

*The University of Texas  
at Dallas*



*Annual Internal Audit Report  
Fiscal Year 2001*



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**INTERNAL AUDIT PLAN FOR FISCAL YEAR 2001**

<b>Audit Areas</b>	<b>Budget Hours</b>
<b>Key Financial and Operating Areas</b>	
Annual Financial Report	50
Expenditures	150
Salaries and Wages	200
Revenues Follow-Up	100
<i>Subtotal</i>	500
<b>Institutional Compliance</b>	
Compliance Follow-Up Audit	80
Compliance Meetings	20
High Risk Areas – Inspections	200
High Risk Areas – Audits	
Code of Ethics	40
Federal Grant and Contract Post-Award	100
Research Administration	100
Sexual Harassment/EEO	40
Environmental Health & Safety	140
Federal Student Financial Aid Awards	100
Appropriate Use of Financial Resources	100
Reconciliation of Accounts	100
Segregation of Duties	100
NCAA	100
University Events – Student Affairs	40
University Events – Academic Affairs	40
ATP/ARP Grants	100
Financial Aid	200
Procurement Cards Follow-Up	80
<i>Subtotal</i>	1,680
<b>Information Technology Audits</b>	
DIR Compliance	80
ACL Setup	160
Participation on Systems Development Teams	50
Student Information System (SIS)/Touchtone Registration	200
<i>Subtotal</i>	490
<b>Risk-Based Audits</b>	
Center for Lithospheric Studies	200
Performance Measures	200
School of Management Follow-Up	200
<i>Subtotal</i>	600
<b>Projects</b>	

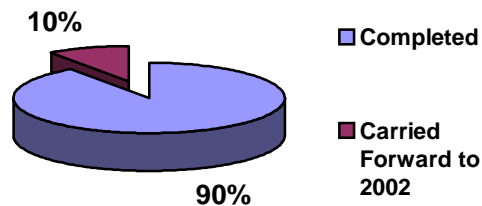


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<b>Audit Areas</b>	<b>Budget Hours</b>
Annual Follow-Up Audit	120
Annual Internal Audit Report	40
Audit Committee	40
Audit Plan	60
Carryforward Audits from FY 2000 Audit Plan	200
Cash Counts	60
Consulting Activities	120
Cost Savings Report	80
Hotline Investigations	50
Inventories	40
Lena Callier Trust	80
Quality Assurance Review	80
Semi-annual Follow-Ups	60
Special Projects	312
<i>Subtotal</i>	<i>1,302</i>
<b><i>Change in Management Departmental Audits</i></b>	
Reserved for departmental audits with a change in management ( <b>added: Human Resources, Electrical Engineering</b> )	180
Admissions	60
Career Center	60
Human Resources	60
<i>Subtotal</i>	<i>360</i>
<b><i>Total Audit and Project Hours</i></b>	<b><i>4,932</i></b>



## Explanation of Deviations From 2001 Audit Plan



- 22 audits planned.
- 3 audits added with the approval of the Audit Committee:
  - FINS Security
  - Intellectual Property
  - Physical Plant Vacation/Sick Leave
- 3 not done – carried forward to 2002 Plan (highlighted in yellow above):
  - SIS+ Application Review
  - Follow-up of Prior Audit Recommendations
  - Revenues Follow-up
- Figures do not include the compliance audits or departmental audits that were planned that we could not do because the areas had not been inspected yet and/or were not ready for inspection. Those audits are highlighted in green above.

As documented in the Audit Committee meeting minutes, the following contributed to the deviations from the 2001 Audit Plan. Despite the deviations, the majority of the key operating/financial audits were completed or in process of completion as of August 31, 2001.

- ❖ **Staffing Issues** - Three new auditors were hired during fiscal year 2001. One hired was an entry level position. Additional time incurred for learning curves.
- ❖ **Special Investigations** – Time spent conducting three special investigations held priority over other audits. Because we do informal follow-ups during the fiscal year, the Audit Committee agreed to delay the formal follow-ups until fiscal year 2002.
- ❖ **Information System Audits** – We hired an information systems auditor; however, he did not start working until April 2001. As a result, the SIS+ Application Review was not performed.



## EXTERNAL QUALITY ASSURANCE REVIEW

### STEPHEN F. AUSTIN STATE UNIVERSITY



Department of Audit Services

July 10, 2000

Ms. Toni Messer, CPA, CIA  
Director of Internal Audits  
The University of Texas at Dallas  
P.O. Box 830688 AD 32  
Richardson, Texas 75083-0688

Dear Ms. Messer:

At your request, a quality assurance review of the work of your internal audit department has been conducted. We reviewed your operations for compliance with The Institute of Internal Auditors' (IIA) *Standards for the Professional Practice of Internal Auditing*. The review was conducted in accordance with the Association of College and University Auditor's *Quality Assurance Review Handbook*.

The review covered audit work performed during the twelve month period ending May 31, 2000. The last day of our fieldwork was July 7, 2000. The scope of the review was restricted to reviewing selected documents, reviewing audit reports issued during the review period, conducting a survey, reviewing the working papers of a sample of audit projects, and interviewing key personnel.

Based on the scope of our review, we determined the Internal Audit Department *did comply*, on an overall basis, with all of the Institute of Internal Auditors' Standards including Independence, Professional Proficiency, Scope of Work, Performance of Audit Work, and Management of the Internal Audit Department.

The audit resulted in no findings considered significant to the internal audit department's operations. Additional information is provided in the attached report.

Your cooperation and assistance provided throughout the course of our review is sincerely appreciated. All individuals interviewed offered candid and constructive comments. I remain available to further discuss, at your convenience, the information contained in the attached report.

