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

Internal Audit Annual Report
Fiscal Year 2018

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

DATE: October 31, 2018

TO: John Colyandro, Governor's Office - Budget and Policy Division
Internal Audit Coordinator, State Auditor's Office
Julie Ivie, Legislative Budget Board
Jennifer Jones, Sunset Advisory Committee

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

SUBJECT: The University of Texas at El Paso Internal Audit Annual Report for Fiscal Year 2018

Attached please find the Fiscal Year 2018 Internal Audit Annual Report for The University of Texas at El Paso as required by the Texas Internal Auditing Act. Should you have questions or need additional information, please contact me at (915) 747-8858 or e-mail lnwertz@utep.edu.

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

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

- The approved fiscal year 2019 Audit Plan, as provided by Texas Government Code, Section 2102.008, and

- The fiscal year 2018 Internal Audit Annual Report, as required by Texas Government Code, Section 2102.009.

II. Internal Audit Plan for Fiscal Year 2018

Office of Auditing and Consulting Services

2018 Audit Plan

Approved by the Internal Audit Committee

July 13, 2017

DISTRIBUTION LIST

The University of Texas at El Paso

Dr. Diana Natalicio, President

Mr. Richard Adauto, 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

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

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

Ms. Sandra Vasquez, Assistant Vice President for Institutional Compliance and EEO

The University of Texas System

System Audit Office

External

Governor's Office of Budget

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Internal Audit Coordinator, State Auditor's Office

Sunset Advisory Commission

External Audit Committee Members

Mr. David Lindau, Chair

Mr. Steele Jones, External Member

Mr. Fernando Ortega, External Member

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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 FY 2018. The 2018 Audit Plan describes the internal audit activities to be performed by the Office of Auditing and Consulting Services (OACS) in FY 2018.

The process of preparing the 2018 Audit Plan included identifying risks that may impact university objectives and business activities. The Internal Audit Committee reviewed and approved the 2018 Audit Plan. Members of the Internal Audit Committee provided input, as did senior management, deans and department directors/chairs, where appropriate. The Internal Audit Committee is comprised of the following members:

- Mr. David Lindau, External Member and Chair of the Internal Audit Committee
- Mr. Steele Jones III, External Member
- Mr. Fernando Ortega, External Member
- Dr. Diana Natalicio, President
- Dr. Howard Daudistel, Interim Provost and Vice President for Academic Affairs
- Dr. Carol Parker, Provost and Vice President for Academic Affairs
- Dr. Stephen Riter, Vice President for Information Resources and Planning
- Dr. Gary Edens, Vice President for Student Affairs
- Dr. Roberto Osegueda, Vice President for Research
- Mr. Benjamin Gonzalez, Vice President, Asset Management and Development
- Mr. Richard Adauto III, Executive Vice President

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

- Mr. Jesus Carrillo, Director, Facilities Services
- Mr. Gerard Cochrane, Chief Information Security Officer
- Ms. Manuela Dokie, Assistant Vice President for Research and Compliance Services
- Ms. Elizabeth Flores, Associate Provost
- Ms. Robin Gerrow, Vice President, Office of University Communications
- Dr. Cynthia Giorgis, Dean, College of Education
- Mr. Juan Gonzalez, Director, Student Business Services
- Ms. Heidi Granger, Assistant Vice President, Student Financial Services
- Mr. Luis Hernandez, Director, Enterprise Computing
- Mr. Jose Huerta, Director, Telecommunication Infrastructure
- Dr. Ryan Holmes, Assistant Vice President for Student Support
- Mr. Carlos Martinez, Comptroller
- Dr. Victor Pacheco, Assistant Vice President, Business Affairs
- Mr. Frank Poblano, Executive Director, Technology Support
- Ms. Joanne Richardson, Director, Budget Office
- Dr. Jose Rivera, Dean, College of Pharmacy
- Mr. Robert Stull, Director, Intercollegiate Athletics
- Dr. Amanda Vasquez-Vicario, Assistant Vice President, Enrollment Services

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 Audit Office and The University of Texas at El Paso Internal Audit Committee.

See **Exhibits (A-1 through A-7)** for the approved **FY 2018 Annual Audit Plan**.

The audit plan was broken down into eight major categories: **Exhibits (A-1 through A-7):**

1. **Risk Based**

2. **Required**

3. **Risk Based Consulting**

4. **Investigations**

5. **Follow-up Audits**

6. **Risk Based General Reserve**

7. **Development - Operations**

8. **Development – Initiatives and Education**

Consideration of the following was given in developing the 2018 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.)

- EY Advisory Services guided IT Risk Assessment

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

VALUATION OF IMPACT AND PROBABILITY

IMPACT -The impact of a risk is the effect that risk will have upon the achievement of the institution's goals and objectives. There are three values:

- **HIGH** – The effect will cause the component not to achieve its goals and objectives.

- **MODERATE** – The effect will cause the institution to operate inefficiently and/or expend unplanned resources to meet goals and objectives.

- **LOW** – The measurable effect upon the achievement of institution's goals and objectives would be immaterial or insignificant.

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

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

- Compliance
- Fraud

PROBABILITY- The probability that a risk will become reality also has three values:

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

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

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

Follow-up Audits

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

Consulting/Management Requests/Investigations

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

Reserves

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

Carry forward Audits

Carry forward audits are those 2017 Annual Audit Plan audits in progress at August 31, 2017.

SCOPE OF AUDITS

The IPPF addresses the scope of work as follows:

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

"In performing consulting engagements, internal auditors must 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 2018 Annual Audit Plan is described in

Exhibits (A-1 through A-7)

Exhibit A-1. FY 2018 Audit Plan – Risk Based Audits

FY 2018 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Risk Based Audits			
Budget Procedures	400		Analyze budget procedures for historical accuracy, verify accuracy and support documentation for encumbrances, transfers, and carry forwards, determine if actual fee revenue is available to departments on a timely basis.
Scholarship Office	350		Review donor scholarships to determine if funds are appropriately utilized.
Procurement Card	250		Test expenditures to confirm compliance with updated policies and procedures.
Non-PO Vouchers	300		Test expenditures for compliance with University purchasing procedures.
Off Cycle Payroll	300		Review current off-cycle payroll process; determine if policies and procedures are followed and review any duplicate payments.
Year-end and Periodic Cash Counts	250		Recurring management request.
Executive Travel and Entertainment Expense Audit	250		Required annual audit.
Human Resources - Immigration Services	350		Assess efficiency of Immigration Services and verify compliance with employment eligibility regulations for new employees.
Laboratory Safety	350		Look at current biosafety requirements and determine if procedures are adhered to in the administration of labs and biological materials.
Red Flags Rule	150		Confirm compliance with current Red Flags Rule requirements.
Cost Sharing	250		Test cost share research agreements to determine compliance.
Office of International Programs	250		Provide reasonable assurance that OIP is in compliance with federal reporting requirements for the Student and Exchange Visitor Information System and with federal immigration policies for student visas.

