

The University of Texas at El Paso

Office of Auditing and Consulting Services



Internal Audit Annual Report Fiscal Year 2019



The University of Texas at El Paso
Office of Auditing and Consulting Services

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DATE: October 31, 2019

TO: John Colyandro, Governor's Office - Budget and Policy Division
Internal Audit Coordinator, State Auditor's Office
Christopher Mattsson, Legislative Budget Board

FROM: Lori N. Wertz, Chief Audit Executive, Auditing and Consulting Services

SUBJECT: The University of Texas at El Paso Internal Audit Annual Report for Fiscal Year 2019

Attached please find the Fiscal Year 2019 Internal Audit Annual Report for The University of Texas at El Paso as required by the Texas Internal Auditing Act. Should you have questions or need additional information, please contact me at (915) 747-8858 or e-mail lnwertz@utep.edu.

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I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet

In accordance with Texas Government Code, Section 2102.015 Publication of Audit Plan and Annual Report on Internet, the following information is posted on the Internet Web site of the University of Texas at El Paso's <https://www.utep.edu/audit>:

- The approved fiscal year 2020 Audit Plan, as provided by Texas Government Code, Section 2102.008, and
- The fiscal year 2019 Internal Audit Annual Report, as required by Texas Government Code, Section 2102.009.



II. Internal Audit Plan for Fiscal Year 2019



Office of Auditing and Consulting Services

2019 Audit Plan

Approved by the Internal Audit Committee

June 29, 2018

DISTRIBUTION LIST

University of Texas at El Paso

Dr. Diana Natalicio, President

Mr. Richard Aauto, Executive Vice President

Dr. Stephen Riter, Vice President for Information Resources and Planning

Dr. Roberto Osegueda, Vice President for Research

Dr. Gary Edens, Vice President for Student Affairs

Dr. Carol Parker, Provost and Vice President for Academic Affairs

Mr. Benjamin Gonzalez, Vice President, Asset Management and Development

Mr. Mark McGurk, Vice President for Business Affairs

Ms. Mary Solis, Director and Chief Compliance and Ethics Officer

University of Texas System

System Audit Office

External

Governor's Office of Budget

Legislative Budget Board

Internal Audit Coordinator, State Auditor's Office

Sunset Advisory Commission

External Audit Committee Members

Mr. Fernando Ortega

OVERVIEW

In accordance with the Texas Internal Auditing Act, The University of Texas System Administration Policy UTS129 – Internal Audit Activities, and The Institute of Internal Auditors' International Professional Practices Framework (IPPF) Performance Standards 2010 Planning and 2020 Communication and Approval, we have prepared an audit plan for Fiscal Year 2019. The 2019 Audit Plan is a description of the internal audit activities to be performed by the Office of Auditing and Consulting Services (OACS) in Fiscal Year 2019.

The process of preparing the 2019 Audit Plan included identifying risks that may impact university objectives and business activities. The Internal Audit Committee reviewed and approved the 2019 Audit Plan. Members of the Internal Audit Committee provided input, as did Deans and Department Directors/Chairs, where appropriate. The Internal Audit Committee is comprised of the following members:

- Dr. Diana Natalicio, President
- Dr. Carol Parker, Provost, Vice President for Academic Affairs
- Dr. Stephen Riter, Vice President for Information Resources and Planning
- Dr. Gary Edens, Vice President for Student Affairs
- Dr. Roberto Osegueda, Vice President for Research
- Mr. Benjamin Gonzalez, Vice President, Asset Management and Development
- Mr. Mark McGurk, Vice President for Business Affairs
- Mr. Richard Adauto III, Executive Vice President
- Mr. Fernando Ortega, External Member

In addition to information received from initial interviews with senior management, input was also received from:

- Dr. Toni Blum, Associate Provost
- Mr. Gerard Cochrane, Chief Information Security Officer
- Ms. Joanne Richardson, Assistant Controller
- Mr. Daniel Dominguez, Director of Accounting and Financial Reporting
- Mr. Frank Grijalva, Director, Disbursement Services
- Ms. Heidi Granger, Assistant Vice President, Student Financial Services
- Dr. William Robertson, Interim Dean, College of Education
- Mr. James Senter, Director, Intercollegiate Athletics

RISK ASSESSMENT AND AUDIT PLAN DEVELOPMENT

The Institute of Internal Auditors' IPPF requires that internal auditors develop a risk based audit plan that is in alignment with organizational goals and objectives. A top down approach was used to identify risk factors with a high degree of correlation with strategic and operational objectives.

The final risk list was created by identifying processes with critical and high risks to be included in the Annual Audit Plan. The final risk list and draft audit plan were reviewed and approved by The University of Texas System (UT System) Audit Office and The University of Texas at El Paso (UTEP) Internal Audit Committee.

See **Exhibits (A-1.)- (A-7)** for the approved **FY 2019 Annual Audit Plan**.

The audit plan was broken down into eight major categories:

- 1. Assurance Engagements**
- 2. Advisory and Consulting Engagements**
- 3. Reserve**
- 4. Required Engagements**
- 5. Investigations**
- 6. Follow-up**
- 7. Development - Operations**
- 8. Development – Initiatives and Education**

Consideration of the following was given in developing the 2019 Audit Plan:

- Strategic and operational objectives
- Management input
- Various risk assessments
- Economical and efficient use of internal audit resources
- Required activities (i.e., KTEP FM Radio audit, Annual Financial Report, NCAA Compliance, etc.)
- Current issues in higher education

RISK ASSESSMENT METHODOLOGY

Our risk assessment process consists of a top down approach following the steps below:

- Update our understanding of current strategic and operational objectives
- Identify and evaluate regulatory, industry, and market factors
- Meet with other risk assessors on campus
- Validate priorities through interviews with executive management
- Identify top areas in which priorities are significant and risk factors are high
- Scope the risk assessment and meet with management in high risk areas
- Rank risks according to impact and probability
- Review risk list with executive management to determine risk mitigation factors, if any
- Address high risks in annual audit plan
- Document reasons certain high risk areas are not included in audit plan

The following taxonomy was used by all UT System Academic Institutions:

- | | |
|----------------------------|----------------------------|
| 1. Governance | 10. Risk management |
| 2. Finance | 11. Public Services |
| 3. Information Technology | 12. Auxiliary Services |
| 4. Research | 13. University Relations |
| 5. Human Resources | 14. University Development |
| 6. Facilities management | 15. Enrollment Management |
| 7. Property Management | 16. Student Services |
| 8. Purchasing/Supply Chain | 17. Academic Support |
| 9. Legal | 18. Instruction |

VALUATION OF IMPACT AND PROBABILITY

IMPACT -The impact of a risk is the effect a single occurrence of that risk will have upon the achievement of the institution's goals and objectives.

There are three values:

CRITICAL/HIGH:	The effect will cause the component not to achieve its goals and objectives.
MEDIUM :	The effect will cause the institution to operate inefficiently and/or expend unplanned resources to meet goals and objectives.
LOW:	The measurable effect upon the achievement of institution's goals and objectives would be immaterial or insignificant.

The following factors were presented for consideration during the assessment of **IMPACT** for each element in the risk population:

- Human Health and Safety
- Societal/Environmental
- Monetary
- Business/Operations
- Information Technology
- Information Security
- Public Relations
- Reporting and Disclosure
- Strategic
- Compliance
- Fraud

PROBABILITY- The probability that a risk will become reality.

There are three values:

CRITICAL/HIGH:	An event is inevitable, or there is a great likelihood that an event will occur.
MEDIUM :	The risk is neither extremely likely nor highly unlikely. The probability of an event is similar to occurrences within the normal course of operations.
LOW:	The risk of an event is highly unlikely or would require a combination of multiple failures.

The following factors were presented for consideration during the assessment of **PROBABILITY** for each element in the risk population:

- History
- Conflicts of Interest
- Susceptibility to Fraud or Theft
- Key Changes including leadership, key personnel, regulations, policies, operating processes, computer systems, software applications, etc.
- Control Activities Need Improvement
- Policies and Procedures Require Updates
- Training
- Complexity of Unit or Process

Follow-up Audits

Follow up audits are performed to identify and evaluate management actions implemented in response to a prior audit. In accordance with the Institute of Internal Auditors' Performance Standard 2500 – Monitoring Progress, a follow-up process is in place to monitor and ensure that management actions have been effectively implemented, or that senior management has accepted the risk of not taking action. OACS uses the audit implementation deadline to determine when follow-up procedures should be conducted. An audit is officially closed after all recommendations have been verified as implemented.

Advisory/Consulting/Investigations

These projects are specifically requested by University management or mandated by UT System. The goal of performing special projects is to provide management with analyses, recommendations and information concerning the activities reviewed. Included in this category of audits are internal and external quality assurance reviews, UT System requests, special requests and investigations.

Reserves

Hours are reserved for engagements (special requests, investigations and consulting) that are not identified or known at the time the plan is established, but may be required and assigned during the year. As the fiscal year progresses and engagements become known, these hours will be reallocated to the appropriate categories designated in the plan.