Sincerely,

Steven R. McGee, CPA, CIA, CFE, DABFA  
Team Leader

Attachment

cc: Dr. Franklyn Jenifer, President and Chair of Audit Committee  
Mr. Jim Gilger, CPA, UT System Audit Office  
Mr. Hector Gonzales, CPA, CIA, UT Southwestern Medical Center at Dallas



**LIST OF AUDITS COMPLETED SHOWING SCOPE,  
OBSERVATIONS/FINDINGS, RECOMMENDATIONS, AND  
STATUS**



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
R101	9/18/00	<b>ORASP Inspection</b>	<ul style="list-style-type: none"> <li>Compliance with Laws and Regulations</li> <li>Effectiveness and Efficiency</li> </ul>	<i>None.</i>	<i>Not applicable.</i>	<i>Not applicable.</i>
R102	9/26/00	<b>Tuition and Fees</b>	<ul style="list-style-type: none"> <li>Financial (and other) Reporting</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to Tuition and Fees operations:</i></p> <p>Tuition and fees had not been collected for a student involved in an exchange program with another university.</p> <p>The accounts receivable contracting process should be strengthened to ensure that a signed contract is in place and the Tuition and Fees are collected in a timely manner.</p>	<b>In progress. Should be completed by 2<sup>nd</sup> quarter of fiscal year 2002.</b>	Without adequate controls over tuition receivables, revenues are not collected in a timely manner resulting in lost funds.
R103	10/11/00	<b>Revenues and Receipts</b>	<ul style="list-style-type: none"> <li>Financial (and other) Reporting</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>Recommendations significant to University operations:</i></p> <p>The following opportunities existed to improve controls over accounts receivables:</p> <ul style="list-style-type: none"> <li>➤ Several accounts on the Accounts Receivable Aging Report had balances that could not be fully supported.</li> <li>➤ UTD did not have an outside collection agency.</li> <li>➤ “Past due” notices were not being sent out on student accounts.</li> <li>➤ Written collection procedures were not up to date.</li> <li>➤ The Accounts Receivable Subsidiary</li> </ul>	<b>In progress. Should be completed by 2<sup>nd</sup> quarter of fiscal year 2002.</b>	Without adequate policies and procedures outlining accounts receivable collections, the University may not receive funds owed in a timely manner. This could also result in lost interest



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				<p>Report was not being reconciled to the general ledger.</p> <ul style="list-style-type: none"> <li>➤ Deferred revenues were being posted manually.</li> <li>➤ Some payments received in the Fall of 1998 were not properly posted to the account records until August 31, 1999.</li> <li>➤ The Aged Receivable Report listed some balances that may not have been accurate.</li> </ul> <p>The Controller's Office and Financial Services should address the issues and prepare an action plan for implementation.</p> <p>Controls over receipt handling should be improved as follows:</p> <ul style="list-style-type: none"> <li>➤ Surprise cash counts were not being performed.</li> <li>➤ Cashiers were not completing a formal cash balancing worksheet at the end of the workday.</li> <li>➤ Reports are cumulative and difficult to reconcile, because there is no cut-off.</li> <li>➤ Personal cash was maintained in a cashier's drawer.</li> <li>➤ A two month-old undeposited check was found in the vault.</li> <li>➤ A reimbursement for petty cash was not in compliance with UTD policies.</li> </ul> <p>The Bursar's Office should address the issues and prepare an action plan for</p>	<p><b>In progress. Should be completed by 2<sup>nd</sup> quarter of fiscal year 2002.</b></p>	<p>income.</p> <p>The opportunities for fraud, abuse, and error are increased without strong controls over receipts.</p>



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				implementation.		
R104	11/15/00	<b>Financial Administration Inspections</b>	<ul style="list-style-type: none"> <li>• Compliance with Laws and Regulations</li> <li>• Effectiveness and Efficiency</li> </ul>	<i>None.</i>	<i>Not applicable.</i>	<i>Not applicable.</i>
R105	11/20/00	<b>Cost Savings Report</b>	<ul style="list-style-type: none"> <li>• Effectiveness and Efficiency</li> <li>• Financial (and other) Reporting</li> </ul>	<i>None.</i>	<i>Not applicable.</i>	<i>Not applicable.</i>
R106	12/6/00	<b>FINS Security</b>	<ul style="list-style-type: none"> <li>• Financial (and other) Reporting</li> <li>• Compliance with Laws and Regulations</li> </ul>	<p><i>Recommendation significant to University operations:</i></p> <p>Several instances were noted where employees had changed job responsibilities, yet they still had the profiles in the financial accounting system (FINS) for their former jobs. In addition, one employee her security profile without approval from the owner, a temporary employee no longer at UTD still had access, and some users had access that did not relate to their job responsibilities. Finally, the access files in the security manager's files did not agree to the access files maintained by the owner of FINS.</p> <p>When employees change job responsibilities, a new Computer Account Request form should be prepared. Any changes to user profiles or access should be</p>	<b>Implemented.</b>	Unauthorized access could result in fraud, abuse, and error.



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				approved by the FINS owner. FINS owners should periodically review user accesses. Users should never change their own security profiles, and profiles should not be changed without appropriate approval from the FINS owners.		
R107	1/3/001	<b>Career Center</b>	<ul style="list-style-type: none"> <li>Effectiveness and Efficiency</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>No recommendation significant to University operations.</i></p> <p><i>Recommendations significant to Career Center operations:</i></p> <p>Account reconciliations were not being performed on a regular basis due to turnover in the department.</p> <p>Account reconciliations should be performed in a timely manner each month and in accordance with UTD guidelines. The Administrative Assistant should attend training.</p>	<b>Implemented.</b>	The risks of error or fraud occurring and not being detected in a timely manner are minimized when transactions are reconciled.
R108	2/1/01	<b>Athletics/Activity Center</b>	<ul style="list-style-type: none"> <li>Effectiveness and Efficiency</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to Athletics/Activities Center operations:</i></p> <p>Building security needed to be improved in the areas of reports, back door security, alarms, security software, exit maps, security cameras, fire extinguishers, and securing equipment overnight.</p>	<b>Implemented.</b>	Strong controls should exist to minimize risks, including damage to



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				<p>Management should consider reviewing and enhancing security.</p> <p>One account was being used to record revenues and expenditures for all athletics activities, regardless of sport.</p> <p>Accounts/budgets should be created for each sport.</p>	<b>Implemented.</b>	<p>property and person, theft, and fines, lawsuits, and penalties.</p> <p>Without separate accounts, accountability of revenues and expenditures is difficult, and it is difficult for management to make decisions on a sport-by-sport basis.</p>
				<p>Upon review of compliance with a facility use agreement, we noted deviations to the agreement.</p> <p>UTD should comply with the requirements of the Lake Highlands Facility Use Agreements contract.</p>	<b>Implemented.</b>	<p>Noncompliance with contract stipulations could result in loss of funds or potential liability to the University.</p>
				<p>Monthly phone logs were not always certified as business-related.</p> <p>Long distance phone charges should be certified in accordance with UTD guidelines.</p>	<b>Implemented.</b>	<p>Without appropriate review and certification, it is possible that personal calls may not be identified or reimbursed to the</p>



