

**The University of Texas  
at Dallas**



**Office of Audit and Compliance**

**2011**

**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

I. Internal Audit Plan for Fiscal Year 2011.....	4
<i>Explanation of Deviations from the Plan</i> .....	6
II. External Quality Assurance Review .....	7
III. List of Audits Completed.....	9
IV. List of Consulting Engagements and Non-audit Services Completed .....	25
V. Organizational Chart .....	26
VI. Report on Other Internal Audit Activities.....	27
VII. Internal Audit Plan for Fiscal Year 2012.....	28
VIII. External Audit Services .....	31
IX. Reporting Suspected Fraud and Abuse.....	31

## I. Internal Audit Plan for Fiscal Year 2011

FY 2011 Annual Audit Plan Audit/Project	Priority Budgeted Hours	%	Actual Hours	%	Credit for Priority Hours	%	Status of Audit/Project as of August 31, 2011
<b>Financial</b>							
FY 2010 Financial Statement Audit	480		911		480		Complete
FY 2011 Interim Financial Statement Audit Work	250		106		106		In process
Presidential Travel and Entertainment Expenses Audit	80		-		40		<i>Being conducted by Compliance Assurance Specialist and will be done by 9/15. Taking credit for 1/2 of the budgeted hours.</i>
Joint Admission Medical Program (JAMP)	40		147		40		Complete
<b>Financial Subtotal</b>	<b>850</b>	<b>15%</b>	<b>1,164</b>	<b>20%</b>	<b>666</b>	<b>15%</b>	
<b>Operational</b>							
Purchasing Cards	-		-		-		Removed from Audit Plan per Audit & Compliance Committee Approval 3/10/11 meeting; therefore, reducing hours by 240.
Center for Nanotechnology	100		141		100		Complete
Restricted Research Expenditures	180		3		3		<i>Could not complete due to problems with PeopleSoft data and Finance Staff not being able to help due to Payroll priorities.</i>
Contracting	-		-		-		<i>Deleted on plan - see 3rd Quarter ACC Minutes</i>
Financial Aid & Scholarships	-		-		-		<i>Per 3/10/11 Audit Committee meeting, Audit will be combined with PeopleSoft Student System Application Review.</i>
Gifts (Carried Forward from Prior Year)	300		425		255		<i>Hours added by ACC.; Audit report in process and audit 85% complete.</i>
<i>Departmental Self-Assessments, Reviews, and Training</i>	1,650		50		1,577		
Departmental Processes Training Classes			-				
Applied Biology			-				
Arts & Humanities			11				
Biology			151				
Center for Brain Health			-				
Center for Space Sciences			-				
Central Track			-				
Child Care							Combined w/Dean of Students - complete
Computer Science			-				
Dean of Students			84				Complete
Dean of Undergraduate Studies			239				Complete
Disability Services			73				Complete
EPPS			66				Complete
Geosciences			5				
Human Resources Management and Payroll			-				
Library			261				Complete
Mail Services			-				
Material Sciences			-				
Mathematical Sciences			2				
Mechanical Engineering			-				
NS&M			-				
NS&M Nanotechnology Center			-				
Physics			174				
Procurement Management			-				
Science Education			-				
Sickle Cell			-				
Student Counseling			92				Complete
Student Development							Combined w/Dean of Students - complete
Student Media							Combined w/Dean of Students - complete
Telecom Engineering			-				
University Police			371				Complete
Vital Longevity			-				
VP Development			-				
VP Public Affairs			-				
<b>Operational Subtotal</b>	<b>2,230</b>	<b>38%</b>	<b>2,145</b>	<b>37%</b>	<b>1,935</b>	<b>42%</b>	

