

THE UNIVERSITY OF TEXAS
AT EL PASO

Internal Audit Annual Report

For the Fiscal Year Ended

August 31, 2026

Office of Auditing and Consulting Services

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

500 West University Ave.
Admin. Bldg. Rm #402
El Paso, TX 79968
915-747-5191

DATE: October 31, 2026

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

FROM: Courtney Rios, Chief Audit Executive

SUBJECT: Internal Audit Annual Report for Fiscal Year 2026

Attached please find The University of Texas at El Paso Internal Audit Annual Report for Fiscal Year 2026 as required by the Texas Internal Auditing Act. If you have questions or need additional information, please contact Courtney H. Rios at chrios@utep.edu.

Table of Contents

Purpose of Internal Audit Annual Report 4
I. Compliance with Posting Requirements 4
II. Internal Audit Plan for Fiscal Year 2026 5
II. B. Compliance with Texas Education Code, Section 51.9337(h) 9
III. Consulting Services and Other Activities 10
IV. External Audit Services 12
V. External Quality Assurance Review (Peer Review) 13
VI. Internal Audit Plan for Fiscal Year 2027 14
VI. A. High Risks not in Fiscal Year 2027 Audit Plan 21
VI. B. Risk Assessment Methodology 27
VII. Reporting Suspected Fraud and Abuse 29
Appendix I. Status of FY 2026 Audit Recommendations as of 8/31/2026 31

Purpose of Internal Audit Annual Report

The purpose of the annual report is to provide information about the Office of Auditing and Consulting Services' (OACS) assurance services, advisory services, and other activities of the internal audit function. In addition, the annual report assists oversight agencies in their planning and coordination efforts.

The Texas Internal Auditing Act, Texas Government Code, Chapter 2102, requires that an annual report on internal audit activity be filed by November 1st of each year and submitted to the Governor's Office, the Legislative Budget Board, the Texas State Auditor's Office (SAO), and the entities' governing board and chief executives. The SAO prescribes the form and content of the annual report.

The annual report was prepared using the guidelines provided by the SAO. Additional information regarding OACS can be found at the following website: https://utep.edu/audit.

I. Compliance with Posting Requirements

The Texas Internal Auditing Act (Texas Government Code, Section 2102.015: Publication of Audit Plan and Annual Report on Internet) requires certain information to be posted on the University's website. Below is a summary of the requirements:

A. Approved FY 2027 audit plan. See https://utep.edu/audit.
B. FY 2026 internal audit annual report. See https://utep.edu/audit.
C. Detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report; summary of the action taken by the agency to address the concerns, if any, that are raised by the audit plan or annual report. See Appendix 1.

II. Internal Audit Plan for Fiscal Year 2026

Engagement Code	Engagement Title	Status of Plan at 8/31/2026	Report/ Memo Date	Reason for Deviation from Audit Plan
Assurance				
ELP26AS1545	CIM - Environmental Science and Engineering	Complete	05/26/2026	
ELP26AS1566	Institutional Advancement Inventory Audit	Complete	03/13/2026	
ELP26AS1277	Internally Developed Applications	Complete	02/17/2026	
ELP26AS0027	Keck Center Inventory Audit	Complete	08/31/2026	
ELP26AS1282	Remote Work Policy	Carryforward to FY 2027		Three staff positions remained vacant, materially affecting the hours budgeted for the audit plan.
ELP26AS1273	Research Data Security and Compliance Audit	Carryforward to FY 2027		
ELP26AS1287	Technology Fee	Carryforward to FY 2027		
ELP26AS1290	Visiting Scholars	Carryforward to FY 2027		
ELP26AS1276	Departmental Access Management Audit	Cancelled		
ELP26AS1285	Gift Processing	Cancelled		This audit was substituted for Gift Processing Cash Handling Advisory Engagement.
Advisory				
ELP26AD1520	Gift Processing Cash Handling Advisory Engagement	Complete	02/04/2026	
ELP26AD0007	Build Back Better Advisory	Complete	08/31/2026	