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R109	2/7/01	<b>Physical Plant Vacation/Sick Leave</b>	<ul style="list-style-type: none"> <li>Effectiveness and Efficiency</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to Physical Plant Vacation/Sick leave operations:</i></p> <p>The Physical Plant was using a manual system to maintain its own vacation and sick leave records. The Human Resources system, the University's official leave record, did not agree to the department's system.</p> <p>The manual system used by the Physical Plant should be eliminated due to the high opportunity for human error. In addition, Human Resources should establish and communicate deadlines for processing vacation/sick leave corrections.</p>	<b>Implemented.</b>	Using a manual system increases the risk of human error. Not reconciling in a timely manner also increases the risk of error. Employees may be paid for hours not actually worked.
R110	2/16/01	<b>AFR Review</b>	<ul style="list-style-type: none"> <li>Financial (and other) Reporting</li> </ul>	<i>None.</i>	<i>Not applicable.</i>	<i>Not applicable.</i>
R111	3/2/01	<b>Cash, Appropriations, and Investments</b>	<ul style="list-style-type: none"> <li>Financial (and other) Reporting</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to Cash, Appropriations, and Investments:</i></p> <p>The bank account reconciliation process needed to be enhanced. Wire transfers were not being posted in a timely manner. Transactions were posted to the wrong bank account. Follow-up and coordinating efforts to clear items with other</p>	<b>Implemented.</b>	The risk of error, fraud, and abuse are increased when bank reconciliation activities are not



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				<p>departments was not performed in a timely manner. Old bank accounts were not closed in a timely manner.</p> <p>Wire transfers should be recorded in FINS in a more timely manner. A form should be developed by the Controller's Office to communicate outstanding items to departments to ensure their timely disposition. The supervisor reviewing the reconciliation should periodically review the reconciliations for accuracy. Bank accounts not being used should be closed in a timely manner.</p>		performed in a timely manner.
R112	3/5/01	<b>Lena Callier Trust</b>	<ul style="list-style-type: none"> <li>Financial (and other) Reporting</li> <li>Compliance with Laws and Regulations</li> </ul>	<i>None.</i>	<i>Not applicable.</i>	<i>Not applicable.</i>
R113	3/16/01	<b>Salaries and Wages</b>	<ul style="list-style-type: none"> <li>Financial (and other) Reporting</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to Salaries and Wages:</i></p> <p>Terminated employees still had access to the human resources system.</p> <p>Security Administration should periodically send reminders to faculty and staff regarding access policies. A quarter review system access should be performed by both Security Administration and Human Resources.</p>	<b>Implemented.</b>	Not deleting terminated employees immediately from the administrative systems could result in unauthorized



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				<p>Payroll time recap sheets were not being approved by the appropriate persons.</p> <p>Payroll should ensure the recap time sheets are properly approved prior to entry into the human resources system.</p>	<b>Implemented.</b>	<p>access to confidential information.</p> <p>Unauthorized time could be included on the recap time sheet and paid to the employee resulting in excess cost to UTD.</p>
				<p>Leave of absence policies were not being followed.</p> <p>Specific procedures should be documented for verification that paid leave entitlements have been exhausted prior to employees going on leave of absence, as well as establishment of timeframes as to when second notices, final notices, and notices of insurance cancellation are to be sent to employees on leave of absence who are in arrears. Also, an insurance rate reference chart should be established and maintained to ensure benefits are prepared accurately.</p>	<b>Implemented.</b>	<p>UTD may incur excess insurance costs.</p>
				<p>University overtime policies that require pre-approval were not being followed in the Police Department.</p>	<b>Implemented.</b>	<p>Unauthorized and unnecessary overtime may be worked resulting</p>



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				<p>A separate, written overtime approval policy should be established in the Police Department stating how the department pre-approves overtime and/or monitors and approves circumstances that would require overtime to be worked without pre-approval.</p> <p>Two employees were over the maximum vacation carryover limits per State Law.</p> <p>The balances should be corrected in the human resources system to reflect the proper vacation balances. Employee information that drives vacation accrual rates should be set up correctly.</p>		in an excess cost of labor.
				<p>Required forms were not on file in several personnel files.</p> <p>Human Resources should ensure that these required forms are maintained in the employees' files. Consistent use of the New Hire Open File Checklist would be a good way to ensure that the required files exist.</p>	<b>Implemented.</b>	Vacation time carry over in excess of State Law could result in additional cost to the departments and noncompliance with State Law.
				<p>Employee separation forms and checkout procedure forms were not being completed consistently.</p> <p>If training cannot be performed on a consistent basis, Human Resources should</p>	<b>Implemented.</b>	UTD may be without recourse if certain forms were not prepared.
						The risk is increased that termination information is documented inaccurately and



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				send out periodic emails to supervisors and administrative personnel directing them to the appropriate procedures.		that University property may not be returned, which could result in authorized and/or malicious use of keys, University ID cards, etc.
R114	3/23/01	<b>Performance Measures</b>	<ul style="list-style-type: none"> <li>Effectiveness and Efficiency</li> <li>Compliance with Laws and Regulations</li> <li>Financial (and other) Reporting</li> </ul>	<i>None.</i>	<i>Not applicable.</i>	<i>Not applicable.</i>
R115	5/1/01	<b>Center for Lithospheric Studies</b>	<ul style="list-style-type: none"> <li>Effectiveness and Efficiency</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to departmental operations:</i></p> <p>Employees were not filling out the Employee Vacation/Sick Leave Reporting form to report their time.</p> <p>The Center should begin requiring employees eligible for vacation and/or sick leave to complete the monthly form, and the employee's direct supervisor should approve the form.</p>	<b>Implemented.</b>	Noncompliance with UTD procedures over time reporting could result in employees being paid for time not actually worked.



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				<p>Neither the Center, nor the Office of Research Administration and Sponsored Projects (ORASP), nor Contract and Grant Accounting were following UTD procedures for handling checks.</p> <p>The Center should begin restrictively endorsing checks upon receipt. The Offices of ORASP and Contract and Grant Accounting should develop procedures to ensure that checks are deposited in a more timely manner. Ideally, checks should be remitted <i>directly</i> to Contract and Grant Accounting (rather than the department), and the information regarding the checks should be communicated to ORASP and the responsible department.</p> <p>Departmental controls over risk assessment, performance appraisals, property, and written policies and procedures needed improvement.</p> <p>The Risk Assessment and Implementation Plan should be updated. Performance appraisals should be performed annually and maintained on file. All property should be accounted for, and written policies and procedures and job descriptions should be prepared for unique aspects of the departments.</p>	<p><b>Implemented.</b></p> <p><b>To be implemented. By December, 2001.</b></p>	<p>Noncompliance with UTD policies over cash handling increase the risk of fraud and/or error occurring and not being detected in a timely manner.</p> <p>The risk of fraud, error, and noncompliance with federal, state, and university policies is increased without strong internal controls over departmental operations.</p>