Carry forward Audits

Carry forward audits are those 2018 Annual Audit Plan audits that are in progress at August 31, 2018.

SCOPE OF AUDITS

The IPPF addresses the scope of work as follows:

"The scope of the engagement should include consideration of relevant systems, records, personnel, and physical properties, including those under control of third parties."

"In performing consulting engagements, internal auditors should ensure that the scope of the engagement is sufficient to address the agreed-upon objectives."

Internal auditors should:

- Review the **reliability and integrity of financial and operating information** and the means used to identify, measure, classify and report such information.
- Review the systems established to ensure **compliance** with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
- Review the means of **safeguarding assets** and, as appropriate, verify the existence of such assets.
- Appraise the **economy and efficiency** with which resources are employed.
- Review **operations or programs** to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

The planned scope of each of the audits in the 2019 Annual Audit Plan is described in **Exhibits (A-1.-A-8)**

Exhibit A-1. FY 2019 Audit Plan – Assurance Engagements

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Assurance Engagements			
Youth Camps	300		Identify camps currently in operation on campus and confirm compliance with appropriate regulations.
Scholarships	350		Review scholarships to determine if funds are appropriately utilized.
Procurement Card	250		Test expenditures to confirm compliance with updated policies and procedures.
UTS 142.1 Monitoring Plan (FY 2019)	175		Annual audit based on risk.
Cost Sharing	250		Test Cost Share research agreements to determine compliance.
Allowability of Costs for Federal Grants	350		Determine allowability of costs for sponsored projects in accordance with Generally Accepted Government Auditing Standards (GAGAS).
Departmental Audit - College of Education	275		Document and test departmental operations for new dean; Requested by the Provost.
Departmental Audit - College of Liberal Arts	275		Document and test departmental operations for new dean. Request from the Provost.
Tax Compliance	300		Determine if employee and contractors tax withholdings are accurately assessed and reported.
IT Asset Inventory	200		Ensure UTEP's IT assets are accounted for and a maintenance plan is in place; includes laptops, desktops and tablets.
Cybersecurity	350		Ensure the IS Program includes proper protections based on risk, for all information assets, including those outsourced, owned, leased, or managed by an intuitional governing body, operating unit, or employee.
Assurance Engagements Continued			

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Access Control	350		Determine if information system access is limited to authorized users, processes acting on behalf of authorized users, or devices (including other information systems) and to the types of transactions and functions that authorized users are permitted to exercise. (TAC 202) Group AC
Personnel Security (PS)	300		Ensure that individuals occupying positions of responsibility within organizations (including third-party service providers) are trustworthy and meet established security criteria for those positions; ensure that data and information systems are protected during and after personnel actions such as terminations and transfers and employ formal sanctions for personnel failing to comply with security policies and procedures. (TAC 202) Group PS
Decentralized IT Operations	350		Determine if information technology distributed locations follow security controls, access and test security controls, have enough resources to perform information security test, and communicates and trains staff at distributed locations.
Year-end Periodic Cash Counts	125		Annual engagement based on risk.
Wrap-up and Finalization of FY 2018 Engagements	100		
Carryforward Audits:			
UTS 142.1 Monitoring Plan (FY 2018)	125		Annual audit based on risk.
Off Cycle Payroll	100		Review current off-cycle payroll process; determine if policies and procedures are followed and review any duplicate payments.
Assurance Engagements Continued			

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Change and Configuration Management	100		Assess the design and effectiveness of processes and controls for change and configuration management. Review compliance regulations
Budget Procedures	300		Analyze budget procedures for historical accuracy, verify accuracy and support documentation for encumbrances, transfers, and carry forwards, determine if actual fee revenue is available to departments on a timely basis.
Assurance Engagements Subtotal	4,925	47%	

Exhibit A-2. FY 2019 Audit Plan – Advisory and Consulting Engagements

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Advisory and Consulting Engagements			
Emergency Response Campus Awareness and Training	250		Determine the adequacy of employee awareness and training for emergency events.
Cybersecurity UT System Reporting	50		UT System Initiative with Baker Tilly
General Data Protection Regulation (GDPR)	75		Ensure that UTEP has created and implemented a privacy program in compliance with General Data Protection Regulations(GDPR) to protect EU citizen's personal data.
Athletics Special Request Project	200		Review of revised policies and procedures to determine compliance with NCAA and UT System regulations. Requested by Athletic Director.
Continuous Auditing PeopleSoft Queries; Tuition and Fees	200		Recurring Management Request
PeopleSoft Consulting	100		Participation in UT Share meetings
Training provided by Internal Audit to institutional departments/employees/etc.	75		Continuous Auditing presentations and others as requested
Participation in Institutional Committees/Council, etc.	60		Participation in meetings for Endowment Compliance Committee, Institutional Compliance Committee and Administrative Council meetings. Serve as a member of the Accounting and Information Systems Advisory Council.
Consulting/Management Requests	300		As hours are assigned to specific projects, they will be transferred to the appropriate category.
IT Consulting/Management Requests	193		Hours set aside for initiatives developed by new IT Audit Manager.
Advisory and Consulting Subtotal	1,503	14%	

Exhibit A-3. FY 2019 Audit Plan – Reserve

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Reserve			
Reserve for Audit of Emerging Risks	125		As hours are assigned to specific projects, they will be transferred to the appropriate category.
Reserve Subtotal	125	1%	

Exhibit A-4. FY 2019 Audit Plan – Required Engagements

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Required Engagements			
Executive Travel and Entertainment Expense Audit	250		Biennial audit
Joint Admission Medical Program (JAMP)	50		Recurring audit
FY 2018 Financial Statement Audit (Final)	10		Required annual audit
FY 2019 Financial Statement Audit (Interim)	10		Required annual audit
Federal Portion of the Statewide Single Audit	125		Assistance to the State Auditor's Office for follow-up procedures
NCAA Agreed Upon Procedures Audit	60		Required annual audit; support for UT System Audit
NCAA Football Attendance Audit	125		Recurring Management Request
KTEP FM Radio Station	50		Support to external auditor
Purchasing Compliance Assessment	20		Required annual audit
Carryforward Audits:			
Benefits Proportional By Fund (FY 16-17)	75		State Auditor's required audit
Required Engagements Subtotal	775	7%	

Exhibit A-5. FY 2019 Audit Plan – Investigations and Follow-up

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Investigations			
Investigations	300		As hours are assigned to specific projects, they will be transferred to the appropriate category.
Investigations Subtotal	300	3%	
Follow-Up			
Follow-up Audits	500		Follow-up on previous audit recommendations as required by IIA Standards; approximately 3-4 done per quarter.
Follow-Up Subtotal	500	5%	

Exhibit A-6. FY 2019 Audit Plan – Development – Operations

FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development - Operations			
Internal Quality Assurance and Improvement Program activities	150		Implementation of Baker Tilly QAR initiatives
Annual Audit Plan Development, including Risk Assessment	300		Preparation of FY 2019 Risk Assessment and Audit Plan
UT System, SAO, etc. reporting/requests; External Audit assist	125		Responses for requests for information
TeamMate, software, website development/maintenance	150		Non-project related development/maintenance
Internal Audit Committee preparation/participation	190		Preparation of presentation documents for Institutional Audit Committee meetings; meetings with external audit committee members.
Staff meetings related to the management of the audit activity	350		Monthly staff meetings and status update meetings as needed
Annual Internal Audit Report	50		Preparation of Annual Internal Audit Report for FY 18
Annual Reviews/Evaluations	100		Preparation of Self-Appraisals and Evaluations
Development - Operations Subtotal	1,415	14%	

