of Internal Audit, Virginia Tech

Sharon Kurek is the Director of Internal Audit at Virginia Tech, serving as the chief audit executive for the university. She leads a team of auditors, reviews and approves the evaluation of internal controls and resulting recommendations, and provides updates of audit activities and recommendations to the Audit Committee of the Virginia Tech Board of Visitors.

Prior to joining Virginia Tech, Sharon worked at University of California, Berkeley, serving in a number of roles including Manager of Controls and Accountability, Senior Auditor, and Principal Auditor. She began her professional career at the Georgia Department of Audits conducting external audits of state entities, including colleges and universities for the State of Georgia.

Sharon received her MBA from Virginia Tech, bachelor's degree in business administration (accounting) from Mercer University, and is a Certified Public Accountant and Certified Fraud Examiner. Sharon serves as President of the Association of College and University Auditors, where she has actively volunteered since 2012, and is a member of the American Institute of Certified Public Accountants, the Institute of Internal Auditors, the Association of Certified Fraud Examiners, and the University Risk Management and Insurance Association.

Appendix C: Independent Review Team Member Information



Candor. Insight. Results.

John Kiss, CPA, CFE Senior Manager, Baker Tilly

John Kiss is a Senior Manager with Baker Tilly's risk, internal audit, and cybersecurity services practice with fourteen years of professional services experience. Serving primarily research institutions, academic medical centers, and not-for-profit organizations, John provides internal audit, financial and operational risk management, fraud investigation, organizational governance, and other assurance services. John performed and led the QAR process for seven institutions, including academic institutions and their affiliated medical centers. He also assisted a university in preparing its own QAR Self-Assessment. John holds a Bachelor of Science in Information Systems Management and a Masters in Accountancy from Wake Forest University. He is a CPA and Certified Fraud Examiner (CFE). John's clients have included The U.S. Department of Veterans Affairs Medical Centers, Children's National Health System, Stanford University's Lucile Packard Children's Hospital and Stanford Hospital and Clinics, the University of Michigan, Howard University Hospital, the Brookings Institution, the Catholic University of America, George Washington University, Georgetown University, Marquette University, Princeton University, Stanford University, and the University of Washington.

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.



THE UNIVERSITY OF TEXAS AT DALLAS

Office of Internal Audit
800 W. CAMPBELL RD. SPN 32, RICHARDSON, TX 75080
PHONE 972-883-4876 FAX 972-883-6846

Date: September 11, 2017

To: Dr. Richard Benson, President
Lisa Choate, Chair of the UT Dallas Institutional Audit Committee

Subject: Internal Audit Self-Assessment – Internal Audit Activity

The Office of Internal Audit has completed a quality self-assessment of the Internal Audit (IA) activity in preparation for validation by an independent assessor. The principal objective of the review was to assess the IA activity's conformance to The Institute of Internal Auditors' (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, the IIA's Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA). The scope of the review was of the current and prior fiscal years (FY 2016 and 2017), with an emphasis on current practices, and the methodology used was based on the IIA's *Quality Assessment Manual*.

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

It is our overall opinion that our internal audit program *generally conforms* to the *Standards* and Code of Ethics. Except for section 2.23 that requires audit reports to include compliance with Generally Accepted Government Auditing Standards (GAGAS), we believe our internal audit program generally complies with the relevant requirements of GAGAS and the Texas Internal Auditing Act (TIAA). The internal assessment identified opportunities for further improvement, of which details are provided in the following report.

We appreciate your support for the internal audit function.

Sincerely,

A handwritten signature in cursive script that reads "Toni Stephens".

Toni Stephens
Institutional Chief Audit Executive

cc: Members of the UT Dallas Institutional Audit Committee

Background

The University of Texas System Institutions and System Internal Audit groups comply with the Texas Internal Auditing Act to have independent quality assessment reviews performed every three years. During this Quality Assurance cycle, each institution conducted a self-assessment with independent validation. The national accounting and advisory firm of Baker Tilly was contracted to perform the independent validation for each institution separately. Recommendations included in this report were presented to Baker Tilly and a representative from an internal audit group of a peer institution to review and confirm.

Scope and Methodology

This was a comprehensive self-assessment in which each institution in the University of Texas System reviewed information about its respective Internal Audit (IA) practices and policies, including risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, a review of a representative sample of work papers and reports, and interviews with audit staff and campus audit clients and leadership. The results of this review resulted in the following report with recommendations for improvement along with our internal assessment of conformance with the *Standards* that was then validated by Baker Tilly and the peer internal auditor.

Overall Opinion

It is our overall opinion that our internal audit program *generally conforms* to the *Standards* and Code of Ethics. Except for section 2.23 that requires audit reports to include compliance with Generally Accepted Government Auditing Standards (GAGAS), we believe our internal audit program generally complies with the relevant requirements of GAGAS and the Texas Internal Auditing Act (TIAA).