FY 2018 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Risk Based Audits Continued...			
Blackboard Technology and Services	350		Assess the effectiveness of processes and security controls for Blackboard on the Cloud. Assess the different modules of Blackboard.
Cybersecurity	400		Assess the effectiveness of processes and security controls for cybersecurity. Review compliance regulations.
Change and Configuration Management	300		Assess the design and effectiveness of processes and controls for change and configuration management. Review compliance regulations.
Hardware Asset and Maintenance Management Controls	300		Assess the design and effectiveness of processes and controls that IT has deployed related to hardware and IT asset management. Review the impact of these processes on related IT processes such as IT service management, IT contract management and information security.
Departmental Audits	750		Document and test departmental operations for new director/dean.
Carryforward Audits:			
Payroll Certification	100		Test the payroll certification process to determine compliance with updated Uniform Guidance.
Departmental Audit - Office of International Programs (OIP)	150		Financial review of cost centers for OIP and Study Abroad program.
Departmental Audit - College of Health Sciences	250		Document and test departmental operations to provide a baseline for the new dean.
Risk Based Audits Subtotal	**6050**	**53%**	

Exhibit A-2. FY 2018 Audit Plan – Required Audits (externally and internally)

FY 2018 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Required Audits (External and/or Internal)			
FY 2017 Financial Statement Audit (Final)	85		Required annual audit.
FY 2018 Financial Statement Audit (Interim)	10		Required annual audit.
UTS 142.1 Monitoring Plan (FY2018)	175		Required annual audit.
NCAA Agreed Upon Procedures Audit	60		Required annual audit.
NCAA Football Attendance Audit	125		Recurring Management Request.
KTEP FM Radio Station	50		Support to external auditor.
Federal Portion of the Statewide Single Audit	125		Assistance to the State Auditor's Office.
Purchasing Compliance Assessment	20		Required annual assessment.
Carryforward Audits:			
UTS 142.1 Monitoring Plan (FY2017)	50		Required annual audit.
Required Audits Subtotal	**700**	**6%**	

Exhibit A-3. FY 2018 Audit Plan – Risk Based Consulting Projects, Investigations, Follow up, Risk Based General Reserve

FY 2018 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Risk Based Consulting Projects			
Continuous Auditing PeopleSoft Queries	225		Quarterly update of management-requested reports - tuition and fees management and new query development for transfers and carryforwards.
PeopleSoft Consulting	250		Support for PeopleSoft post-implementation locally and system-wide.
Consulting/Management Requests	302		As hours are assigned to specific projects, they will be transferred to the appropriate category.
Participation in Institutional Committees/Council, etc.	60		As needed.
Training provided by Internal Audit to institutional departments/employees/etc.	75		Continuous auditing presentations and others as requested.
Consulting Subtotal	**912**	**8%**	
Investigations			
Investigations	200		As hours are assigned to specific projects, they will be transferred to the appropriate category.
Investigations Subtotal	**200**	**2%**	
Follow Up			
Follow-up Audits	600		
Follow Up Subtotal	**600**	**5%**	
Risk Based General Reserve			
Reserve for Audit of Emerging Risks	400		As hours are assigned to specific projects, they will be transferred to the appropriate category.
General Reserve Subtotal	**400**	**3%**	

Exhibit A-4. FY 2018 Audit Plan – Development-Operations

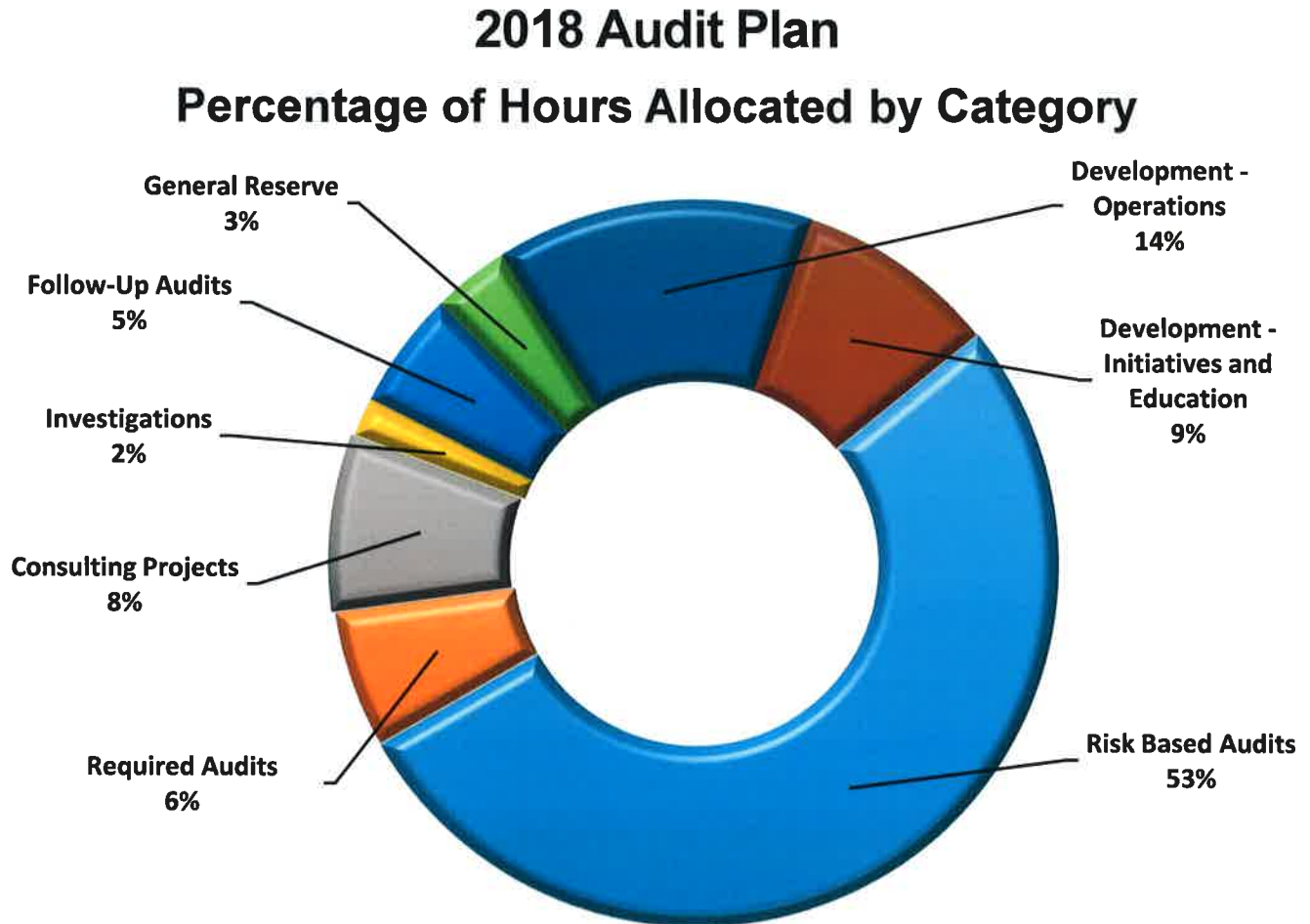| FY 2018 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development - Operations			
Internal Quality Assurance and Improvement Program activities	250		As requested.
Annual Audit Plan Development, including Risk Assessment	300		Preparation of FY 2019 Risk Assessment and Audit Plan.
UT System, SAO, etc. reporting/requests; CPRIT Audit assist	125		Responses for requests for information.
TeamMate, software, website development/maintenance	300		Non-project related development/maintenance.
Internal Audit Committee preparation/participation	190		Preparation of presentation documents for Institutional Audit Committee meetings; meetings with external audit committee members.
Staff meetings related to the management of the audit activity	350		Monthly staff meetings and status update meetings as needed.
Annual Internal Audit Report	50		Preparation of Annual Internal Audit Report for FY 2018.
Annual Reviews/Evaluations	60		Preparation of self-appraisals and Evaluations
Development - Operations Subtotal	**1625**	**14%**	