Exhibit A-7. FY 2019 Audit Plan – Development – Initiatives and Education

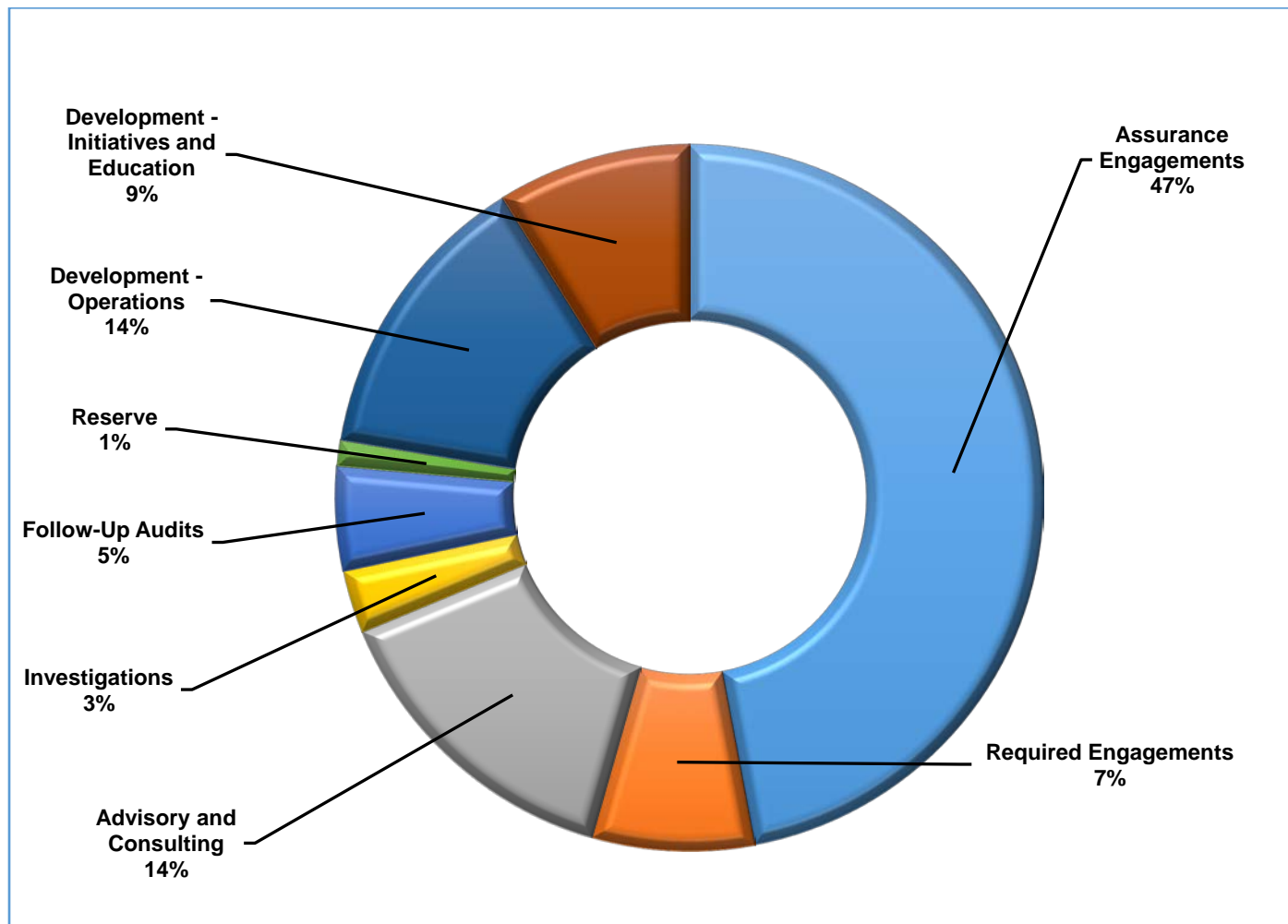
FY 2019 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development - Initiatives and Education			
Work Group Initiatives	50		Participation in UT System Audit initiatives of IT Audit Skills and Advisory Services
Professional organization/association participation	250		Participation as members and board members of IIA, ACFE, and AGA
Individual Continuing Professional Development (CPE) Training	528		Continuing Professional Development for Staff Members
Internal Auditing Education Partnership Program	100		Advance program to achieve goal of comprehensive level.
Development - Initiatives and Education Subtotal	928	9%	
Total Budgeted Hours	10,471	100%	

Exhibit A-8. FY 2019 Audit Plan – Total Budgeted Hours

FY 2019 Audit Plan	Original Budget	Percent of Total
Assurance Engagements Subtotal	4,925	47%
Advisory and Consulting Subtotal	1,503	14%
Reserve Subtotal	125	1%
Required Engagements Subtotal	775	7%
Investigations Subtotal	300	3%
Follow-Up Subtotal	500	5%
Development - Operations Subtotal	1,415	14%
Development - Initiatives and Education Subtotal	928	9%
Total Budgeted Hours	10,471	100%

Exhibit A-9. FY 2019 Audit Plan – Graph: Allocation of Hours by Category

2019 Audit Plan
Percentage of Hours Allocated by Category



II.a. Revised Fiscal Year 2019 Audit Plan

Project Name	Revised Budget (Approved March 27, 2019)	Actual Hours	Total Variance	Status of Plan at 8/31/2019
Assurance Engagements				
Access Control-PeopleSoft	500.00	644.50	(144.50)	Completed
Budget Procedures (Carryforward)	300.00	208.50	91.50	Project Hours carried over to FY 2020
Allowability of Costs for Federal Grants UTEP-20-102-CF	350.00	218.00	132.00	Project Hours carried over to FY 2020
Cost Sharing	0.00	0	0.00	Project Removed
Cybersecurity	0.00	0	0.00	Project Removed
Off Cycle Payroll (Carryforward)	100.00	117.75	(17.75)	Completed
Decentralized IT Operations UTEP-20-106-CF	350.00	177.00	173.00	Project Hours carried over to FY 2020
Departmental CIM- College of Education	275.00	318.50	(43.50)	Completed
Departmental CIM - College of Liberal Arts	275.00	275.50	(0.50)	Completed
IT Asset Inventory	355.00	481.50	(126.50)	Completed
Personnel Security	300.00	365.00	(65.00)	Completed
Procurement Card	0.00	0	0.00	Project Removed
Scholarships UTEP-20-112-CF	350.00	120.00	230.00	Project Hours carried over to FY 2020
Tax Compliance UTEP-20-113-CF	300.00	205.50	94.50	Project Hours carried over to FY 2020
UTS 142.1 Monitoring Plan (FY 2019)	0.00	3.00	(3.00)	Project Removed; procedural change: all testing for FY 2019 will be done after certification process in Fall 2019
Change and Configuration Management (Carryforward)	100.00	195.50	(95.50)	Completed
Youth Camps	300.00	334.50	(34.50)	Completed
Wrap-up and Finalize FY 2018 Audits	100.00	156.00	(56.00)	Completed
Departmental Audit - College of Engineering	300.00	466.50	(166.50)	Completed
UTS 142.1 Monitoring Plan (FY 2018 Carryforward)	125.00	129.50	(4.50)	Completed
Assurance Engagements Subtotal	4,380.00	4,416.75	(36.75)	

Project Name	Revised Budget (Approved March 27, 2019)	Actual Hours	Total Variance	Status of Plan at 8/31/2019
Advisory and Consulting Engagements				
Year-end Periodic Cash Counts	125.00	121.25	3.75	Completed
Athletics Special Request Project	0.00	0	0.00	Project Removed
Consulting/Management Requests	386.00	65.50	320.50	As requested
Continuous Auditing PeopleSoft Queries; Tuition and Fees	59.00	61.00	(2.00)	
Cybersecurity UT System	50.00	10.00	40.00	Completed
Emergency Response Campus Awareness and Training	250.00	302.75	(52.75)	Completed
General Data Protection Regulation (GDPR)	0.00	0	0.00	Project Removed
IT Consulting/Management Requests	43.00	8.50	34.50	
Participation in Institutional Committees/Council, etc.	60.00	38.50	21.50	
PeopleSoft Consulting	100.00	37.50	62.50	
Training provided by Internal Audit to institutional departments/employees/etc.	75.00	2.50	72.50	
Advisory and Consulting Engagements Subtotal	1,148.00	647.50	500.50	
Required Engagements				
Executive Travel and Entertainment Expense Audit	250.00	286.25	(36.25)	Completed
FY 2018 Financial Statement Audit (Final)	10.00	0	10.00	Completed
FY 2019 Financial Statement Audit (Interim)	10.00	0	10.00	Completed.
Federal Portion of the Statewide Single Audit	125.00	0	125.00	Auditor assist activities
Joint Admission Medical Program (JAMP)	50.00	62.25	(12.25)	Completed.
KTEP FM Radio Station	50.00	2.50	47.50	Auditor assist activities
NCAA Agreed Upon Procedures Audit	60.00	83.50	(23.50)	Completed
NCAA Football Attendance Audit	125.00	66.00	59.00	Completed
Purchasing Compliance Assessment	20.00	10.00	10.00	Completed
Benefits Proportional by Fund FY16-17 (Carryforward)	75.00	44.00	31.00	Completed
Required Engagements Subtotal	775.00	554.50	220.50	
Investigations				
Investigations	200.00	772.50	(572.50)	Miscellaneous Projects
FY19- UT El Paso (UTEP) Investigations Subtotal	200.00	772.50	(572.50)	
Reserve for Audit of Emerging Risks				
Reserve for Audit of Emerging Risks	125.00	0	125.00	
FY19- UT El Paso (UTEP) Reserve Subtotal	125.00	0.00	125.00	