Strengths

1. Technology/data analytics

The internal audit activity has dedicated IT staff that continue to advance the IT audit function within the department. IA uses teammate for project management and IDEA for data analytics.

2. Risk assessment/audit process

The risk assessment process is thorough, covers a variety of risks and includes input from various departments on campus. The audit process has an extensive planning process including a risk assessment, reviewing background information on the audited area, meeting with key stakeholders and following up on any previous audits.

3. Personnel/knowledge/experience

The internal audit activity's personnel has many years of experience in internal audit as well as higher education. They possess the needed specialized skills and maintain professional certifications, which include CFE, CPA, CIA, CISA, CIDA, CRMA, and GSNA.

4. Training/education

The internal audit activity has a strong emphasis on training and education for its staff. An appropriate budget is set aside for training, and the CAE encourages staff to attend trainings of

interest as well as ones required by their certification, as applicable. Training is tracked and monitored on a yearly basis, and staff is required to obtain at least 40 hours per year.

5. Relationships/supported by management

The internal audit activity has a good working relationship with stakeholders on campus and are well supported by management based on numerous customer service surveys conducted throughout the year.

6. Internship program

The internal audit department has a strong student internship program. Selected students from the UT Dallas Internal Auditing Education Partnership Program work with the department each fall and spring semester on audits as part of their grade, and the CAE speaks at the class on risk assessment and audit planning.

Opportunities for Enhancement

1. Although the internal audit department has general guidelines for training based on the job title, a formal competency framework does not exist. The competency framework is a tool that defines the competencies needed to meet the requirements of the International Professional Practices Framework (IPPF)® for the success of the internal audit profession. A competency is the ability of an individual to perform a job or task properly, being a set of defined knowledge, skills, and behavior. The Framework provides a structured guide, enabling the identification, evaluation, and development of those competencies in individual internal auditors.¹

Recommendation: The internal audit activity should create a competency framework for FY 2018.

IA Response: *A competency framework and training plans have been completed for FY18 and will be updated each year.*

2. A quality assurance and improvement program (QAIP) exists; however, it is not formalized in a separate policy. Standard 1300 states that the chief audit executive must develop and maintain a quality assurance and improvement program (QAIP) that covers all aspects of the internal audit activity. In addition, the CAE should communicate the results of the QAIP periodically to senior management and the board (Standard 1320). The IIA has guidance for audit departments on how to formalize the program.

Recommendation: The internal audit activity should create a formal quality assurance and improvement program (QAIP) for FY 2018 and periodically share with the Institutional Audit Committee.

IA Response: *A formal QAIP plan will be created and submitted to the Audit Committee at the December 2017 meeting. The plan will be periodically updated and added to the calendar to be shared with the Audit Committee at the 1st quarter meetings.*

¹ <https://na.theiia.org/about-us/about-ia/Pages/Competency-Framework.aspx>

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.

- Due to the transitions within the past three years, the internal audit activity has outdated policies and procedures (audit manual) and some internal processes are not documented. Standard 2040 states that the chief audit executive must establish policies and procedures to guide the internal audit activity.

Recommendation: The internal audit activity should enhance their policies and procedures (audit manual) ensuring internal processes (e.g., sampling and data analytics) are documented in a centralized location to avoid confusion among the staff.

IA Response: *Policies and procedures will be updated by December 31, 2017. The updates will be shared with the staff at the January 2018 staff meeting.*

- The internal audit activity has not been stating “in Compliance with GAGAS” in internal audit reports as required by Generally Accepted Government Auditing Standards. GAGAS 2.23 states that when auditors are required to perform an audit in accordance with GAGAS or are representing to others that they did so, they should cite compliance with GAGAS in the auditors’ report as set forth in paragraphs 2.24 through 2.25.² The Texas Internal Auditing Act requires all audits to be in compliance with GAGAS.

Recommendation: The internal audit activity should include a statement regarding compliance with GAGAS in all audit reports.

IA Response: *Effective September 2017, all audit reports contain a statement regarding compliance with GAGAS.*

Standards Assessment

Quality Assessment Evaluation Summary—Overall Evaluation		GC	PC	DNC
OVERALL EVALUATION		X		

Quality Assessment Evaluation Summary—Major/Supporting Standards		GC	PC	DNC
1000	Purpose, Authority, and Responsibility	X		
	1010 Recognition of the Definition of Internal Auditing, the Code of Ethics, and the Standards in the Internal Audit Charter	X		
1100	Independence and Objectivity	X		
	1110 Organizational Independence	X		
	1111 Direct Interaction with the Board	X		
	1120 Individual Objectivity	X		
	1130 Impairment to Independence or Objectivity	X		
1200	Proficiency and Due Professional Care	X		

