

# **The University of Texas at San Antonio**

## **Internal Audit Annual Report For Fiscal Year 2015**

*As required by the Texas Internal Auditing Act*

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## **I. Compliance with Texas Government Code, Section 2101.015**

In accordance with the Texas Government Code, Section 2102.015, the UTSA Office of Auditing and Consulting Services posted its FY 2015 Internal Audit Annual Report and the approved FY 2016 Audit Plan at the web site.

<http://www.utsa.edu/InternalAudit/Audit/MissionCharter.html>.

Additionally, all internal audit reports are posted on the UT System Audit Office website.

<http://www.utsystem.edu/documents/audit-reports>

In Section III of this report, The University has included the following for the FY 2015 Audit Plan:

- A detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns raised by the audit plan or annual report.
- A summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.

## **II. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

Rider 8, page III-39, the General Appropriations Act (84th Legislature, Conference Committee Report), requires that higher education institutions conduct an internal audit during fiscal year 2016 of benefits proportional by fund, using a methodology prescribed by the State Auditor's Office. The rider requires that the audit examine appropriation years (AY) 2012 through 2014, and be completed no later than August 31, 2016. To comply with Rider 8, a benefits proportionality audit is included in the UTSA FY 2016 annual audit plan.

An internal audit of the proportionality of higher education benefits process was conducted during FY 2015 at the request of the Governor. The scope of the audit included benefits funding proportionality for appropriation year (AY) 2013. 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.

Because AY 2013 was included in the prior year audit, the benefits proportionality audit conducted during FY 2016 will include only AY 2012 and AY 2014. The results of the AY 2013 audit will be included in the resulting audit report, with a statement certifying that the procedures followed were consistent with the methodology prescribed by the State Auditor's Office.

### III. Internal Audit Plan for Fiscal Year 2015

Audit Title	Report Number	Report Date	Status
<b><i>Risk Based Audits</i></b>			
Sponsored Projects Administration Compliance	2015-40	8/19/2015	Report Issued
UNIX Server Management & Security (TAC 202 Audit)	2015-30	5/26/2015	Report Issued
Downtown Data Center IT General Controls (FY14 Carry Forward Audit)	2014-55E	2/16/2015	Report Issued
Title IX (Sexual Harassment/Sexual Violence)	2015-26	N/A	Draft Report
Fleet Management	2015-25	N/A	Draft Report
Construction Management	2015-21	N/A	Draft Report
<b><i>UT System Requested Audits</i></b>			
FY 2014 Financial Statement Audit	2015-01	1/17/2015	Report Issued
Employee Benefits Proportionality	2015-24	11/26/2014	Report Issued
FY 2014 Executive Management Travel and Entertainment	2015-05	3/27/2015	Report Issued
<b><i>Externally Required Audits</i></b>			
NCAA Compliance	2015-20	6/17/2015	Report Issued
FY 2014 NCAA Annual Financial Audit	N/A	N/A	Report Issued by UT System Audit Office
State Auditor's - FY14 & FY15 A-133 Statewide	N/A	N/A	Report Issued by State Auditor's Office
<b><i>Special Request Audits</i></b>			
Student Financial Aid Internal Control Review	2015-55J	N/A	Draft Report
NCAA Football Attendance Audit	2015-55F	1/12/2015	Report Issued
Facilities Audit (Texas Higher Education Coordinating Board)	2015-55G	7/7/2015	Report Issued

Deviations from FY 2015 Audit Plan were as follows:

- 1) Per Audit Committee approval at the November 13, 2015 Internal Audit Committee meeting, the Network Audit was removed from the audit plan and replaced with the Cloud Computing/Emerging Risks Consulting project.
- 2) Per Audit Committee approval at the July 23, 2015 Internal Audit Committee meeting, the HIPAA (Health Insurance Portability and Accountability Act) Consulting project was removed from the FY 2015 Audit Plan.

