

The University of Texas at El Paso

Office of Auditing and Consulting Services



Internal Audit Annual Report Fiscal Year 2020



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

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DATE: October 30, 2020

TO: Sarah Hicks, 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, Office of Auditing and Consulting Services

SUBJECT: The University of Texas at El Paso Internal Audit Annual Report for Fiscal Year 2020

Attached please find The University of Texas at El Paso Internal Audit Annual Report for Fiscal Year 2020 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 the website

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 website of The University of Texas at El Paso <https://www.utep.edu/audit>:

- The approved Audit Plan for Fiscal Year 2021, as provided by Texas Government Code, Section 2102.008, and
- The Internal Audit Annual Report for Fiscal Year 2020, as required by Texas Government Code, Section 2102.009.

II. 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, Chair and External Member
- 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-8.** 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 are 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.

Carryforward Audits

Carryforward audits are those FY 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 approved **FY 2020 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
Teacher Retirement System TRS	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		UT 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 2019
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

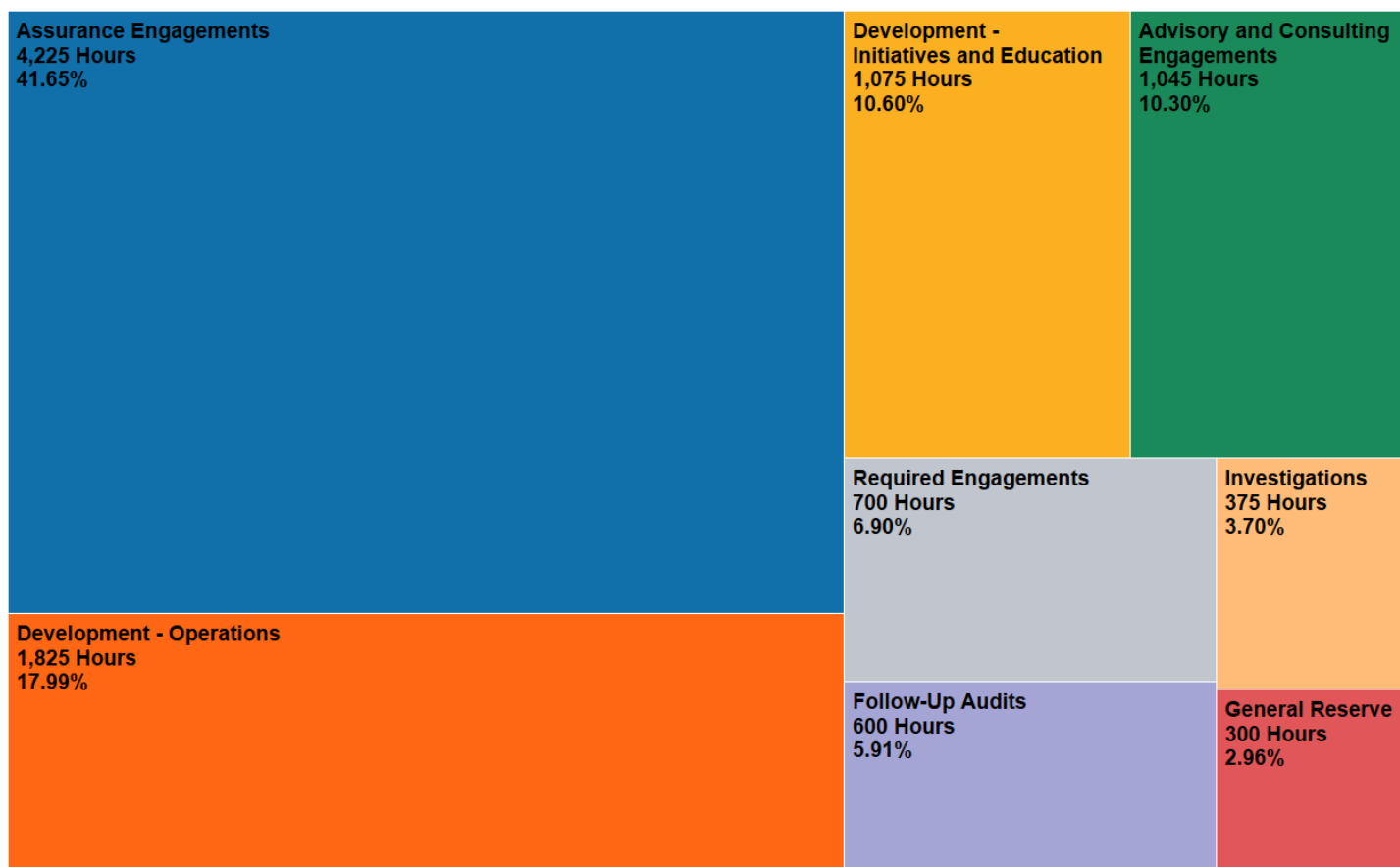
FY 2020 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development – Initiatives and Education			
Work Group Initiatives	100		Participation in UT System Audit initiatives
Professional organization/association participation	250		Participation as members and board members of 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