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
R116	5/21/01	Library	<ul style="list-style-type: none"> <li>Effectiveness and Efficiency</li> <li>Compliance with Laws and Regulations</li> </ul>	<p><i>Recommendations significant to University operations:</i></p> <p>Accounts were not being reconciled in a timely manner.</p> <p>Accounts should be reconciled monthly in accordance with UTD guidelines.</p> <p>Library staffing is inadequate during late night hours.</p> <p>The University should consider either more foot patrols of the Library in the late hours by the Police or additional library staffing during those late hours. Consideration should be given to revising the Library's closing time.</p> <p>\$154,412 in software inventory had not been deleted from the property inventory records.</p> <p>Interdepartmental transfer/release of equipment forms should be completed for all property retirements to comply with UTD policies.</p>	<p><b>Implemented.</b></p> <p><b>Implemented.</b></p> <p><b>Implemented.</b></p>	<p>The risks of error or fraud occurring and not being detected in a timely manner are increased when transactions are not reconciled in a timely manner.</p> <p>Vandalism, theft, or other malicious or discreditable acts could occur in the Library during late hours if adequate security did not exist.</p> <p>Financial records may be overstated and property listings are inaccurate.</p>





Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
						to the University. Inaccurate posting to the accounting system could result in accounts receiving unauthorized charges, and management could make decisions based on inaccurate information.
R118	7/24/01	<b>NCAA Compliance</b>	<ul style="list-style-type: none"> <li>• Compliance with Laws and Regulations</li> <li>• Effectiveness and Efficiency</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to NCAA Compliance:</i></p> <p>Procedures had not been updated.</p> <p>Procedures should be updated in a timely manner. The UTD Institutional Compliance Program Manual should also be updated.</p>	<b>Planned by December 2001. In progress.</b>	The risk of inaccuracies and inefficiencies may occur as end users of the procedures may follow outdated procedures.
R119	8/7/01	<b>Procurement Cards</b>	<ul style="list-style-type: none"> <li>• Compliance with Laws and Regulations</li> <li>• Effectiveness and Efficiency</li> <li>• Financial (and other)</li> </ul>	<p><i>No recommendations significant to University operations.</i></p> <p><i>Recommendations significant to Procurement Card operations:</i></p>		



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
			Reporting	<p>Twenty-five transactions, totaling \$9,149, were not properly posted to the accounting system.</p> <p>Cardholders should be instructed, in writing and as part of their training, to not only reconcile their monthly cardholder activity reports, but also to ensure that the correct charges are made to FINS each month.</p> <p>Supervisors did not approve the monthly activity report in 15 of the 166 transactions tested, totaling \$7,857.</p> <p>Cardholders and their supervisors should be instructed, in writing and via training, to notify the procurement card coordinator when the cardholder or supervisor cannot complete the monthly activity report by the due date. Cardholders and their supervisors should also be instructed to never sign as another employee.</p> <p>Noncompliance with UTD policies and procedures were noted in several transactions, including payment of sales tax, not maintaining itemized receipts, split orders, and compliance with discretionary fund policies.</p> <p>Procurement cardholders and supervisors should be reminded that procurement card</p>	<p><b>Planned for November 2001. In progress.</b></p> <p><b>Planned for November 2001. In progress.</b></p> <p><b>Implemented.</b></p>	<p>Not posting to FINS accurately could result in appropriate charges to certain accounts.</p> <p>Having the supervisor approve the monthly cardholder activity report lessens the risk of unauthorized charges, errors, and potential fraudulent transactions.</p> <p>Noncompliance with policies and</p>



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				<p>charges should follow the same rules as all other UTD purchases.</p> <p>Compliance with discretionary and state fund policies was not being followed in a consistent manner.</p> <p>Discretionary fund policies should be enhanced to give examples of allowable purchases. Questionable purchases should be approved by senior management. Procurement cardholders should be instructed to include a business purpose on purchases made using discretionary type funds.</p> <p>While Procurement Management has done an outstanding job of developing written policies and procedures, some enhancements are needed.</p> <p>Procurement card policies should be enhanced as discussed.</p> <p>Procurement card approvers are not always listed on the University's signature authority listing.</p> <p>Cardholders should be instructed, in writing and as part of training, that if they are going to charge something to an</p>	<p><b>Planned for fiscal year 2002. In progress.</b></p> <p><b>Planned for November 2001. In progress.</b></p> <p><b>Planned for November 2001. In progress.</b></p>	<p>procedures could result in lost revenues, error, abuse, etc.</p> <p>Unclear policies increase the risk of abuse of state funds.</p> <p>Enhancing policies and procedures helps employees be aware of their responsibilities, and helps reduce error and abuse of procurement cards.</p> <p>The risk of unauthorized charges is increased.</p>



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				account, either the cardholder or their supervisor should be on the signature authority listing for that account. If they are charging on another department's account, that account manager should authorize the charge, and documentation should be maintained to support that authorization.		
R120	8/9/01	<b>Intellectual Property</b>	<ul style="list-style-type: none"> <li>• Compliance with Laws and Regulations</li> <li>• Financial (and other) Reporting</li> </ul>	<p><i>Recommendations significant to University operations:</i></p> <p>Intellectual property accounts were being reported in the financial statements as restricted, research funds; however, each account analyzed had no restrictions on its use, and in some accounts funds were not being used for research purposes.</p> <p>Intellectual property accounts should be classified as designated funds since their use is not restricted.</p> <p>Account reconciliations, to the financial system and to the internal database, were not being performed on a regular basis. As a result, errors were noted in the account where invoices had been entered twice, totaling almost \$1,100.</p> <p>The patent costs account had a deficit</p>	<p>Implemented.</p> <p>In progress. Planned for fiscal year 2002.</p> <p>Planned for</p>	<p>Loss of funding, loss of revenues may occur with noncompliance or misclassification.</p> <p>The risks of error or fraud occurring and not being detected in a timely manner are minimized when transactions are reconciled.</p> <p>The University</p>



