

**The University of Texas
at Dallas**



Office of Audit and Compliance

2010

**Internal Audit
Annual Report**



Purpose

The purpose of this annual report is to provide information on the benefits and effectiveness of the internal audit function at The University of Texas at Dallas (UT Dallas). In addition, the annual report assists central oversight agencies in their work planning and coordinating efforts. The [Texas Internal Auditing Act](#) requires that an annual report on internal audit activity be filed by November 1st of each year. Refer to the Texas Government Code, Section 2102, as amended by H. B. 2485 during the 78th Legislature. The format used for this report was prescribed by the Texas State Auditor's Office. Additional information regarding the UT Dallas Office of Audit and Compliance can be found at the following website: <http://www.utdallas.edu/audit-compliance>.

Report Distribution:

- State Auditor's Office
- Office of the Governor
- Legislative Budget Board
- Sunset Advisory Commission
- Members of the UT Dallas Audit and Compliance Committee
- UT System Office of the Executive Vice Chancellor for Academic Affairs
- UT System Audit Office

Table of Contents

Internal Audit Plan for Fiscal Year 2010.....	4
<i>Explanation of Deviations from the Plan</i>	<i>6</i>
External Quality Assurance Review	8
List of Audits Completed.....	10
List of Consulting Engagements and Non-audit Services Completed	29
Organizational Chart.....	32
Report on Other Internal Audit Activities	33
Internal Audit Plan for Fiscal Year 2011.....	34
External Audit Services	36
Reporting Suspected Fraud and Abuse	36

Internal Audit Plan for Fiscal Year 2010

FY 2010 Audit Plan Audit/Project	Budgeted Hours	% of Total
Financial		
FY 2009 Financial Statement Audit	500	
FY 2010 Interim Financial Statement Audit Work	120	
Presidential Travel and Entertainment Expenses Audit	80	
ARRA (American Recovery and Reinvestment Act) Audit	60	
<i>Subtotal Financial Audits</i>	760	12%
Operational		
Entertainment Expenses	180	
Gifts	160	
Purchasing Cards	160	
Human Resources Management	250	
Departmental Self-Assessments, Reviews, and Training*	1,500	
Contracting	200	
Scholarships	100	
<i>Carry forward from FY 2009</i>		
Financial Aid	120	
<i>Subtotal Operational</i>	2,670	43%
Compliance		
Ethics	60	
Technology Workforce Grants	80	
Lena Callier Trust, required annually by the Trust Agreement	80	
Federal Portion of the Statewide Single Audit (assistance to State Auditor's Office)	40	
Identity Theft Process	50	
Contracts and Grants - Unallowable Costs	200	
<i>Carry forward from FY 2009</i>		
International Students/SEVIS	120	
<i>Subtotal Compliance</i>	630	10%

FY 2010 Audit Plan Audit/Project	Budgeted Hours	% of Total
Information Technology		
TAC 202 (IT Security)	120	
PeopleSoft Application Review - Student System	300	
UTS165 (Information Resources Security and Use Policy - includes Servers, Patching, Incident Response Procedures, Security Operations, UTD-ID)	120	
Work Orders & Billings	160	
PeopleSoft Steering Committee - HRS/Finance	80	
IT Governance	200	
UTD Marketplace System & PCI Compliance - Payment Card (Credit Card) Industry Standards	200	
<i>Subtotal Information Technology</i>	1,180	19%
Follow-up Audits		
Quarterly Follow-up of Significant Audit Recommendations	10	
Annual Follow-up Audit	100	
<i>Subtotal Follow-Up</i>	110	2%
Projects		
Annual Internal Audit Report	30	
Audit & Compliance Committee	60	
FY 2011 Audit Plan	70	
Quality Assurance Reviews for Other Audit Departments	40	
Internal Audit Quality Assurance Review	50	
Hotline Calls, Investigations, and Special Projects	300	
U. T. System Requests	40	
Teammate and Policies and Procedures Updates	50	
Development of New Follow-up Database	50	
Consulting (All Areas)	100	
<i>Subtotal Projects</i>	790	13%
Total	6,140	100%

Explanations of Deviations from the Audit Plan

During fiscal year 2010, 15 audit reports were issued, and seven memos were issued as special projects.

The fiscal year 2010 Audit Plan goal was that 20 priority audits would be completed. Of that amount:

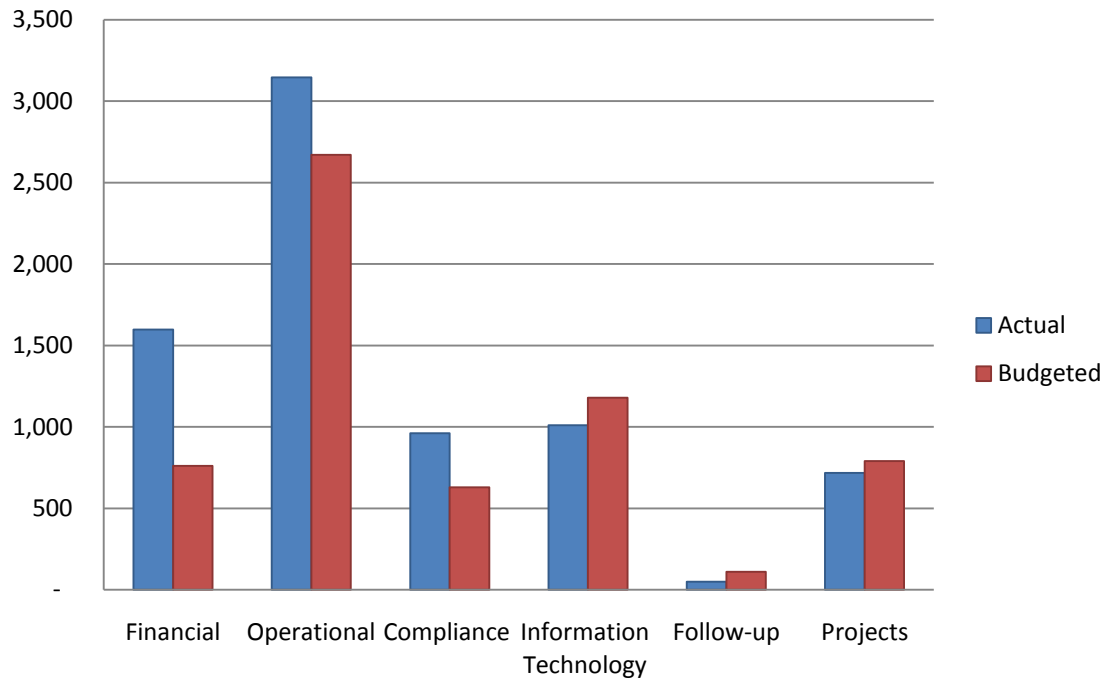
- Seven were completed (however, note that the category “departmental audits” was considered as one audit of the above 20).
- Five remained in process at 8/31/10.
- Six were deleted from the Audit Plan at the approval of the Audit Committee, either due to not being necessary anymore, other assurances performed, or reassessment of risks.
- Two were combined with other areas for efficiency.
- The remaining audits were not completed due to time constraints caused by the PeopleSoft implementation, an addition of the FY 2010 Texas Schools Project audit to the FY 2010 Audit Plan, and by audits that took longer than anticipated. The chart on page seven shows the comparison of actual to budgeted hours.

There were no *significant* changes to the scope of any audits on the audit plan. The chart below shows the comparison of actual to budgeted hours. The audits not completed were either postponed to fiscal year 2011 or reassessed as part of the risk assessment process for 2011 audits.

Audits in Process at 8/31/10

- Gifts
- Arts & Humanities
- PCI Compliance
- Unallowable Costs
- IT Governance
- Texas Schools Project

Comparison of Actual Hours to Budgeted Hours: FY 2010 Audit Plan



External Quality Assurance Review

In accordance with IIA Standards, an external quality assurance review (QAR) was performed in December 2009. Such reviews are required every three years by the Texas Internal Auditing Act. The principal objectives of the quality assurance review were to assess the Internal Audit function of UTD's Office of Audit and Compliance and its conformity to the Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, evaluate the department's effectiveness in carrying out its mission as stated in its adopted charter and as expressed in management's expectations, and identify opportunities to enhance its management, work processes, and its value to UT Dallas. The QAR team also evaluated the department's conformity to the standards promulgated by [Governmental Auditing Standards \(GAS\)](#) and the Texas Internal Auditing Act.

The review concluded that the Internal Audit function generally conforms to the *Standards* as a whole and demonstrates the necessary evidence to show conformity to the Texas Internal Auditing Act. Recommendations were made in the areas of: presence on the President's cabinet, staffing needs, and updating the Charter as shown on the next page.



AUBURN UNIVERSITY

INTERNAL AUDITING

Ms. Toni Messer, CPA, CIA
Director of Audit and Compliance
University of Texas at Dallas

January 7, 2010

Dear Ms. Messer:

We have completed a Quality Assurance Review of the University of Texas at Dallas Internal Audit Department (UTDIA). Our review was conducted December 14-16, 2009, and covered departmental activities from the date of the last review to the end of the most recent fiscal year, September 1, 2006, through August 31, 2009. The objective of the Quality Assurance Review was to provide reasonable assurance that the internal auditing program at the University of Texas at Dallas conformed to The Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing (IIA Standards)* and *Code of Ethics* as well as additional standards imposed by the Texas Internal Auditing Act. The objective was achieved by means of interviews with selected clients, key administrators at the University of Texas at Dallas, the Chair and several additional members of the Audit Committee, and members of the UTD Internal Audit staff and management; review of the quality control processes implemented by the department; and evaluation of the department's work products.

In our opinion, the University of Texas at Dallas Internal Audit Department "**Generally Conforms**" to the *IIA Standards* in all material respects during the period under review.

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of the University of Texas at Dallas and the University of Texas System Internal Audit Department.