II.a. Revised Fiscal Year 2020 Audit Plan

Project Name	Revised Budget as of April 30, 2020	Actual Hours	Total Variance	Status of Plan at 8/31/2000
Assurance Engagements				
Critical Security Updates - Cyber Security	350.00	338.00	12.00	Completed
Budget Procedures	200.00	336.25	(136.25)	Completed
Allowability of Costs for Federal Grants	150.00	283.00	(133.00)	Completed
Mobile Devices	350.00	305.25	44.75	Completed
Procurement Card	250.00	355.00	(105.00)	Completed
Research Centers	0.00	68.50	(68.50)	Postpone audit until onsite visits are an option. Researchers are struggling to maintain research progress working from home due to COVID 19
Decentralized IT Operations	250.00	628.75	(378.75)	Completed
Single Sign On	350.00	270.75	79.25	Completed
Student Employment	350.00	614.00	(264.00)	Completed
Teacher Retirement System	350.00	23.00	327.00	Project Hours carried over to FY 2021
Technology Commercialization	350.00	451.25	(101.25)	Completed
Tuition Waivers	300.00	319.50	(19.50)	Completed
Scholarships	0.00	52.00	(52.00)	Postpone audit until onsite visits are an option
Tax Compliance	200.00	342.00	(142.00)	Completed
University Travel	300.00	382.00	(82.00)	Completed
UTS 142.1 Monitoring Plan	175.00	193.00	(18.00)	Completed
Wireless Network Connections	0.00	0.00	0.00	Replace with "Microsoft Teams Consulting Project" to refocus efforts on more critical emerging risks, as a result of remote work policy.
Leave Review	250.00	286.00	(36.00)	Project Hours carried over to FY 2021
Vendor Management	300.00	172.75	127.25	Project Hours carried over to FY 2021
Assurance Engagements Subtotal	4475	5421	(946.00)	
Advisory and Consulting Engagements				
Cash Fund Operations	0.00	0.00	0.00	Postpone audit until onsite visits are an option
Consultant Payments Online Process	0.00	0.00	0.00	Implementation of eforms still in progress. Postponed until FY 2021
Consulting/Management Requests	480.00	173.50	306.50	As requested
Continuous Auditing PeopleSoft Queries	200.00	94.50	105.50	
Participation in Institutional Committees/Council, etc.	60.00	22.00	38.00	
PeopleSoft Consulting	50.00	38.25	11.75	
Training provided by Internal Audit	75.00	34.75	40.25	
Microsoft Teams Consulting Project (IT)	400.00	290.75	109.25	Project Hours carried over to FY 2021
Advisory and Consulting Engagements Subtotal	1265	653.75	611.25	

Project Name	Revised Budget as of April 30, 2020	Actual Hours	Total Variance	Status of Plan at 8/31/2000
Required Engagements				
Benefits Proportional By Fund	350.00	391.00	(41.00)	Completed
Federal Portion of the Statewide Single Audit	35.00	0.00	35.00	Auditor Assist duties
FY 2019 Financial Statement Audit (Final)	10.00	0.00	10.00	Completed
FY 2020 Financial Statement Audit (Interim)	10.00	3.75	6.25	Completed
KTEP FM Radio Station	25.00	2.00	23.00	Auditor Assist duties
NCAA Agreed Upon Procedures Audit	150.00	146.00	4.00	Completed
NCAA Football Attendance Audit	150.00	59.00	91.00	Completed
Purchasing Compliance Assessment	20.00	34.50	(14.50)	Completed
Required Engagements Subtotal	750	636.25	113.75	
Investigations				
Investigations	275.00	301.50	(26.50)	As requested
Investigations Subtotal	275	301.5	(26.50)	
Reserve				
Reserve for Audit of Emerging Risks	0.00	0.00	0.00	
Reserve Subtotal	0	0	0	
Follow-Up				
Follow-up Audits	480.00	617.50	(137.50)	As requested
Follow-Up Subtotal	480	617.5	(137.50)	
Development - Operations				
Annual Audit Plan Development, including Risk Assessment	300.00	323.00	(23.00)	
Annual Internal Audit Report	75.00	36.50	38.50	
Annual Reviews/Evaluations	100.00	43.00	57.00	
Internal Audit Committee preparation/participation	225.00	278.25	(53.25)	
Internal Quality Assurance and Improvement Program activities	200.00	168.00	32.00	
Self Assessment/QAR	250.00	306.00	(56.00)	
Software, website development/maintenance	200.00	171.50	28.50	
Staff meetings related to the management of the audit activity	350.00	457.50	(107.50)	
UT System, SAO, etc. reporting/requests; External Audit assist	125.00	148.25	(23.25)	
Development - Operations Subtotal	1825	1932	(107.00)	
Development - Initiatives and Education				
IAEP Program	125.00	90.40	34.60	
CPE Training	600.00	646.35	(46.35)	
Professional organization/association participation	250.00	149.25	100.75	
Work Group Initiatives	100.00	85.50	14.50	
Development - Initiatives and Education Subtotal	1075	971.5	103.5	
Total	10145	10533.5	(388.50)	

II.b. Summary of Changes - Fiscal Year 2020 Audit Plan

#	Removal of Projects from Fiscal Year 2020 Plan:	Hours
1	Wireless Network Connections	(350)
2	Research Centers	(350)
3	Scholarships	(250)
4	Consultant Payments Online Process	(150)
5	Cash Fund Operations	(150)
	Total Hours Removed	(1,250)
#	New Projects to be Added:	Hours
1	Leave Review	250
2	Microsoft Teams Consulting Project (IT)	400
3	Vendor Management	300
4	Consulting	220
5	Follow-Ups: Facilities Management, Key Shop, Decentralized IT Operations	80
	Total Hours Reclassified	1,250
Approved by UTEP Audit Committee on April 30, 2020.		