Report No.	Report Date	Name of Report	Audit Scope Categories	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				<p>balance of \$196,200.</p> <p>A portion of the intellectual property income should be transferred into the patent costs account. Management should periodically evaluate the account to determine if funds are adequate to ensure that costs are being covered.</p> <p>There are few written procedures in the Office of Research and Sponsored Projects that document the employee's unique responsibilities, including those related to intellectual property</p>	<p>fiscal year 2002. In progress.</p> <p><b>Planned for 2002. In progress.</b></p>	<p>must find other funds to cover the deficit. This could affect other University activities.</p> <p>Written procedures help ensure that departmental processes are efficient, understood, and clearly defined, especially in cases of turnover.</p>
R121	8/22/001	<b>Segregation of Duties</b>	<ul style="list-style-type: none"> <li>• Compliance with Laws and Regulations</li> <li>• Effectiveness and Efficiency</li> </ul>	<p><i>Recommendations significant to UTD operations:</i></p> <p>The Compliance Coordinator was not performing quarterly or annual reviews as stated in the monitoring plan to monitor compliance with segregation of duties guidelines.</p> <p>Monitoring should be done in accordance with the plan, and documentation should be maintained to evidence the monitoring.</p>	<p>Planned for November 2001. In progress.</p>	<p>A lack of segregation of duties increases the risk of fraud and abuse. Performing the monitoring helps reduce the risk of an incident</p>

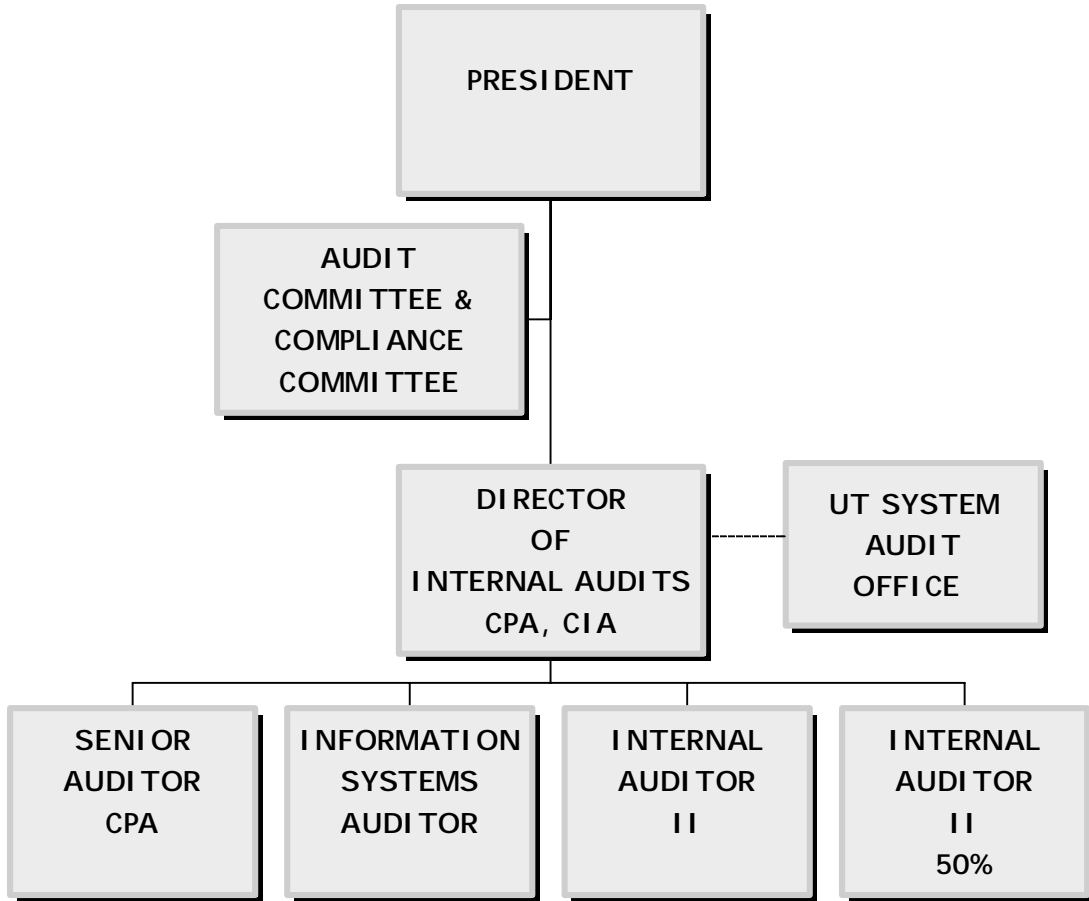


*The University of Texas at Dallas  
Annual Internal Audit Report  
Fiscal Year 2001*

<b>Report No.</b>	<b>Report Date</b>	<b>Name of Report</b>	<b>Audit Scope Categories</b>	<b>Observations, Findings, &amp; Recommendations</b>	<b>Current Status</b>	<b>Fiscal Impact/ Other Impact</b>
						occurring that could result in the misuse of funds, loss of funding, and negative publicity for the University.



**ORGANIZATIONAL CHART**





**REPORT ON OTHER INTERNAL AUDIT ACTIVITIES**

<b>ACTIVITY</b>	<b>IMPACT</b>
Served on University Information Resources Security Committee.	Provides independent consultation and guidance to help ensure that the University's computing environment is adequately safeguarded.
Consulted on maintenance of the student information system.	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.
Consulted on maintenance of the financial information system.	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.
Consulted on maintenance of the human resources system.	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.
Consulted on development and implementation of the smart card system.	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.	Provides independent consultation and guidance to help ensure that institutional compliance issues are being addressed.
Facilitated University's ethics line and served on committee to address calls to the ethics line.	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.
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.



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***INTERNAL AUDIT PLAN FOR FISCAL YEAR 2002***

*The following contains excerpts from the 2002 Audit Plan, including the methodology, audits planned, budgeted hours, and scope. Note that the detailed Appendices are not included. A full copy of the Audit Plan may be requested from the Director of Internal Audits at 972-883-2693.*

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***THE UNIVERSITY OF TEXAS  
at Dallas***



***2002 Audit Plan***

Approved by the Internal Audit Committee

on

*September 5, 2001*



## Overview

The University of Texas at Dallas fiscal year 2002 Audit Plan (“2002 Audit Plan”) is a description of the internal audit and compliance activities that will be performed by The University of Texas at Dallas Office of Internal Audits in fiscal year 2002.

In accordance with the Texas Internal Auditing Act (Article 6252-5d, Tex. Rev. Civ. Stat. Ann.), U. T. System Business Procedure Memorandum No. 18, The Institute of Internal Auditors' (IIA) Standard 520 - Planning, and specific instructions from The U. T. System Audit Office, we have prepared a formal audit plan for fiscal year (FY) 2002. This audit plan allows the Director of Internal Audits to carry out the responsibility of the Internal Auditing department in accordance with IIA standards.

Our overall objective was to develop a standardized audit plan, consistent with the Internal Audit Charter, which addresses the highest risks within UTD.