Project Name	Revised Budget (Approved March 27, 2019)	Actual Hours	Total Variance	Status of Plan at 8/31/2019
Follow-up				
Follow-up FY19 Q1	125.00	78.50	46.50	Completed
Follow-up FY19 Q2	125.00	272.50	(147.50)	Completed
Follow-up FY19 Q3	125.00	175.00	(50.00)	Completed
Follow-up FY19 Q4	25.00	42.50	(17.50)	Completed
FY19- UT El Paso (UTEP) Follow-Up Subtotal	400.00	568.50	(168.50)	
Development - Operations				
Annual Audit Plan Development, including Risk Assessment	300.00	356.00	(56.00)	
Annual Internal Audit Report	50.00	39.00	11.00	
Annual Reviews/Evaluations	100.00	29.50	70.50	
Internal Audit Committee preparation/participation	190.00	186.50	3.50	
Internal Quality Assurance and Improvement Program activities	150.00	203.50	(53.50)	
Staff meetings related to the management of the audit activity	350.00	295.00	55.00	
TeamMate, software, website development/maintenance	150.00	165.00	(15.00)	
UT System, SAO, etc. reporting/requests; External Audit assist	125.00	213.00	(88.00)	
Development - Operations Subtotal	1,415.00	1,487.50	(72.50)	
Development - Initiatives and Education				
CPE-Individual Continuing Professional Development Training	528.00	682.00	(154.00)	
IAEP Program	100.00	77.75	22.25	
Professional organization/association participation	250.00	154.00	96.00	
Work Group Initiatives	50.00	56.00	(6.00)	
Development - Initiatives and Education Subtotal	928.00	969.75	(41.75)	
TOTAL	9,371.00	9,417.00	(46.00)	

II.b. Summary of Changes - Fiscal Year 2019 Audit Plan

#	Project Name	Hours
Removal of Projects from Fiscal Year 2019 Plan:		
1	Procurement Card: Although this is a high risk area, the Purchasing Department has implemented controls and regular monitoring; consequently, this will be postponed until next year.	300
2	UTS 142.1 Monitoring Plan (FY 2019): We determined that this audit would be more effective by concentrating our testing on accounts once the certification process is finished, rather than crossing fiscal years with the project. This testing will be done in the First Quarter of Fiscal Year 2020.	175
3	Cost Sharing: As we already have one project scheduled for the Contracts and Grants area, the decision was made to postpone this audit until FY 2020.	250
4	Cybersecurity - due to the current UT System initiatives in this area, we determined it was best to postpone this audit until next year.	350
5	General Data Protection Regulation (GDPR): In the case of #4 and #5, as we have a new IT Audit Manager coming in at the end of March, given the remaining IT audits plus the IT Risk Assessment process, there are enough projects left to keep both he and the IT Auditor busy until the end of the fiscal year.	75
Total Hours to be Removed		1,150
Transfer of Hours between Categories:		
1	Athletics Special Request Project	(200)
2	Consulting/Management Requests The special project in Athletics may be done towards the end of the year, but in the meantime, we thought it best to move the hours back to the miscellaneous consulting category.	200

II.c. Benefits Proportionality – Audit Requirements for Higher Education Institutions.

According to Rider 8, page III-46, the General Appropriations Act (86th Legislature, Conference Committee Report), each institution of higher education, excluding public community/junior colleges, shall conduct an internal audit of benefits proportionality by method of finance and submit a copy of the internal audit to the Legislative Budget Board, Comptroller of Public Accounts, and State Auditor's Office (SAO) no later than August 31, 2020. The audit must examine fiscal years 2017 through 2019, and must be conducted using a methodology approved by the State Auditor's Office (SAO).

Audits of the proportionality of higher education benefits process for 2016 and 2017 were performed by this office in 2018 and a separate report was submitted to the State Auditor's Office outlining the results. Hours are included in the Fiscal Year 2020 plan to be used for the audits of Fiscal Year 2018 and 2019.

II.d. Compliance with Texas Education Code Section 51.9337

Compliance with the Texas Education Code Section 51.9337

Senate Bill 20 (84th Legislative Session) made several modifications and additions to Texas Government Code (TGC) and Texas Education Code (TEC) related to purchasing and contracting. Effective September 1, 2015, TEC §51.9337 requires that, *“The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.”*

The Office of Auditing and Consulting Services conducted this required assessment for fiscal year 2019, and found the following:

Based on review of current institutional policy and the UT System Board of Regents' *Rules and Regulations*, The University of Texas at El Paso has generally adopted all of the rules and policies required by TEC §51.9337. Review and revision of institutional and System policy is an ongoing process. These rules and policies will continue to be assessed annually to ensure continued compliance with TEC 51.9337.

As a result of requirements in Senate Bill 65 (86th Legislative Session), additional information has been requested by the State Auditor's Office related to contract audits for the 25 largest state agencies and higher education institutions as identified by the Legislative Budget Board. Although we are not part of the 25, we considered contract processes, controls, and monitoring in our risk assessment process for the Fiscal Year 2020 audit plan.

Rule and Policy Requirements:

Requirement	In place	Rule/Policy Reference / Comments
	Yes/No	
<p>§51.9337(b) – <i>The Board of Regents is responsible for establishing the following policies and practices for “each institution under the management and control of the board”:</i></p> <p>1) A code of ethics for the institution's officers and employees, including provisions governing officers and employees authorized to execute contracts for the institution or to exercise discretion in awarding contracts, subject to Subsection (c);</p>	Yes	<p>See §51.9337(c) on Texas Govt Code</p> <ul style="list-style-type: none"> • UTEP Purchasing Dept. OP, Section 1: Ethics Policy • UTEP Purchasing Dept OP, cites Texas Govt code 51.9335 <p>(a) An institution of higher education may not exercise the acquisition authority granted by Section 51.9335 or 73.115 unless the institution complies with Section 51.9337.</p>
<p>2) Policies for the internal investigation of suspected defalcation, misappropriation, and other fiscal irregularities and an institutional or System-Wide compliance program designed to promote ethical behavior and ensure compliance with all applicable policies, laws, and rules governing higher education, including research and health care to the extent applicable;</p>	Yes	<ul style="list-style-type: none"> • UTS118: Dishonest or Fraudulent Activities • UTS119: Institutional Compliance Program • UTEP HOP, Section VII, CH2: Fraudulent or Dishonest Activities • UTEP HOP, Section I, CH2: Governance of the University • UTEP Standards of Conduct Guide, Institutional Compliance Program & Training • UTEP Purchasing Dept. OP, Section 1: Ethics
<p>3) A contract management handbook that provides consistent contracting policies and practices and contract review procedures, including a risk analysis procedure, subject to Subsection (d);</p>	Yes	<p>See §51.9337(d)</p> <ul style="list-style-type: none"> • UTEP Purchasing Dept. Operating Procedures
<p>4) Contracting delegation guidelines, subject to Subsections (e) and (f);</p>	Yes	<p>See §51.9337(e) and (f)</p> <ul style="list-style-type: none"> • UTEP Purchasing Dept. OP, Section 3: Delegated Authority
<p>5) Training for officers and employees authorized to execute contracts for the institution or to exercise discretion in awarding contracts, including training in ethics, selection of appropriate procurement methods, and information resources purchasing technologies; and</p>	Yes	<ul style="list-style-type: none"> • UTS156: Purchaser Training and Certification, Sec.5 Core Training Curriculum Updated 01/07/2019) • UTEP Purchasing Dept. OP, Section 2: Training and Certification Program • DIR and Purchasing related Training completed 2019
<p>6) Internal audit protocols, subject to Subsection (g). “Protocol” in this context refers to official procedures or rules governing the internal audit activity.</p>	Yes	<p>See §51.9337(g)</p> <ul style="list-style-type: none"> • UTS129: Internal Audit Activities • UTEP HOP, Section VII, CH1: Audit and Consulting Services

Requirement	In place	Rule/Policy Reference / Comments
	Yes/No	
§51.9337(c) – The code of ethics governing an institution of higher education must include: 1) General standards of conduct and a statement that each officer or employee is expected to obey all federal, state, and local laws and is subject to disciplinary action for a violation of those laws;	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 10901: Statement of U.T. System Values and Expectations, Sec. 2 Compliance with Laws and Policy Regents' <i>Rules and Regulations</i>, Rule 30103: Standards of Conduct, Sec. 1 Statutory Compliance (rev 9/25/2018) UTS 134: Sect 3, Code of Ethics for Financial Officers and Employees (rev 05-10-2018) UTEP Standards of Conduct Guide
2) Policies governing conflicts of interest, conflicts of commitment, and outside activities, ensuring that the primary responsibility of officers and employees is to accomplish the duties and responsibilities assigned to that position;	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 1 Primary Responsibility (rev 11/15/2018) UTS 180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 4 Primary Responsibilities (rev 3/8/2018) UTEP HOP, Section V, CH4: Outside Activity and/or Employment, Board Service, and Dual Employment UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities
3) A conflict of interest policy that prohibits employees from having a direct or indirect financial or other interest, engaging in a business transaction or professional activity, or incurring any obligation that is in substantial conflict with the proper discharge of the employee's duties related to the public interest;	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 3 Unmanaged Conflicts of Interest Prohibited (rev 11/15/2018) UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 6 Unmanaged Conflicts of Interest and Conflicts of Commitment Prohibited (rev 11/15/2018) UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.4 Conflicts of Interest and Conflicts of Commitment Prohibited
4) A conflict of commitment policy that prohibits an employee's activities outside the institution from interfering with the employee's duties and responsibilities to the institution;	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 4 Conflicts of Commitment Prohibited (rev 11/15/201/) UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 6 Conflicts of Interest and Conflicts of Commitment Prohibited (rev 3/8/2018) UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.4 Conflicts of Interest and Conflicts of Commitment Prohibited