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

According to Rider 8, page III-48, 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 SAO.

An audit of the proportionality of higher education benefits process for Fiscal Year 2017 was performed by this office in Fiscal Year 2018. Audits of Fiscal Years 2018 and 2019 were completed in Fiscal Year 2020 and a separate report was submitted to the agencies listed above outlining the results. As advised by the SAO, we have kept unreserved hours available in our Fiscal Year 2021 Audit Plan if a Fiscal Year 2020 audit is required.

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(h) 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 2020, 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(h). 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(h).

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 2021 Audit Plan.

Rule and Policy Requirements:

Requirement	In place? Yes/No	Rule/Policy Reference / Comments
<p>§51.9337(b) – The Board of Regents is responsible for establishing the following policies and practices for “each institution under the management and control of the board”:</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>Support for §51.9337(c) Compliance: - UTEP Purchasing Dept. OP, Section 1: Ethics Policy (pages 7-9) Last Revised: 7/2020</p>
<p>2) Policies for the internal investigation of suspected defalcation, misappropriation, and other fiscal irregularities and an institutional or systemwide 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	<p>Regents' <i>Rules and Regulations</i>, Rule 20401: Audit and Compliance Program Last Revised: 9/25/2018</p> <p>UTS119: Institutional Compliance Program Sec. 6, Systemwide Compliance Committee Last Revised: 4/7/2020</p> <p>UTEP HOP, Section VII, CH2: Fraudulent or Dishonest Activities</p> <p>UTEP HOP, Section I, CH2: Governance of the University Last Revised: 8/26/2013</p> <p>UTEP Standards of Conduct Guide, Institutional Compliance Program & Training Last Revised: 9/30/2019</p> <p>UTEP Purchasing Dept. OP, Section 1: Ethics (pages 7-9) Last Revised: 7/2020</p>
<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), below. UTEP Purchasing Department Operating Procedures Manual Last Revised: 7/2020 UTEP Purchasing Dept. OP, Section 3: Delegated Authority (pages 13-15) Last Revised: 7/2020</p>

Requirement	In place? Yes/No	Rule/Policy Reference / Comments
4) Contracting delegation guidelines, subject to Subsections (e) and (f);	Yes	See §51.9337(e) and (f), below. UTEP Purchasing Dept. OP, Section 3: Delegated Authority (pages 13-15) Last Revised: 7/2020
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	Yes	- UTS156: Purchaser Training and Certification, Sec. 5 Core Training Curriculum Last Revised: 1/7/2019 UTEP Purchasing Dept. OP, Section 2: Training & certification program (pages 10-12) 2020_List of Certified Personnel All Certificates
6) Internal audit protocols, subject to Subsection (g). "Protocol" in this context refers to official procedures or rules governing the internal audit activity.	Yes	See §51.9337(g), below. - UTS129: Internal Audit Activities Last Revised: 9/29/2011 - UTEP HOP, Section VII, CH1: Audit and Consulting Services Last Revised: 8/10/2018
§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	- Regents' <i>Rules and Regulations</i> , Rule 10901: Statement of U.T. System Values and Expectations, Sec. 2 Compliance with Laws and Policy Last Revised: 5/14/2015 - Regents' <i>Rules and Regulations</i> , Rule 30103: Standards of Conduct, Sec. 1 Statutory Compliance Last Revised: 9/25/2018 - UTS134: Code of Ethics for Financial Officers and Employees Last Revised: 5/10/2018 - UTEP Standards of Conduct Guide Last Revised: 9/30/2019
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	Yes	- Regents' <i>Rules and Regulations</i> , Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 1 Primary Responsibility Last Revised: 11/15/2018

Requirement	In place? Yes/No	Rule/Policy Reference / Comments
responsibilities assigned to that position;		<ul style="list-style-type: none"> - UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 4 Primary Responsibilities Last Revised: 3/8/2018 - UTEP HOP, Section V, CH4: Outside Activity and/or Employment, Board Service, and Dual Employment Last Revised: 1/28/2014 - UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities Last Revised: 12/9/2019
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' Rules and Regulations, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 3 Unmanaged Conflicts of Interest Prohibited Last Revised: 11/15/2018 - UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 6: Unmanaged Conflicts of Interest and Conflicts of Commitment Prohibited. Last Revised: 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 Last Revised: 12/9/2019
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' Rules and Regulations, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 4 Conflicts of Commitment Prohibited Last Revised: 11/15/2018 - UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 6 Conflicts of Interest and Conflicts of Commitment Prohibited Last Revised: 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 Last Revised: 12/9/2019
5) A policy governing an officer's or employee's outside activities, including compensated employment and board service,	Yes	<ul style="list-style-type: none"> - Regents' Rules and Regulations, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 5 Approval and Disclosure Requirements