FY 2011 Annual Audit Plan Audit/Project	Priority Budgeted Hours	%	Actual Hours	%	Credit for Priority Hours	%	Status of Audit/Project as of August 31, 2011
<b>Compliance</b>							
Ethics/Conflicts of Interest (Research and Financial)	100		5		5		In process
Medical Billing Compliance (Callier)	200		28		100		Audit is 50% complete, therefore claiming 100 hours
Time and Effort	-		-				Deleted per 3rd quarter ACC.
NHARP Grants	120		132		96		Audit 80% complete.
Lena Callier Trust, required annually by the Trust Agreement	80		272		70		Audit 90% complete. Waiting on Callier Center.
ARRA (American Recovery and Reinvestment Act) Audit	-						Removed from Audit Plan per Audit & Compliance Committee Approval 3/10/11 meeting; therefore, reducing hours by 100.
Environmental Health and Safety	200		234		190		Fieldwork complete report in process. Audit 95% complete.
Texas Schools Project	100		10		75		Audit 75% complete.
Federal Portion of the Statewide Single Audit (assistance to State Auditor's Office)	-		-				Deleted per 3rd quarter ACC.
<i>Carry forward from FY 2010</i>							
Unallowable Costs	-		2				Complete
Texas Schools Project	20		159		20		Complete
<b>Compliance Subtotal</b>	<b>820</b>	<b>14%</b>	<b>840</b>	<b>14%</b>	<b>556</b>	<b>12%</b>	
<b>Information Technology</b>							
TAC 202 (IT Security)	200		261		190		Awaiting responses from CISO. Audit 95% complete.
Information Security Program Audit	200		31		31		Awaiting CISO input.
PeopleSoft Application Review - Student System	500		241		241		In process.
PeopleSoft Steering Committee - HRS/Finance	200		193		193		Ongoing throughout the year; giving credit for hours spent to date.
<i>Carry forward from FY 2010</i>							
PCI Compliance	20		142		20		Report in process.
IT Governance	20		65		20		Report in process.
<b>Information Technology Subtotal</b>	<b>1,140</b>	<b>20%</b>	<b>932</b>	<b>16%</b>	<b>695</b>	<b>15%</b>	
<b>Follow-up</b>							
Quarterly Follow-up of Significant Audit Recommendations	10		-				
Annual Follow-up Audit Work	100		52		52		Ongoing throughout the year; giving credit for hours spent to date; Summer 2011
<b>Follow-up Subtotal</b>	<b>110</b>	<b>2%</b>	<b>52</b>	<b>1%</b>	<b>52</b>	<b>1%</b>	
<b>Projects</b>							
Annual Internal Audit Report	30		8		30		Complete
Audit & Compliance Committee	60		47		60		Complete
FY 2012 Audit Plan	70		59		70		Complete
Quality Assurance Reviews for Other Audit Departments	50		40		50		Complete
Internal Audit Quality Assurance Review - Follow-up	20		-				Asked UTSW to conduct; they postponed to 9/11
ACL management; updates; audit software class	40		18		18		Used less hours than budgeted
Hotline Calls, Investigations, and Special Projects	60		52		52		Used less hours than budgeted
UT System Requests	40		39		39		Complete
Upgrade to Teammate 9.0	200		241		180		Requested/approved 200 hours at 3rd quarter meeting. Implementation about 90%; therefore, claiming 90% of 200.
Consulting (All Areas)	100		174		174		Ongoing throughout the year; giving credit for hours spent to date.
<b>Projects Subtotal</b>	<b>670</b>	<b>12%</b>	<b>677</b>	<b>12%</b>	<b>673</b>	<b>15%</b>	
<b>Totals</b>	<b>5,820</b>	<b>100%</b>	<b>5,809</b>	<b>100%</b>	<b>4,577</b>	<b>100%</b>	
<b>Percentage Completion of Priority Hours Based on Credit</b>						<b>79%</b>	
<b>Percentage Total Priority Hours of Total Budgeted Hours</b>						<b>84%</b>	

**Explanations of Deviations from the Audit Plan**

During fiscal year 2011, 11 audit reports were issued, two special projects were completed, and one external quality assurance review was performed.