### III. Internal Audit Plan for Fiscal Year 2015

Project Name	Issue Date	Recommendation	Response	Recommendation Status	Estimated Implementation Date
<u>Employee Benefits Proportionality</u>	11/26/2014		No recommendations were made. Based on audit procedures performed, the Benefits Proportionality by Fund Report (APS 011) for AY 2013, as submitted to the State Comptroller in November 2013 was materially accurate and no reimbursement is due. The process in place to prepare the annual report is sufficient to ensure benefits funding proportionality is applied according to the guidelines established in Article IX, Section 6.08, of the General Appropriations Act.		
<u>NCAA Football Attendance</u>	1/12/2015		No recommendations were made. UTSA complies with NCAA Bylaw 20.9.9.3 regarding home football attendance.		
<u>FY 2014 Financial Statement Audit</u>	1/17/2015		No recommendations were made. UTSA's Office of Auditing and Consulting Services assisted Deloitte in their performance of the audit of the Consolidated Annual Financial Report of the UT System in conformity with auditing standards generally accepted in the United States of America to determine whether the Consolidated AFR of the UT System presents fairly, in all material respects, the financial position of the UT System as of August 31, 2014, and its changes in net position and its cash flows for the year then ended. UTSA's Office of Auditing and Consulting Services work was limited to procedures necessary for Deloitte to provide an opinion on the Consolidated AFR of the UT System for the fiscal year ended August 31, 2014.		
<u>Downtown Data Center IT General Controls Audit</u>	2/16/2015		The report contains confidential information that relates to computer security and is not subject to the disclosure requirements of Texas Public Information Act, based on the exception found in Government Code § 552.139. Specific results and recommendations were made to appropriate management members and shared with the Internal Audit Committee.		
<u>FY 2014 Executive Management Travel and Entertainment</u>	3/27/2015		No recommendations were made. We concluded that travel and entertainment expenses were appropriate and accurate; however, there were isolated instances of noncompliance with UTSA Financial Management Operational Guidelines on Travel and Entertainment that were shared with the appropriate management members and the Institutional Internal Audit Committee.		
<u>UNIX Server Management and Security Audit (TAC 202)</u>	5/26/2015		The report contains confidential information that relates to computer security and is not subject to the disclosure requirements of Texas Public Information Act, based on the exception found in Government Code § 552.139. Specific results were shared with appropriate management members and the Institutional Internal Audit Committee.		
<u>NCAA Compliance</u>	6/17/2015	The system security administration in password and access management should be improved to ensure access to the information within the Athletics Compliance Software (ACS) system is granted to authorized/known individuals and at the appropriate level.	The Athletics Compliance staff will monitor staff changes, remove access as appropriate, and ensure staff access is not excessive in order to perform their job duties with the Athletics Compliance Software (ACS) system. The Athletics Compliance Staff will require ACS users to use the UTSA passphrase requirements. Furthermore, the Athletics Compliance staff will inquire with ACS regarding our ability to monitor the passphrase requirements.	Partially Implemented	11/30/2015
<u>Facilities Audit (Texas Higher Education Coordinating Board)</u>	7/7/2015		No recommendations were made. The UTSA complies with the Texas Higher Education Coordinating Board (THECB) rules §17.10 - §17.14 which require public institutions of higher education receive Board of Regent (BOR) and THECB approval for total project costs, square footage, and funding for real property acquisitions, new construction, addition projects and repair and renovation projects.		
<u>Sponsored Projects Administration Compliance - Subrecipient Monitoring</u>	8/19/2015	Modify the subrecipient risk assessment methodology to ensure the risk related to a subrecipient is accurately reflected.	In order to improve the current risk assessment tool, Office of Sponsored Project Administration (OSPA) will consider assigning a weighted value to the 15 categories being rated. As another alternative, OSPA will consider the use of the Risk Assessment Questionnaire (RAQ) and RAQ Guidance document recently published by the Federal Demonstration Partnership (FDP). OSPA will evaluate the FDP RAQ model to determine its usefulness and applicability to OSPA operations for future subrecipient monitoring.	Partially Implemented	11/30/2015

#### IV. Consulting Services and Nonaudit Services Completed

Consulting Services & Nonaudit	Project Number	Project Completed	High Level Objective	Observations/Results/ Recommendations
PeopleSoft Post Implementation	2015-23	8/31/2015	To review business processes for the PeopleSoft implementation project.	Provided status updates at the quarterly Internal Audit Committee meetings.
Fraud Data Analytics / Continuous Monitoring	2015-33	8/31/2015	To develop fraud detection and continuous monitoring techniques using the IDEA analytical software tool.	Coordinated with Financial Affairs to review the monitoring of Procard transactions.
Graduation Rate Improvement Plan (FY14 Carry Forward Consulting)	2014-22	1/9/2015	To perform assessment services of Degree Works for the Graduation Rate Improvement Plan (GRIP) for the Vice Provost for Accountability and Institutional Effectiveness.	Reviewed the content of Degree Works for accuracy and reviewed user access and role responsibilities and deficiencies were provided to the GRIP team to address.
IT Emerging Risks/Cloud Computing	2015-31	8/31/2015	To identify emerging information technology risks affecting the university.	Provided status updates at the quarterly Internal Audit Committee meetings.
UTS 142.1 AFR Reporting Update	2015-55I	6/3/2015	To review for compliance with UT System Policy 142.1 requirements related to the monitoring plan for the segregation of duties and reconciliation of accounts.	UTSA's Monitoring Plan complies with the UT System Policy 142.1.
Information Security Consulting	2105-55B	8/31/2015	To provide assistance with development of the Information Technology policies.	Worked with Chief Information Officer and the Information Security Officer on the development of the Information Technology policies for the Handbook of Operating Procedures and served on the search committee for the new Information Security Officer.