Exhibit A-5. FY 2018 Audit Plan – Development-Initiatives and Education

FY 2018 Audit Plan	Original Budget	Percent of Total	General Objective/Description
Development - Initiatives and Education			
Work Group Initiatives	150		As needed.
Professional organization/association participation	250		Participation as members and board members of IIA (includes IAEP hours) ACFE, AGA and TSCPA.
Individual Continuing Professional Development (CPE) Training	528		Continuing professional development for staff members.
IAEP Program	100		As needed.
Development - Initiatives and Education Subtotal	**1028**	**9%**	

Exhibit A-6. FY 2018 Audit Plan – Total Budgeted Hours

FY 2018 Audit Plan	Original Budget	Percent of Total
Risk Based Audits Subtotal	**6050**	**53%**
Required Audits Subtotal	**700**	**6%**
Consulting Subtotal	**912**	**8%**
Investigations Subtotal	**200**	**2%**
Follow Up Subtotal	**600**	**5%**
General Reserve Subtotal	**400**	**3%**
Development - Operations Subtotal	**1625**	**14%**
Development - Initiatives and Education Subtotal	**1028**	**9%**
Total Budgeted Hours	**11,515**	**100%**

Exhibit A-7. FY 2018 Audit Plan – Allocation of Hours by Category

2018 Audit Plan
Percentage of Hours Allocated by Category

General Reserve 3%
Follow-Up Audits 5%
Investigations 2%
Consulting Projects 8%
Required Audits 6%
Development - Operations 14%
Development - Initiatives and Education 9%
Risk Based Audits 53%

II.a. Deviations from FY 2018 Audit Plan

Project Name	Revised Budget (Approved April 19, 2018)	Actual Hours	Total Variance	Status of Plan at 08/31/2018
Assurance Engagements				
Budget Procedures	400	44	357	Project hours carried over to FY 2019.
Scholarship Office	0	0	0	Removed
ProCard	250	428	(178)	**Completed**
Non-PO Vouchers	300	208	93	**Completed**
Off Cycle Payroll	300	208	93	Project hours carried over to FY 2019.
Year-end and Periodic Cash Counts	250	98	152	**Completed**
Executive Travel and Entertainment Expense Audit	0	0	0	Removed
Human Resources - Immigration Services	350	328	23	**Completed**
Laboratory Safety	350	340	10	**Completed**
Red Flags Rule	150	123	27	**Completed**
Cost Sharing	0	0	0	Removed
Office of International Programs -Application System	250	111	139	Completed
Blackboard Technology and Services	350	258	93	**Completed**
Cybersecurity	400	2	398	UT System initiative. Project hours included in FY 2019.
Change and Configuration Management	300	78	223	Project hours carried over to FY 2019.
Hardware Asset and Maintenance Management Controls	0	0	0	Removed
Payroll Certification	100	134	(34)	**Completed**
Departmental Audit - Office of International Programs	150	217	(67)	**Completed**
Departmental CIM - College of Health Sciences	250	372	(122)	**Completed**
Departmental CIM-School of Pharmacy	400	492	(92)	**Completed**
Departmental Audits	0	0	0	Hours transferred to Departmental Audit - College of Pharmacy and Consulting/Management Requests
FY17 Carryover Audits	250	521	(271)	Hours transferred from Reserve for Audit of Emerging Risks
Assurance Engagements Subtotal:	**4,800**	**3,959**	**841**	