Input was received from the members of The University of Texas at Dallas (UTD) Audit Committee, and by Deans, Directors, and Department Heads if deemed appropriate by the Audit Committee members. The Audit Committee is comprised of the following members:

- Dr. Franklyn Jenifer, President
- Dr. Hobson Wildenthal, Executive Vice President and Provost
- Mr. Robert Lovitt, Senior Vice President for Business Affairs, Compliance Officer
- Dr. Mary Sias, Senior Vice President for Student Affairs and External Relations
- Dr. William Osborne, Dean of Engineering and Computer Science
- Dr. Darrelene Rachavong, Assistant Vice President for Student Affairs and Dean of Students

Approvals were also received from Mr. William Hargrove, Executive Director for Information Resources, for the information technology audits, and Jody Nelsen, Assistant Vice President for Business Affairs and Assistant Compliance Officer, for the compliance audits. We also used a questionnaire to gather input from deans, directors, and department heads.

To prepare the audit plan, we followed the U. T. System Internal Audit Council *Guidance for the Fiscal Year 2002 Audit Plan*. We also ensured that the audit plan complies with The University of Texas System *Action Plan to Enhance Internal Controls*, and the *Action Plan to Ensure Institutional Compliance*.

The Audit Plan required several levels of approval.

- (1) The Audit Committee – approved the draft plan on August 7, 2001.



- (2) U. T. System Director of Audits – audit hearing held August 21, 2001.
- (3) The Audit Committee – approved the final plan on September 5, 2001.
- (4) U. T. System Audit Office – plan due September 11, 2001.
- (5) The Executive Vice Chancellor for Academic Affairs and Business Affairs – plan due September 11, 2001.
- (6) The U. T. System Business Affairs and Audit Committee – plan due September 21, 2001 and approved October 2-3, 2001.
- (7) The U. T. System Board of Regents – plan approval November 2001.

Despite the number of approvals, formal approval of the Audit Plan rests with the Institutional Audit Committee.

A preliminary quarterly budget has been prepared for fiscal year 2002. The quarterly budgets will be prepared each quarter and communicated to the Audit Committee for their approval. An audit work schedule will be prepared on a quarterly basis for U. T. System's and the Audit Committee's review and approval. The work schedule will be based on priorities including risk assessment, management's request, departmental workloads, changes in operations, and internal audit staff availability. Work schedules will be discussed at the quarterly Audit Committee meetings.

The U. T. System Audit Office requires that progress on the Annual Audit Plan be reported to them on a quarterly basis. This information is also reported to the Institutional Audit Committee at the quarterly meetings. Any changes made to the Audit Plan during the year will be brought to the attention of the Audit Committee for their approval.

## **IDENTIFICATION OF THE AUDIT UNIVERSE AND RISK ASSESSMENT**

Our audit universe is a subjective assessment of what the Audit Committee feels to be the auditable areas of the University. To determine the audit universe, we followed U. T. System Audit Office guidelines, reviewed the Strategic Plan, prior audit plans, the annual financial report, the budget, the University phone book, etc. In addition, we discussed the audit universe with top management and members of the Audit Committee. We evaluated the previous year's risk assessment, making revisions where necessary.



After determining the auditable areas and other activities, we performed a risk assessment of various audit categories. The audit universe is divided into six areas:

- key financial and operating information (*Appendix B*),
- institutional compliance (*Appendix C*),
- information technology (*Appendix D*),
- risk based (*Appendix E, E. 1*),
- projects (*Appendix I*), and
- change in management departmental audits (*Appendix I*).

Consideration of the following was given in developing the audit plan:

- risk assessments,
- management input,
- economical and efficient use of internal audit resources,
- required activities (i.e., Cost Savings, peer reviews), and
- requirements of the following action plans:
  - *1994 Action Plan to Enhance Internal Controls through Awareness, Accountability, and Audit Committees ("1994 Action Plan")*,
  - *1996 Action Plan to Enhance Internal Controls ("1996 Action Plan")*, and
  - *1998 Action Plan to Ensure Institutional Compliance ("1998 Action Plan")*.

In fiscal year 2002, the UTD internal audit function will:

- ★ audit key financial and operating information,
- ★ continue to focus on providing assurance activities in the institutional compliance initiative,
- ★ perform information technology audits on systems critical to operations,
- ★ emphasize economical and efficient use of resources and accomplishment of established objectives and goals for operations in risk-based audits,
- ★ limit departmental audits to departments where there has been a change in management, and
- ★ perform required projects and special requests made by management.



**AUDIT AREAS**

Audit Area	Purpose	Authority
<b>Key Financial &amp; Operating Information</b>	Provide some assurance that the financial information included in the <i>Annual Financial Report</i> is fairly presented in all material respects.	<ul style="list-style-type: none"> <li>➤ <i>IIA Standard 300 and 500</i></li> <li>➤ <i>1996 Action Plan</i></li> </ul>
<b>Institutional Compliance</b>	Ensure that institutional risks are minimized regarding the institutions' compliance with the laws, regulations, policies, and procedures that govern the institutions' missions.	<ul style="list-style-type: none"> <li>➤ <i>IIA Standard 320</i></li> <li>➤ <i>1998 Action Plan</i></li> <li>➤ <i>Texas Internal Auditing Act – Sec. 321.0132</i></li> </ul>
<b>Information Technology</b>	Provide assurance that information assets are secure, effective and reliable, are linked to the achievement of the organization's objectives, and are used in accordance with all applicable laws, rules, and policies.	<ul style="list-style-type: none"> <li>➤ <i>IIA Standard 310 and 330</i></li> <li>➤ <i>Texas Internal Auditing Act, Section 5</i></li> </ul>
<b>Risk Based</b>	Provide assurance that resources are employed efficiently and economically and that established operating and strategic goals and objects are accomplished.	<ul style="list-style-type: none"> <li>➤ <i>IIA Standard 300, 330, 340, and 350</i></li> <li>➤ <i>Texas Internal Auditing Act, Section 3 and 7</i></li> </ul>
<b>Change in Management (Departmental) Audits</b>	<p>Ensure that adequate internal control systems exist to provide reasonable assurance of sound management. Departmental audits are performed when a change in management occurs.</p> <ul style="list-style-type: none"> <li>➤ As a result of implementing the <i>1998 Action Plan</i>, internal audit <u>is no longer required</u> to audit each department every three to five years.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <i>IIA Standard 300 and 500</i></li> <li>➤ <i>1994 Action Plan</i></li> <li>➤ <i>1996 Action Plan</i></li> <li>➤ <i>1998 Action Plan</i></li> <li>➤ Director of Audits memorandum dated July 20, 2000</li> </ul>
<b>Projects</b>	<p>Assist members of the organization in the effective discharge of their responsibilities.</p> <ul style="list-style-type: none"> <li>➤ Includes Cost Savings, providing training, peer reviews, activities requested by management, and special investigations.</li> </ul>	<ul style="list-style-type: none"> <li>➤ <i>IIA Standard 300 and 500</i></li> <li>➤ <i>Texas Internal Auditing Act – Section 7(1)(e), 7 (1)(f)</i></li> <li>➤ <i>1994 and 1996 Action Plans</i></li> </ul>



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## **BUDGET AND STAFFING**

We calculated the number of audit hours available for fiscal year 2002 using 2,080 hours per full-time auditor. UTD's Office of Internal Audits has 4.5 full-time equivalent employees in the budget. After deducting the administrative time, calculated based on past experience, and estimated annual employee turnover (past history indicates approximately six months each year), we had a total of 5,180 hours available for audits. We used this figure to budget audit hours.