Engagement Code	Engagement Title	Status of Plan at 8/31/2026	Report/ Memo Date	Reason for Deviation from Audit Plan
ELP26AD1306	Data Analytics/Continuous Auditing Program	Ongoing		
ELP26AD1305	Participation on Institutional Committees/Work Groups	Ongoing		
ELP26AD1303	Advisory Management Requests	As Requested		
ELP26AD1304	IT Advisory Management Requests	As Requested		
ELP26AD0770	Upward Bound Advisory	Carryforward to FY 2027		Special request from management made late in FY 2026. Fieldwork had to be extended to FY 2027.
ELP26ADCF1289	Recharge Centers	Postponed		This engagement will be performed once the University's policy is fully approved and incorporated into the Handbook of Operating Procedures.
ELP26AD1286	Cash Fund Operations	Cancelled		Three staff positions remained vacant, materially affecting the hours budgeted for the audit plan.
Required				
ELP26RQ1294	Purchasing Compliance	Complete	02/19/2026	
ELP26RQ1293	Federal Portion of Statewide Single Audit	Client Assist Duties		
ELP26RQ1284	FY 2025 Financial Statement Audit (Final)	Client Assist Duties		
ELP26RQ1283	FY 2026 Financial Statement Audit (Interim)	Client Assist Duties		
ELP26RQ1301	KTEP	Client Assist Duties		

Engagement Code	Engagement Title	Status of Plan at 8/31/2026	Report/ Memo Date	Reason for Deviation from Audit Plan
ELP26RQ1291	NCAA Agreed Upon Procedures	Client Assist Duties		
Investigations				
ELP26IV1308	Investigations	As Requested		
Follow-Up Audits				
ELP26FL1295	Follow-up Audits	Ongoing		
Development- Operations				
ELP26OP1317	Self-Assessment	Complete	8/25/2026	
ELP26OP1311	Annual Audit Plan Development, including Risk Assessment			
ELP26OP1316	Annual Internal Audit Report			
ELP26OP0008	External Quality Assurance (EQA)			
ELP26OP1314	Internal Audit Committee preparation/participation			
ELP26OP1310	Internal Quality Assurance and Improvement Program Activities, including Global IA Standards			
ELP26OP1313	Software, website development/maintenance			
ELP26OP1315	Staff meetings related to the management of the audit activity			
Development- Initiatives and Education				
ELP26IE1299	Individual professional development (CPE) training			

Engagement Code	Engagement Title	Status of Plan at 8/31/2026	Report/ Memo Date	Reason for Deviation from Audit Plan
ELP26IE1300	Internal Auditing Education Partnership Program (IAEP) Student Program			
ELP26IE1302	Non-CPE Training			
ELP26IE1298	Professional organization/association participation			
ELP26IE1297	Work group initiatives			
ELP26IE1299	Individual professional development (CPE) training			
Reserve				
ELP26XX1309	Reserve for Emerging Risks			

II. B. Compliance with Texas Education Code, Section 51.9337(h)

Effective September 1, 2015, Texas Education Code §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 2026, 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 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).

Texas Government Code Section 2261.258 requires the State Auditor's Office to assign contract monitoring ratings each fiscal year for the 25 largest state agencies 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 2026 Audit Plan.

See the Purchasing Compliance Audit memo (TEC §51.9337) on the following website: 26-RQ-1294 Purchasing Compliance with TEC § 51.9337

III. Consulting Services and Other Activities

Engagement Code and Title	Memo Date	Objective	Results/ Recommendations	Management Responses
Continuous Auditing: Duplicate Payments (ongoing project)	N/A	The Office of Auditing and Consulting Services (OACS) uses data analytics tools to identify potential duplicate payments for employee reimbursements. We analyze and report to Financial Services for follow-up.	OACS issues a quarterly report with all verified duplicate payments.	Accounts Payable requests immediate reimbursement for all verified duplicate payments.
Continuous Auditing: Project Personnel (ongoing project)	N/A	The Office of Auditing and Consulting Services (OACS) uses data analytics tools to identify personnel working on restricted or confidential grants and provides this information to Research Protections.	OACS sends a detailed list of employees on a semester basis.	Research Protections follows up with project investigators to ensure all staff is eligible to work on restricted projects and has received the correct training.
ELP26AD1520 Gift Processing Cash Handling Advisory Engagement	02/04/2026	The objective was to understand the end-to-end flow (collection, recording, safeguarding, deposit, and reconciliation) of cash, checks, and credit card payments (hereafter referred to as cash) and identify control gaps or non-compliance with UT System and UTEP policies and guidelines.	OACS shared with management detailed recommendations to improve the control environment.	Management agreed with the recommendations and implemented an action plan to strengthen controls and overall compliance.