Project Name	Revised Budget (Approved April 19, 2018)	Actual Hours	Total Variance	Status of Plan at 08/31/2018
Required Engagements				
FY 2017 Financial Statement Audit (Final)	85	0	85	**Completed**
FY 2018 Financial Statement Audit (Interim)	10	4	7	**Completed**
UTS 142.1 Monitoring Plan (FY2018)	175	75	101	Project hours carried over to FY 2019.
NCAA Agreed Upon Procedures Audit	60	85	(25)	**Completed**
KTEP FM Radio Station	50	21	29	**Completed**
Federal Portion of the Statewide Single Audit	125	7	118	Auditor Assist activities
Purchasing Compliance Assessment	20	4	16	**Completed -** Will be filed with Annual Report
UTS 142.1 Monitoring Plan (FY2017)	50	87	(37)	**Completed**
Benefits Proportional by Fund Fiscal Years 2016 and 2017	250	239	11	**Completed - hours transferred from Reserve for Audit of Emerging Risks**
Required EngagementsSubtotal:	**825**	**521**	**305**	
Advisory and Consulting Engagements				
Continuous Auditing PeopleSoft Queries	225	27	198	
PeopleSoft Consulting	250	127	123	
NCAA Football Attendance Audit	125	190	(65)	**Completed**
Consulting/Management Requests	552	112	440	
Participation in Institutional Committees/Council, etc.	60	39	21	
Training provided by Internal Audit to institutional departments/employees/etc.	75	14	61	
Advisory and Consulting Engagements Subtotal:	**1,287**	**509**	**778**	
Investigations				
Investigations	200	275	(75)	Miscellaneous Projects
Investigations Subtotal:	**200**	**275**	**(75)**	
Follow-up				
Follow-up FY18 Q1	150	307	(157)	**Completed**
Follow-up FY18 Q2	150	144	6	**Completed**
Follow-up FY18 Q3	150	180	(30)	**Completed**
Follow-up FY18 Q4	150	41	110	**Completed**
Follow-up subtotal:	**600**	**672**	**(72)**	
Reserve				
Reserve for Audit of Emerging Risks	0	0	0	Hours transferred out to other projects.
Reserve subtotal:	**0**	**0**	**0**	

Project Name	Revised Budget (Approved April 19, 2018)	Actual Hours	Total Variance	Status of Plan at 08/31/2018
Development - Operations				
Internal Quality Assurance and Improvement Program activities	250	327	(77)	
Annual Audit Plan Development, including Risk Assessment	300	216	85	
UT System, SAO, etc. reporting/requests; CPRIT Audit assist	125	196	(71)	
TeamMate, software, website development/maintenance	300	325	(25)	
Internal Audit Committee preparation/participation	190	119	71	
Staff meetings related to the management of the audit activity	350	177	174	
Annual Internal Audit Report	50	112	(62)	
Annual Reviews/Evaluations	60	45	16	
Development - Operations subtotal:	**1,625**	**1,515**	**110**	
Development - Initiatives and Education				
Work Group Initiatives	150	5	145	
Professional organization/association participation	250	118	133	
Individual Continuing Professional Development (CPE) Training	528	482	46	
IAEP Program	100	62	38	
Development - Initiatives and Education subtotal:	**1,028**	**667**	**362**	
TOTAL	**10,365**	**8,116**	**2,249**	

II.b. Summary of Changes - FY 2018 Audit Plan

	PROJECT NAME	HOURS	COMMENTS
	Transfer of Hours between Categories:		
1	**Reserve for Audit of Emerging Risks (150) and Consulting Management Requests (100) hours:** Transfer of **250** hours to		
	a. Fiscal Year 2017 Project Hours not Scheduled in 2018 Plan.	250	This transfer was done at the beginning of the fiscal year to account for direct hours spent on projects from FY 2017 not completed at year-end.
2	**Reserve for Audit of Emerging Risks:** Transfer of **249** hours to		
	a. Benefits Proportionality Audits (FY 2016 and 2017)	249	This transfer was done at the beginning of the fiscal year as we were unaware at the time the plan was approved that this audit was required for FY 2018.
3	**Departmental Audits:** Transfer of remaining **500** hours to		
	a. Departmental Audit - School of Pharmacy	150	
	b. Consulting/Management Requests	350	More hours were transferred back to this category as we continue to get requests for special projects.

PROJECT NAME	HOURS	COMMENTS
Approved Removal of Projects from Fiscal Year 2018 Plan:		
1 **Scholarship Office -** as the scholarship director recently left the university, it was determined that this audit should be postponed until the department has a chance to put processes into place.	350	
2 **Executive Travel and Entertainment Expense Audit -** as this is now required to be performed every other year and it was performed in FY 2017, it can be postponed until next year.	250	
3 **Cost Sharing -** Contracts and Grants Accounting is in the process of developing a new cost share tracking system; consequently, this audit will be postponed until FY 2019.	198	
4 **Hardware Asset and Maintenance Management Controls -** as our IT Auditor will be working on a Cyber Security audit with consultants and taking the lead on the IT Risk Assessment process, this audit will be re-scheduled for the next fiscal year.	300	
Total Hours Removed from FY 2018 Audit Plan	1,098	

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

According to Rider 8, page III-45, the General Appropriations Act (85th Legislature, Conference Committee Report), each institution of higher education, excluding public community/junior colleges, shall conduct an internal audit of benefits proportional by fund 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, 2018. The audit must examine fiscal years 2015 through 2017, and must be conducted using a methodology approved by the State Auditor's Office (SAO).

An audit of the proportionality of higher education benefits process was conducted during FY 2016 by the SAO. The requirement for the audit included benefits funding proportionality for appropriation year (AY) 2015. Although there are not specific hours in the FY 2018 audit plan for benefits proportionality by fund audits, we have hours in a "Reserve for Audit of Emerging Risks" category that was used for AY 2016 and 2017. Reserve hours are also included in the FY 2019 plan If the decision is made to audit AY 2018.

Audit procedures were consistent with the methodology prescribed by the State Auditor's Office to comply with Rider 8, and included review of source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS), review of the benefits proportionality reporting process, validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the Benefits Proportionality by Fund Report (APS 011), and testing to verify eligibility of employee benefits paid with appropriated funds.   A separate report was submitted to the State Auditor's Office outlining the results of the AY 2016 and 2017 audit.