The budgeted hours are subjective estimates based on audit experience. The hours are **subject to change** based on risk assessments of the areas during the planning phase of the audit.

Two of the five members of the Office of Internal Audits are certified as CPA's and/or CIA's. Two are currently working on certification. Career development for the staff is a strategic goal of the office, and it is the Director's practice to create a working environment that facilitates career opportunities. The Office of Internal Audits will continue its efforts towards developing staff to their fullest potential through the performance of audits, training, and certification.

## **CALCULATION OF FY 2002 AUDIT HOURS**

The Calculation of Available Hours and the Time Budget for FY 2002 are included in *Appendices F* and *G*, respectively.

## **SUPPLEMENTAL AUDIT LIST**

*The following list of audit areas were ranked high on the risk assessments performed during the process of developing the 2002 audit plan. These areas were considered by UTD management and were not included in the 2002 audit plan. However, these areas will be considered for the 2003 audit plan.*

### **Risk-Based Audits**

*Endowment*

*Budget Process*

*Management Control Audits of departments never audited*

*Utilities*

### **Information Technology**

*Technology Customer Service*

*Budget System Application Review*

*Library*

*Technical and Communication Services*



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## **APPENDIX B - Key Financial and Operating Information**

The purpose of key financial and operating information audits, according to the U. T. System Audit Office, is:

*“Over time, to attest that the financial statement information included in the Annual Financial Report is fairly presented in all material respects.”*

Audits of key financial and operating areas are required to be performed annually per the internal controls Action Plan. The IIA Standards also give the authority to do such audits, under Standards 300 (Scope of Work) and 500 (Management of the Internal Auditing Department). Such areas are considered significant and/or material to the operations of the university and its financial statements. By reviewing the Annual Financial Report, we can see which areas are material to the financial statements.

Using a risk assessment process, Internal Audits, with assistance from the Audit Committee, has determined that the following are key financial and/or operating areas for UTD:

- ❖ Annual Financial Report (AFR)
- ❖ Cash, Appropriations, & Investments
- ❖ Contracts, Grants, & Gifts
- ❖ Expenditures and Procurement (Including Journal Entries)
- ❖ Fixed Assets
- ❖ Salaries and Wages (Payroll/Human Resources)
- ❖ Revenues & Receivables
- ❖ Tuition and Fees (including Formula Funding)

**In addition, the above audit areas will include compliance issues when applicable for increased audit efficiency and less time spent with the client.**

Risk assessment factors were considered that influenced the risk of errors, irregularities, or illegal acts causing financial statements to be materially misstated. We focused on the following factors:

- Materiality
- Liquidity
- Volume of transactions affecting the activity
- Complexity of operations
- Use of estimates
- Accounting for new and/or complex accounting issues
- Adequacy and effectiveness of the systems of internal control.



After performing the risk assessment, we reviewed audit reports and recommendations from the past five years. No significant or unresolved weaknesses were noted. We therefore decided reduce the amount of audit work performed on the key financial and operating areas. We have decided to audit these areas every two to three years, rather than annually. As a result, we will only perform audit work in the areas of Cash, Appropriations, and Investments and Revenues and Receivables since Internal Audits did not audit those areas during fiscal year 2001. Fixed Assets will not be audited until FY 2003, as past audits indicate controls are working well in this area.

An AFR review will also be performed. Our AFR work consists mainly of analytical review procedures to ensure that all significant areas will be covered during the audit year. A review does not require obtaining sufficient competent evidence to provide the relatively high level of assurance an audit demands. A review involves inquiry and analytical procedures intended to provide a reasonable basis for expressing limited assurance that there are no material modifications that should be made to the financial statements in order for them to be in conformity with Generally Accepted Accounting Principles (GAAP) or some other comprehensive basis of accounting. We performed work on most of the financial areas during fiscal year 2001. In those areas we will limit our detailed procedures.

In FY 2003 we will need to do a more detailed AFR review due to the implementation of GASB (Governmental Accounting Standards Board) Nos. 33 and 34, which will dramatically change the financial statement reporting.

*The Senior Vice President for Business Affairs has reviewed and approved the risk assessment and audit plans for the key financial and operating areas. The following represents our risk assessment for key financial and operating information.*

### ***APPENDIX C - Institutional Compliance***

The *Action Plan to Ensure Institutional Compliance* was approved by U. T. System in April 1998. This plan provides an outline for all components to follow to ensure that institutional risks are minimized regarding the University's compliance with the laws, regulations, policies and procedures which govern the University's research, education, and business initiatives. In addition, IIA Standard 320 (Compliance with Policies, Procedures, Laws, and Regulations), and the Texas Internal Auditing Act, Section 3, defines the authority for compliance audits.

According to the U. T. System Audit Office, the purpose of institutional compliance audits is:



*"To provide assurance that an effectively designed Institutional Compliance Program has been implemented and that the program is operating effectively. To provide assurance that the institution is in compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports."*

UTD's Institutional Compliance Committee has identified the following areas of compliance on their "A" list (high-risk areas).

- ❖ Code of Ethics
- ❖ Environmental Health and Safety (seven areas)
- ❖ Federal Student Financial Aid Awards
- ❖ Appropriate Use of Financial Resources
- ❖ Federal Grant and Contract Post-Award
- ❖ Reconciliation of Accounts
- ❖ Segregation of Duties
- ❖ Medicaid/Medicare Billing
- ❖ NCAA
- ❖ Research Administration (five areas)
- ❖ Sexual Harassment
- ❖ EEO
- ❖ University Events – Student Affairs
- ❖ University Events – Academic Affairs
- ❖ HIPPA
- ❖ HRS

The Compliance Office is responsible for conducting an inspection to see if the areas are ready to be audited. The Compliance Office's proposed schedule of inspections is included at Appendix C. Areas on the "B" list, not considered to be high risk, will be developed by the Compliance Subcommittee and approved by the Compliance Committee during fiscal year 2002. As a result, a formal "B" list will not be included in our Audit Plan until fiscal year 2003.