Engagement Code and Title	Memo Date	Objective	Results/ Recommendations	Management Responses
ELP26AD0007 Build Back Better Advisory	08/31/2026	To assist in determining the reliability of grant reporting prior to the October 2025 interlocal agreement with the City of El Paso, and to review grant compliance.	OACS shared with management detailed recommendations to improve the control environment.	Management agreed with the recommendations and implemented an action plan to strengthen controls and overall compliance.

IV. External Audit Services

The following external audit services, including financial and performance audits and attestation engagements, reviews, and agreed-upon procedures, were procured during FY26:

Audit	External Auditor	Description
Annual Financial Report	Deloitte	The Consolidated Annual Financial Report for UT System with audit opinion from Deloitte & Touche, which includes Management's Discussion and Analysis and footnotes to the financial statements.
CPRIT	Weaver Tidwell	Cancer Prevention and Research Institute of Texas (CPRIT) grantees expending $1 million or more in CPRIT grant funds or a combination of CPRIT and other state grant funds during the grantee's fiscal year must complete a single audit, program specific audit, or an agreed upon procedures engagement. Part of a UT Arlington Contract.
NCAA	Baker Tilly	An active member institution shall submit financial data detailing operating revenues, expenses and capital related to its intercollegiate athletics program to the NCAA on an annual basis in accordance with the financial reporting policies and procedures. Part of a UT System Contract.
Internally Developed Applications	EisnerAmper (co-source)	The objective of this audit was to evaluate UTEP's internally developed applications focusing on security, documentation, change management, and compliance with Texas Administrative Code Chapter 202 (TAC §202) (now 1 TAC Chapter 477, effective August 1, 2026) Security Controls Standards Catalog as well as UT System and UTEP policies.
Financial Aid Audit for SACSCOC	Deloitte	The Federal Student Aid (FSA) program requires institutions to have an independent auditor conduct annual audits of compliance with applicable laws and regulations and financial statements.
External Quality Assessment	Baker Tilly	The Texas Internal Auditing Act (Act) requires internal audit programs to comply with the Professional Practices Framework as promulgated by the Institute of Internal Auditors (IIA) and generally accepted government auditing standards (GAGAS). Part of a UT System Contract.

V. External Quality Assurance Review (Peer Review)

December 2023

Ms. Courtney Hearin Rios, Interim Chief Audit Executive
University of Texas at El Paso

In September 2023, the University of Texas at El Paso (UTEP) internal audit (IA) function, the Office of Auditing and Consulting Services (OACS), 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 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 UTEP 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 UTEP.

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

Very truly yours,

Baker Tilly US, LLP

Baker Tilly US, LLP

Baker Tilly US, LLP, trading as Baker Tilly, is an independent member of Baker Tilly International. Baker Tilly International Limited is an English company. Baker Tilly International provides no professional services to clients. Each member firm is a separate and independent legal entity, and each describes itself as such. Baker Tilly US, LLP is not Baker Tilly International's agent and does not have the authority to bind Baker Tilly International or act on Baker Tilly International's behalf. None of Baker Tilly International, Baker Tilly US, LLP nor any of the other member firms of Baker Tilly International has any liability for each other's acts or omissions. The name Baker Tilly and its associated logo is used under license from Baker Tilly International Limited.

VI. Internal Audit Plan for Fiscal Year 2027

In accordance with the Texas Internal Auditing Act and The University of Texas System Administration Policy UTS 129 – Internal Audit Functions, we have prepared an audit plan for Fiscal Year 2027. The Internal Audit Committee approved the Fiscal Year 2027 Audit Plan on June 22, 2026.

Engagement Title	Budgeted Hours	Engagement Risk Ranking	Engagement Objective
Assurance			
Campus Safety	350	Critical	Ensure key campus safety controls are in place for students, faculty and staff.
Construction	350	High	Assess controls over construction activities.
Business Continuity and Disaster Recovery	350	High	Evaluate the adequacy, design, and operating effectiveness of the University's Business Continuity and Disaster Recovery (BC/DR) program to determine whether the University has implemented sufficient controls and strategies to sustain critical academic, research, and administrative operations and recover within acceptable timeframes in the event of a significant disruption. Meets 1 TAC Chapter 477 compliance requirements.
Familial Relations	250	High	Determine if the employment of related parties is properly identified, documented, disclosed, and managed in accordance with UTEP policies and state requirements.