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

Compliance with the Texas Education Code Section 51.9337
Purchasing Authority Conditional; Required Standards (h)

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

The Office of Auditing and Consulting Services conducted this required assessment for fiscal year 2018, and found the following:

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

Rule and Policy Requirements:

Requirement	In Place Yes/No	Rules/Policy Reference/Comments
§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":*		
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);*	**Yes**	See §51.9337(c) UTEP Purchasing Dept. OP, Section 1: Ethics
2. *Policies for the internal investigation of suspected defalcation, misappropriation, and other fiscal irregularities and an institutional or System-Wide compliance program designed to promote ethical behavior and ensure compliance with all applicable policies, laws, and rules governing higher education, including research and health care to the extent applicable;*	**Yes**	• UTS118: Dishonest or Fraudulent Activities • UTS119: Institutional Compliance Program • UTEP HOP, Section VII, CH2: Fraudulent or Dishonest Activities • UTEP HOP, Section I, CH2: Governance of the University • UTEP Standards of Conduct Guide, Institutional Compliance Program & Training • UTEP Purchasing Dept. OP, Section 1: Ethics
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);*	**Yes**	See §51.9337(d) UTEP Purchasing Dept. Operating Procedures
4. *Contracting delegation guidelines, subject to Subsections (e) and (f);*	**Yes**	See §51.9337(e) and (f) UTEP Purchasing Dept. OP, Section 3: Delegated Authority
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. 4 Core Training Curriculum • UTEP Purchasing Dept. OP, Section 2: Training and Certification Program
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) • UTS129: Internal Audit Activities • UTEP HOP, Section VII, CH1: Audit and Consulting Services

Requirement	In Place Yes/No	Rules/Policy Reference/Comments
§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' *Rules and Regulations*, Rule 10901: Statement of U.T. System Values and Expectations, Sec. 2 Compliance with Laws and Policy • Regents' *Rules and Regulations*, Rule 30103: Standards of Conduct, Sec. 1 Statutory Compliance • UTS134: Sect 3, Code of Ethics for Financial Officers and Employees • UTEP Standards of Conduct Guide
2. *Policies governing conflicts of interest, conflicts of commitment, and outside activities, ensuring that the primary responsibility of officers and employees is to accomplish the duties and responsibilities assigned to that position;*	**Yes**	• Regents' *Rules and Regulations,* Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 1 Primary Responsibility • UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 3 Primary Responsibilities • UTEP HOP, Section V, CH4: Outside Activity and/or Employment, Board Service, and Dual Employment • UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities
3. *A conflict of interest policy that prohibits employees from having a direct or indirect financial or other interest, engaging in a business transaction or professional activity, or incurring any obligation that is in substantial conflict with the proper discharge of the employee's duties related to the public interest;*	**Yes**	• Regents' *Rules and Regulations,* Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 3 Unmanaged Conflicts of Interest Prohibited • UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 5 Conflicts of Interest and Conflicts of Commitment Prohibited • UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.4 Conflicts of Interest and Conflicts of Commitment Prohibited
4. *A conflict of commitment policy that prohibits an employee's activities outside the institution from interfering with the employee's duties and responsibilities to the institution;*	**Yes**	• Regents' *Rules and Regulations,* Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 4 Conflicts of Commitment Prohibited • UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 5 Conflicts of Interest and Conflicts of Commitment Prohibited • UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.4 Conflicts of Interest and Conflicts of Commitment Prohibited

Requirement	In Place Yes/No	Rules/Policy Reference/Comments
5. A policy governing an officer's or employee's outside activities, including compensated employment and board service, that clearly delineates the nature and amount of permissible outside activities and that includes processes for disclosing the outside activities and for obtaining and documenting institutional approval to perform the activities;	Yes	• Regents' *Rules and Regulations,* Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 5 Approval and Disclosure Requirements • UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Sec. 6 Approval and Disclosure Policy Required & Sec. 8, Information to be disclosed to UT System Administration in an electronic database • UTS180: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, Definitions • UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.5 Disclosure and Approval • UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities, 29.6 Outside Activity Guidelines
6. A policy that prohibits an officer or employee from acting as an agent for another person in the negotiation of the terms of an agreement relating to the provision of money, services, or property to the institution;	Yes	• Regents' *Rules and Regulations,* Rule 60306: Use of University Resources, Sec. 2 No Service as an Agent • UTEP HOP, Section V, CH29: Conflicts of Interest, Conflicts of Commitment, and Outside Activities • 29.4 Un-Managed Conflicts of Interest and Conflicts of Commitment Prohibited
7. A policy governing the use of institutional resources; and	Yes	• Regents' *Rules and Regulations,* Rule 30104: Conflict of Interest, Conflict of Commitment, and Outside Activities, Sec. 8 Use of University Property • Regents' *Rules and Regulations,* Rule 60306: Use of University Resources, Sec. 3 Compensation for Resources Used • UTEP Standards of Conduct Guide, Use of UT and State of Texas Resources
8. A policy providing for the regular training of officers and employees on the policies described by this subsection.	Yes	• UTS189: Institutional Conflicts of Interest, Section 10 Education and Training • UTEP Standards of Conduct Guide, Institutional Compliance Program
§51.9337(d) – An institution of higher education shall establish contract review procedures and a contract review checklist that must be reviewed and approved by the institution's legal counsel before implementation. The review procedures and checklist must include:	Yes	• Regents' *Rules and Regulations*, Rule 20901: Procurement of Goods and Services; Sec. 4, Contract Management Handbook • UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts
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 • UTEP Purchasing Dept. OP, Section 20: Formal Contract Establishment • UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts

Requirement	In Place Yes/No	Rules/Policy Reference/Comments
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 • UT System Office of General Counsel General Procedure Contract Checklist • UTEP Purchasing Dept. OP, Section 21: Contract Administration for Formal Contracts • "Contract Administration: Review for Signature Form", Revised 7.11.17. Current checklist reviewed and approved by institutional legal counsel.
3. *A value threshold that initiates the required review by the institution's legal counsel unless the contract is a standard contract previously approved by the counsel.*	**Yes**	• UTS145 Processing of Contracts, Sec. 4 Contract Processing Procedures, Step 4 Determine Value of Contract • UTEP Purchasing Dept. OP, Section 3: Delegated Authority
§51.9337(e) *– An institution of higher education's policies governing contracting authority must clearly specify the types and values of contracts that must be approved by the board of regents and the types and values of contracts for which contracting authority is delegated by the board to the chief executive officer and by the chief executive officer to other officers and employees of the institution. An officer or employee may not execute a document for the board unless the officer or employee has authority to act for the board and the authority is exercised in compliance with applicable conditions and restrictions.*	**Yes**	• Regents' *Rules and Regulations*, Rule 10501: Delegation to Act on Behalf of the Board • UTS145: Processing of Contracts: Sec. 4, Step 4 Contract Thresholds • UTEP Purchasing Dept. OP, Section 3: Delegated Authority
§51.9337(f) *– An institution of higher education may not enter into a contract with a value of more than $1 million, including any amendment, extension, or renewal of the contract that increases the value of the original contract to more than $1 million, unless the institution's board of regents approves the contract, expressly delegates authority to exceed that amount, or expressly adopts an exception for that contract. The board must approve any amendment, extension, or renewal of a contract with a value that exceeds 25 percent of the value of the original contract approved by the board unless the authority to exceed the approved amount is expressly delegated by the board or an exception is expressly adopted by the board for that contract.*	**Yes**	• Regents' *Rules and Regulations*, Rule 10501: Delegation to Act on Behalf of the Board, Sec. 3 Matters Not Delegated, 3.1 Contracts Exceeding $1 Million • UTEP Purchasing Dept. OP, Section 3: Delegated Authority