² <http://www.gao.gov/assets/590/587281.pdf>

Appendix D: Internal Audit Quality Self-Assessment Report



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Quality Assessment Evaluation Summary—Major/Supporting Standards		GC	PC	DNC
	1210 Proficiency	X		
	1220 Due Professional Care	X		
	1230 Continuing Professional Development	X		
1300	Quality Assurance and Improvement Program	X		
	1310 Requirements of the Quality Assurance and Improvement Program	X		
	1311 Internal Assessments	X		
	1312 External Assessments	X		
	1320 Reporting on the Quality Assurance and Improvement Program	X		
	1321 Use of “Conforms with the International Standards for the Professional Practice of Internal Auditing”	X		
	1322 Disclosure of Nonconformance	X		
2000	Managing the Internal Audit Activity	X		
	2010 Planning	X		
	2020 Communication and Approval	X		
	2030 Resource Management	X		
	2040 Policies and Procedures	X		
	2050 Coordination	X		
	2060 Reporting to Senior Management and the Board	X		
	2070 External Service Provider and Organizational Responsibility for Internal Auditing	X		
2100	Nature of Work	X		
	2110 Governance	X		
	2120 Risk Management	X		
	2130 Control	X		
2200	Engagement Planning	X		
	2201 Planning Considerations	X		
	2210 Engagement Objectives	X		
	2220 Engagement Scope	X		
	2230 Engagement Resource Allocation	X		
	2240 Engagement Work Program	X		
2300	Performing the Engagement	X		
	2310 Identifying Information	X		
	2320 Analysis and Evaluation	X		
	2330 Documenting Information	X		
	2340 Engagement Supervision	X		
2400	Communicating Results	X		
	2410 Criteria for Communicating	X		
	2420 Quality of Communications	X		
	2421 Errors and Omissions	X		
	2430 Use of “Conducted in Conformance with the International Standards for the Professional Practice of Internal Auditing”	X		
	2431 Engagement Disclosure of Nonconformance	X		

Appendix D: Internal Audit Quality Self-Assessment Report



Candor. Insight. Results.

Quality Assessment Evaluation Summary—Major/Supporting <i>Standards</i>		GC	PC	DNC
	2440 Disseminating Results	X		
	2450 Overall Opinions	X		
2500	Monitoring Progress	X		
2600	Communicating the Acceptance of Risks	X		
	The IIA's Code of Ethics	X		

GC = Generally Conforms
PC = Partially Conforms
DC = Does not Conform

Appendix E: Key Words from Interviews



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APPENDIX 3

FY19

AUDIT PLAN



Internal Audit Plan

Fiscal Year 2019



THE UNIVERSITY OF TEXAS AT DALLAS

OFFICE OF INTERNAL AUDIT

800 W. CAMPBELL RD. SPN 32, RICHARDSON, TX 75080
PHONE 972-883-4876 FAX 972-883-6846

August 15, 2018

Dr. Richard Benson, President and Member of the Institutional Audit Committee
Ms. Lisa Choate, Chair of the Institutional Audit Committee:

We are pleased to submit the annual internal audit plan for The University of Texas at Dallas. The UT Dallas Institutional Audit Committee approved the plan on July 3, 2018, and the UT System Board of Regents' Audit, Compliance, and Risk Management Committee approved the plan on August 9, 2018. As required by Texas Government Code, Section 2102.015, we are required to post this plan on our website at utdallas.edu/audit.

We appreciate the support that you, executive management, and the Institutional Audit Committee offer us in the performance of our responsibilities at UT Dallas.

A handwritten signature in blue ink that reads "Toni Stephens".

Toni Stephens
Chief Audit Executive

cc: Members of the UT Dallas Institutional Audit Committee

External Members:

Mr. Gurshaman Baweja
Mr. Bill Keffler
Ms. Julie Knecht
Mr. Ed Montgomery

UT Dallas Members:

Dr. Hobson Wildenthal, Executive Vice President
Dr. Kyle Edgington, Vice President for Development and Alumni Relations
Mr. Frank Feagans, Vice President and Chief Information Officer
Dr. Gene Fitch, Vice President for Student Affairs
Dr. Calvin Jamison, Vice President for Facilities and Economic Development
Dr. Inga Musselman, Provost and Vice President for Academic Affairs
Dr. Joseph Pancrazio, Vice President for Research
Mr. Terry Pankratz, Vice President for Budget and Finance
Mr. Timothy Shaw, University Attorney; ex-officio

External Agencies:

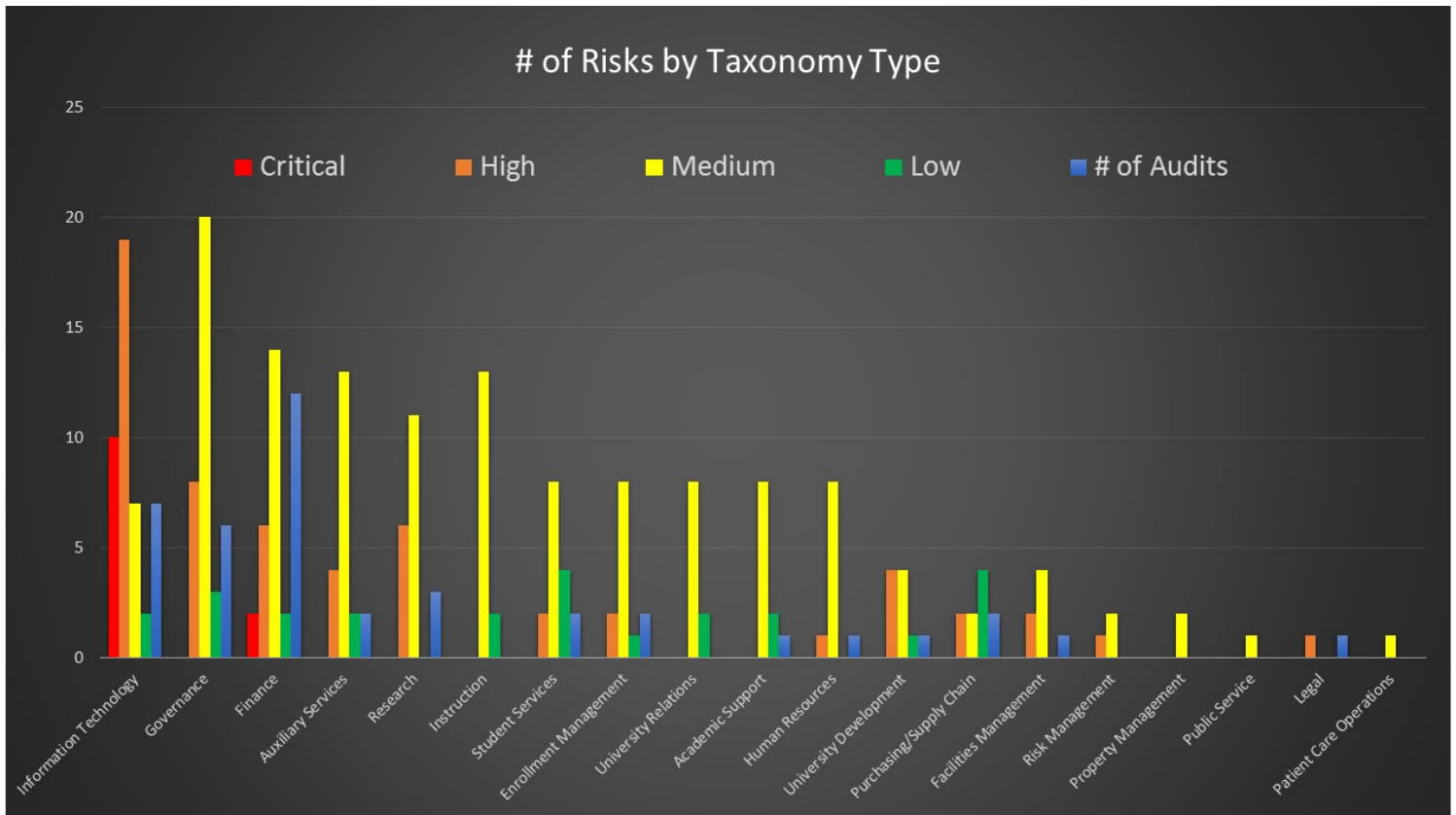
The University of Texas System Audit Office
Legislative Budget Board
Governor's Office
State Auditor's Office
Sunset Advisory Commission