Engagement Title	Budgeted Hours	Engagement Risk Ranking	Engagement Objective
Inventory	400	High	Bucket of hours to conduct three individual audits of different departments yet to be determined, with a focus on areas with research equipment.
Research Background Checks	250	High	Verify that background checks for staff, faculty, and researchers are conducted in compliance with laws, statutes, UT System and university policies.
Research Gift Cards	300	High	Determine if controls over the purchase, storage, distribution and taxation of gift cards are appropriate.
Revenue	400	High	Assess the effectiveness of internal controls over revenue received from service departments, recharge centers and external sales to ensure the reliability and integrity of financial and operational information, financial reporting and compliance with policies and procedures.
UTS 142-Financial Accounting and Reporting	200	High	Validate the Institutional monitoring plan related to segregation of duties, account reconciliations and financial review and analysis as it pertains to UTS 142. Based on risk.
Carryover Projects	300	NA	Carryover hours to complete research engagements.
Advisory			
AI Governance Advisory	300	High	Provide insight as to the current policies, oversight structures, risk management, and internal controls related to AI deployment at the University and determine whether they are aligned with the University's strategic objectives and risk appetite. Meets 1 TAC Chapter 477 compliance requirements.

Engagement Title	Budgeted Hours	Engagement Risk Ranking	Engagement Objective
Datalink Application Advisory	100	High	Provide guidance as requested by management on the design and implementation of controls for the new Datalink application to ensure data integrity, confidentiality, appropriate access, and compliance with University policies and regulatory requirements. Meets 1 TAC Chapter 477 compliance requirements.
Independent Contractor Process Advisory	150	High	Assist the Accounts Payable Department with an assessment of the new process to hire independent contractors.
Payment Card Industry (PCI) Advisory	350	High	Identify all departments using credit card terminals and work with management to review the University's adherence to the Payment Card Industry Data Security Standard (PCI DSS) specifically focusing on prior approval to use payment terminals and the safeguarding of cardholder data. Meets 1 TAC Chapter 477 compliance requirements.
Recharge Center Advisory	400	High	Provide advisory services on the Recharge Center policies and processes to determine compliance with federal regulations.
Advisory Management Requests	200	NA	As requested.
Data Analytics/ Continuous Auditing Program	100	NA	Non-project related development/maintenance and data analytics.

Engagement Title	Budgeted Hours	Engagement Risk Ranking	Engagement Objective
IT Advisory Management Requests	200	NA	As requested.
Participation on Institutional Committees/Work Groups	30	NA	Participation on search committees, cabinet meeting presentations, etc.
Required			
Federal Portion of Statewide Single Audit	10	High	Provide assistance to the State Auditor's Office (co-source CLA) for Student Financial Assistance Audit.
FY 2027 Financial Statement Audit (Interim)	6	Medium	Provide assistance as needed to Deloitte for required annual audit.
FY 2026 Financial Statement Audit (Final)	9	Medium	Provide assistance as needed to Deloitte for required annual audit.
NCAA Agreed Upon Procedures	10	Medium	Assist with required NCAA Agreed Upon Procedures for FY 2026. UT System Audit Office will use a 3rd party service provider to perform the NCAA agreed upon procedures. (Due 1/15/27)
Purchasing Compliance with TEC §51.9337	40	High	Texas Education Code 51.9337 requirement that the Chief Audit Executive (CAE) annually certify to the state auditor that the Institution has procurement policies in place that comply with the Texas Education Code requirements for higher education institutions.

Engagement Title	Budgeted Hours	Engagement Risk Ranking	Engagement Objective
Investigations			
Investigations	300	NA	As requested
Follow-up Audits			
Follow- Up Audits	200	NA	Follow-up on previous audit recommendations as required by Global Internal Audit Standards
Development- Operations			
Internal Quality Assurance and Improvement Program Activities, including Global IA Standards	100	NA	Work associated with self assessment/external peer review required every three years to validate conformance to Global Internal Audit Standards, GAGAS (Yellow Book) and Texas Internal Auditing Act requirements.
Annual Audit Plan Development, including Risk Assessment	250	NA	Work associated with self assessment/external peer review required every three years to validate conformance to Global Internal Audit Standards, GAGAS (Yellow Book) and Texas Internal Auditing Act requirements.
UT System, SAO, etc. reporting/requests; External Audit Assist	100	NA	Meetings; responses for requests for information from UT System, The SAO and external auditors.