Requirement	In place? Yes/No	Rule/Policy Reference / Comments
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;		<p>Last Revised: 11/15/2018 - UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 7 Policy on Outside Activities Required</p> <p>Last Revised: 3/8/2018 - UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 10 Additional Process Requirements</p> <p>Last Revised: 3/8/2018 - UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Definitions</p> <p>Last Revised: 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</p> <p>Last Revised: 12/9/2019 -- UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.6 Outside Activity Guidelines</p> <p>Last Revised: 12/9/2019</p>
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	<p>- Regents' <i>Rules and Regulations</i>, Rule 60306: Use of University Resources, Sec. 2 No Service as an Agent</p> <p>Last Revised: 12/22/2011</p> <p>- UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities</p> <p>29.4 Un-Managed Conflicts of Interest and Conflicts of Commitment Prohibited</p> <p>Last Revised: 12/9/2019</p>
7) A policy governing the use of institutional resources; and	Yes	<p>- Regents' <i>Rules and Regulations</i>, Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 8 Use of University Property</p> <p>Last Revised: 11/15/2018</p> <p>- Regents' <i>Rules and Regulations</i>, Rule 60306: Use of University Resources, Sec. 3 Compensation for Resources Used</p> <p>Last Revised: 12/22/2011</p>

Requirement	In place? Yes/No	Rule/Policy Reference / Comments
		- UTEP Standards of Conduct Guide, Use of UT and State of Texas Resources Last Revised: 9/30/2019
8) A policy providing for the regular training of officers and employees on the policies described by this subsection.	Yes	- UTS189: Institutional Conflicts of Interest, Section 10 Education and Training Last Revised: 5/3/2019 - UTEP Standards of Conduct Guide, Institutional Compliance Program, Training Last Revised: 9/30/2019
§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	- Regents' <i>Rules and Regulations</i> , Rule 20901: Procurement of Goods and Services; Contract Management Handbook Last Revised: 2/9/2017 - UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts (pages 43-44) Last Revised: 7/2020
1) A description of each step of the procedure that an institution must use to evaluate and process contracts;.	Yes	- UTS145 Processing of Contracts, Sec. 4 Contract Processing Procedures (pages 15-16) Last Revised 11/27/2017 - UTEP Purchasing Dept. OP, Section 20: Formal Contract Establishment (pages 41-42) Last Revised: 7/2020 - UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts (pages 43-44) Last Revised: 7/2020
2) A checklist that describes each process that must be completed before contract execution; and	Yes	- UTS145 Processing of Contracts, Sec. 4 Contract Processing Procedures Last Revised: 11/27/2017 - UT System Office of General Counsel General Procedure Contract Checklist Last Revised: 3/01/2019 - UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts (pages 43-44)- "Contract Administration: Review for Signature Form" Last Revised: 7/2020 Current checklist reviewed and approved by institutional legal counsel.

Requirement	In place? Yes/No	Rule/Policy Reference / Comments
<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.</p>	<p>Yes</p>	<p>- UTS145 Processing of Contracts, Sec. 4 Contract Processing Procedures, Step 4 Determine Value of Contract Last Revised: 11/27/2017 - UTEP Purchasing Dept. OP, Section 3: Delegated Authority, UT Systems Rules and Regulations (pages 13-15) Last Revised: 7/2020</p>
<p>§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.</p>	<p>Yes</p>	<p>Regents' <i>Rules and Regulations</i>, Rule 10501: Delegation to Act on Behalf of the Board Sec.1.1 Identification of Significant Contracts or Documents Last Revised: 3/26/2020 - UTS145: Processing of Contracts: Sec. 4, Step 4 Contract Thresholds Last Revised: 11/27/2017 - UTS Summary of Contracts Requiring Board Approval Last Revised: 11/29/2017 - UTEP Purchasing Dept. OP, Section 3: Delegated Authority (pages 13-15) Last Revised: 7/2020</p>
<p>§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 expressly delegated by the board or an exception is expressly adopted by the board for that contract.</p>	<p>Yes</p>	<p>- 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 Last Revised: 3/26/2020 - UTEP Purchasing Dept. OP, Section 3: Delegated Authority, UT Systems Rules and Regulations (pages 13-15) Last Revised: 7/2020</p>

Requirement	In place? Yes/No	Rule/Policy Reference / Comments
<p>§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.</p>	<p>Yes</p>	<p>- Regents' <i>Rules and Regulations</i>, Rule 20401: Audit and Compliance Program Last Revised: 9/25/2018 1.2 (a) Systemwide 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 Last Revised: 9/29/2011 Note: UTS129 is currently under review. - Systemwide Audit Procedure: Risk Assessment (<i>reviewed and updated annually</i>) - UTEP HOP, Section VII, CH1: Audit and Consulting Services 1.4 Responsibility 1.5 Authority 1.6 Standards of Audit Practice Last Revised: 8/10/2018</p>
<p>§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.</p>	<p>Yes</p>	<p>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.</p>

III. Consulting Services and Nonaudit Services Completed

Report Number and Name	Report Date	Objectives	Recommendation(s)	Management Responses / Action Plan
#20-307 Microsoft Teams Consulting	10/05/20	The objective was to provide recommendations to address relevant Microsoft (MS) Teams security and compliance risks. A significant portion of the University employees have been using MS Teams to collaborate while working from home as a result of the pandemic.	The Office of Auditing and Consulting Services (i) researched relevant Microsoft guides, white papers, industry-leading practice materials, compliance/security articles, etc. and (ii) provided detailed security and compliance recommendations to the Information Security Office.	None required.
Continuous Auditing: Duplicate Payments	N/A	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)