Requirement	In place	Rule/Policy Reference / Comments
	Yes/No	
5) A policy governing an officer's or employee's outside activities, including compensated employment and board service, that clearly delineates the nature and amount of permissible outside activities and that includes processes for disclosing the outside activities and for obtaining and documenting institutional approval to perform the activities;	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 5 Approval and Disclosure Requirements (rev 11/15/2011) UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Section 10 Additional Process Requirements (rev 3/8/18) UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Definitions (rev 3/8/2018) UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.5 Approval for outside activities required, 29.7 Disclosure of Outside Activities and Interests UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.6 Outside Activity Guidelines
6) A policy that prohibits an officer or employee from acting as an agent for another person in the negotiation of the terms of an agreement relating to the provision of money, services, or property to the institution;	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 60306: Use of University Resources, Sec. 2 No Service as an Agent (rev 12/22/2011) UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities <p>29.4 Un-Managed Conflicts of Interest and Conflicts of Commitment Prohibited</p>
7) A policy governing the use of institutional resources; and	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 8 Use of University Property (11/15/2018) Regents' <i>Rules and Regulations</i>, Rule 60306: Use of University Resources, Sec. 3 Compensation for Resources Used UTEP Standards of Conduct Guide, Use of UT and State of Texas Resources
8) A policy providing for the regular training of officers and employees on the policies described by this subsection.	Yes	<ul style="list-style-type: none"> UTS189: Institutional Conflicts of Interest, Section 10 Education and Training UTEP Standards of Conduct Guide, Institutional Compliance Program
§51.9337(d) – An institution of higher education shall establish contract review procedures and a contract review checklist that must be reviewed and approved by the institution's legal counsel before implementation. The review procedures and checklist must include:	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 20901: Procurement of Goods and Services; Sec. 4, Contract Management Handbook (rev 2/9/17) UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts

Requirement	In place	Rule/Policy Reference / Comments
	Yes/No	
1) A description of each step of the procedure that an institution must use to evaluate and process contracts;	Yes	<ul style="list-style-type: none"> • UTS145 Processing of Contracts, Sec. 4 Contract Processing Procedures (rev 11/27/2017) • UTEP Purchasing Dept. OP, Section 20: Formal Contract Establishment • UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts
2) A checklist that describes each process that must be completed before contract execution; and	Yes	<ul style="list-style-type: none"> • UTS145 Processing of Contracts, Sec. 4 Contract Processing Procedures (rev 11/27/2017) • UT System Office of General Counsel General Procedure Contract Checklist (last updated 3/01/2019) • UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts • "Contract Administration: Review for Signature Form" (rev 7/11/17) <p>Current checklist reviewed and approved by institutional legal counsel.</p>
3) A value threshold that initiates the required review by the institution's legal counsel unless the contract is a standard contract previously approved by the counsel.	Yes	<ul style="list-style-type: none"> • UTS145 Processing of Contracts, Sec. 4 Contract Processing Procedures, Step 4 Determine Value of Contract (rev 11/27/2017) • UTEP Purchasing Dept. OP, Section 3: Delegated Authority
§51.9337(e) – An institution of higher education's policies governing contracting authority must clearly specify the types and values of contracts that must be approved by the board of regents and the types and values of contracts for which contracting authority is delegated by the board to the chief executive officer and by the chief executive officer to other officers and employees of the institution. An officer or employee may not execute a document for the board unless the officer or employee has authority to act for the board and the authority is exercised in compliance with applicable conditions and restrictions.	Yes	<ul style="list-style-type: none"> • Regents' <i>Rules and Regulations</i>, Rule 10501: Delegation to Act on Behalf of the Board (rev 9/25/2018) • UTS145: Processing of Contracts: Sec. 4, Step 4 • Determine Value of Contract (rev 11/27/2017) • UTEP Purchasing Dept. OP, Section 3: Delegated Authority
§51.9337(f) – An institution of higher education may not enter into a contract with a value of more than \$1 million, including any amendment, extension, or renewal of the contract that increases the value of the original contract to more than \$1 million, unless the institution's board of regents approves the contract, expressly delegates authority to exceed that amount, or expressly adopts an exception for that contract. The board must approve any amendment, extension, or renewal of a contract with a value that exceeds 25 percent of the value of the original contract approved by the board unless the authority to exceed the approved amount is	Yes	<ul style="list-style-type: none"> • Regents' <i>Rules and Regulations</i>, Rule 10501: Delegation to Act on Behalf of the Board, Sec. 3 Matters Not Delegated, 3.1 Contracts Exceeding \$1 Million (rev 9/25/2018) • UTEP Purchasing Dept. OP, Section 3: Delegated Authority

Requirement	In place	Rule/Policy Reference / Comments
	Yes/No	
expressly delegated by the board or an exception is expressly adopted by the board for that contract.		
§51.9337(g) – The board of regents of an institution of higher education shall adopt standards for internal audits conducted by the institution to provide a systematic, disciplined approach to evaluate and improve the effectiveness of the institution's risk management, control, and governance processes related to contracts and to require risk-based testing of contract administration. The internal auditor must have full and unrestricted access to all institutional property, personnel, and records. An internal auditor must report directly to the board of regents in accordance with Chapter 2102, Government Code.	Yes	<ul style="list-style-type: none"> Regents' <i>Rules and Regulations</i>, Rule 20401: Audit and Compliance Program (rev 9/25/2018) <ul style="list-style-type: none"> 1.2 (a) System-Wide internal audit plan based on a comprehensive risk assessment 1.2 (c) Standards and methodology to be followed by all U.T. System internal auditors UTS129: Internal Audit Activities, Sec. 1 Internal Auditing Program (rev 9/29/2011) UTEP HOP, Section VII, CH1: Audit and Consulting Services <ul style="list-style-type: none"> 1.4 Responsibility 1.5 Authority 1.6 Standards of Audit Practice
§51.9337(h) – The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor. In auditing the purchase of goods and services by the institution, the state auditor shall determine whether an institution has adopted the required rules and policies.	Yes	As documented herein. Certification statement to be included in the Annual Audit Report to the State Auditor's Office required under Texas Government Code §2102.

III. Consulting Services and Non-audit Services Completed

Audit Report Number and Name	Report Date	Audit Objectives	Recommendation(s)	Management Responses / Action Plan
#19-116 Fiscal Year 2019 Year-end and Periodic Cash Counts	8/29/19	To verify the existence and accuracy of the change fund balances recorded in PeopleSoft accounts.	<ul style="list-style-type: none"> • Cash to fulfill departmental requests should be requested from the bank and not provided from the change fund. Additionally, SBS should reconcile to the approved cash fund on a weekly basis, and the reconciliation should be signed and dated by management to show evidence of review and approval. • Accurate records for cash pick-ups must be maintained to ensure accountability for cash transfers. Additionally, deposits should be made in accordance with the UTEP Cash Handling/Change Fund policy. • Deposits should be made in accordance with the UTEP Cash Handling/Change Fund policy. • Cash should be kept secure at all times. Examples of secure areas include a safe, a locked metal box, or locked drawer. <p>Additional Considerations: UTEP does not have a Cash Management policy to complement The University of Texas System Cash Management policy (UTS 166). Additionally, there is not a uniform University-wide training for cash handling procedures. Current training is ad-hoc and generally provided at the department level. We recommend the University develop a uniform training program for all employees who handle cash.</p>	N/A This audit is conducted on an annual basis.

Audit Report Number and Name	Report Date	Audit Objectives	Recommendation(s)	Management Responses / Action Plan
Continuous Auditing: Query Updates for Course Fees and Major fees	2019	The objective of continuous auditing is to identify high-risk areas that require frequent review and to create a set of continuous auditing reports that provide timely alerts for transactions that may not be compliant with federal, state, and institutional laws and regulations.	<p>During the project we noted the following:</p> <ul style="list-style-type: none"> • Course fees and major fees management is a high-risk area that benefits from continuous auditing because fee approvals, assessments, and expenditures are separate functions handled by three different departments and the information is not available in a single report. • Continuous auditing reports are created and managed by the Office of Auditing and Consulting Services. Management may view and use the reports as needed for monitoring purposes. The reports will enable management to respond properly to identified risks and control deficiencies. 	Continuous monitoring is a process owned by management. Management is responsible for maintaining effective control systems. They also have the most to benefit from obtaining timely insight into transactions that could be the result of fraud, error or abuse.
Continuous Auditing: Duplicate Payments		Data analytics tools are used to identify potential duplicate payments for employee reimbursements. Potential duplicates are analyzed and reported to Financial Services for follow-up.	A quarterly report is issued with all verified duplicate payments.	Accounts Payable requests immediate reimbursement for all verified duplicate payments.