Engagement Title	Budgeted Hours	Engagement Risk Ranking	Engagement Objective
Software, website development/ maintenance	75	NA	Non-project related development/maintenance and data analytics.
Internal Audit Committee preparation/ participation	150	NA	Preparation of presentation documents for Institutional Audit Committee meetings; executive sessions with external Audit Committee members.
Staff meetings related to the management of the audit activity	180	NA	Monthly staff meetings, supervisor meetings and status update meetings as needed.
Annual Internal Audit Report	50	NA	Preparation of Annual Internal Audit Report for FY 2026.
Self-Assessment	100	NA	As required by the Texas Internal Auditing Act and professional standards, conduct the annual self-assessment of the internal audit function.
External Quality Assurance	150	NA	Preparation and interviews with EQA team from Baker Tilly.
Management Leadership Activities	180	NA	Includes hiring, development, budgeting, performance appraisals, administrative duties, leadership, managing outsourcing activities, promoting the internal audit department, executive meetings, and all other responsibilities of the CAE and/or Director that are not directly attributable to a specific audit project.

Engagement Title	Budgeted Hours	Engagement Risk Ranking	Engagement Objective
Development- Initiatives and Education			
Work group initiatives	30	NA	Participation in UT System Audit Initiatives.
Professional organization/ association participation	30	NA	Participation as members and board members of IIA, ACFE, AGA and others.
CPE- Individual professional development training	280	NA	Continuing Professional Development for Staff Members.
IIA Academic Awareness Program	50	NA	Maintain reporting requirements for the Academic Awareness Program and advise the Internal Audit Student Association.
Non-CPE Training	120	NA	Non-credit campus trainings and new hire training activities.
Reserve			
Reserve for Emerging Risks	220	NA	As requested.

VI. A. High Risks not in Fiscal Year 2027 Audit Plan

Risk Statement	Risk Ranking	Risk Mitigating Factor
Vendor and third-party controls are not in compliance with UTS 165 Standard 22, exposing the University to reputational risks, data loss/theft, and exposure of sensitive data.	Critical	Audit coverage in prior two fiscal years
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.	Critical	Audit coverage in prior two fiscal years
Research ethics and integrity issues may not be appropriately addressed causing major compliance issues with NSF and NIH, loss of funding and reputational damage.	Critical	Audit coverage in prior two fiscal years
Failure to confirm vendor certification under the TX-RAMP prior to purchase results in acquisition of insecure cloud services exposing the University to a higher risk of data breaches. TX-RAMP: Texas Risk & Authorization Management Program	High	Follow-up procedures on audit observations
Websites, web-based and mobile applications, electronic documents, and other electronic information resources do not comply with applicable federal and Texas web accessibility requirements, resulting in complaints, enforcement actions, fines, and reputational harm.	High	Risk management function activity
Administrative errors in processing of benefits may result in employees not receiving the benefits they are entitled to, incorrect payments, delayed access to healthcare benefits, financial loss, or reputational damage due to late and/or inaccurate reporting and	High	Executive management support/review

Risk Statement	Risk Ranking	Risk Mitigating Factor
non-compliance with state and federal benefit regulations.		
Business operations are ineffective/inefficient due to loss of key employees that impacts succession planning.	High	Executive management support/review
Incident response related to cyber security events is inadequate, limiting the ability to properly address system intrusions in a timely manner.	High	Review by external party (immediate past, current, near future)
Lack of safeguards and security controls for endpoint devices (laptops, desktops, tablets, servers, enterprise data storage devices) exposes the University to cybersecurity threats.	High	Follow-up procedures on audit observations
Lack or low level security controls and standards over distributed/decentralized 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.	High	Audit coverage in prior two fiscal years
Suspicious internal/external behavior on servers, laptops, or desktops is not monitored/detected by the University, which allows for malicious activity to spread quickly and impact mission critical systems.	High	Follow-up procedures on audit observations
Weak controls over cash management—including disbursement, reconciliation, and access to cash assets—may lead to fraud, errors, or inefficiencies. Misstated cash balances due to reconciliation errors or intentional overstatement could distort financial reporting. Inadequate physical safeguards over cash increase the risk of unauthorized use.	High	Audit coverage in prior two fiscal years