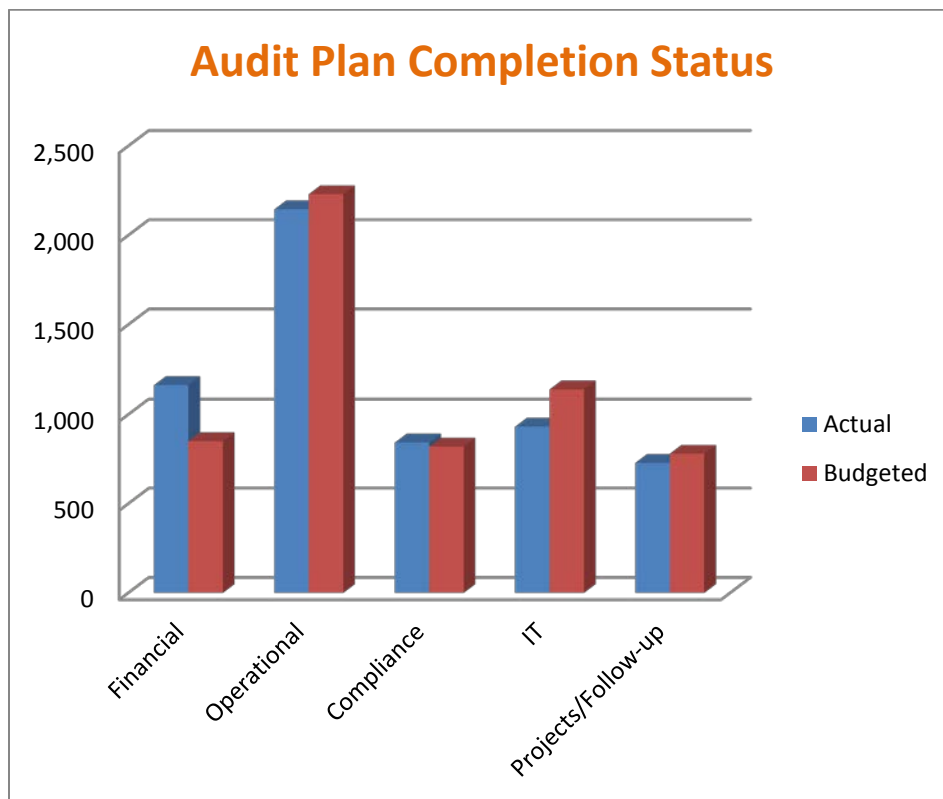
**Audits in Process at 8/31/11**

- Lena Callier Trust
- TAC 202
- Biology
- EH&S
- Information Security Program
- PeopleSoft – Financial Aid
- NHARP Grants
- Medical Billing
- Conflict of Interest
- Physics
- Interim Financial Audit

The implementation of PeopleSoft affected our FY Audit Plan, and the Audit and Compliance Committee approved changes to the Plan based on the issues surrounding implementation.

The audits not completed were either postponed to fiscal year 2012 or reassessed as part of the risk assessment process for 2012/13 audits. 79% of priority audits, as approved by the Audit and Compliance Committee, were completed.

The chart below shows the detailed audit plan budget to actual hours, and the charts on pages 5-6 show the Fiscal Year 2011 Audit Plan Completion Status.



## II. 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

### III. 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
R1101	10/15/10	<i>Texas Schools Projects</i>	To ensure that the Education Research Center (ERC) is in compliance with all state and federal laws and to ensure that the Texas Schools Project is adhering to the terms of the contract with the Texas Higher Education Coordinating Board.	<ol style="list-style-type: none"> <li>1. The ERC should enhance data protection by implementing additional controls or procedures to ensure that data is not copied or removed.</li> <li>2. The department should enhance controls around the firewall and VPN devices by implementing a new firewall solution that only allows secure VPN access from the ERC, the THECB, or a public IHE located in Texas that is an acknowledged consortium member of the ERC.</li> </ol>	<ol style="list-style-type: none"> <li>1. Fully implemented</li> <li>2. Fully implemented</li> </ol>	<ol style="list-style-type: none"> <li>1. Potential data loss</li> <li>2. The network could be vulnerable to attack, and the risk of data being compromised is increased</li> </ol>
R1102	11/11/10	<i>Joint Admissions Medical Program (JAMP)</i>	To provide assurance that UT Dallas complies with JAMP Agreement requirements and the JAMP Expenditure Guidelines.	Controls over Expenses Should Be Improved	Incomplete / ongoing. A new accounting system was implemented during FY 2011 which has delayed implementation.	Inaccurate financial information

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1103	11/29/10	<i>Unallowable Costs</i>	To provide assurance that UT Dallas is in compliance with unallowable cost requirements as outlined in OMB Circular A-21.	<ol style="list-style-type: none"> <li>1. Management should institute an adequate review process for costs that are claimed as cost sharing to ensure that all the requirements of OMB Circular A-110 are met.</li> <li>2. A policy to regulate expenditures that are made from agency funds should be developed. Finance should work with the Center for Translation Studies to ensure the bank account is set up in accordance with university practices.</li> <li>3. A process should be instituted that can ensure that scholarships, fellowships, and tuition remission awards that are being processed from federally sponsored program accounts are in compliance with A-21 requirements. In addition, a policy that incorporates the relevant A-21 requirements related to</li> </ol>	<ol style="list-style-type: none"> <li>1. Incomplete / ongoing</li> <li>2. Incomplete / ongoing</li> <li>3. Incomplete / ongoing</li> </ol>	<ol style="list-style-type: none"> <li>1. Loss of federal funding</li> <li>2. Increased risk of fraud or theft</li> <li>3. UT Dallas could charge potentially unallowable scholarship and fellowship awards to federally sponsored program accounts.</li> </ol>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				tuition remission awards should be developed. 4. A total of \$11,863.81 in costs that appeared to be unallowable was discovered during the audit. These should be investigated and removed from the relevant sponsored agreement accounts to which they were charged. 5. Reconciliations should be performed in a timely manner in accordance with university guidelines to ensure the accuracy of financial records. 6. Enhance policies for timing of submission of certifications and proposals to OSP. 7. Create a process to track required interim and final reporting.	4. Incomplete / ongoing  5. Incomplete / ongoing  6. Incomplete / ongoing  7. Fully implemented	4. Loss of federal funding  5. Increased risk of error and/or fraud  6. Loss of federal funding  7. Loss of federal funding