IV. External Quality Assurance Review (Peer Review)

Report of the Results of the Independent Validation of the Quality Assessment Review of the Office of Auditing and Consulting Services at University of Texas at El Paso

June 7, 2017

June 7, 2017

Ms. Lori Wertz, Chief Audit Executive
University of Texas at El Paso

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

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

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

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

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

Very truly yours,

Baker Tilly Virchow Krause, LLP

V. Internal Audit Plan for Fiscal Year 2020



Office of Auditing and Consulting Services

2020 Audit Plan

Approved by the Internal Audit Committee

June 26, 2019

DISTRIBUTION LIST

University of Texas at El Paso

Dr. Heather Wilson, President

Mr. Richard Aauto, Executive Vice President

Dr. Stephen Riter, Vice President for Information Resources and Planning

Dr. Roberto Osegueda, Vice President for Research

Dr. Gary Edens, Vice President for Student Affairs

Dr. John Wiebe, Interim Provost

Mr. Benjamin Gonzalez, Vice President, Asset Management and Development

Mr. Mark McGurk, Vice President for Business Affairs

Ms. Mary Solis, Director and Chief Compliance and Ethics Officer

University of Texas System

System Audit Office

External

Governor's Office of Budget

Legislative Budget Board

Internal Audit Coordinator, State Auditor's Office

Sunset Advisory Commission

External Audit Committee Members

Mr. Joe R. Saucedo, Chair

Mr. Fernando Ortega

OVERVIEW

In accordance with the Texas Internal Auditing Act, The University of Texas System Administration Policy UTS129 – Internal Audit Activities, and The Institute of Internal Auditors' International Professional Practices Framework (IPPF) Performance Standards 2010 Planning and 2020 Communication and Approval, we have prepared an audit plan for Fiscal Year 2020. The 2020 Audit Plan is a description of the internal audit activities to be performed by the Office of Auditing and Consulting Services (OACS) in Fiscal Year 2020.

The process of preparing the 2020 Audit Plan included identifying risks that may impact University objectives and business activities. The Internal Audit Committee reviewed and approved the 2020 Audit Plan. Members of the Internal Audit Committee provided input, as did Deans and Department Directors/Chairs, where appropriate. The Internal Audit Committee is comprised of the following members:

- Dr. Heather Wilson, President
- Dr. John Wiebe, Interim Provost
- Dr. Stephen Riter, Vice President for Information Resources and Planning
- Dr. Gary Edens, Vice President for Student Affairs
- Dr. Roberto Osegueda, Vice President for Research
- Mr. Benjamin Gonzalez, Vice President, Asset Management and Development
- Mr. Mark McGurk, Vice President for Business Affairs
- Mr. Richard Adauto III, Executive Vice President
- Mr. Joe R. Saucedo, External Chair
- Mr. Fernando Ortega, External Member

In addition to information received from initial interviews with senior management, input was also received from:

- Dr. Toni Blum, Associate Provost, Institutional Effectiveness
- Ms. Tami Keating, Director, Academic Affairs Personnel Services
- Mr. Gerard Cochrane, Chief Information Security Officer
- Ms. Sandy Vasquez, Associate Vice President, Human Resources
- Ms. Joanne Richardson, Assistant Vice President, Budget and Personnel Services
- Mr. Daniel Dominguez, Director of Accounting and Financial Reporting
- Dr. Amanda Vasquez, Assistant Vice President, Enrollment Services
- Ms. Manuela Dokie, Assistant Vice President, Research and Compliance
- Ms. Athena Fester, Director, Research Assurance
- Ms. Guadalupe Gomez, Director, Contracts and Grants Accounting
- Dr. Jose Rivera, Dean, School of Pharmacy
- Mr. James Senter, Director, Intercollegiate Athletics
- Dr. Chao Zhang, Director, Technology Commercialization

RISK ASSESSMENT AND AUDIT PLAN DEVELOPMENT

The Institute of Internal Auditors' IPPF requires that internal auditors develop a risk based audit plan that is in alignment with organizational goals and objectives. A top down approach was used to identify risk factors with a high degree of correlation with strategic and operational objectives.

The final risk list was created by identifying processes with critical and high risks to be included in the Annual Audit Plan. The final risk list and draft audit plan were reviewed and approved by The University of Texas System (UT System) Audit Office and The University of Texas at El Paso (UTEP) Internal Audit Committee.

See **Exhibits (A-1.)- (A-7)** for the approved **FY 2020 Annual Audit Plan**.

The audit plan was broken down into eight major categories:

- 1. Assurance Engagements**
- 2. Advisory and Consulting Engagements**
- 3. Required Engagements**
- 4. Investigations**
- 5. Reserve**
- 6. Follow-up**
- 7. Development - Operations**
- 8. Development – Initiatives and Education**

Consideration of the following was given in developing the 2020 Audit Plan:

- Strategic and operational objectives
- Management input
- Various risk assessments
- Economical and efficient use of internal audit resources
- Required activities (i.e., KTEP FM Radio audit, Annual Financial Report, NCAA Compliance, etc.)
- Current issues in higher education

RISK ASSESSMENT METHODOLOGY

Our risk assessment process consists of a top down approach following the steps below:

- Update our understanding of current strategic and operational objectives
- Identify and evaluate regulatory, industry, and market factors
- Meet with other risk assessors on campus
- Validate priorities through interviews with executive management
- Identify top areas in which priorities are significant and risk factors are high
- Scope the risk assessment and meet with management in high risk areas
- Rank risks according to impact and probability
- Review risk list with executive management to determine risk mitigation factors, if any
- Address high risks in annual audit plan
- Document reasons certain high risk areas are not included in audit plan

The following taxonomy was used by all UT System Academic Institutions:

- | | |
|----------------------------|----------------------------|
| 1. Governance | 10. Risk Management |
| 2. Finance | 11. Public Services |
| 3. Information Technology | 12. Auxiliary Services |
| 4. Research | 13. University Relations |
| 5. Human Resources | 14. University Development |
| 6. Facilities Management | 15. Enrollment Management |
| 7. Property Management | 16. Student Services |
| 8. Purchasing/Supply Chain | 17. Academic Support |
| 9. Legal | 18. Instruction |

VALUATION OF IMPACT AND PROBABILITY

IMPACT -The impact of a risk is the effect a single occurrence of that risk will have upon the achievement of the institution's goals and objectives.

There are three values:

CRITICAL/HIGH:	The effect would significantly impact the institution as a whole from achieving its goals and objectives.
MEDIUM :	The effect would seriously impede the institution's ability to operate efficiently, or would cause significant expenditures of unplanned resources to meet goals and objectives.
LOW:	The measurable effect upon the achievement of institution's goals and objectives would be immaterial or insignificant.

The following factors were presented for consideration during the assessment of **IMPACT** for each element in the risk population:

- Human Health and Safety
- Societal/Environmental
- Monetary
- Business/Operations
- Information Technology
- Information Security
- Public Relations
- Reporting and Disclosure
- Strategic
- Compliance
- Fraud

PROBABILITY- The probability that a risk will become reality.

There are three values:

CRITICAL/HIGH:	It is extremely likely that an event will occur.
MEDIUM :	The probability of an event is similar to occurrences within the normal course of operations.
LOW:	The risk of an event is highly unlikely or would require a combination of multiple failures.

The following factors were presented for consideration during the assessment of **PROBABILITY** for each element in the risk population:

- History
- Conflicts of Interest
- Susceptibility to Fraud or Theft
- Key Changes including leadership, key personnel, regulations, policies, operating processes, computer systems, software applications, etc.
- Control Activities Need Improvement
- Policies and Procedures Require Updates
- Training
- Complexity of Unit or Process

Follow-up Audits

In accordance with the Institute of Internal Auditors' Performance Standard 2500 – Monitoring Progress, a follow-up process is in place to monitor and ensure that management actions have been effectively implemented, or that senior management has accepted the risk of not taking action. OACS uses the audit implementation deadline to determine when follow-up procedures should be conducted.

A quarterly dashboard report of all pending issues is initially provided to each responsible party. The recipient then indicates whether the finding has been implemented and is ready for a follow up audit. Once the follow-up work is complete, the results will be communicated in an updated dashboard. If a finding is still outstanding, an explanation is requested along with a revised implementation date. The final quarterly results are sent to the respective Vice Presidents responsible for those offices/departments. An audit is officially closed after all recommendations have been verified as implemented.

Advisory/Consulting/Investigations

These projects are specifically requested by University management or mandated by UT System. The goal of performing special projects is to provide management with analyses, recommendations and information concerning the activities reviewed. Included in this category of audits are UT System requests, special requests and investigations.

Reserves

Hours are reserved for engagements (special requests, investigations and consulting) that are not identified or known at the time the plan is established, but may be required and assigned during the year. As the fiscal year progresses and engagements become known, these hours will be reallocated to the appropriate categories designated in the plan.

Carry forward Audits

Carry forward audits are those 2019 Annual Audit Plan audits that are in progress at August 31, 2019.

SCOPE OF AUDITS

The IPPF addresses the scope of work as follows:

"The scope of the engagement should include consideration of relevant systems, records, personnel, and physical properties, including those under control of third parties."

"In performing consulting engagements, internal auditors should ensure that the scope of the engagement is sufficient to address the agreed-upon objectives."