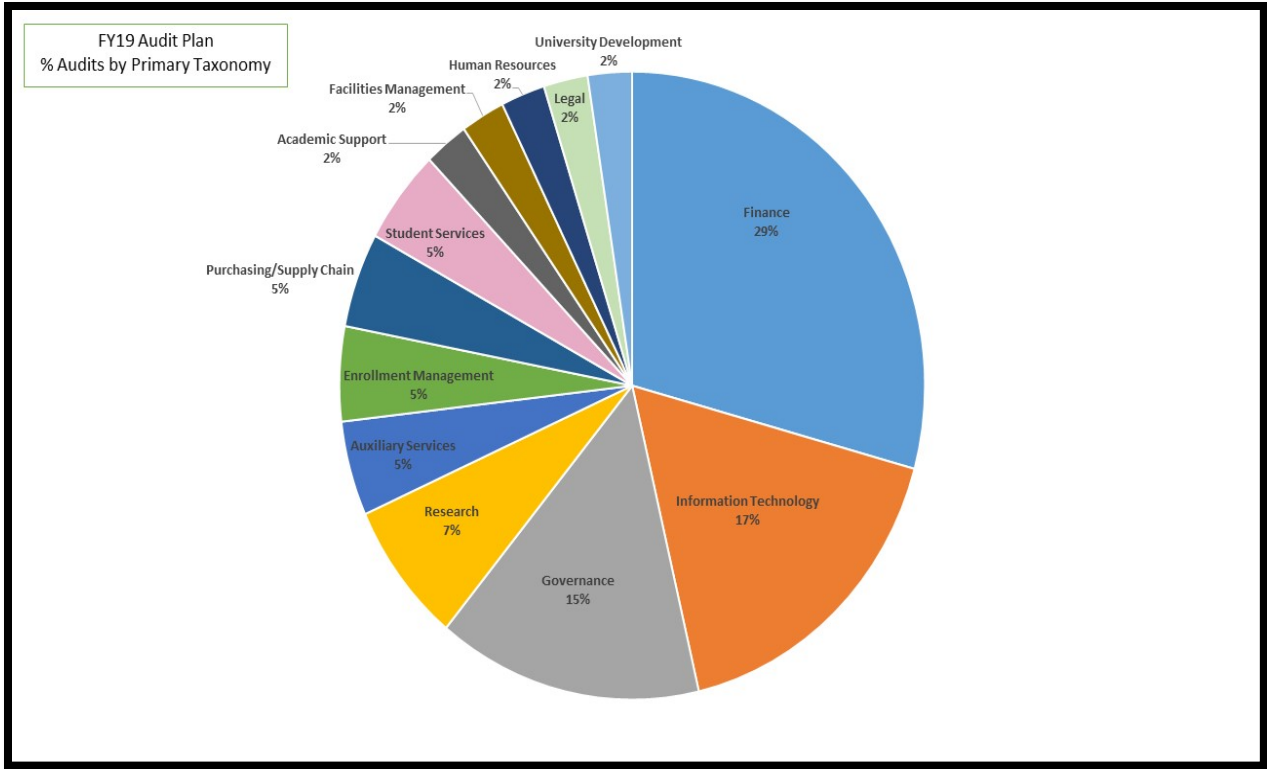
Methodology

The UT Dallas 2019 Audit Plan outlines the internal audit activities that will be performed by Internal Audit during FY 2019 in accordance with responsibilities established by the [UT System](#), the [Texas Internal Auditing Act](#), the Institute of Internal Auditors' [International Standards for the Professional Practice of Internal Auditing](#), and [Generally Accepted Government Auditing Standards](#). The plan is prepared using a risk-based approach to ensure that areas and activities specific to UT Dallas with the greatest risk are identified for consideration to be audited.

As part of the FY 2019 Audit Plan process, the UT Dallas Office of Internal Audit used the UT System Audit Office risk assessment methodology. The goals for this common risk assessment approach were to start at the top with an awareness of critical initiatives and objectives to ensure the risks assessed were the most relevant. The assessment process was standardized by creating common terms and criteria, enabling trending of risk and System-wide comparisons. An emphasis was placed on collaboration with other functions that assess, handle, or manage risk.

The risk assessment approach was based on a top-down process that included conversations and requests for input with risk collaborators, executives, and managers from the various operating areas on campus. The graphs below depict the risks and the number of audits per taxonomy type.