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1104	11/29/10	<i>Arts and Humanities</i>	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.	<ol style="list-style-type: none"> <li>1. The School should ensure that employee time is tracked appropriately.</li>   <li>2. Surplus computer equipment for the Arts and Humanities department should be held in a more secure location with minimal access. The IT services employees in Arts and Humanities implement a regular surplus schedule so equipment is not held longer than necessary.</li>   <li>3. The School should create written job descriptions for each position and make these descriptions clear to the affected employees so</li> </ol>	All recommendations are incomplete and ongoing.	<ol style="list-style-type: none"> <li>1. If time is not tracked and reported accurately, the result could be low morale due to unequal practices across the school or penalties for non-compliance with State and Federal guidelines.</li>   <li>2. Increased exposure to the risk of it being compromised as well as taking up additional storage space.</li>   <li>3. Inefficient operations</li> </ol>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>that operations can proceed efficiently.</p> <p>4. It is recommended that the department draft policies and procedures for key processes specific to the school's operations.</p> <p>5. All UTD affiliated bank accounts be deposited at UTD in an agency fund. In addition, a policy to regulate expenditures that are made from agency funds should be developed. We recommend that the Center for Translation Studies work with the Office of Finance to ensure this account is properly managed.</p>		<p>4. Employees are unaware of their responsibilities; inefficiencies</p> <p>5. Risk of fraud, error</p>
R1105	12/1/10	<i>Annual Financial Report (AFR)</i>	To determine if the information included in the AFR and related footnotes that is the responsibility of UT Dallas management, accurately presents, in all material respects, the	1. Because the university will implement the PeopleSoft human resources and financial systems effective in December 2010, the Payroll Office should ensure that the new	1. Incomplete and ongoing	1. The risk of error or fraud occurring and not being detected in a timely manner is increased.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
			<p>financial position, results of operations and changes in net assets, cash flows, and the related footnote information of UT Dallas at August 31, 2010, and for the year then ended.</p>	<p>reconciliation procedures be developed. These procedures should be well documented to ensure all employees understand their responsibilities and procedures in performing and reviewing reconciliations. Controls over reconciliations should be enhanced by Finance to ensure appropriate monitoring of general ledger reconciliations, especially those affecting year-end transactions, to ensure their completeness and accuracy.</p> <p>2. Controls over documentation and authorization over journal entries should be enhanced. Journal entries should be approved by someone other than the preparer as well as the account manager. Documentation should be sufficient to explain the</p>	<p>2. Fully implemented</p>	<p>2. Risk of unauthorized or inaccurate changes being made to the accounting system.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>reason the transaction was made, including support that provides the explanation for the entry.</p> <p>3. Controls should be improved to ensure only authorized changes are made and reviewed by management, and alternate methods of accounting the crediting of student charges after the census date should be developed.</p> <p>4. A procedure should be developed to ensure that revenue and related expenses are properly calculated and booked to the appropriate fiscal year. In the future, funds received from students that are owed to an outside vendor should be recorded as a payable rather than as deferred revenue.</p> <p>5. We recommend that</p>	<p>3. Incomplete and ongoing</p> <p>4. Incomplete and ongoing</p> <p>5. Fully implemented</p>	<p>3. The financial information being reported regarding student transactions could be inaccurate, and the risk of fraud or error is increased.</p> <p>4. Inaccurate financial reporting</p> <p>5. The University</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>procedures be enhanced regarding the maintenance of adequate documentation supporting drawdowns. Finance should ensure that indirect costs appearing on sponsored program accounts are accurate. All accounts should be invoiced by Contract and Grant Accounting; however, if special agreements are made with a department, then the department should be trained on the proper way to invoice to ensure appropriate documentation is maintained.</p> <p>6. Property Administration should communicate the number and value of lost and/or stolen assets back to UTD management and their respective college/Dean to ensure they are aware of the missing assets to help</p>	<p>6. Incomplete and ongoing</p>	<p>risks being penalized by federal grantors for not being in compliance with applicable regulations, and financial information may be inaccurate.</p> <p>6. Increased risks of fraud and loss</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>increase awareness over asset loss and help improve asset tracking stewardship by the responsible departments.</p> <p>7. During implementation of the PeopleSoft system, access profiles should be reviewed to ensure permissions are based on employee roles and responsibilities and an appropriate segregation of duties exists. Periodic review of the permissions should be performed after implementation.</p>	7. Fully implemented	7. Increased risk of unauthorized access, fraud, error
R1106	1/5/11	<i>School of Economic, Political, and Policy Sciences</i>	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.	Expenditure transactions such as voucher reimbursements should be initiated and signed at the program level and reviewed for approval by the Fiscal Officer to ensure proper segregation of duties.	Incomplete / ongoing. Should be implemented by 12/31/11.	Increased risk of error, fraud