Risk Statement	Risk Ranking	Risk Mitigating Factor
Controls are not in place to prevent unallowable expenditures based on funding source which can lead to noncompliance with state and federal regulations, reputational damage and inability to serve the student population.	High	Audit coverage in prior two fiscal years
High unexpended balances for fees are not monitored and may indicate students are not offered the services that justified a fee increase. Tuition and fees are not assessed and expended in compliance with TEC 54. Examples include fee amounts in excess of statutory amounts and lack of prorated fees for shorter terms.	High	Audit coverage in prior two fiscal years
International student visa status is not adequately monitored, resulting in noncompliance with federal regulations, the potential denial of future visas and immigration benefits, and in severe cases, bars from entering the U.S. and/or deportation.	High	Follow-up procedures on audit observations
Phishing scams cause staff/faculty/student devices to be infected with malware, compromising system accounts, and exposure of the University network to vulnerabilities.	High	Executive management support/review
Scholarship and financial aid compliance may be compromised due to non-compliance with scholarship criteria, awarding tuition waivers to ineligible students, and failure to meet federal financial aid regulations, which could result in financial penalties and reputational harm.	High	Executive management support/review. This area was audited by Deloitte in FY 2026 and resulted in no findings.
Student employment lacks monitoring to prevent fraud and errors such as payroll under/overpayments, ghost student employees, and student employees receiving stipends; issues which	High	Audit coverage in prior two fiscal years

Risk Statement	Risk Ranking	Risk Mitigating Factor
may violate labor laws, federal regulations for contracts and grants, and international students. Consequences include IRS fines and penalties, the loss of SEVP certification and lawsuits.		
After the fact payroll certification procedures do not exist. The lack of control structure over research expenditure reporting may violate Uniform Guidance 2 CFR 200.430: Compensation—personal services, impacting the allocation of payroll costs, possibly leading to reduced federal funding and reputational damage.	High	Risk management function activity
Disclosures are not monitored effectively to detect foreign influence or CoI and management plans do not exist for PIs with licenses and startups which could lead to fines, penalties and loss of research funds with heightened monitoring by NSF and NIH due to NSPM-33.	High	Audit coverage in prior two fiscal years
Failure to adhere to approved human subjects research protocols, due to inadequate oversight or noncompliance with IRB requirements, may result in harm to participants (physical, psychological, social, or economic), compromise their rights and welfare, and undermine the integrity and validity of research data.	High	Review by external party (immediate past, current, near future)
Intellectual property is lost/stolen/damaged, possibly without detection, because it was not identified and classified as such.	High	Review by external party (immediate past, current, near future)
International travel approval procedures for researchers are ineffective to ensure compliance with export control, conflict of interest, and UFI requirements and may violate Executive Order GA-	High	Audit coverage in prior two fiscal years

Risk Statement	Risk Ranking	Risk Mitigating Factor
48 and NSPM-33 Foreign Travel Security requirement, resulting in a loss of funding and intellectual property.		
Lack of ICOI Committee, ICOI Policy and ICOI Management Plans to monitor institutional conflict of interest may violate UTS 189 Institutional Conflicts of Interest that safeguards the primary mission of UTEP and could lead to inappropriate financial decisions and reputational damage.	High	Review by external party (immediate past, current, near future)
Lack of monitoring of international visiting scholars and export controlled research can lead to theft of intellectual property and loss of grant funding due to lack of research security	High	Audit coverage in prior two fiscal years
Proposal development and approval is not adequately monitored causing the University to accept grants and contracts without adequate review of accuracy of the PI commitments and potential conflict of interest. Unfulfilled grant commitments lead to loss of funding and increases the risk that Strategic Goal 2 Advance Discovery will not be reached.	High	Executive management support/review
The Institutional Review Board does not meet federal composition requirements, due to inadequate governance or oversight, which may result in noncompliance with regulatory standards, ineffective protection of human subjects, and potential invalidation of IRB approvals.	High	Executive management support/review
The University is not prepared to be compliant with the Department of Defense's (DoD) Cybersecurity Maturity Model Certification (CMMC) 2.0 Level 2 certification (for federally-funded research data) by	High	Review by external party (immediate past, current, near future)

Risk Statement	Risk Ranking	Risk Mitigating Factor
2026. Level 2 is aligned with NIST 800-171 (for Controlled Unclassified Information). As such, the University is at risk of loss of research funding/reputational damage.		
Lack of standard processes and management oversight may result in inappropriate or incomplete use of funds, incorrect valuation of gifts and failure to follow appraisal requirements, unsecure donor data, failure to collect pledges, incorrect recording and reporting, tarnished/tainted endowment donors, mismanagement of donor/endowment relationship.	High	Audit coverage in prior two fiscal years

VI. B. Risk Assessment Methodology

The Fiscal Year 2027 Audit Plan was prepared using The U.T. System Audit Office's standardized top-down risk assessment methodology. This risk assessment approach started at the top with an awareness of the top risks identified by external sources such as Deloitte, Protiviti, and the Institute of Internal Auditors. The 2030 UTEP Strategic Plan, critical initiatives and objectives are reviewed to ensure the risks assessed were the most relevant. The assessment process was standardized by creating common terms and criteria, enabling trending of risk and System-wide comparisons. An emphasis was placed on collaboration with other functions that assess, handle, or manage risk.