Sincerely,

Kevin Robinson, CIA, CFE, CCEP
Team Leader
Executive Director, Department of Internal Auditing
Auburn University

Charles Hrnair, CPA
Director, System Internal Audit Department
Texas A&M University System

Andrea Claire, JD, MBA, CIA
Supervisor of Internal Audit
UT Southwestern Medical Center at Dallas

Listing of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Implementation Status

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1001	9/28/2009	<i>Lena Callier Trust for the Hard of Hearing and the Deaf</i>	The objective of this audit was to ensure compliance with the criteria established by the Trust and certain UTD policies and procedures, and to determine if revenues were recognized and expenses were incurred in accordance with the terms of the trust for the year ended August 31, 2008. This audit is required annually at the request of the Trustee.	<ol style="list-style-type: none"> 1. We recommend that purchasing cardholders and supervisors be reminded to include a clear business purpose on the Cardholder Activity Report (CAR) for each purchasing card transaction. 2. We recommend that the Director and Foundation review the Trust agreement and Director and Foundation review the Trust Agreement and provide guidelines documenting the allowance of trust funds for expenses such as business lunches, staff meetings, and gift cards. In the future, expenses using the Trust funds should be reviewed for compliance with the terms of the Trust and the new guidelines. 3. We again recommend that staff and purchasing cardholders be reminded 	Per management, all recommendations have been addressed.	Increased risks of fraud and abuse; management does not receive an accurate reporting of expenses and resource allocation.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				that object codes should be reviewed and changed if necessary. The Controller's Office Listing of Object Codes should be reviewed when in doubt during classification of the expenses.		
R1002	10/15/2009	<i>Texas Schools Project</i>	The objective of this audit was to ensure that the TSP is in compliance with all state and federal laws and to ensure that the Center is adhering with the terms of the contract. Additionally, we also determined if the audit recommendations made by the Internal Audit Office from Texas Higher Education Coordinating Board (THECB) during Fiscal Year 2008 had been adequately addressed by management. The terms of the contract require such audits every year. The audit included financial activity for the period September 1, 2007 to August 31, 2008.	The following recommendations should enhance compliance with applicable policies, laws, procedures, and grant terms: <ol style="list-style-type: none"> 1. Enhance Compliance with TAC 202 Requirements 2. Enhance Controls around Firewall and VPN Devices 3. Improve Compliance with UTD Property Policies 4. Enhance FERPA Training 5. Enhance Screening Process for Research Assistants 6. Ensure Recommendations Made During the Prior THECB Audit Are Implemented 	All recommendations have been fully implemented.	Noncompliance could results in a loss of Education Research Center status, lost funding; access by unauthorized persons; loss of assets; confidential and/or student information being accessed without appropriate authorization.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1003	11/20/2009	<i>University Police</i>	The objective of our audit was to evaluate the adequacy and effectiveness of controls in responding to risks within the University Police Department's governance, operations, and information systems.	We found that improvements over the governance of the department should be increased in virtually all areas, including: <ul style="list-style-type: none"> ✓ Purchasing Cards ✓ Information Systems ✓ Account Reconciliations ✓ Cash Handling ✓ Fleet Management ✓ Parking Meters ✓ Management of Keys ✓ Departmental Controls and Overall Communications ✓ Telecommunications ✓ Time Reporting ✓ Citations 	All recommendations have been fully implemented and/or significant progress has been made.	Without an appropriate tone at the top, the following risks are increased: <ul style="list-style-type: none"> ▪ University and departmental goals not being achieved ▪ Inefficient and ineffective use of all resources ▪ Fraud, error, and waste ▪ Budget overruns ▪ Improper safeguarding of assets ▪ Noncompliance with policies and procedures ▪ Unreliable and inaccurate financial, payroll, and other information ▪ Low employee morale ▪ Unethical behavior