July 24, 2020

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

In July 2020, The University of Texas at El Paso (UT El Paso) internal audit (IA) function, the Office of Auditing and Consulting Services (OACS), completed a self-assessment of its internal audit activities in accordance with guidelines published by The Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). UT El Paso OACS engaged an independent review team consisting of 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 IIA'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 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 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 UT El Paso and is subject to the terms and conditions of our related contract. Baker Tilly disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than The University of Texas System Administration and The University of Texas at 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

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V. Internal Audit Plan for Fiscal Year 2021



Office of Auditing and Consulting Services

2021 Audit Plan

Approved by the Internal Audit Committee

June 30, 2020

DISTRIBUTION LIST

University of Texas at El Paso

Dr. Heather Wilson, President

Dr. John Wiebe, Provost, Vice President for Academic Affairs

Mr. Mark McGurk, Vice President for Business Affairs

Ms. Guadalupe Gomez, Director, Contracts and Grants Accounting

Dr. Giorgio Gotti, Chair, Accounting and Information Systems

Mr. Daniel Garcia, Associate Athletic Director/Business, Finance & Facilities

Ms. Mary Solis, Director, 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

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 2021. The 2021 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 2021.

The process of preparing the 2021 Audit Plan included identifying risks that may impact University objectives and business activities. The Internal Audit Committee reviewed and approved the 2021 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, Provost, Vice President for Academic Affairs
- Mr. Mark McGurk, Vice President for Business Affairs
- Dr. Giorgio Gotti, Chair, Accounting and Information Systems
- Mr. Daniel Garcia, Associate Athletic Director/Business, Finance & Facilities
- Mr. Joe R. Saucedo, Chair and External Member
- Mr. Fernando Ortega, External Member

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

- Dr. Shafik Dharamsi, Dean, College of Health Sciences
- Mr. Luis Hernandez, Vice President for Information Resources
- Mr. Gerard Cochrane, Chief Information Security Officer
- Mr. Frank Poblano, Assistant Vice President and Director, Technology Support
- Ms Julie Lavesque,, Senior Associate Athletic Director/Senior Woman Administrator
- Mr. David Kooger, Assistant Athletic Director/Compliance
- Ms. Heidi Granger, Assistant Vice President, Student Financial Services
- Dr. Amanda Vasquez, Assistant Vice President, Enrollment Services
- Mr. Michael Talamantes, Director of Admissions and Recruitment
- Ms. Manuela Dokie, Assistant Vice President, Research and Compliance
- Mr. Nathaniel Robinson, Assistant Vice President for Facility Security
- Ms. Athena Fester, Director, Research Assurance
- Mr. Gabriel Ramirez, Title IX Coordinator
- Ms. Chelsea Lamego, Assistant Vice President, Advancement Operations
- Ms. Diane De Hoyos, Associate Vice President, Purchasing and General Services
- Mr. Charlie Martinez, Assistant Vice President/Comptroller

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 2021 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. General Reserve**
- 6. Follow-up**
- 7. Development - Operations**
- 8. Development – Initiatives and Education**

Consideration of the following was given in developing the 2021 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.

We run a dashboard report of all overdue recommendations by audit quarterly and make a selection to follow up on. We send individual dashboard reports to each responsible party via email and the recipient indicates whether the finding has been implemented and is ready for a follow up audit. If they are not ready, we ask them to provide an updated implementation date. If we perform a follow-up audit, the results are communicated in an updated dashboard. If we determine a finding to still be outstanding, an explanation is requested along with a revised implementation date. The final results are sent to the responsible party and their respective Vice President. 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.

Carryforward Audits

Carryforward audits are those FY 2020 Annual Audit Plan audits that are in progress at August 31, 2020.

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 approved 2021 Annual Audit Plan is described in **Exhibits A-1. - A-7.**

Exhibit A-1. FY 2021 Audit Plan – Assurance Engagements

FY 2021 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Assurance Engagements			
CARES Act Institutional Expenditures	350		Evaluate and ensure appropriate and allowable costs are claimed to allow for maximum cost recovery.
CARES Act Student Aid Funds	350		Evaluate and test compliance of student aid payments with CARES Act Higher Education Emergency Relief Fund (HEERF) requirements.
Office of International Programs (OIP)	350		Evaluate monitoring processes in place to provide reasonable assurance that OIP is in compliance with federal reporting requirements and with federal immigration policies.
Export Controls	350		Determine if University export control policies and procedures are in place to monitor transactions subject to the federal export control regulations, and policies are consistent with The UT System policy.
Reporting of Foreign Gifts and Contracts	350		Determine compliance with Higher Education Act, Section 117, regarding gifts or contracts with or from a foreign source.
COVID-19 Preparedness - Campus Safety	300		Determine compliance with COVID-19 campus management plans to ensure safety of students, faculty and staff during return to campus transition.
Accounts Receivable	300		Evaluate the tracking of student receivables and timely write-offs.
Student Health Center	350		Evaluate effectiveness of compliance with Student Health Center protocols, particularly those related to COVID-19.
UTS 142.1 Monitoring Plan	175		Annual audit based on risk.
President's Travel, Entertainment and University Residence Maintenance Expense Audit	50		Provide support to the UT System auditors performing the audit.
Vulnerability Management - Cybersecurity	375		Ensure the ISO's vulnerability management processes are functioning effectively and as required by relevant TAC 202 security controls, to protect the University's information resources in a remote work environment.
Network Perimeter Security - Cybersecurity	375		Assess the network components to ensure they provide the necessary protections to the University's information resources.
Two-Factor Authentication	375		Ensure the two-factor authentication solution is implemented for mission critical information resources to reduce the risk of unauthorized access.
Carryforward Audits:			
Teacher Retirement System	250		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.
Leave Review	150		Determine if leave is recorded accurately and in compliance with laws, regulations and University policies.
Vendor Management	100		(1) Verify that a process exists to ensure that individuals and firms doing business with UTEP are properly registered to receive payments and to provide related income and tax information to the proper authorities, and (2) determine if the vendor registration process identifies potential conflicts of interest with UTEP employees.
Assurance Engagements Subtotal	4550	41.9%	