The risk assessment process included conversations, surveys, and requests for input from the leadership team and responsible parties from the various operating areas on campus. The following areas were also considered:

- Texas Administrative Code (TAC) Title 1, Part 19, Chapter 477 Information Security Standards (Previously TAC Chapter 202)
- Artificial Intelligence
- Benefits Proportionality, in accordance with Rider 8, page III-58, the General Appropriations Act (89th Legislature), which requires higher education institutions to consider audits of benefits proportionality when developing their annual internal audit plans for fiscal years 2026 and 2027.
- Compliance with processes and controls per TEC §51.9337
- Research Related Risks and Research Funding
- Federal efficiency reviews
- Foreign Influence
- Construction
- Risk Management, Information Security, and Compliance (RISC) Services
- Account Reconciliations/Segregation of Duties
- Travel and Entertainment Expenses
- Diversity, Equity, and Inclusion (DEI) Non-compliance with TEC §51.3525 Responsibility of Governing Boards
- Cybersecurity Training
- TX-RAMP: Texas Risk & Authorization Management Program
- Use of Prohibited Technologies

Ranking Criteria

Priority	An issue identified by an internal audit that, if not addressed timely, could directly impact the achievement of a strategic or important operational objective of a UT institution or the UT System as a whole.
High	A finding identified by the internal audit considered to have a medium to high probability of adverse effects to the UT institution either as a whole or to a significant college/school/unit level.
Medium	A finding identified by internal audit considered to have a low to medium probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.
Low	A finding identified by internal audit considered to have minimal probability of adverse effects to the UT institution either as a whole or to a college/school/unit level.

VII. Reporting Suspected Fraud and Abuse

The University of Texas at El Paso has taken the following actions to implement the fraud reporting and the investigation coordination requirements of Section 7.09, page IX-41, the General Appropriations Act (89th Legislature) and Texas Government Code, Section 321.022, respectively.

The General Appropriations Act, 89th 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 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.

- The main page of the UTEP website has a direct link to the State Auditor's web page with instructions for reporting fraud, waste and abuse in Texas.
- The UTEP Office of Institutional Compliance manages a confidential Compliance Helpline for all faculty, staff and student employees to anonymously report suspected ethical or inappropriate activity. All reports are investigated and addressed as appropriate. The Office of Institutional Compliance web page 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. Coordination of Investigations

(a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity or by a client or contractor of the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or

entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.

(b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.

(c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.

All known frauds have been appropriately reported and addressed as required.

Appendix I. Status of FY 2026 Audit Recommendations as of 8/31/2026

Some recommendations are excluded since they were deemed confidential or excepted from disclosure under Title 5 Texas Government Code §552.139.

Report Date	Engagement Code	Engagement Title	Recommendation	Level of Reportable Observation	Estimated Implementation Date
07/23/2021	UTEP-20-109	Teacher Retirement System	Develop a process to identify TRS retirees working as independent contractors.	Medium	9/1/2026
08/06/2025	ELP25AS0007	Third-Party Risk Management	Formally define and implement a vendor due diligence process that includes a risk assessment of each vendor's security risk level (i.e. high, medium, low) based on standardized criteria such as data sensitivity, system access, regulatory exposure, historical security posture, etc.	Medium	05/31/2026
03/13/2026	ELP25AS1432	Institutional Advancement Inventory	Investigate and resolve the disposition of the three missing assets, and update to Accounting and Financial Reporting and campus police. Update property records to accurately reflect asset custodian, status, location, or disposal. Enhance monitoring procedures to ensure timely reporting of asset relocations, transfers, and disposals.	High	03/01/2026

Report Date	Engagement Code	Engagement Title	Recommendation	Level of Reportable Observation	Estimated Implementation Date
03/13/2026	ELP25AS1432	Institutional Advancement Inventory	The Inventory Department should escalate the notification of missing assets to the department head and supervisor of those custodians with missing assets. In addition, the practice of disposing assets in the accounting system without the appropriate Notification of Missing/Stolen Property, Police Report, or Surplus Transfer form should be discontinued. Assets should be removed from inventory records in a two-year period based on State Comptroller requirements.	High	03/01/2026
03/13/2026	ELP25AS1432	Institutional Advancement Inventory	Management should review the Inventory Purchase Classification Guidelines and use them as the basis for all asset purchases. In addition, business managers at Institutional Advancement should monitor purchases to identify and correct misclassifications timely and ensure alignment with applicable account codes. Requisitions with incorrect	Medium	03/01/2026