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
						<ul style="list-style-type: none"> ▪ Unawareness of policies and procedures ▪ Poor decision-making
R1004	12/1/2009	<i>Annual Financial Report</i>	We performed an internal audit of the UT Dallas AFR as of August 31, 2009, including the Balance Sheet, Statement of Revenue, Expenses & Changes in Net Assets, Statement of Cash Flows, and the related footnote information for the year then ended. The scope of our work was determined as a result of a risk assessment we performed with guidance from the UT System Audit Office. The internal audit of the AFR and related footnote information was performed for the benefit of management and as requested by The UT System Board of Regents.	<ol style="list-style-type: none"> 1. The process for approving catering expenses should be improved to ensure that a review of supporting documentation is performed prior to payment. This review should also ensure that catering is being approved by persons who have signature authority and that a proper business purpose is documented. 2. The Office of Finance should work with the Office of Audit and Compliance to develop a risk assessment methodology and enhanced monitoring procedures for account reconciliations. 	<p>Substantially implemented</p> <p>Substantially implemented. Currently, a new automated process is being developed and will be put in place with the implementation of PeopleSoft. An audit of the new process will be performed.</p>	<p>Not reviewing the billings for accuracy, approvals, and proper documentation can result in overcharges, noncompliance with policies, error, and potential misuse of funds.</p> <p>Monitoring departments for proper account reconciliation helps reduce the risks of fraud and/or error in departmental accounts and ultimately in the financial statements.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>3. The Office of Development and Alumni Relations implement a monitoring process to ensure that some form of donor documentation exists and is being maintained for all gifts.</p>	Fully implemented	<p>The risk of noncompliance of donor funds could result in loss in future gifts.</p>
				<p>4. The Office of Finance should work with Housing to ensure a complete reconciliation of the University Village bank account is performed. Finance should monitor to ensure that the reconciliation is complete, timely, and accurate. Finance should also work with Payroll to create a procedure to investigate the listing of outstanding checks to ensure that outstanding items are reconciled and properly disposed of in a</p>	Fully implemented	<p>Without timely, independent, and accurate reconciliations, the risks of fraud are increased.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>more timely manner.</p> <p>5. We recommend that controls be improved over deletions to ensure that adequate documentation is maintained for financial reporting purposes.</p>	Fully implemented	Ensuring proper accounting and procedures for deletions helps reduce the risk of misstatement and theft.
R1005	12/16/2009	<i>President's Travel and Entertainment Expenses</i>	The objective of this audit was to comply with The University of Texas System's Board of Regents' Policy No. 20205 that requires an audit of the President's travel and entertainment within 90 days after the fiscal year end.	<p>1. Procedures should be enhanced to ensure that the President's travel and entertainment expenses are properly approved by the VPBA and contain an adequate business purpose.</p> <p>2. Management should clarify the reporting requirements with UT System and ensure that all expenses that meet the criteria for reporting are included on the quarterly report sent to UT System.</p>	<p>Fully implemented</p> <p>Fully implemented</p>	<p>Negative public impact</p> <p>UT System does not receive accurate information.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1006	2/10/2010	<i>Executive Education</i>	The objective of this audit was to provide reasonable assurance that an adequate system of controls exists within Executive Education and to identify opportunities to further the achievement of organizational objectives, identify operational improvements, and reduce risk exposures.	<p>1. We recommend that UTD comply with Texas Coordinating Board rules and strengthen the enrollment process by ensuring:</p> <ul style="list-style-type: none"> • Co-mingling of students and courses is discontinued. • Students satisfy the same admission requirements. • Distance education courses are not delivered outside the state to non-Texas residents by enforcing enrollment requirements that residency status be collected as a part of the enrollment process. • UTD is reporting fees, enrollments, courses and graduates associated with extension offerings as required by the Commissioner. • Continuing education course fees are approved and documented by the President or his delegate prior to tuition rate changes becoming effective. 	According to management, recommendations have been fully implemented.	Noncompliance could affect future funding.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<ul style="list-style-type: none"> • Course inventories for Executive Education programs are submitted to the Registrar’s Office to be included on the course offerings website. • Controls in PeopleSoft are adequate to provide accurate billing for Executive Education courses. 2. The process for awarding salary supplements can be strengthened by revising the current policy and developing monitoring controls. This will help ensure that employees are not earning in excess of the stated additional pay limits and are paid in the fiscal year in which the compensation is earned. 3. Reconciliations should be performed in a timely manner in accordance with university guidelines to ensure the accuracy of the financial records between FRS and QuickBooks. Security around QuickBooks 		<p>Employees not paid for work performed; error, abuse</p> <p>Risk of fraud or error</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>should be enhanced to minimize segregation of duties issues. In addition, Executive Education should migrate financial records to PeopleSoft when it is implemented to help address segregation of duties and reconciliation issues.</p> <p>4. Executive Education should follow UTD's current procedures for credentialing faculty and staff members.</p> <p>5. Executive Education and SOM should work together to develop procedures for overhead expenses to ensure the transfers occur on a monthly basis and are deposited into a central</p>		<p>Hiring faculty and staff that do not meet the required SACS credentials could lead to negative publicity, loss of revenue due to a drop in enrollment and could potentially cause affect accreditation.</p> <p>Risk of fraud, error, or abuse.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>overhead account.</p> <p>6. The Executive Education Business Office should develop and document refund policies.</p> <p>7. The Executive Education Business Office should develop procedures to utilize Marketplace EZ-Pay for credit card payments. This would increase convenience to students and decrease the risk of PCI standards violations to the University.</p> <p>8. We recommend that departmental internal controls be strengthened over various issues discussed in the report.</p> <p>9. We recommend that controls around parking permits be strengthened</p>		<p>Without a refund policy in place, students are not aware of the refund deadline or the amount of tuition that can be expected to be refunded.</p> <p>Fines or loss due to noncompliance.</p> <p>Risk of fraud or error is increased.</p> <p>Without adequate controls, the risk of error and abuse is</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>over compliance with IRS guidelines over fringe benefits and permit issuance.</p>		<p>increased. Noncompliance with IRS guidelines could result in penalties to both the university and the employee.</p>
R1007	2/26/2010	Construction	<p>The objective of this audit was to ensure that internal controls are in place over construction projects (both OFPC - Office of Facilities Planning and Construction and in-house projects) to ensure that they achieve a specified level of quality at a minimum of cost and in compliance with applicable laws, policies, and procedures.</p>	<ol style="list-style-type: none"> 1. We recommend upper management approval be formally documented. 2. We recommend project management documentation be improved to ensure that project specifications are met by the vendor if done so by in-house staff or that a third-party vendor be hired to ensure the project 	<p>Per management, these recommendations have been fully implemented.</p>	<p>Without formally documenting the changes, the risk exists a potential design change may be misinterpreted between Facilities Management and UTD Management which may lead to cost increases or unforeseen project changes in the future.</p> <p>Without documented support to ensure specifications have been met by first/third party review, UTD cannot be assured that the project</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>specifications have been met where applicable.</p>		<p>specifications have been met and the risk exists that the project mail fail which may lead to additional construction costs or legal ramifications to UTD due to injury/loss if related to a construction failure.</p>
R1008	2/28/2010	<i>Cash Management and Cash Handling</i>	<p>The objective of this audit was to determine if UTD is complying with UTS 166, <i>Cash Management and Cash Handling Policy</i>. The policy on cash management includes controls over cash, checks, and credit card collections.</p>	<p>1. The Office of Finance should ensure that petty cash custodians are properly trained and understand procedures in place for maintaining the petty cash fund. Developing a risk-based inspection plan, which includes all petty cash and change funds, to ensure a surprise inspection of each fund occurs at least once over a two-year period will help ensure compliance with BPM 27.</p>	<p>Per management these recommendations have been fully implemented.</p>	<p>Non-compliance with BPM 27 and UTS166 could result in loss of assets for the University if petty cash funds are mishandled, lost or stolen. Complete and accurately stated business purposes help ensure that expenditures are legitimate business expenses.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>2. We recommend that BPM 26 be revised to meet the requirements of UTS166. In addition, developing a risk-based inspection plan, which includes all petty cash and change funds, to ensure a surprise inspection of each fund occurs at least once over a two-year period will help ensure departments with established change funds are following the requirements of BPM 26.</p> <p>3. We recommend that UTD's policies for collections be updated to ensure compliance with UTS166. The VP for Business Affairs should approve all payment plans that extend beyond one year or provide a statement in writing identifying categories in which extensions are regularly permitted and set maximum extensions for each category.</p>		<p>Controls over cash handling are essential to ensuring assets are properly safeguarded at all times.</p> <p>Risk of theft or misappropriation of assets.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>include actual operating, supervisory and oversight controls in place. An updated RAMP, including any newly indentified risk, should be submitted to the Compliance Office on an annual basis. In addition, the listing of Petty Cash and Change Funds should be updated as new funds are issued or existing ones are closed.</p> <p>7. We recommend that the CBH work with the Offices of Finance and Internal Audit to ensure effective and efficient policies and procedures for cash management and cash handling are in place, and University assets are properly safeguarded.</p>		<p>Risk of theft or misappropriation of assets.</p>
R1009	4/28/2010	<i>Authentication and Computer Account Requests</i>	The objective of this audit was to provide assurance that the computer account request process is secure, users are properly assigned based on the active directory/account policy	1. We recommend that the CAR Process be utilized by all mission critical applications on campus to ensure user access account requests and approvals are documented.	Per management, all recommendations will be implemented 12/1/2010.	Failure to use the CAR process for mission critical resources could negatively impact security and may lead to