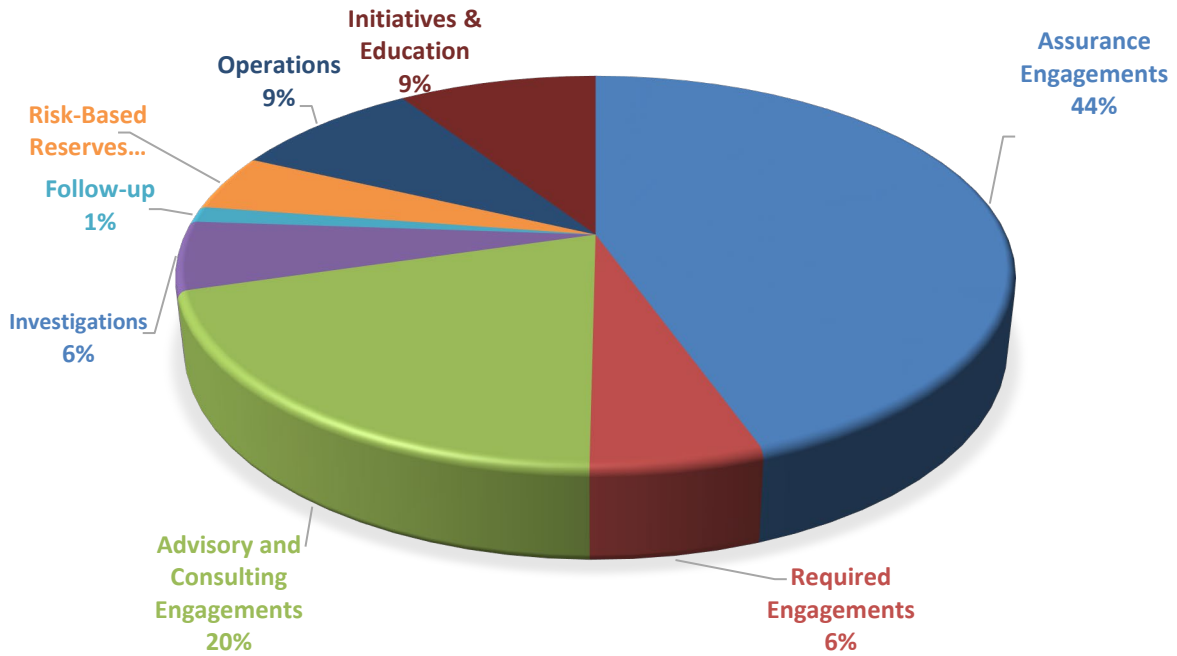




Allocation of Time

The FY 2019 Audit Plan budget was based on available staff hours for 8.75 internal audit professionals and two part-time summer interns with 15,450 available hours. The Plan includes risk-based and required engagements (financial, operational, compliance, information technology), advisory and consulting engagements, follow-up audits, investigations, reserves for management requests, and other projects and initiatives as outlined below.

FY 2019 Audit Plan by Project Type



FY 2019 Audit Plan

FY 2019 Audit Plan	Budgeted Hours
<i>Assurance Engagements</i>	
Admissions & Recruiting Process (CF)	400
Athletics (CF)	40
Auxiliary Contracts	400
Behavior Assessment and Intervention Team Process	320
Biosafety	240
Brain Performance Institute (CF)	40
Callier Center	340
Campus Clinics (CF)	5

FY 2019 Audit Plan	Budgeted Hours
Campus Construction (CF)	500
Cash Management	400
Chemistry	320
Confidential Data Management (CF)	440
Conflicts of Interest (CF)	400
Data Warehouse Reporting (CF)	20
Decentralized Computing	600
Endowments	400
HIPAA Privacy & Security (CF)	400
IT Governance (CF)	30
Material Science (CF)	25
Mobile Devices	320
Office of Information Technology	320
One Cards	320
Parking and Transportation (CF)	320
Programs for Minors (CF)	300
Property (CF)	10
Purchasing Process (CF)	20
Records Retention	320
Research Participants (CF)	320
Scholarships (CF)	400
School of Behavioral and Brain Science (CF)	320
Student Housing	400

FY 2019 Audit Plan	Budgeted Hours
Texas Analog Center of Excellence (TxACE) (CF)	300
VP Administration (CF)	5
VP Research	300
<i>Advisory and Consulting Engagements</i>	
Change of Leadership Reviews Requested by Executive Management and Other Consulting Requests	320
Consulting with IT leaders	80
Consulting with new leaders on departmental internal controls	80
Data Analytics: Affordable Care Act	100
Data Analytics: Export Controls	10
Ethics and Compliance Program	40
General Data Protection Regulation	25
Participation on Institutional Committees	150
Participation on the Hotline Team	20
Training and Assistance Provided by Internal Audit to Institutional Employees	80
University Reserves (CF)	10
<i>Reserve for Unanticipated Projects</i>	
Reserve for unanticipated projects	515
<i>Required Engagements</i>	
AFR Audit Assistance to External Auditor	350
Assistance to External Auditors	10
Executive Travel and Entertainment	200
Lena Callier Trust	60
Purchasing (Senate Bill 20)	25
Texas Schools Project	120

FY 2019 Audit Plan	Budgeted Hours
TRS Employer Self-Audit	120
<i>Investigations</i>	
Reserve for Investigations	800
UTD18INV03CF	5
UTD18INV05CF	20
UTD18INV06CF	15
UTD18INV07CF	35
<i>Follow-Up</i>	
Follow-Up Quarter 1	50
Follow-Up Quarter 2	50
Follow-Up Quarter 3	50
Follow-Up Quarter 4	50
<i>Development - Operations</i>	
Annual Internal Audit Report	15
CAE Departmental Management and Leadership	500
Audit Manager Leadership	60
FY20 Audit Plan and Risk Assessment	150
Internal Audit Committee	120
Internal QAIP	80
Maintenance and Development	50
Monthly Staff Meetings	250
Quarterly Data Pulls	10
Reporting Requests	20
Technical Support	40

FY 2019 Audit Plan	Budgeted Hours
UT System Meetings	50
<i>Development - Initiatives and Education</i>	
CPE and CPE-Travel	900
Data Analytics Initiatives	100
Participation in Professional Organizations	80
Participation in QAR's for Other Organizations	80
Professional Writing, Publications, and Presentations	80
Student Internship Program	80
System Audit Office Initiatives	40
UT Dallas Audit Strategic Initiatives	60
Total Budgeted Hours	15,450