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
R1107	1/6/11	<i>Office of Undergraduate Education (UGE)</i>	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.	<ol style="list-style-type: none"> <li>1. Ensure that endpoint encryption is installed on all laptops and other portable devices.</li> <li>2. The new Dean should ensure that all UGE staff receives the required annual performance evaluations timely.</li> <li>3. UGE should ensure that property forms are fully completed and approved when laptops or other portable assets are removed from campus. In addition, since the prior Dean is now solely employed by the Office of the Provost rather than by UGE, this asset should be moved off the UGE inventory to reflect his new department.</li> <li>4. Improve controls over expense procedures.</li> <li>5. The Dean should continue to create and update written job descriptions</li> </ol>		<ol style="list-style-type: none"> <li>1. Sensitive data is vulnerable to unauthorized access.</li> <li>2. Inefficiencies, low morale, lower productivity</li> <li>3. Increased risk of loss of property</li> <li>4. Increased risk of error or fraud</li> <li>5. Inefficiencies</li> </ol>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				for each position. 6. Policies and procedures for key processes specific to the Office's operations should be developed.		6. Inefficiencies
R1108	2/7/11	<i>NanoTech Institute</i>	To provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management. The primary focus of the audit was on areas that were identified during the Nanotech review conducted in November of 2009.	Departmental procedures related to expenditures should be enhanced so that internal controls are improved.	Per department head, recommendation has been fully implemented.	Increased risks of error or fraud
R1109	5/3/11	<i>Library</i>	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.	1. We recommend that all individuals involved with the account reconciliation process have access to the financial reporting system to help ensure that they can verify accuracy and validity of the reports they review as a part of the account reconciliation process.	All recommendations are incomplete and ongoing.	1. Increased risk of fraud or error.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<ol style="list-style-type: none"> <li>2. We recommend that the Library work with the UT Dallas Police Department to determine any action that may be required to help reduce the risk of unauthorized entry.</li> <li>3. We recommend that the Library give the department heads more insight and/or control into the financial status of the budget as it impacts their areas.</li> </ol>		<ol style="list-style-type: none"> <li>2. Risk of harm to students and employees; risk of loss</li> <li>3. Inefficiencies</li> </ol>
R1110	5/4/11	<i>Student Counseling Center</i>	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.	<ol style="list-style-type: none"> <li>1. We recommend the Counseling Center investigate opportunities to hire additional staff to help reduce the burden on the administrative assistant. In addition, areas of opportunity exist to share resources with other areas that are similarly understaffed such as the Student AccessAbility Office. We also recommend the Counseling Center consider hiring additional counselors in order to see more students who may be in</li> </ol>	<ol style="list-style-type: none"> <li>1. Fully implemented</li> </ol>	<ol style="list-style-type: none"> <li>1. Quality of service; efficiency</li> </ol>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>need of help.</p> <p>2. We recommend that sales tax is not paid when purchasing items within the State, and that the supervisor carefully reviews the activity reports and receipts to ensure that no sales tax is paid.</p>	2. Fully implemented	2. Noncompliance with state policies; reduced available budget
R1111	5/13/11	<i>University Police</i>	The objective of this audit was to provide assurance that an adequate system of internal controls is in place which will provide reasonable assurance of sound management. The primary focus of the audit was to follow-up on areas that were identified during the prior audit of the department, Audit Report No. 1003, <i>University Police</i> , dated November 20, 2009.	<p>1. Management should continue to make efforts to enhance IT controls by addressing the weaknesses noted in the prior audit.</p> <p>2. Management should develop a process for ensuring that all monies collected from the meters are being received by the university. In addition, management should determine who should be responsible for monitoring and reconciling account the parking and traffic account. Responsibility for monitoring and</p>	All recommendations are incomplete and ongoing.	<p>1. Unauthorized access</p> <p>2. Lost revenue</p>

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>reconciling the account should be delegated to individual(s) that have direct knowledge of revenue and expenditures that should be charged to the account.</p> <p>3. Management should seek clarification from UT System on the logging requirements for tracking vehicle mileage. In addition, vehicle mileage records should be approved on a monthly basis by individual(s) with appropriate signature authority. Management in the Environmental Health and Safety should ensure that driver safety training is offered to individuals as required by System policy.</p>		3. Noncompliance with State law
R1112	5/19/11	<i>Student AccessAbility</i>	To provide a consulting service to the department by reviewing the existing internal controls, and providing information necessary to assist managers in developing an	1. The Office should ensure that adequate staff/experience is available to maintain operations in the event the Assistant Director is unavailable. Also, consideration should	1. Substantially implemented	1. Adequacy of staff resources