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
			<p>management, and authentication for the single sign-on process is effective. The audit included the "JAMS" account management system.</p>	<p>2. We recommend that resource owners be developed for IT resources, including:</p> <ul style="list-style-type: none"> • Door Readers • Network resources such as "G" drives • OnBase directories • Signature Authority System • AP Inquiry System <p>3. We recommend that reporting be improved to ensure all departmental IT resources are included in the activity reports provided to them on a periodic basis to ensure only authorized personnel have access as appropriate based on job function.</p> <p>4. Management should ensure that established policies and procedures over the CAR process are followed and allow resource owners to approve CAR forms related to their areas within OnBase to help ensure the</p>		<p>applications/resources that are not as secure as those systems following the established University process for application access for end users.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>process is operating effectively and securely.</p> <p>5. Management should consider performing a comprehensive review of the security profiles based on end user job functions with management across campus to ensure that the majority of user access is pre-defined where possible by job function during the implementation of the next PeopleSoft ERP implementations (HRS and FRS).</p>		
R1010	4/28/2010	<i>Office of Budget and Resource Planning</i>	The objective of this audit was to ensure that an adequate system of internal controls was in place to provide reasonable assurance of sound management.	Recommendations were made to enhance departmental operations over payment of salaries to appropriate accounts, compliance with cash handling procedures, managing security access, and account reconciliations.	Management is in the process of implementing the recommendations. Subsequent to the audit, the Associate Vice President for Budget and Resource Planning left the university; therefore, recommendations remain in process.	Risk of error and fraud