APPENDIX 4

STATUS OF FY18 AUDIT RECOMMENDATIONS

Report #	Date	Audit	Recommendation	Estimated Implementation Date
Texas Government Code, Section 2102.015, also requires entities to include the following on their website:				
<ul style="list-style-type: none"> • A "detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report." • A "summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report." 				
To address these requirements, an entity can summarize fiscal year 2018 internal audit recommendations and report on its action and progress toward implementing those recommendations. Suggested progress classifications include: fully implemented, substantially implemented, incomplete/ongoing, or not implemented. Note that substantially implemented indicates that management has stated that the recommendation has been implemented, but Internal Audit has not tested implementation.				
The following represents the status of implementation on the FY18 audit recommendations as well as any outstanding prior audit recommendations from previous fiscal years, as of August 31,				
Audit Recommendations FY15-17 - Ongoing/In Process				
R1509	01/29/15	Data Centers	Enhance Emergency Program Procedures	09/28/18
R1509	01/29/15	Data Centers	Enhance Data Center Management	9/28/2018
R1514	04/22/15	Comet Card Application Security	Develop Policy for Unused UT Dollars	8/31/2018
R1515	05/01/15	Work Order System	Implement Validation of Fund Availability	8/31/2018
R1516	05/28/15	Lab Safety	Update Policies and Procedures	8/31/2018
R1517	07/20/15	Center for Brain Health	Enhance Information Security Controls	10/1/2018
R1517	07/20/15	Center for Brain Health	Develop Memoranda of Understanding	11/1/2018
R1519	08/06/15	Follow-up of Prior Audit Recommendations	Monitor and Track Contributions to Tax Deferred Retirement Plans	12/31/19
R1504	08/27/15	PeopleSoft Access Controls	Availability and Accessibility of Environments	11/30/2018
R1601	09/08/15	Receivables	Update Policies and Procedures	8/31/2018
R1608	12/15/15	Contracts and Grants	Ensure Documentation Is Maintained for Contracts and Grants	11/30/2018
R1611	01/05/16	Career Center	Develop a Process for Ensuring Hiring Records Are Retained	1/15/2019
R1609	01/05/16	Physical Access Controls	Enhance Emergency Lockdown Process	12/31/19
R1609	01/05/16	Physical Access Controls	Strengthen Controls around the C-Cure Application	12/31/19
R1612	01/08/16	Dining Meal Plans	Reconcile Declining Balance Sheet Account	8/31/2018
R1617	02/22/16	Scholarships	Implement Budgetary Controls	9/30/2018
R1617	02/22/16	Scholarships	Develop Uniform Methodology for Awarding Scholarships: Transition to Uniform Deadlines	12/31/2018
R1617	02/22/16	Scholarships	Develop Uniform Methodology for Awarding Scholarships: Ensure scholarships Are Awarded by University-recognized Committee	12/31/2018
R1617	02/22/16	Scholarships	Develop Uniform Methodology for Awarding Scholarships: Developing a Common Scholarship Application	12/31/2018
R1621	07/14/16	Hiring and Compensation Process	Integrate PA7 and ePAR (Payroll)	11/30/2018
R1621	07/14/16	Hiring and Compensation Process	Integrate PA7 and ePAR (Human Resources)	06/30/19
R1621	07/14/16	Hiring and Compensation Process	Formalize ePAR Workflow Request Process	8/31/2019
R1703	10/25/16	TouchNet Application	Centralize Responsibility for Application Security Administration	11/30/2018
R1706	12/12/16	Unix Environment	Ensure Adequate Network and Host Security Protections Are Implemented	12/31/2018
R1709	01/10/17	Gifts	Enhance Gift Documentation	08/31/18
R1709	01/10/17	Gifts	Enhance Gifts Training	01/15/19
R1712	02/13/17	Research Units	Establish a Comprehensive Listing of Research Units	08/31/18
R1712	02/13/17	Research Units	Revise Research Unit Policy - UTDP1010	08/31/18
R1713	02/16/17	Databases	Implement Monitoring Capabilities	12/20/18
R1713	02/16/17	Databases	Consider Implementing Defense in Depth Controls	12/20/2018
R1716	07/18/17	Title IX	Enhance Investigation Procedures	11/30/18
R1716	07/18/17	Title IX	Revise Policies, Procedures, and University Communications to Cover Title IX Requirements	08/31/18
R1716	07/18/17	Title IX	Enhance Governance Processes	08/31/18
R1716	07/18/17	Title IX	Improve Monitoring of Title IX Training	8/31/2018
R1717	08/01/17	University-Wide Travel and Entertainment	Enhance University Guidelines to Strengthen Compliance	08/31/18
Audit Recommendations FY18				
R1801	09/05/17	School of Arts, Technology and Emerging Communication (ATEC)	Continue Efforts to Develop Policies and Procedures	10/01/18
R1801	09/05/17	School of Arts, Technology and Emerging Communication (ATEC)	Continue Efforts to Draft Strategic Plan	Implemented
R1801	09/05/17	School of Arts, Technology and Emerging Communication (ATEC)	Identify and Monitor Risks	Implemented
R1801	09/05/17	School of Arts, Technology and Emerging Communication (ATEC)	Reconcile Cost Centers	Implemented
R1801	09/05/17	School of Arts, Technology and Emerging Communication (ATEC)	Reconcile and Approve Cardholder Activity Reports for Purchasing Cards	Implemented
R1801	09/05/17	School of Arts, Technology and Emerging Communication (ATEC)	Continue Efforts to Enhance Communication and Staff Development	11/01/18
R1802	10/06/17	Tax Compliance	Enhance Procedures to Identify Activities Generating Unrelated Business Income	08/31/18
R1802	10/06/17	Tax Compliance	Establish University-wide Tax Compliance Policies and Procedures	08/31/18
R1802	10/06/17	Tax Compliance	Ensure Completeness and Accuracy of 1042S Reporting	Implemented
R1802	10/06/17	Tax Compliance	Ensure a Tax Compliance Review is Performed for Independent Contractors	Implemented
R1802	10/06/17	Tax Compliance	Enhance Independent Contractor Identification Procedures to Ensure Accuracy for 1099 Reporting	Implemented
R1803	10/23/17	Lab Safety	Improve Disaster Recovery Planning for Research	Implemented
R1803	10/23/17	Lab Safety	Enhance Chemical and Controlled Substance Controls	Implemented
R1803	10/23/17	Lab Safety	Enhance Inspection Controls	Implemented
R1803	10/23/17	Lab Safety	Enhance Hazardous Waste Controls	Implemented
R1803	10/23/17	Lab Safety	Enhance Lab Establishment and Closeout Procedures	Implemented
R1803	10/23/17	Lab Safety	Implement a Comprehensive Occupational Health and Safety Program	09/30/18
R1803	10/23/17	Lab Safety	Improve Communication	12/31/18
R1803	10/23/17	Lab Safety	Review Access Controls for ChemTracker and BioRAFT	11/30/18
R1803	10/23/17	Lab Safety	Expand Training and Enhance Monitoring	11/30/18
R1804	10/23/17	Emergency Management	Update the University Emergency Management Policy	10/31/18