Exhibit A-2. FY 2021 Audit Plan – Advisory and Consulting Engagements

FY 2021 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Advisory and Consulting Engagements			
Cash Fund Operations	150		Verification of PeopleSoft balances, actual cash, and bank balances.
Supply Chain Resiliency	200		Evaluate vendor financial health due to pandemic and recommend tools to monitor supply chain resiliency.
Continuous Auditing PeopleSoft Queries	250		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	529		As requested.
Carryforward Engagement:			
Microsoft Teams Consulting Project	200		Work with the Information Security Department on reviewing security aspects of Microsoft Teams and recommend possible changes as needed.
Advisory and Consulting Engagements Subtotal	1514	13.9%	

Exhibit A-3. FY 2021 Audit Plan – Required Engagements

FY 2021 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Required Engagements			
FY 2020 Financial Statement Audit (Final)	10		Required annual audit.
FY 2021 Financial Statement Audit (Interim)	10		Required annual audit.
Federal Portion of the Statewide Single Audit	50		Provide assistance to the State Auditor's Office for Student Financial Assistance and Schedule of Expenditures of Federal Awards audits.
NCAA Agreed Upon Procedures Audit	150		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	415	3.8%	

Exhibit A-4. FY 2021 Audit Plan – Investigations, Reserve and Follow-up

FY 2021 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Investigations			
Investigations	500		As Requested.
Investigations Subtotal	500	4.6%	
Reserve			
Reserve for Audit of Emerging Risks	400		As Requested.
Reserve Subtotal	400	3.7%	
Follow-Up			
Follow-up Audits	550		Follow-up on previous audit recommendations as required by IIA Standards; approximately 3-4 done per quarter.
Follow-Up Subtotal	550	5.1%	

Exhibit A-5. FY 2021 Audit Plan – Development – Operations

FY 2021 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development - Operations			
Internal Quality Assurance and Improvement Program activities	200		As requested.
Annual Audit Plan Development, including Risk Assessment	350		Preparation of FY 2022 Risk Assessment and Audit Plan.
UT System, SAO, etc. reporting/requests; External Audit assist	125		Responses for requests for information.
Software, website development/maintenance	250		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, weekly supervisor meetings and status update meetings as needed.
Annual Internal Audit Report	100		Preparation of Annual Internal Audit Report for FY 20.
Annual Reviews/Evaluations	100		Preparation of Self-Appraisals and Evaluations.
Development - Operations Subtotal	1700	15.7%	

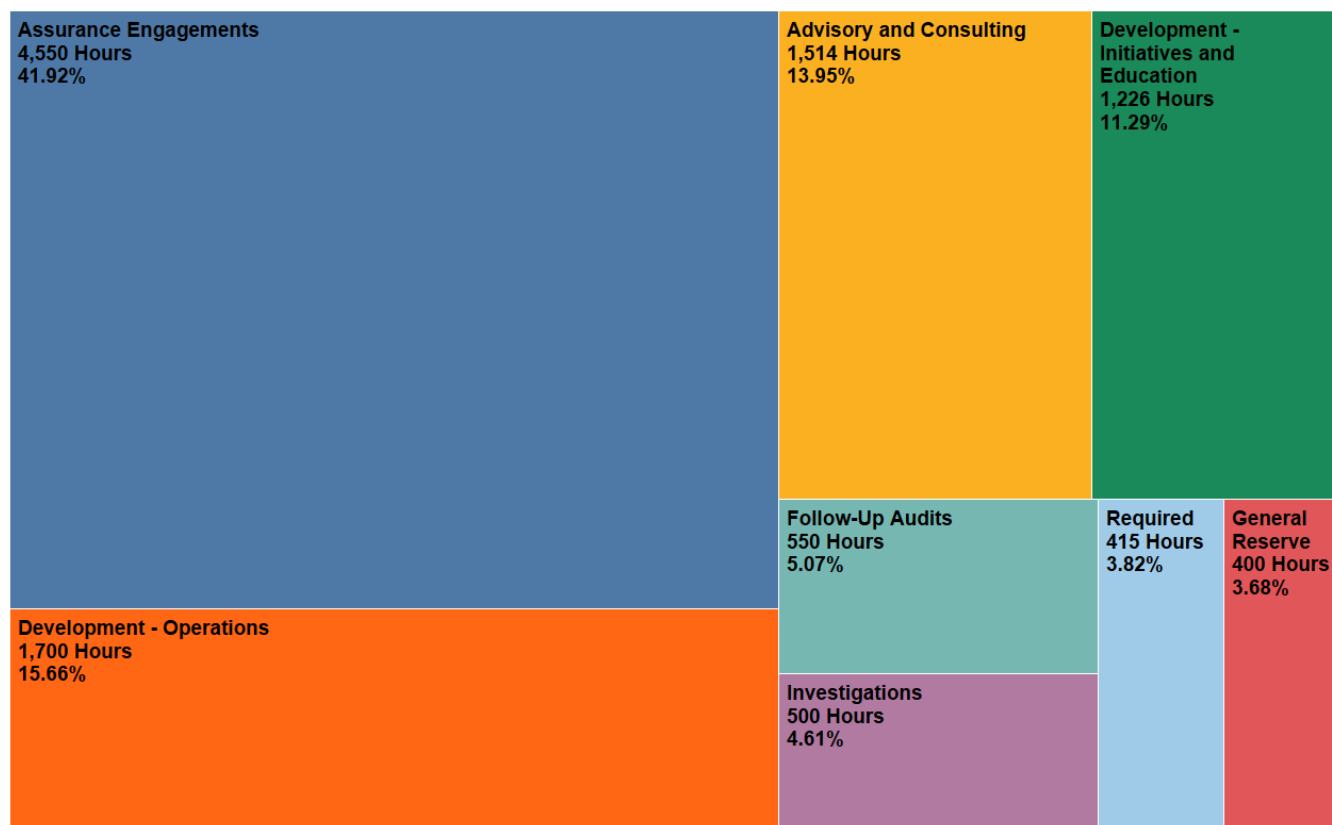
Exhibit A-6. FY 2021 Audit Plan – Development – Initiatives and Education