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1011	6/29/2010	<i>Lena Callier Trust for the Hard of Hearing and the Deaf</i>	The objective of this audit was to ensure the accuracy of financial information for the Lena Callier Trust for the Hard of Hearing and the Deaf, and to ensure compliance with the criteria established by the Trust and certain UTD policies and procedures, for fiscal year 2009. This audit is required annually at the request of the Trustee.	<ol style="list-style-type: none"> 1. We recommend that purchasing cardholders and supervisors be reminded to include a clear business purpose on the Cardholder Activity Report (CAR) for each purchasing card transaction. 2. We recommend that the Director and Foundation review the Trust agreement guidelines documenting the allowance of trust funds for expenses such as business lunches, staff meetings, and gift cards. In the future, expenses using the Trust funds should be reviewed for compliance with the terms of the Trust as well as the spirit of the Trust. 3. We again recommend that staff and purchasing cardholders be reminded that object codes should be reviewed and changed if necessary. The Controller's Office Listing of Object Codes should be reviewed when in doubt during 	Per management, all recommendations have been addressed.	Increased risk of fraud, error, or noncompliance with the terms of the Trust.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				classification of the expenses.		
R1012	6/29/2010	<i>Career Center</i>	The objective of this audit was to provide a consulting service to the department by reviewing the existing internal controls, and providing information necessary to assist managers in developing an adequate system of internal controls which will provide reasonable assurance of sound management.	Recommendation was made to develop training for faculty who campus help place students in careers upon graduation.	Management is in the process of implementing this recommendation, and it will be implemented during the January 2010 general compliance training.	Risk increased of violation of EEO guidelines.
R1013	7/8/2010	<i>Texas Administrative Code (TAC) 202</i>	The objective of this audit was to provide assurance that UTD complies with Texas Administrative Code (TAC) 202. The scope of our audit work was fiscal year 2010. During the audit we focused our activities on TAC 202.70 – 202.73, and 202.76. We intend to conduct an audit of the remaining TAC 202 sections in FY 2011.	We recommend that the CISO ensure full compliance with TAC 202 by assigning the remaining tasks and establishing deadlines for completion. The status of the implementation should be communicated to the CIO and the Executive Compliance Committee on a quarterly basis.	Management is in the process of implementing the recommendations which should be completed by August 2011.	Increased risks of unauthorized access.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1014	8/16/2010	<i>Printing Services</i>	The objective of this audit was to provide a consulting service to the department by reviewing the existing internal controls, and providing information necessary to assist managers in developing an adequate system of internal controls which will provide reasonable assurance of sound management.	Recommendations were made to update equipment and to comply with cash handling procedures.	Recommendation regarding the equipment has been fully implemented, and recommendation regarding compliance with cash handling has been implemented per management.	Could impact Printing Services ability to operate without updated equipment; risk of fraud or error.
R1015	8/19/2010	<i>Cybersecurity and Emergency Preparedness Institute</i>	The objective of this audit was to ensure that an adequate system of internal controls was in place to provide reasonable assurance of sound management.	Recommendations were made to enhance account reconciliations and to comply with purchasing card procedures.	Management has stated that recommendations have been fully implemented.	Increased risk of fraud or error.

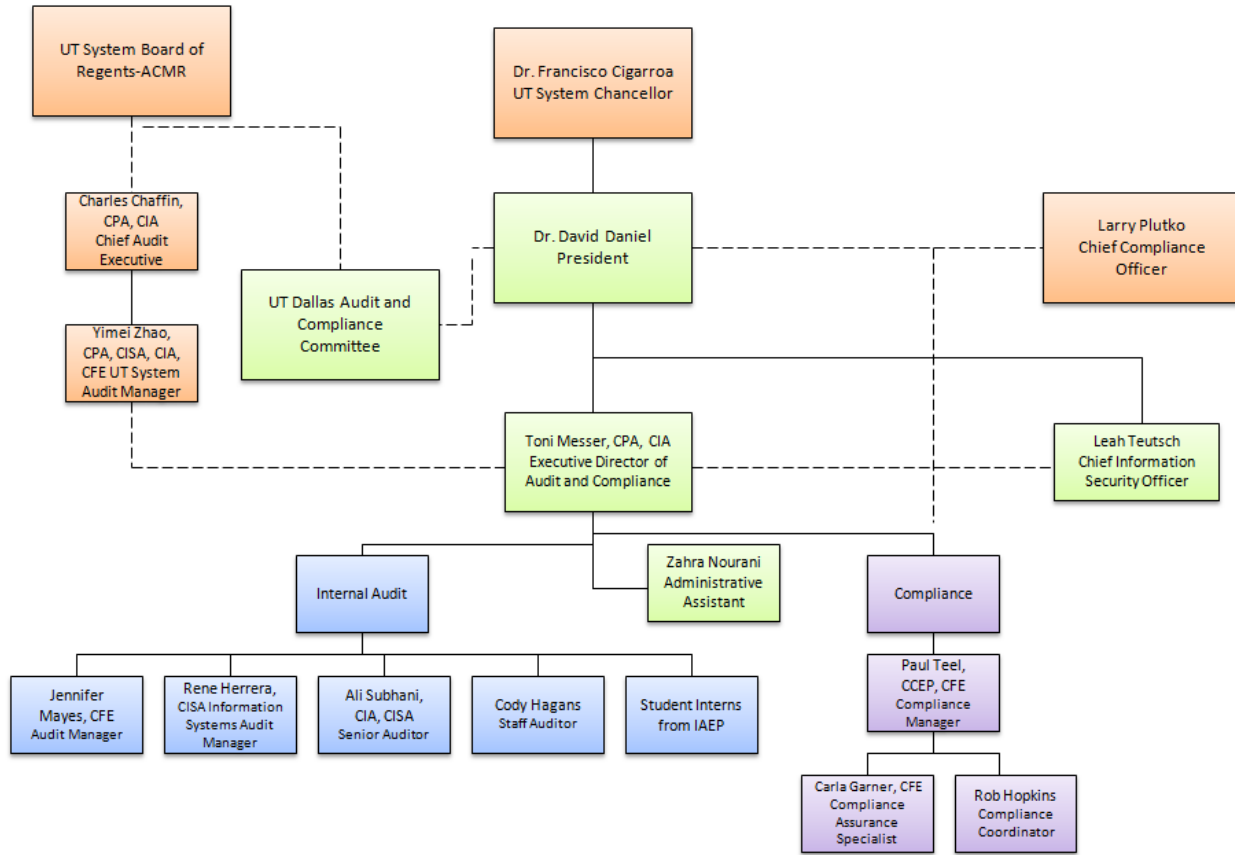
Listing of Consulting Engagements and Non-audit Services Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Implementation Status