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
			adequate system of internal controls which will provide reasonable assurance of sound management.	<p>be given to forming a panel to perform student intakes to help ensure consistency and well-documented decisions for student services.</p> <p>2. The Office should investigate opportunities to share resources with other areas that are similarly under-staffed.</p>	2. Fully Implemented	2. Adequacy of staff resources
R1113	5/25/11	<i>Dean of Students</i>	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.	<p>1. The duties of cash collection and data input should be segregated. Student Media should work with Finance to ensure that receivables are properly accounted for in the university's accounting system.</p> <p>2. Management should review the use of purchasing cards and determine who should be allowed to use them. Cardholders should be instructed to ensure that the correct subcode is being used and is used consistently. Cardholders</p>	<p>1. Fully implemented</p> <p>2. Fully implemented</p>	<p>1. Increased risk of fraud and abuse; inaccurate financial reporting</p> <p>2. Risk of fraud, error, abuse and inaccurate financial reporting</p>

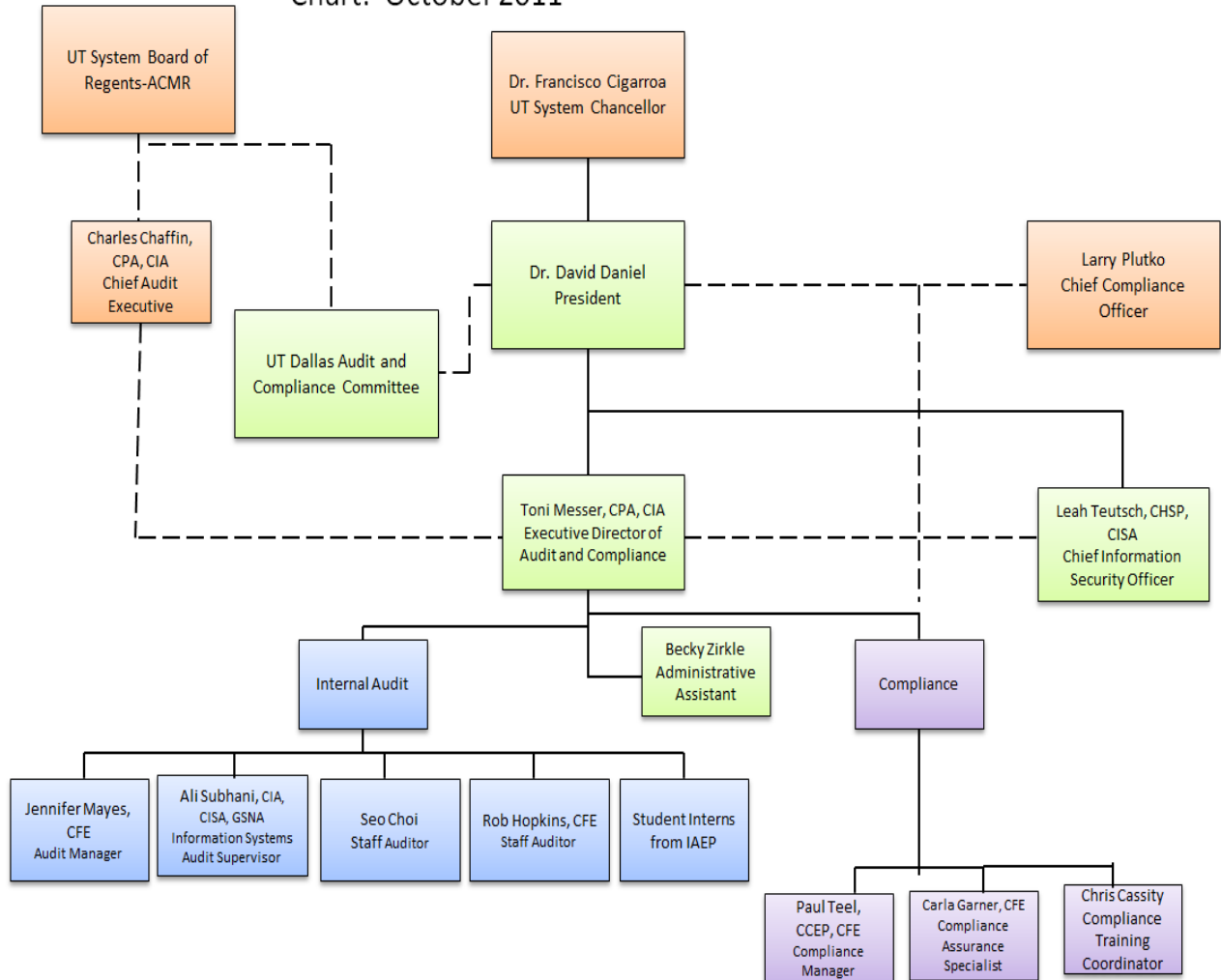
Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, and Recommendations	Current Status	Fiscal Impact/Other Impact
				<p>should also be instructed to make all purchases in compliance with UTD Procurement policies and procedures, including that sufficient documentation is maintained.</p> <p>3. The Dean’s office should continue to move toward the new property administration structure, and the Dean should ensure that appropriate controls are in place over property, ensuring that supervisors are given the appropriate property administration training.</p> <p>4. Student organizations handling cash should receive cash handling training prior to being given the cash boxes, and specific policies and procedures should be communicated.</p>	<p>3. Fully implemented</p> <p>4. Fully implemented</p>	<p>3. Increased risk of loss, theft</p> <p>4. Risk is increased for theft and loss</p>