FY 2021 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development - Initiatives and Education			
Work Group Initiatives	150		Participation in UT System Audit initiatives.
Professional organization/association participation	250		Participation as members and board members of IIA and ACFE.
Individual Continuing Professional Development (CPE) Training	676		Continuing Professional Development for Staff Members
IAEP Student Program	150		Advance program to achieve goal of comprehensive level institution.
Development - Initiatives and Education Subtotal	1226	11.3%	
Total Budgeted Hours	10855	100.0%	

Exhibit A-7. FY 2021 Audit Plan – Graph: Allocation of Hours by Category

2021 Audit Plan

Percentage of Hours Allocated by Category



V.a. High Risk Audits not in Fiscal Year 2021 Audit Plan

#	Detailed Risk Description	Risk Probability	Risk Impact	Risk Mitigating Factors
1	Immigration issues and concerns impact accessibility	High	Medium	Management is monitoring visa and border crossing issues to offer assistance to affected students.
2	Police offer fewer services to protect student and staff on campus	High	Medium	Audit #19-304 Campus Safety and and Emergency Response and FEMA Training completed in FY 2020.
3	Lack of employee awareness and training for emergency response procedures	High	Medium	Audit #19-304 Campus Safety and and Emergency Response and FEMA Training completed in FY 2020.
4	Design of controls to determine employment eligibility need modification to reflect current structure	High	Medium	Audit #20-108 Student Employment completed in FY 2020. Follow-Up in FY 2021.
5	Nonresident tuition waivers awarded to ineligible students	High	Medium	Audit #20-111 Tuition Waivers completed in FY 2020. Follow-Up in FY 2021.
6	Inaccurate monthly TRS reporting leads to large APS 011 Adjustments	Medium	High	Audit #20-200 Benefits Proportionality completed in FY 2020.
7	Absence of historical analysis to create projections	High	Medium	Audit #19-101-CF Budget Procedures Follow-Up in FY 2021.
8	Inefficient use of resources if budgeted revenue is not updated to actual revenue	High	Medium	Audit #19-101-CF Budget Procedures Follow-Up in FY 2021.
9	Departments unaware of major budget adjustments in their cost centers	High	Medium	Audit #19-101-CF Budget Procedures Follow-Up in FY 2021.
10	Excessive nonPO vouchers processed to bypass Miner Mall controls	High	Medium	Audit #18-104 NonPO Vouchers Follow Up in FY 2021 after e form implementation.
11	Consultants hired for extended periods (>greater than 30 days)	High	Medium	Audit #18-104 NonPO Vouchers Follow Up in FY 2021 after e form implementation.
12	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.
13	Tracking and reporting of student eligibility for employment is not communicated to all stakeholders	Medium	High	Audit #20-108 Student Employment completed in FY 2020.
14	Parts of term may not meet SACS requirements and could increase financial aid and credit reporting errors	High	Medium	Will consider audit for FY 2022.
15	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. Follow-Up in FY 2021.
16	Large APS payments to consultants may not be reported in the Texas Registry	Medium	High	Audit 18-104 NonPO Vouchers Follow Up in FY 2021 after e form implementation.
17	ProCard Monitoring lacking at departmental level	High	Medium	Audit #20-104 ProCard performed in FY 2020 without any recommendations.
18	Non PO purchases are not sent to Receiving for inventory tagging and three way match	High	Medium	Audit 18-104 NonPO Vouchers Follow Up in FY 2021. Audit #20-104 ProCard performed in FY 2020 without any recommendations.
19	Lack of monitoring of business and personal conflicts	High	Medium	Audit #20-110 Technology Commercialization completed in FY 2020. Follow-Up in FY 2021.
20	Classification of expenses by NACUBO Code is inaccurate	Medium	High	Audit #19-102 Allowability of Costs for Federal Grants carryover project completed in FY 2020. Follow-Up in FY 2021
21	Conflict of interest, patents, and royalties are not monitored	Medium	High	Audit #20-110 Technology Commercialization completed in FY 2020. Follow-Up in FY 2021.
22	Travel paid through grants is approved without support documentation	High	Medium	Audit #19-102 Allowability of Costs for Federal Grants carryover project completed in FY 2020. Follow-Up in FY 2021
23	Monitoring of allowable costs is not effective	High	Medium	Audit #19-102 Allowability of Costs for Federal Grants carryover project completed in FY 2020. Follow-Up in FY 2021
24	Lack of ICOI Committee and ICOI Management Plans	High	Medium	Audit #20-110 Technology Commercialization completed in FY 2020. Follow-Up in FY 2021.
25	Data managed/stored by decentralized IT units (embedded within colleges or departments) is lost, stolen, inappropriately disclosed, or damaged due to lack of awareness or non-compliance with established security policies and standards.	Medium	High	Audit #19-106 Decentralized IT Operations performed in FY 2020. Follow-Up in FY 2021.