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Non-audit Service Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
N/A	9/1/2009	<i>African American Museum</i>	This review was required as part of the agreement between the Texas	Opportunities to strengthen controls over the accounting of the funds.	In process.	Lack of controls and noncompliance could result in increased risks

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Non-audit Service Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/ Other Impact
			Higher Education Coordinating Board and The University of Texas at Dallas, dated August 29, 2007.			of fraud or error or loss of future funding. Funds totaled \$93,636.
N/A	9/1/2009	<i>Retired Faculty and Staff Association</i>	At the request of the association, to review the accounts for propriety.	Strengthen controls over supporting documentation, signature authorities, use of gift cards, sales tax, and annual audits.	Not tracked as no longer part of university.	Lack of controls and noncompliance could result in increased risks of fraud or error.
N/A	9/30/2009	<i>VP for Diversity and Community Engagement</i>	Purchasing card review to ensure compliance with university policies and procedures.	Improve compliance with university policies.	In process.	Lack of controls and noncompliance could result in increased risks of fraud or error.
N/A	12/1/2009	<i>Review of Endowment Fee Justification Report</i>	Assurance review of UT Dallas' endowment fee justifications for FY 2009.	Endowment fee justification reports appeared accurately prepared.	Not applicable.	Not applicable.
N/A	7/14/2010	<i>ARRA (American Reinvestment and Recovery Act) Vendor Reporting Requirements</i>	While testing payment vouchers in another department, reviewed for compliance with UT Dallas ARRA reporting procedures.	Items did not meet requirements to obtain specific vendor information.	Implemented.	Noncompliance could result in lost ARRA funding.
N/A	8/25/2010	<i>Student Fees</i>	To determine if student fees were being used in accordance with their intended purpose.	Process owners should be identified; a standard process for approval of incidental fees should be developed; departments should have input into budgeting process for unique fees, such as information technology fee; monitoring should occur to ensure proper use of fees; approvals and coding should be improved for fees;	In process.	Revenues from fees not expended in accordance with their intended purpose. Inadequate fees being charged to cover initiatives.

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Non-audit Service Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/ Other Impact
				the fee description listing should include description of appropriate use.		

Office of Audit and Compliance Organization Chart



Report on Other Internal Audit Activities

IMPACT	ACTIVITY
Served on University Information Resources Security Committee (Information Systems Audit Manager)	Provides independent consultation and guidance to help ensure that the university's computing environment is adequately safeguarded.
Consulted on maintenance of the administrative information systems, as needed, including PeopleSoft implementation team.	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.
Participated on the University's Compliance Committee and Subcommittee.	Provides independent consultation and guidance to help ensure that institutional compliance issues are being addressed.
Facilitated the University's ethics/compliance hotline and served on committee to address calls to the hotline.	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized and helps ensure that institutional compliance issues are being addressed.
Participated in the Dallas Chapter of the Institute of Internal Auditors (IIA) as a Board Member, co-chair of the Certified Internal Auditor Examination Committee (Director) and photographer (Audit Manager)	Provides a sharing of ideas, experiences, and approaches with other internal auditors and audit/business professionals.
The Senior Auditor participated on the Dallas Chapter's Research Project.	Provides a sharing of ideas, experiences, and approaches with other internal auditors and audit/business professionals.
Consulted with management, faculty, and staff with questions on various university issues such as internal controls procedures, etc.	Provides university employees with guidance and resources.
Participated in the Association of College and University Auditors as a Board Member and Professional Education Chair during fiscal year 2010 (Director).	Provides a sharing of ideas, experiences, and approaches with other internal auditors and audit/business professionals.
Presented to the Internal Audit Education Partnership (IAEP) Program class on risk assessment and working papers. Supervised student auditors from the class on audit projects. Also participated in the IAEP Advisory Board.	This provides opportunity to interact with students and share ideas, approaches, and audit issues.