#### IV. 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	9/8/10	<i>African American Museum</i>	To review the African American Museum's financial statements for the internship program for the fiscal year ending August 31, 2010.	Opportunities existed to strengthen controls over time reporting.	In process.	Loss of revenue for museum.
N/A	10/26/10	<i>Follow-up of Texas Schools Project</i>	To follow up on the recommendations resulting from the audit of the Texas Schools Project.	Recommendations had been implemented.	Not applicable.	Not applicable.
N/A	8/16/11	<i>PeopleSoft Issues</i>	To provide the President with information regarding the implementation of PeopleSoft.	Opportunities exist to enhance project management.	In process.	Large impact on operations, including but not limited to a loss of state and federal funding; tax compliance issues; low morale and productivity; inaccurate financial reporting

V. Organizational Chart

Office of Audit and Compliance Organization  
Chart: October 2011



## VI. 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 (Information Systems Audit Manager)	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 (Executive Director)	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 (Executive Director)	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 (Executive Director) and photographer (Audit Manager)	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 Vice President during fiscal year 2011 (Executive 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 (Executive Director). Supervised student auditors from the class on audit projects (all). Also participated in the IAEP Advisory Board (Executive Director).	This provides opportunity to interact with students and share ideas, approaches, and audit issues.

## VII. Internal Audit Plan for Fiscal Year 2012

FY 2011 Audit Plan Audit/Project	Priority Hours	% of Total
<b>Financial</b>		
FY 2011 Financial Statement Audit	500	
FY 2012 Interim Financial Statement Audit Work	150	
Presidential Travel and Entertainment Expenses Audit	100	
Payroll Expenses	400	
Financial Consulting	40	
<i>Subtotal Financial Audits</i>	1,190	20%
<b>Operational</b>		
Contracting Process		
Financial Aid - Cash Management	200	
Human Resources Management	400	
Departmental Audits (see details in Appendix F)	600	
Management Requests and Consulting on Operational Issues	200	
<i>FY 2011 Audits Carried Forward</i>		
Restricted Research Expenditures	200	
<i>FY 2011 Audits Carried Forward</i>		
Gifts	40	
Departmental Audits	60	
<i>Subtotal Operational</i>	1,700	29%
<b>Compliance</b>		
Time and Effort Reporting	300	
Consulting with Research Office on Accounting for Federal Grants	100	
Education Research Center (ERC) (required annually)	120	
Lena Callier Trust (required annually)	120	
Consulting by Internal Audit on Compliance Issues	40	
Research Compliance	50	
THECB Facilities Audit	120	
Dependent Eligibility Audit (Required by UT System)	300	
Federal Portion of the Statewide Single Audit (assistance to the SAO)	10	
<i>FY 2011 Audits Carried Forward</i>		
NHARP Grants	50	
EH & S	10	
Medical Billing	35	
FY 2011 ERC Audit	60	
<i>Subtotal Compliance</i>	1,315	22%
<b>Information Technology</b>		
TAC 202 (IT Security)	150	
PeopleSoft Implementation - Consulting and Meetings	200	
Post Implementation Review - HR/Finance	500	
IDEA Audit Software Implementation and Maintenance	100	
Teammate 9.0 Maintenance	100	
IT Consulting and Special Requests (not including PeopleSoft)	80	
<i>FY 2011 Audits Carried Forward</i>		
Information Security Program Audit	80	
<i>Subtotal Information Technology</i>	1,210	21%
<b>Follow-up Audits</b>		
Quarterly Follow-up of Significant Audit Recommendations	10	
Follow-up on Deloitte IT Security Consulting Reports	40	
Annual Follow-up Audit Work	150	
<i>Subtotal Follow-Up</i>	200	3%
<b>Projects</b>		
Annual Internal Audit Report	25	
Audit & Compliance Committee	60	
FY 2013 Audit Plan	70	
Quality Assurance Reviews for Other Audit Departments	50	
Hotline Team Management	40	
UT System Requests	30	
<i>Subtotal Projects</i>	275	5%
<b>Total</b>	5,890	100%