Internal Audits has grouped these into categories and added them to the fiscal year 2002 Audit Plan. According to U. T. System, a re-audit of the Institutional Compliance Program designed should also be performed annually.

*The Compliance Officer and the Assistant Compliance Officer have reviewed and approved the risk assessment and audit plans for the compliance areas, as follows.*



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## **APPENDIX D - Information Technology**

According to U. T. System Audit, the purpose of Information Technology (IT) audits is to:

*“Provide assurance that information assets are secure, effective and reliable, are linked to the achievement of the organization’s objectives, and are used in accordance with all applicable laws, rules and policies.”*

The authority for such audits comes from IIA Standard 310 (Reliability and Integrity of Information) and 330 (Safeguarding of Assets), and from the Texas Internal Auditing Act, Section 5.

The following page contains a list of all information technology areas we have identified, including the risk assessment. The following risk assessment factors were used to prioritize these audits:

- Mission criticality
- Confidentiality requirements
- Extent of outside regulations
- Extent of use
- Quality of other known controls
- Technical complexity
- Extent of change
- Public and/or management interest

For the fiscal year 2002 audit plan, we decided to select the following areas, based on our risk assessment and management requests: HRS, SIS+, Smart Cards, and Telecommunications. Areas we are not able to cover this fiscal year will be placed on our supplemental audit list, in order of priority, at page 5.

*The Executive Director of Information Resources has reviewed and approved the risk assessment and audit plans for the information technology areas, as follows.*

## **APPENDIX E - Risk-Based**

According to the U. T. System Audit Office, the purpose of these audits is:

*“To provide assurance that either: (1) assets are safeguarded, (2) resources are employed efficiently and economically, or (3) established operating and strategic goals and objectives are accomplished for all of the ‘other high-risk areas’ that are not covered under Key Financial and Operating, Institutional Compliance, or Information Technology.”*



The authority for these audits comes from IIA Standards 300 (Scope of Work), 330 (Safeguarding of Assets), 340 (Economical and Efficient Use of Resources), and 350 (Accomplishment of Established Objectives and Goals for Operations and Programs), and the Texas Internal Auditing Act Sections 3 and 7.

The following contains a listing of those auditable units considered to be risk-based audits. The auditable units were determined based on prior experience, management input, requirements of laws, rules, regulations, and contracts, current events, and review of the University's strategic plan.

Risk factors for these audits are as follows:

- ◆ Mission criticality
- ◆ Health and safety impact
- ◆ Financial impact
- ◆ Public image impact
- ◆ Extent of use
- ◆ Complexity of operations
- ◆ Quality of other known controls
- ◆ Sensitivity
- ◆ Management interest.

The areas selected for the fiscal year 2002 audit plan were based on the risk assessment and management input. The areas are:

- Construction and renovation. UTD has several construction and renovation projects going on in FY 2002.
- Student services. Have not been audited.
- Research expenditures. Required by U. T. System.
- Scholarship processing. UTD gives out numerous scholarships and recently received a large endowment to fund scholarships.
- Lena Callier Trust. Required annually by the Trust Agreement.
- Administrative and facilities costs. Has not been audited, and due to the growth in research and grants. Should also include cost sharing.
- Service departments. Due to the growth of federal funds and research grants. UTD needs to ensure that costs are being appropriately billed.

Because a new Director of Admissions is being hired, we did not feel that it would be a good idea to audit Enrollment Management before the new director had a chance to become familiar with UTD operations. We have scheduled a change in management audit to help the new director with internal controls in Admissions. A risk-based audit of Enrollment Management, encompassing enrollment areas such as Admissions, Records, Financial Aid, etc., will be performed in fiscal year 2003.



Areas we are not able to cover this fiscal year will be placed on our supplemental audit list, in order of priority, at page 5.

## **Projects**

According to the U. T. System Audit Office, projects:

“Assist members of the organization in the effective discharge of their responsibilities. This includes furnishing them with analyses, appraisals, recommendations, counsel, and information concerning the activities reviewed.”

Projects include audits and other projects that are conducted at the request of the President or top management. The authority for these projects comes from IIA Standards 300 (Scope of Work) and 500 (Management of the Internal Auditing Department), the Texas Internal Auditing Act sections 7(1)(e) and 7(1)(f), and the 1994 and 1996 Action Plans to Enhance Internal Controls.

Projects include:

- ❖ Annual Follow-Up Audit, conducted to follow up on fiscal year 2001 audit recommendations, and semi-annual follow-up reviews.
- ❖ Annual Internal Audit Report
- ❖ Audit Committee
- ❖ Audit Plan
- ❖ Cash Counts
- ❖ Carryforward audits (audits still in process at August 31, 2001 from the fiscal year 2001 Audit Plan)
- ❖ Consulting
- ❖ Cost Savings Report (required by U. T. System)
- ❖ Hotline Investigations
- ❖ Observation of Annual Inventories
- ❖ Quality Assurance Reviews, as requested from other colleges and universities.
- ❖ Special projects, investigations, and requests from management
- ❖ Semi-annual follow-ups as requested by U. T. System.
- ❖ Account reconciliations (performing the monitoring function for compliance as requested by the Compliance Committee).

The scope of these audits is included in *Appendix A*.



### **Change in Management Departmental Audits**

According to the U. T. System Audit Office, the purpose of departmental audits is:

*“To provide a consulting service to the new manager by reviewing the existing internal controls in the department and providing the information necessary to assist the new manager in developing an adequate system of internal controls which will provide reasonable assurance of sound management.”*

The authority for these audits comes from the IIA Standards 300 (Scope of Work) and 500 (Management of the Internal Auditing Department), and from the U. T. System’s *Action Plan to Enhance Internal Controls* (1994 and 1996).

Departmental audits are no longer required to be conducted on a three to five year cycle based on a risk assessment. Instead, they are required to be conducted whenever there is a change in management.

Departmental audits are primarily audits of a department’s internal controls conducted in accordance with the Action Plan. We plan to follow the guidelines adopted by the Committee of Sponsoring Organizations (COSO) *Internal Control - Integrated Framework* in conducting all internal controls audits. Based on the planning procedures and/or the request of the department head, such audits may be expanded to include additional audit procedures. Areas we know will have a change in management effective for fiscal year 2002 are:

- Admissions
- Physics
- Biology
- School of Social Sciences

We have reserved audit hours for unanticipated changes in management.