Requirement	In Place Yes/No	Rules/Policy Reference/Comments

§51.9337(g) – The board of regents of an institution of higher education shall adopt standards for internal audits conducted by the institution to provide a systematic, disciplined approach to evaluate and improve the effectiveness of the institution's risk management, control, and governance processes related to contracts and to require risk-based testing of contract administration. The internal auditor must have full and unrestricted access to all institutional property, personnel, and records. An internal auditor must report directly to the board of regents in accordance with Chapter 2102, Government Code.	**Yes**	• Regents' *Rules and Regulations,* Rule 20401: Audit and Compliance Program
		    1.2 (a) System-Wide internal audit plan based on a comprehensive risk assessment
		    1.2 (c) Standards and methodology to be followed by all U.T. System internal auditors
		• UTS129: Internal Audit Activities, Sec. 1 Internal Auditing Program
		• UTEP HOP, Section VII, CH1: Audit and Consulting Services
		    1.4 Responsibility
		    1.5 Authority
		    1.6 Standards of Audit Practice

§51.9337(h) – The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor. In auditing the purchase of goods and services by the institution, the state auditor shall determine whether an institution has adopted the required rules and policies.	**Yes**	As documented herein. Certification statement to be included in the Annual Audit Report to the State Auditor's Office required under Texas Government Code §2102.

III. Consulting Services and Nonaudit Services Completed

Audit Report Number and Name	Report Date	Audit Objectives	Recommendation(s)	Management Responses / Action Plan
#18-106 Fiscal Year 2017 Cash Counts	8/30/18	To verify the existence and accuracy of the change fund balances recorded in PeopleSoft accounts.	• Cash to fulfill departmental requests should consistently be requested from the bank and not provided from cash on-hand. • The University Ticket Center should replenish the change fund to bring it to the allocated amount. • Deposits should be made in accordance with University policy. The University should develop a uniform training program for all employees who handle cash. This is in addition to the department-specific training employees have received.	N/A This audit is conducted on an annual basis.
Continuous Auditing: Query Updates for Course Fees and Major fees	2018	The objective of continuous auditing is to identify high-risk areas that require frequent review and to create a set of continuous auditing reports that provide timely alerts for transactions that may not be compliant with federal, state, and institutional laws and regulations.	During the project we noted the following: • Course fees and major fees management is a high-risk area that benefits from continuous auditing because fee approvals, assessments, and expenditures are separate functions handled by three different departments and the information is not available in a single report. • Continuous auditing reports are created and managed by the Office of Auditing and Consulting Services. Management may view and use the reports as needed for monitoring purposes. The reports will enable management to respond properly to identified risks and control deficiencies.	Continuous monitoring is a process owned by management. Management is responsible for maintaining effective control systems. They also have the most to benefit from obtaining timely insight into transactions that could be the result of fraud, error or abuse.

Audit Report Number and Name	Report Date	Audit Objectives	Recommendation(s)	Management Responses / Action Plan
#17-02 Payroll Certification (carry-over project from FY 2017)	11/30/17	The Office of Auditing and Consulting Services was asked to: • review the Office of Research and Sponsored Project's (ORSP) draft policies, compare to current Uniform Guidance and recommend changes as needed, • perform limited testing on project payroll accounts to determine if the certification process complies with current requirements, and • determine whether the appropriate training was provided to research personnel.	• The Payroll Certification draft policy should be updated to meet all of the UT System requirements and be supported by documented procedures and monitoring activities. • All Admins should receive training on the payroll certification process. The training should provide guidance on how to reconcile payroll transactions to the support documentation. Discrepancies in pay should be reported and corrected in a timely manner. • During the course of this readiness review, a training program was developed to provide guidance on preparing project payroll reconciliations. The training is interactive and includes detailed templates and instructions for proper reconciliations.	N/A – This engagement was considered a readiness review; consequently, no responses were required. Note: Review of recommendations will be performed in Fiscal Year 2019.

IV. External Quality Assurance Review (Peer Review)

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

June 7, 2017

June 7, 2017

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

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

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

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

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

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

Very truly yours,

Baker Tilly Virchow Krause, LLP

V. Internal Audit Plan for Fiscal Year 2019

Office of Auditing and Consulting Services

2019 Audit Plan

Approved by the Internal Audit Committee

June 29, 2018

DISTRIBUTION LIST

University of Texas at El Paso

Dr. Diana Natalicio, President

Mr. Richard Adauto, Executive Vice President

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

Dr. Roberto Osegueda, Vice President for Research

Dr. Gary Edens, Vice President for Student Affairs

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

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

Mr. Mark McGurk, Vice President for Business Affairs

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

University of Texas System

System Audit Office

External

Governor's Office of Budget

Legislative Budget Board

Internal Audit Coordinator, State Auditor's Office

Sunset Advisory Commission

External Audit Committee Members

Mr. Fernando Ortega

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OVERVIEW

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

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

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

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

- Dr. Toni Blum, Associate Provost

- Mr. Gerard Cochrane, Chief Information Security Officer

- Ms. Joanne Richardson, Assistant Controller

- Mr. Daniel Dominguez, Director of Accounting and Financial Reporting

- Mr. Frank Grijalva, Director, Disbursement Services

- Ms. Heidi Granger, Assistant Vice President, Student Financial Services

- Dr. William Robertson, Interim Dean, College of Education

- Mr. James Senter, Director, Intercollegiate Athletics

RISK ASSESSMENT AND AUDIT PLAN DEVELOPMENT

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

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

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

The audit plan was broken down into eight major categories:

1. **Assurance Engagements**

2. **Advisory and Consulting Engagements**

3. **Reserve**

4. **Required Engagements**

5. **Investigations**

6. **Follow-up**

7. **Development - Operations**

8. **Development – Initiatives and Education**

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

- Strategic and operational objectives

- Management input

- Various risk assessments

- Economical and efficient use of internal audit resources

- Required activities (i.e., KTEP FM Radio audit, Annual Financial Report, NCAA Compliance, etc.)