#	Detailed Risk Description	Risk Probability	Risk Impact	Risk Mitigating Factors
26	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 with the ORSP department.
27	Personally owned devices (laptop/tablet/mobile) are not identified, configured appropriately, or monitored, and expose the network to malware, data loss/theft, capacity issues, and other network failures.	Medium	High	Audit #20-103 Mobile Devices performed in FY 2020.
28	Unsanctioned or unmonitored third-party applications and/or software exposes the network to malware data loss/theft, copyright violations, legal action/fines, or reputational damage.	Medium	High	Audit #16-09 Cloud Computing performed in FY 2018.
29	Lack or low level security controls and standards over distributed information technology units impacts a) the ability to implement and test security controls consistent with the University security program, policies and procedures, and b) the ISO resources needed to enforce security standards.	Medium	High	Audit #19-106 Decentralized IT Operations performed in FY 2020. Follow-Up in FY 2021.
30	Non-compliance with PCI could result in stolen identity, data breaches, penalties, legal exposure and reputational risks to the University.	Medium	High	Audit #17-15 Payment Card Industry Compliance performed in FY 2018.
31	Unauthorized access (including disgruntled/terminated employees) to University's information resources, exposes the University's to sensitive data and/or information sources being lost or stolen.	Medium	High	Access control testing is now a standard audit procedure step in all applicable audits.
32	University information users do not have an awareness of cybersecurity measures, and as such, expose the University's to cybersecurity vulnerabilities.	Medium	High	During 2020, CISO rolled out cybersecurity awareness training (Texas House Bill 8) that covers cybersecurity basics, best practices, and information on how to handle cybersecurity concerns.
33	Incident response related to cyber security events is inadequate, limiting the ability to properly address system intrusions in a timely manner.	Medium	High	System-ISO Office performed an Incident Response Health Check; CISO currently reviewing report.
34	Users are granted system access to perform incompatible business tasks (i.e. segregation of duties), allowing them to conceal fraudulent transactions.	Medium	High	Audit #19-110 Personnel Security and Audit #19-100 Access Control PeopleSoft both performed in FY 2019 and Audit #19-101-Budget Procedures and Audit #20-110 Technology Commercialization both performed in FY 2020.
35	Single Sign-on credentials are not protected by users and are stolen by external parties, giving them unauthorized access to all the applications the users have access to.	Medium	High	Audit #20-107 Single Sign-on performed in FY 2020.
36	Inadequate administration and management of Single Sign-on solutions could result in ineffective security controls.	Medium	High	Audit #20-107 Single Sign-on performed in FY 2020
37	Mission critical information resources are not updated with security updates, exposing the University information resources to vulnerabilities and threats.	Medium	High	Audit #20-100 Critical Security Updates - Cybersecurity performed in FY 2020.
38	No full disaster recovery "hot site" for critical University functions is in place and/or operational, exposing the University to data loss and business interruption.	Medium	High	Agreement for hot site with City of El Paso; City 2 Site. Enterprise Computing tested/ recovered.
39	Limitations of available security roles grant more access than needed for users to perform their job responsibilities.	Medium	High	Access control testing is now a standard audit procedure step in all applicable audits.
40	Decentralized equipment is not protected and/or vetted to properly verify security controls are in place.	High	Medium	Audit #19-106 Decentralized IT Operations performed in FY 2020. Follow-Up in FY 2021.

VI. External Audit Services Procured in Fiscal Year 2020

1. Peña Briones McDaniel & Co., an El Paso firm, was engaged to perform the audit for Fiscal Year 2020 of the KTEP FM radio station located on The University of Texas at El Paso campus. The audit is required by The Corporation for Public Broadcasting to enable The University of Texas at El Paso 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, page IX-37, 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 (86th 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 website 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 State Auditor's Office fraud reporting website.
 - The University Handbook of Operating Procedures offers guidelines on the investigation of possible fraudulent activities.
- **Texas Government Code, Section 321.022.** There have been no instances in which there is cause to believe that money received from the state may have been lost, misappropriated or misused, or that other fraudulent or unlawful conduct has occurred. Therefore, no reporting to the State Auditor's Office was required.