Internal auditors should:

- Review the **reliability and integrity of financial and operating information** and the means used to identify, measure, classify and report such information.
- Review the systems established to ensure **compliance** with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.
- Review the means of **safeguarding assets** and, as appropriate, verify the existence of such assets.
- Appraise the **economy and efficiency** with which resources are employed.
- Review **operations or programs** to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.

The planned scope of each of the audits in the 2020 Annual Audit Plan is described in **Exhibits (A-1.-A-8)**

Exhibit A-1. FY 2020 Audit Plan – Assurance Engagements

FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Assurance Engagements			
Tuition Waivers	300		Determine if tuition waivers are granted in accordance with state regulations and University policies and procedures. Analyze effectiveness of monitoring process to determine eligibility for waivers
Student Employment	350		Determine if the necessary controls are in place to ensure the hiring of eligible students
Technology Commercialization	350		Verify that policies and procedures in the Office of Technology Commercialization are in compliance with all applicable laws, regulations, policies, and procedures regarding intellectual property. Determine if conflict of interest and outside activities are disclosed and managed to protect intellectual property. Analyze appropriateness of revenues and expenditures in the administration of University patents
Teachers Retirement System	350		Confirm completeness and accuracy of information reported to TRS. Determine if there is an effective process to identify TRS retirees and correctly classify retirees as part time employees or independent contractors

FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Assurance Engagements Continued			
University Travel	300		Evaluate and test compliance with UTEP and UT System policies and procedures for travel expenses incurred by University faculty and staff, as well as travel advance policies
UTS 142.1 Monitoring Plan	175		Annual audit based on risk
Procurement Card	250		Test expenditures to confirm compliance with updated policies and procedures
Critical Security Updates - Cyber Security	350		Ensure patch management for mission critical resources is performed effectively to address vulnerabilities
Mobile Devices	350		Assess the University's mobile device policies and procedures in place and the effectiveness of the of security controls to minimize the risk of mobile devices exposing the network to malware, data loss/theft, and network failures
Single Sign On	350		Assess the effectiveness of the Single Sign On application to ensure users are being properly authenticated to the applications covered by the application
Wireless Network Connections	350		Ensure wireless network connections are protected against unauthorized access to information resources

FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Assurance Engagements Continued			
Research Centers	350		Analyze the operations and services of major research centers to determine if financial transactions align with the purpose and mission of the center and are in compliance with UTEP policies and procedures
Carryforward Audits:			
Budget Procedures	150		Verify accuracy, allowability and support documentation for encumbrances, transfers, and carry forwards and determine if actual fee revenue is available to departments on a timely basis
Decentralized IT Operations	150		Determine if information technology distributed locations follow security controls, access and test security controls, have enough resources to perform information security test, and communicates and trains staff at distributed locations
Allowability of Costs for Federal Grants	100		Determine allowability of costs for sponsored projects in accordance with Generally Accepted Government Auditing Standards. (GAGAS)
Assurance Engagements Subtotal	4,225	42%	

Exhibit A-2. FY 2020 Audit Plan – Advisory and Consulting Engagements

FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Advisory and Consulting Engagements			
Consultant Payments Online Process	150		Assess the effectiveness of processing Authorization for Personal Services (APS) forms through the e-form system
Cash Fund Operations	150		Verification of PeopleSoft balances, actual cash, and bank balances
Continuous Auditing PeopleSoft Queries; Tuition and Fees	200		Recurring management request
PeopleSoft Consulting	50		Participation in UT Share meetings
Training provided by Internal Audit to institutional departments/employees/etc.	75		Continuous Auditing presentations and others as requested
Participation in Institutional Committees/Council, etc.	60		Participation in meetings for Endowment Compliance Committee, Institutional Compliance Committee and Administrative Council meetings. Serve as a member of the Accounting and Information Systems Advisory Council
Consulting/Management Requests	360		As requested
Advisory and Consulting Engagements Subtotal	1,045	10%	

Exhibit A-3. FY 2020 Audit Plan – Required Engagements

FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Required Engagements			
FY 2019 Financial Statement Audit (Final)	10		Required annual audit
FY 2020 Financial Statement Audit (Interim)	10		Required annual audit
Benefits Proportional By Fund	350		Review of the benefits proportionality reporting process, to include validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the APS 011 reports, and testing to verify eligibility of employee benefits paid with appropriated funds
Federal Portion of the Statewide Single Audit	35		Assistance to the State Auditor's Office for follow-up procedures
NCAA Agreed Upon Procedures Audit	100		Required annual audit; support for UT System Audit Office
NCAA Football Attendance Audit	150		Recurring management request
KTEP FM Radio Station	25		Support to external auditor
Purchasing Compliance Assessment	20		Required annual audit
Required Engagements Subtotal	700	7%	

Exhibit A-4. FY 2020 Audit Plan – Investigations, Reserve and Follow-up

FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Investigations			
Investigations	375		As requested
Investigations Subtotal	375	4%	
Reserve			
Reserve for Audit of Emerging Risks	300		As requested
Reserve Subtotal	300	3%	
Follow-Up			
Follow-up Audits	600		Follow-up on previous audit recommendations as required by IIA Standards; approximately 3-4 done per quarter
Follow-Up Subtotal	600	6%	

Exhibit A-5. FY 2020 Audit Plan – Development – Operations

FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development - Operations			
Internal Quality Assurance and Improvement Program activities	200		As requested
Self Assessment/QAR	250		System-required Audit - every three years
Annual Audit Plan Development, including Risk Assessment	300		Preparation of FY 2021 Risk Assessment and Audit Plan
UT System, SAO, etc. reporting/requests; External Audit assist	125		Responses for requests for information
Software, website development/maintenance	200		Non-project related development/maintenance and data analytics
Internal Audit Committee preparation/participation	225		Preparation of presentation documents for Institutional Audit Committee meetings; meetings with external audit committee members
Staff meetings related to the management of the audit activity	350		Monthly staff meetings and status update meetings as needed
Annual Internal Audit Report	75		Preparation of Annual Internal Audit Report for FY 19
Annual Reviews/Evaluations	100		Preparation of Self-Appraisals and Evaluations
Development - Operations Subtotal	1,825	18%	

Exhibit A-6. FY 2020 Audit Plan – Development – Initiatives and Education

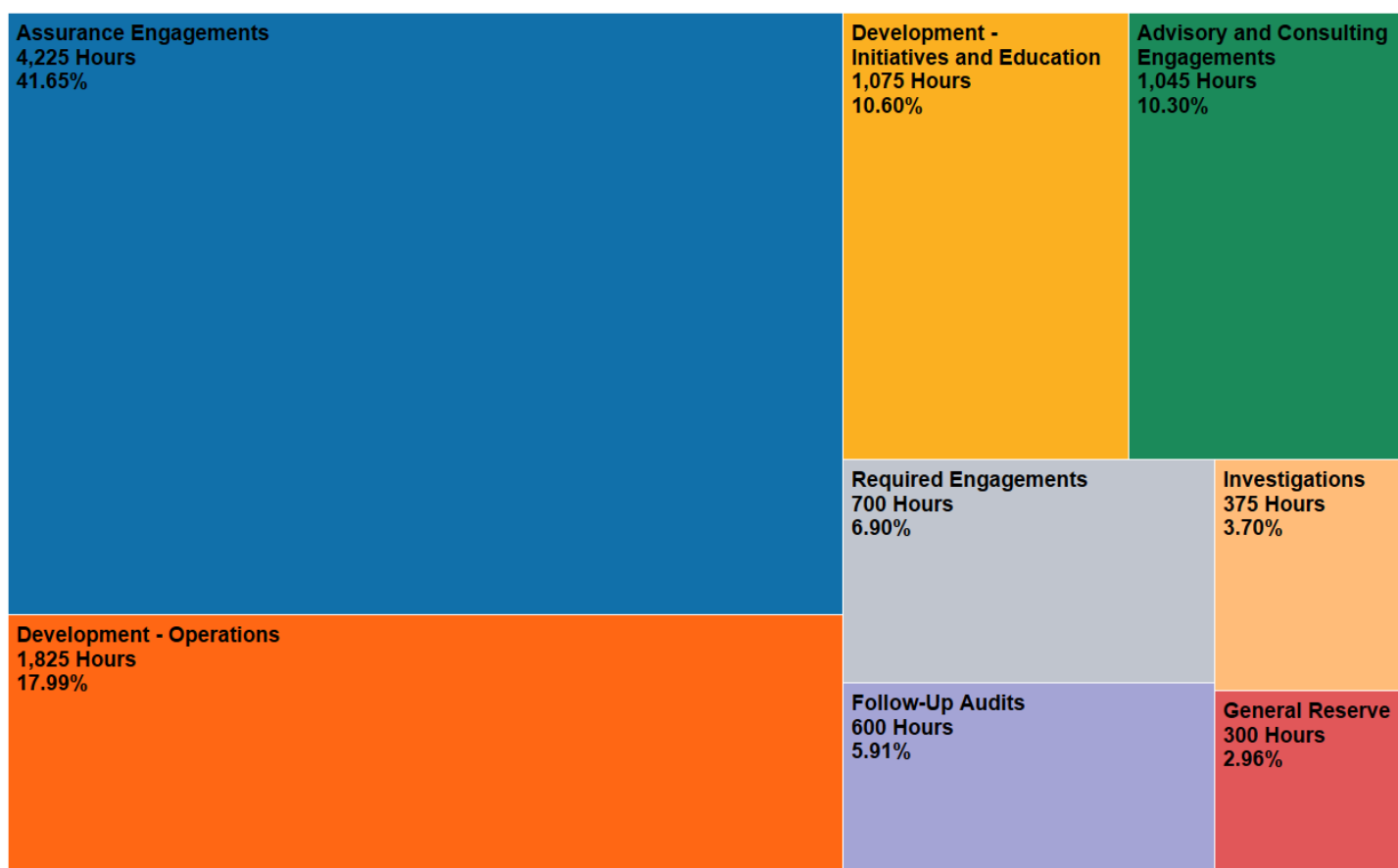
FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development – Initiatives and Education			
Work Group Initiatives	100		Participation in UT System Audit initiatives
Professional organization/association participation	250		Participation as members and board members of IIA and ACFE
Individual Continuing Professional Education (CPE) Training	600		Continuing Professional Education for staff members
IAEP Program	125		Advance program to achieve goal of comprehensive level institution.
Development – Initiatives and Education Subtotal	1,075	10%	