- Current issues in higher education

RISK ASSESSMENT METHODOLOGY

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

- Update our understanding of current strategic and operational objectives

- Identify and evaluate regulatory, industry, and market factors

- Meet with other risk assessors on campus

- Validate priorities through interviews with executive management

- Identify top areas in which priorities are significant and risk factors are high

- Scope the risk assessment and meet with management in high risk areas

- Rank risks according to impact and probability

- Review risk list with executive management to determine risk mitigation factors, if any

- Address high risks in annual audit plan

- Document reasons certain high risk areas are not included in audit plan

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

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

VALUATION OF IMPACT AND PROBABILITY

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

There are three values:

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

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

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

PROBABILITY- The probability that a risk will become reality.

There are three values:

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

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

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

Follow-up Audits

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

Advisory/Consulting/Investigations

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

Reserves

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

Carry forward Audits

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

SCOPE OF AUDITS

The IPPF addresses the scope of work as follows:

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

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

Internal auditors should:

- *Review the **reliability and integrity of financial and operating information** and the means used to identify, measure, classify and report such information.*

- *Review the systems established to ensure **compliance** with those policies, plans, procedures, laws, and regulations, which could have a significant impact on operations and reports, and should determine whether the organization is in compliance.*

- *Review the means of **safeguarding assets** and, as appropriate, verify the existence of such assets.*

- *Appraise the **economy and efficiency** with which resources are employed.*

- *Review **operations or programs** to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned.*

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

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

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

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

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

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

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

Exhibit A-3. FY 2019 Audit Plan – Reserve

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

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

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

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

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

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

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

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

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

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

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

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

2019 Audit Plan

Percentage of Hours Allocated by Category
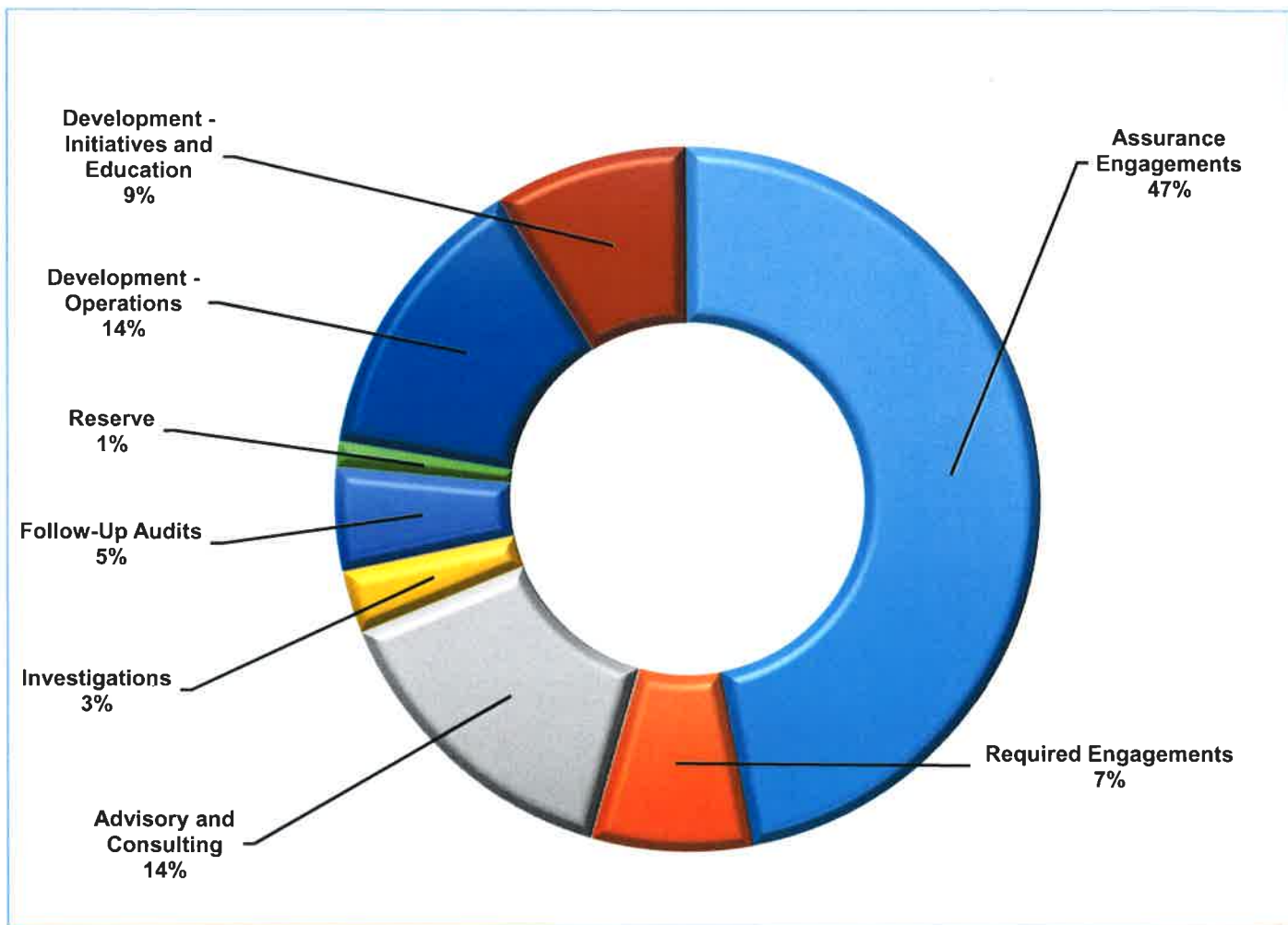
V.a. High Risk Audits not in FY 2019 Plan