Appendix 4
Status of Prior Audit Recommendations at 8/31/18

Report #	Date	Audit	Recommendation	Estimated Implementation Date
R1804	10/23/17	Emergency Management	Ensure Training and Drills Related to Emergency Operations Are Documented and Conducted	10/31/18
R1804	10/23/17	Emergency Management	Update the Emergency Operations Plan	10/10/19
R1805	10/26/17	Purchasing Assessment	Enhance Compliance with Purchasing Requirements	08/31/18
R1806	11/06/17	School of Natural Sciences and Mathematics	Develop a Business Plan	12/31/18
R1806	11/06/17	School of Natural Sciences and Mathematics	Develop Policies and Procedures	Implemented
R1808	02/22/18	Social Media	Formalize Procedures for Access to Social Media Accounts	10/31/2018
R1808	02/22/18	Social Media	Enhance Social Media Guidelines	10/31/2018
R1808	02/22/18	Social Media	Enhance Social Media Training	10/31/2018
R1809	03/05/18	Disaster Recovery Process	Recommendation (1) - research data	Implemented
R1809	03/05/18	Disaster Recovery Process	Recommendation (2) - campus-wide testing	02/28/19
R1809	03/05/18	Disaster Recovery Process	Recommendation (3) - plan	12/31/20
R1809	03/05/18	Disaster Recovery Process	Recommendation (4) - testing	12/31/18
R1809	03/05/18	Disaster Recovery Process	Recommendation (5) - network	08/31/18
R1811	05/07/18	School of EPPS	Establish Departmental Policies and Procedures	8/31/2018
R1812	06/26/18	TAC 202	Fully Implement the Incident Response Plan - SecureWorks	8/31/2018
R1812	06/26/18	TAC 202	Fully Implement the Incident Response Plan - Training	12/31/2018
R1812	06/26/18	TAC 202	Fully Implement the Incident Response Plan - business continuity planning	12/31/2018
R1812	06/26/18	TAC 202	Standardize Configuration Management	12/15/2018
R1812	06/26/18	TAC 202	Develop More Specific Procedures to Assist OIT and Distributed IT Organizations in Responding to Incidents	12/31/2018
R1812	06/26/18	TAC 202	Consistently Report Information to the Texas Department of Information Resources	Implemented
R1812	06/26/18	TAC 202	Streamline Change Management Policy with Cherwell	8/31/2018
R1812	06/26/18	TAC 202	Improvement Incident Response Plan Compliance with UTS 165 and TAC 202	12/31/2018
R1813	07/16/18	Academic Advising	Balance Advisor Workload for the University	5/31/2019
R1813	07/16/18	Academic Advising	Enhance Advising Standards for the University	5/31/2019
R1813	07/16/18	Academic Advising	Develop Process to Provide Support to At-Risk Students	5/31/2019