Exhibit A-7. FY 2020 Audit Plan – Total Budgeted Hours

FY 2020 Audit Plan	Original Budget	Percent of Total
Assurance Engagements Subtotal	4,225	42%
Advisory and Consulting Subtotal	1,045	10%
Required Engagements Subtotal	700	7%
Investigations Subtotal	375	4%
Reserve Subtotal	300	3%
Follow-up Subtotal	600	6%
Development - Operations Subtotal	1,825	18%
Development - Initiatives and Education Subtotal	1,075	10%
Total Budgeted Hours	10,145	100%

Exhibit A-8. FY 2020 Audit Plan – Graph: Allocation of Hours by Category

2020 Audit Plan
Percentage of Hours Allocated by Category



V.a. High Risk Audits not in Fiscal Year 2020 Plan

#	Detailed Risk Description	Risk Probability	Risk Impact	Risk Mitigating Factors
1	Excessive nonPO vouchers processed to bypass Miner Mall	High	Medium	Audit 18-104 NonPO Vouchers Follow Up in 2020
2	Incorrect classification of consultant services may lead to inaccurate tax withholding	Medium	High	Audit #19-113 Tax Compliance audit performed in FY 2019
3	Lack of funding for Hazlewood Exemptions by the Legislature.	High	Medium	State mandated financial aid for veterans. VPBA monitors eligible students on a semester basis to determine amount to be awarded.
4	Parts of term may not meet SACS requirements and could increase financial aid and credit reporting errors	High	Medium	Will consider audit for 2021
5	Police offer fewer services to protect student and staff on campus	High	Medium	Audit #19-304 Emergency Response Campus Awareness and Training performed in FY 2019.
6	Immigration issues and concerns impact accessibility for border crossers	High	Medium	Management monitoring border crossing issues and offering assistance to affected students
7	Lack of employee awareness and training for emergency response procedures	High	Medium	Audit #19-304 Emergency Response Campus Awareness and Training performed in FY 2019.
8	Challenges in coordinating and communicating new mission and strategy	Medium	High	Monitor for updates to strategic plan and its impact on risk assessment and audit plan.
9	Uncertainty regarding strategic initiatives of new administration	Medium	High	Monitor for updates to strategic plan and its impact on risk assessment and audit plan.
10	Loss of assets due to theft/fraud not detected due to weak inventory controls	High	Medium	Audit #19-109 IT Asset Inventory audit performed in FY 2019
11	Lack of control of interior office keys may lead to misappropriation of assets, identity theft, and FERPA violations	High	Medium	Follow-up on Audits #16-10, Facilities Management and #17-10 University Key Shop in FY 2019
12	Intellectual Property is lost/stolen/damaged, possibly without detection, because it was not identified and classified as such.	Medium	High	ISO is completing research and discovery of IP data; assess and review in FY 2020-2021

#	Detailed Risk Description	Risk Probability	Risk Impact	Risk Mitigating Factors
13	Federally-funded research data is not protected in accordance with new Controlled Unclassified Information (CUI) security requirements, resulting in loss of research funding and reputational damage.	Medium	High	ISO has an initiative for FY 2020 to develop and implement any additional security rules needed for compliance with CUI (NIST 800-171); assess and review in FY 2020-2021
14	Unsanctioned or unmonitored third-party apps or software exposes the network to malware and data loss/theft.	Medium	High	Audit #16-09 Cloud Computing Audit performed in FY 2018. Microsoft OneDrive UTEP Supported Cloud System now offered on campus
15	Lack of safeguards and security controls for endpoint devices exposes the University to cyber threats.	High	Medium	Audit #19-109 IT Asset Inventory performed in FY 2019
16	Noncompliance with PCI could result in stolen identity, legal exposure and reputational risks to the University.	Medium	High	Audit #17-15 Payment Card Industry Compliance performed in FY 2018
17	No full disaster recovery "hot site" for critical UTEP functions is in place and/or operational, exposing the University to data loss.	High	High	Audit #16-04 Backup/Recovery/Contingency Network Server Data performed in FY 2016. Follow-up noted funding allocated to hot site in Tech Fee and agreement with City of El Paso in progress
18	Limitations of available security roles grant more than needed access to various users as a requirement for them to have the necessary access to perform job functions.	Medium	High	Audit #19-110 Personal Security and Audit #19-100 Access Control PeopleSoft performed in FY 2019
19	Unauthorized access to University's information resources, exposes the University's to sensitive data and/or information sources being lost or stolen.	Medium	High	Audit #19-110 Personal Security and Audit #19-100 Access Control PeopleSoft performed in FY 2019
20	Phishing scams cause student/faculty devices to be infected with malware, compromising system accounts, and allowing access to confidential information.	Medium	High	Including Critical Security Updates - Cyber Security audit; assess and review in FY 2020-2021
21	Sensitive and confidential data is vulnerable to cyber security attacks.	Medium	High	Including Critical Security Updates - Cyber Security audit; assess and review in FY 2020-2021

#	Detailed Risk Description	Risk Probability	Risk Impact	Risk Mitigating Factors
22	Sensitive data (such as PII, SSN, private data) being stored in unnecessary location poses unnecessary exposure to identify theft.	Medium	High	ISO is completing research and discovery of IP data; assess and review in FY 2020-2021
23	Outdated Telecom / Network hardware may impact availability of information resources, therefore, the University is not able to provide business and academic services.	High	Medium	UT System CISO conducting Network Security Minimum Baseline assessment
24	Incident response related to cyber security events is inadequate, limiting the ability to properly address system intrusions in a timely manner.	Medium	High	System performing an Incident Response Health Check and will issue report with recommendations; assess and review in FY 2020-2021
25	Users are granted system access to perform incompatible business tasks (i.e. recording, authorization, and maintaining custody), allowing them to create and conceal fraudulent transactions.	Medium	High	Audit #19-110 Personal Security and Audit #19-100 Access Control PeopleSoft performed in FY 2019
26	ISO is unable to determine what software, security patches, security controls, malware software are in place for all computers, therefore exposing the University to legal issues or threats	Medium	High	Audit #19-109 IT Asset Inventory performed in FY 2019

VI. External Audit Services Procured in Fiscal Year 2019

1. The El Paso firm of Gibson Ruddock Patterson LLC, was engaged to perform the audit for FY 2019 of the KTEP FM radio station located on the UTEP campus. The audit is required by The Corporation for Public Broadcasting to enable UTEP to continue receiving grant funding from that organization.

VII. Reporting Suspected Fraud and Abuse

The General Appropriations Act, 86th Legislature:

Sec. 7.09. 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 by:*

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

The University of Texas at El Paso has independent organizations that implement the requirements of Section 7.09, Fraud Reporting, and General Appropriations Act (86th. Legislature, Conference Committee Report) Article IX and Texas Government Code, Section 321.022. The Office of Auditing and Consulting Services and the Office of Institutional Compliance jointly and separately provide various monitoring and reporting activities to detect and prevent fraud and abuse.

Actions were taken to implement the requirements of the following:

- **Section 7.09, Fraud Reporting,** General Appropriations Act (85th. Legislature, Conference Committee Report) Article IX:
 - The University has a direct link to the State Auditor's web page with instructions for reporting fraud, waste and abuse in Texas.
 - A Helpline web site compliance module that may be accessed by all faculty staff and student employees that outlines the process for reporting and provides information to access the SAO fraud reporting site.
 - The University Handbook of Operating Procedures offers guidelines on the investigation of possible fraudulent activities.
- **Texas Government Code, Section 321.022.** Two reports were submitted to the State Auditor's Office as required by this section in Fiscal Year 2019. In both cases, University policy violations were noted. Additionally, based on the work performed in the second case, it appeared that revenue was missing from accounts, although not a material amount. Appropriate action was taken by University management, to include termination of employment for those identified individuals.