#	Detailed Risk Description	Impact	Probability	Risk Mitigation
1	Significant Deficiency in Controls over Cash Management	High	Medium	Audit 18-019 Texas SAO compliance with Federal Requirements for the Student Financial Aid Cluster
2	Ineligible students awarded financial aid	High	Medium	Audit 18-019 Texas SAO compliance with Federal Requirements for the Student Financial Aid Cluster
3	Inaccurate enrollment reporting	High	Medium	Audit 18-019 Texas SAO compliance with Federal Requirements for the Student Financial Aid Cluster
4	Material weakness: noncompliance return of Title IV funds	High	Medium	Audit 18-019 Texas SAO compliance with Federal Requirements for the Student Financial Aid
5	Excessive nonPO vouchers processed to bypass purchasing	High	Medium	Audit 18-104 Non PO Vouchers audit completed in FY 18
6	Duplicate payments are not detected for employee reimbursements	High	Medium	Audit 18-104 Non PO Vouchers audit completed in FY 18
7	Ineligible workers are hired before background checks are completed	High	Medium	Audit 18-108 HR Immigration Services completed in FY 18
8	Failure to comply with federal regulations for hiring	High	Medium	Audit 18-108 HR Immigration Services completed in FY 18
9	Form I-9s are not completed timely	High	Medium	Audit 18-108 HR Immigration Services completed in FY 18
10	Foreign employee visa monitoring is ineffective due to inaccuracy of PeopleSoft records	High	Medium	Audit 18-108 HR Immigration Services completed in FY 18
11	CIERP statistics may be inaccurate due to PeopleSoft data entry errors	High	Medium	Audit 18-108 HR Immigration Services completed in FY 18
12	Controlled items (as defined by ITAR & EAR) are exported without license.	High	Medium	Follow up Audit 17-05 Export Controls completed FY 18
13	Controlled items deemed exports are released to an individual from a unauthorized country	High	Medium	Follow up Audit 17-05 Export Controls completed FY 18
14	Risk assessments are not performed on subrecipients	High	Medium	Follow-up Audit 16-11 Subrecipient Monitoring in FY 19

#	Detailed Risk Description	Impact	Probability	Risk Mitigation
15	Subrecipients' expenditures are not adequately monitored for timeliness and accuracy	High	Medium	Follow-up Audit 16-11 Subrecipient Monitoring in FY 19
16	Labs and other areas with hazardous materials are not adequately managed and secured	High	Medium	Follow-up Audit 18-109 Laboratory Safety in FY 19
17	PeopleSoft not stabilized to meet the demands of the university.	High	Medium	UT Share
18	Delay in implementation of e-forms	High	Medium	Will audit after E Form implementation
19	Significant Deficiency in Controls for Journal Entry Approvals	High	Medium	AFR performed by Deloitte
20	Lack of employee training on management of gifts and endowments	High	Medium	Follow up Audit 17-07 Asset Management and Development in FY 19
21	Payroll certification procedures do not comply with Uniform Guidance.	High	Medium	Follow up Audit 17-SRP-01 Payroll Certification in FY 19
22	Loss of research funding due to export control noncompliance	High	Medium	Follow up Audit 17-05 Export Controls completed FY 18
23	Lack of control of interior office keys may lead to misappropriation of assets, identity theft, and FERPA violations	Medium	High	Follow up Audit 17-10 Key Shop in FY 19
24	Non PO purchases are not sent to Receiving for inventory tagging and three way match	High	Medium	Audit 18-104 Non Po Vouchers
25	Employee Non PO Reimbursements bypass the purchasing process	High	Medium	Audit 18-104 Non Po Vouchers
26	APS outside contractor forms are not completed in accordance with University policies	High	Medium	Audit 18-104 Non Po Vouchers
27	APS payments to consultants may not be reported in the Texas Registry	Medium	High	Audit 18-104 Non Po Vouchers
28	Consultants may be hired for extended periods to bypass hiring process and avoid payment of benefits	Medium	High	Audit 18-104 Non Po Vouchers
29	Compliance with federal regulations: Title IX	High	Medium	Audit 17-01 Title IX no findings; ongoing University training programs
30	Lack of compliance with TEC 54 with fee requirements	High	Medium	Continuous auditing reports and active Institutional Compliance risk management plan in place.

#	Detailed Risk Description	Impact	Probability	Risk Mitigation
31	Insufficient funds to build a full disaster recovery "hot site" for Critical UTEP functions.	High	High	Follow up to Audit 16-04 Backup/Recovery/Contingency Network Server Data audit in FY 19.
32	PeopleSoft not stabilized to meet the demands of the university.	High	Medium	UT Share
33	Inaccurate encumbrances and balance forwards lead to deficits or unspent funds	High	Medium	UT Share
34	Insufficient funds available for training 1st level responders and other Helpdesk Staff.	High	Medium	Metrics support Helpdesk effectiveness
35	Staff lack training for emerging IT risks.	High	Medium	Compliance Audit to be performed in 2020 after DIR training requirements are implemented.
36	Loss of money for Research and Sponsored Programs **(CUI)**	High	Medium	Risk Management Plan to be developed by Compliance Office

VI. External Audit Services Procured in Fiscal Year 2018

1. The El Paso firm of Gibson Ruddock Patterson LLC, was engaged to perform the audit for FY 2018 of the KTEP FM radio station located on the UTEP campus. The audit is required by The Corporation for Public Broadcasting to enable UTEP to continue receiving grant funding from that organization.

2. The Dallas firm of Weaver and Tidwell, L.L.P. was engaged to perform agreed upon procedures to UTEP's grant contracts with the Cancer Prevention and Research Institute of Texas (CPRIT), which was required by the Agency.

VII. Reporting Suspected Fraud and Abuse

The General Appropriations Act, 85th Legislature:
Sec. 7.09. Fraud Reporting*. A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds by:*
> *(1) Providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and*
> *(2) Including in the agency or institution's policies information on how to report suspected fraud involving state funds to the State Auditor's Office.*

The University of Texas at El Paso has independent organizations that implement the requirements of Section 7.09, Fraud Reporting, and General Appropriations Act (85th. Legislature, Conference Committee Report) Article IX and Texas Government Code, Section 321.022. The Office of Auditing and Consulting Services and the Office of Institutional Compliance jointly and separately provide various monitoring and reporting activities to detect and prevent fraud and abuse.

Actions were taken to implement the requirements of the following:

- **Section 7.09, Fraud Reporting**, General Appropriations Act (85th. Legislature, Conference Committee Report) Article IX:
  - ➢ The University has a Hotline link on the home page website as a direct link to the State Auditor's web page for reporting fraud, waste and abuse in Texas.
  - ➢ A Hotline web site compliance module that may be accessed by all faculty staff and student employees that outlines the process for reporting and provides information to access the SAO fraud reporting site.
  - ➢ The University Handbook of Operating Procedures offers guidelines on the investigation of possible fraudulent activities.

- **Texas Government Code, Section 321.022.** 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.