Report Date	Engagement Code	Engagement Title	Recommendation	Level of Reportable Observation	Estimated Implementation Date
			expense accounts should be sent back for revision.		
08/06/2025	ELP25ASCF0001	Student Employment Part II	The graduation status of F-1 student employees in their final semester should be monitored and promptly communicated to the Human Resources Department so that F-1 student employee appointments end in a timely manner.	High	01/01/2027
02/04/2026	ELP26AD1520	Gift Processing Cash Handling Advisory Engagement	Provide training and outreach to university departments to ensure IA oversight and preapproval of all fundraising events.	High	09/01/2026
02/04/2026	ELP26AD1520	Gift Processing Cash Handling Advisory Engagement	Implement mandatory onboarding and annual training for all cash handlers. Ensure the policy is easily accessible and reviewed regularly.	Medium	04/30/2026
08/31/2026	ELP26AS0027	Keck Center Inventory Audit	Keck Center asset custodians should continuously monitor inventory records to identify assets that have been purchased but not yet recorded in the inventory system. Any outstanding items should be documented, researched, and resolved through a formal process to ensure inventory	High	03/01/2027

Report Date	Engagement Code	Engagement Title	Recommendation	Level of Reportable Observation	Estimated Implementation Date
			records are complete, accurate, and up to date.		
08/31/2026	ELP26AS0027	Keck Center Inventory Audit	The Inventory Department should implement an escalation process requiring unresolved requests to be elevated to department management after defined response periods.	High	12/31/2026
08/31/2026	ELP26AS0027	Keck Center Inventory Audit	Investigate and resolve the disposition of the three missing assets, and notify Accounting and Financial Reporting and campus police using the appropriate forms. Update property records to accurately reflect asset custodian, status, location, or disposal. Enhance monitoring procedures to ensure timely reporting of asset relocations, transfers, and disposals.	High	09/30/2026
08/31/2026	ELP26AS0027	Keck Center Inventory Audit	Accounting & Financial Reporting and Inventory personnel should review and validate the logic, data sources, and field mappings for key PeopleSoft inventory queries to ensure asset updates are reflected consistently across reporting tools.	Medium	12/31/2026

Report Date	Engagement Code	Engagement Title	Recommendation	Level of Reportable Observation	Estimated Implementation Date
08/31/2026	ELP26AS0027	Keck Center Inventory Audit	Keck Center management should: 1. Perform a comprehensive reconciliation of Keck Center inventory records. 2.Update PeopleSoft records to reflect current custodians, locations, and assets. 3.Implement monitoring procedures to ensure inventory discrepancies identified during physical inventories are corrected timely.	Medium	03/31/2027
08/31/2026	ELP26AS0027	Keck Center Inventory Audit	The Inventory department should implement additional monitoring procedures to improve asset tracking, detect these discrepancies, and assist departments in updating records.	Medium	08/31/2027
08/31/2026	ELP26AS0027	Keck Center Inventory Audit	Management should review the Inventory Purchase Classification Guidelines and use them as the basis for all asset purchases. In addition, managers at Keck Center should monitor purchases to identify and correct misclassifications timely and ensure alignment with applicable account codes.	Medium	03/01/2027

Report Date	Engagement Code	Engagement Title	Recommendation	Level of Reportable Observation	Estimated Implementation Date
			Requisitions with incorrect expense accounts should be sent back for revision.		
05/26/2026	ELP26AS1545	CIM - Environmental Science and Engineering	ESE management should ensure all required reconciliations and approvals are completed and reviewed timely by enhancing oversight, meeting VPBA deadlines, and monitoring compliance with UTEP HOP.	Medium	05/15/2026
05/26/2026	ELP26AS1545	CIM - Environmental Science and Engineering	Develop and implement a spending plan to ensure ESE major fee revenue is used for the intended purpose and benefit the students who were assessed the fee. Monitor the major fee balance to prevent accumulation beyond the 20% threshold.	Medium	05/15/2026
05/26/2026	ELP26AS1545	CIM - Environmental Science and Engineering	The ESE program should strengthen compliance with UTEP travel policies by improving communication of travel requirements to student employees and ensuring staff involved in processing travel attend University travel training when available.	Medium	05/15/2026