Internal Audit Plan for Fiscal Year 2011

FY 2011 Audit Plan Audit/Project	Budgeted Hours	% of Total
<i>Financial</i>		
FY 2010 Financial Statement Audit	480	
FY 2011 Interim Financial Statement Audit Work	100	
Presidential Travel and Entertainment Expenses Audit	80	
Joint Admission Medical Program (JAMP)	40	
<i>Subtotal Financial Audits</i>	700	10%
<i>Operational</i>		
Purchasing Cards	240	
Departmental Self-Assessments, Reviews, and Training (Appendix K)	1,400	
Center for Nanotechnology	100	
Restricted Research Expenditures	180	
Contracting	200	
Financial Aid & Scholarships	500	
<i>Subtotal Operational</i>	2,620	38%
<i>Compliance</i>		
Ethics/Conflicts of Interest (Research and Financial)	100	
Medical Billing Compliance (Callier)	200	
Time and Effort	300	
NHARP Grants	120	
Lena Callier Trust, required annually by the Trust Agreement	80	
ARRA (American Recovery and Reinvestment Act) Audit	100	
Environmental Health and Safety	200	
Texas Schools Project	100	
Federal Portion of the Statewide Single Audit (assistance to State Auditor's Office)	40	
<i>Carry forward from FY 2010</i>		
Texas Schools Project	20	
<i>Subtotal Compliance</i>	1,260	18%

FY 2011 Audit Plan Audit/Project	Budgeted Hours	% of Total
<i>Information Technology</i>		
TAC 202 (IT Security)	200	
Information Security Program Audit	200	
PeopleSoft Application Review - Student System	400	
PeopleSoft Steering Committee - HRS/Finance	300	
<i>Carry forward from FY 2010</i>		
PCI Compliance	20	
IT Governance	20	
<i>Subtotal Information Technology</i>	1,140	17%
<i>Follow-up Audits</i>		
Quarterly Follow-up of Significant Audit Recommendations	10	
Annual Follow-up Audit Work	100	
<i>Subtotal Follow-Up</i>	110	2%
<i>Projects</i>		
Annual Internal Audit Report	30	
Audit & Compliance Committee	60	
FY 2012 Audit Plan	70	
Quality Assurance Reviews for Other Audit Departments	50	
Internal Audit Quality Assurance Review - Follow-up	20	
ACL management; updates; audit software class	40	
Hotline Calls, Investigations, and Special Projects	360	
UT System Requests	40	
Upgrade to TeamMate 9.0	120	
Consulting (All Areas)	260	
<i>Subtotal Projects</i>	1,050	15%
<i>Total</i>	6,880	100%

External Audit Services Procured in Fiscal Year 2010

There were no external audit services that were procured or are ongoing in fiscal year 2010.

Reporting Suspected Fraud and Abuse

The following actions were taken by The University of Texas at Dallas to implement the requirements of: http://www.lbb.state.tx.us/Bill_80/8_FSU/80-8_FSU_1007.pdf

- **Fraud Reporting.** Article IX, Section 17.05, the General Appropriations Act (81st Legislature).

Sec. 17.05. Fraud Reporting. 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, including funds received pursuant to the American Recovery and Reinvestment Act, as follows: (a) By 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 fraud hotline information and a link to the State Auditor's website for fraud reporting; and (b) By including in the agency or institution's policies information on how to report suspected fraud involving state funds to the state auditor.

UT Dallas has a link for fraud reporting at the University's home page www.utdallas.edu which provides information about reporting fraud waste and abuse to the State Auditor's office. There is also a link at http://www.utdallas.edu/audit-compliance/hotline_about.htm.

- **Reporting Requirements.** Article XII, Section 5(c), the General Appropriations Act (81st Legislature).

SPECIAL PROVISIONS AMERICAN RECOVERY AND REINVESTMENT ACT
Each state agency or institution that receives funds as a result of the American Recovery and Reinvestment Act and that provides reports to the Legislative Budget Board and federal agencies regarding funding received under ARRA shall post on the agency's or institution's internet website, the agency's or institution's ARRA report and provide a link to the State Auditor's Office fraud hotline.

UT Dallas reports ARRA information and the State Auditor's Office fraud hotline at <http://www.utdallas.edu/research/ARRA.html>.

- Texas Government Code, Section 321.022.

Sec. 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.

UT Dallas reports such activities to the State Auditor's Office via the following website:

<https://sao.fraud.state.tx.us/hotline.aspx>.