*List of High Risks and Assurances Provided by Audit and Compliance*

Ranking	Risk	Explanation/Mitigation	Internal Audit Action
HH	Insufficient Information Resources planning and governance		TAC 202; FY 2011 IT governance audit
HH	Insufficient project implementation procedures		Post implementation review - PS
HH	Inadequate disaster recovery planning over systems		TAC 202
HH	Inadequate security over systems		TAC 202; PeopleSoft security
HH	Inaccurate payroll processing		Payroll Expenses Audit
HH	Inadequate policies and procedures over HR procedures		Human Resources Audit
HH	Lack of management, organization structure in HR		Human Resources Audit
HH	Inaccurate financial reporting		AFR Audit; Departmental audits
HH	Account reconciliations not being prepared in a timely manner		Departmental audits
HH	Insufficient segregation of duties over financial processes		Departmental audits
HH	Disaster Recovery Planning for Business Processes		TAC 202
HH	Noncompliance with federal regulations regarding financial systems resulting in loss of federal funding		Consulting with Research
HH	Noncompliance with Time & Effort Reporting		Time & Effort Audit
HM	Inadequate change management controls		Post implementation review - PS
HM	Inadequate IT organization structure		Consulting on Information Resources; Post Implementation Review - PS
HM	Inadequate training and skills of IT staff		Post implementation review - PS
HM	Noncompliance with TAC 202		TAC 202
HM	Noncompliance with HIPAA	HIPAA Inspection by Compliance Office	
HM	Security of mobile devices		TAC 202
HM	Inadequate physical security over data centers		TAC 202
HM	Ineligible dependents claimed on employee benefit plans		Dependent Eligibility audit
HM	High staff turnover		Human Resources audit
HM	Lack of adequate staffing, skills, and resources for UTD employees		Human Resources audit
HM	Noncompliance with IRS regulations regarding payroll taxes		Payroll Expenses audit
HM	Lack of training on new business process for HR Management		Post implementation review - PS
HM	Noncompliance with hiring policies and procedures and other regulations, including background checks		Human Resources audit
HM	Ineffective budget and allocation process		Departmental audits
HM	Inadequate training to campus on business processes		Post implementation review - PS
HM	Noncompliance with accounting policies and procedures		AFR audit
HM	Improper use of student fees		Departmental audits - proper source of funds
HM	Inaccurate reporting to federal and state agencies, including THECB		Research consulting
HM	Risk of noncompliance with purchasing card policies including personal use of purchasing cards		Departmental audits
HM	Noncompliance with contracts		Contracting audit
HM	Lack of Current Policies and Procedures Leading to Errors		Post implementation review - PS

Ranking	Risk	Explanation/Mitigation	Internal Audit Action
HM	Noncompliance with entertainment and business expense/travel reimbursement procedures	Compliance Inspection	President's travel & entertainment; departmental audits
HM	Noncompliance with purchasing policies and procedures		Departmental audits
HM	Unauthorized expenses		Departmental audits; AFR audit
HM	Lack of segregation of duties in purchasing leading to errors and abuse		Departmental audits
HM	Campus safety risks which would increase risk of injuries, harm to faculty/staff, students, and visitors	Compliance inspection	
HM	Noncompliance with Endowments	Compliance inspection	
HM	Lack of segregation of duties and proper controls over cash management	Compliance inspection	AFR audit; departmental audits
HM	Inadequate controls over property and equipment accounting resulting in missing/stolen assets	Compliance inspection; Compliance participation on missing assets committee	Departmental audits
HM	Inadequate controls over building access, including keys and card access		Departmental audits
HM	Inability to achieve Tier 1 Status		Restricted Research Expenses audit
HM	Lack of/Inadequate Institutional Policies & Procedures		Departmental audits
HM	Insufficient management leadership and training		Human Resources audit; departmental audits
HM	Risks of rapidly changing environment, management, systems, enrollment		Departmental audits; Post implementation review; consulting projects
HM	Lack of Conflict of Interest and Ethics policies, procedures, and monitoring	Compliance Inspection	FY 2011 COI audit
HM	Noncompliance with federal grants and contracts, A-21	Compliance Inspection	Departmental audits
HM	Noncompliance with Human Subject regulations	Compliance Inspection	
HM	Noncompliance with Export Controls	Compliance Inspection; Export Controls Committee participation	
HM	Inaccurate research expenditure reporting		Restricted Research Expenses audit
HM	Lab safety	Compliance Inspection	
HM	Noncompliance with financial aid regulations		Financial Aid audit
HM	Noncompliance with scholarship terms		Financial Aid audit; departmental audits
HM	Noncompliance with FERPA	Compliance inspection	
HM	Inaccurate reporting to federal agencies on FISAP		Financial Aid audit
HM	Noncompliance with gift restrictions	Compliance inspection	departmental audits
HM	Insufficient monitoring of high risks	Compliance inspections	
HM	Department Chairs unaware of their roles and responsibilities		departmental audits; consulting

## VIII. External Audit Services Procured in Fiscal Year 2011

There were no external audit services that were procured or are ongoing in fiscal year 2011.

## IX. 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](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 (81<sup>st</sup> 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](http://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](http://www.utdallas.edu/audit-compliance/hotline_about.htm).

- **Reporting Requirements.** Article XII, Section 5(c), the General Appropriations Act (81<sup>st</sup> 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>.