## V. External Quality Assurance (Peer Review)



July 9, 2014

Mr. Dick Dawson  
Chief Audit Executive  
The University of Texas at San Antonio  
5726 W. Hausman, Suite 300, Rm 1.404  
San Antonio, Texas 78249

We have completed an External Quality Assessment ("EQA") of The University of Texas at San Antonio ("UTSA" or "institution") Office of Internal Audit ("IA"). The EQA included an assessment of the level of conformance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing ("the IIA Standards"), the Generally Accepted Government Auditing Standards ("GAGAS") as well as the relevant requirements of the Texas Internal Auditing Act ("TIAA"). Listed below is our overall assessment of IA's adherence with these Standards and requirements:

- IIA Standards - Based on our work, IA generally conforms. However, we did identify process enhancement opportunities.
- GAGAS - No conformance observations were identified.
- TIAA requirements – Other than the observations related to IIA Standards, no other observations were identified during our work.

Our Services were performed and this report was developed in accordance with our contract dated February 18, 2014 and are subject to the terms and conditions included therein. Our Services were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through May 23, 2014, when field work was substantially completed. Accordingly, changes in circumstances after this date could affect the findings outlined in this report. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with The University of Texas System Administration. PwC 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 UTSA.

We would like to offer a sincere thank you to you and your staff, and the Internal Audit Committee and management of UTSA, for the time and attention they provided during this assessment. We appreciate the opportunity to serve The University of Texas System Administration on this important engagement.

Very truly yours,

A handwritten signature in black ink, appearing to read "PricewaterhouseCoopers LLP", written over a dotted line.

PricewaterhouseCoopers, LLP

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Information contained herein is for the sole benefit and use of UTSA



## VI. Internal Audit Plan for Fiscal Year 2016

### Risk Assessment Methodology for the Annual Audit Plan

The University of Texas at San Antonio (UTSA) Fiscal Year 2016 Audit Plan outlines the internal audit activities that will be performed by the Office of Auditing and Consulting Services during FY 2016 in accordance with responsibilities established by the [UT System](#), the [Texas Internal Auditing Act](#), the Institute of Internal Auditors' [International Standards for the Professional Practice of Internal Auditing](#), and [Generally Accepted Government Auditing Standards](#). The plan is prepared using a risk-based approach to ensure that areas and activities specific to UTSA with the greatest risk are identified for consideration to be audited.

As part of the FY 2016 Audit Plan process, the UT System Audit Office executed a pilot risk assessment internally developed over the last year. The goals for this common risk assessment approach were to start at the top with an awareness of critical initiatives and objectives 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 Systemwide comparisons. An emphasis was placed on collaboration with other functions that assess, handle, or manage risk. Information Technology risks represent a broad, high-risk category in our risk assessment and include specific information technology risks related to Title 1, Texas Administrative Code (TAC), Chapter 202, *Information Security Standards*.

The risk assessment approach was based on a top-down process that included conversations and requests for input with risk collaborators, executives, and managers from the various operating areas on campus. UT System will continue to develop and strengthen this process in the upcoming years.

## VI. Internal Audit Plan for Fiscal Year 2016

<b>FY 2016 Audit Plan</b>	<b>Budget</b>
<b>Financial Audits and Projects</b>	
FY 2015 Financial Statement Audit	300
FY 2016 Financial Statement Audit (Interim Work)	100
FY 2015 UTS 142.1 Assurance Work Consulting	40
FY 2015 NCAA Annual Financial Audit	300
FY 2016 NCAA Annual Financial Audit (Interim Work)	20
<b>Financial Subtotal</b>	<b>760</b>
<b>Operational Audits and Projects</b>	
PeopleSoft Consulting	800
Graduation Rate Improvement Plan Consulting	200
Financial Aid Analytics and Continuous Monitoring Consulting	300
Development/Fundraising Audit	400
Contract Practices Audit	400
FY 2015 Executive Management Travel and Entertainment Audit	300
Assistance on Presidential Travel and Entertainment Audit	25
FY15 Carryforward Operational Projects	100
<b>Operational Subtotal</b>	<b>2525</b>
<b>Compliance Audits and Projects</b>	
NCAA Compliance Audit	400
NCAA Football Attendance Audit	60
State Auditor's - FY15 and FY16 Statewide Single Audit	40
Sponsored Projects Compliance Audit	325
Employee Benefits Proportionality Audit	200
FY15 Carryforward Compliance Projects	100
<b>Compliance Subtotal</b>	<b>1125</b>
<b>Information Technology Audits and Projects</b>	
Identity Management Audit	500
Threat Management Audit	500
IT Security/Emerging Risks Consulting	100
<b>Information Technology Subtotal</b>	<b>1100</b>
<b>Follow Up</b>	
1st Quarter	50
2nd Quarter	50
3rd Quarter	50
4th Quarter	50
<b>Follow Up Subtotal</b>	<b>200</b>
<b>Development - Operations</b>	
Internal Audit Committee Meetings	300
Campus Committee Meetings	300
Project Status Staff Meetings	300
Teammate Maintenance and Upgrade Implementation	100
Audit Planning	200
UT System Reporting	100
<b>Development - Operations Subtotal</b>	<b>1300</b>
<b>Development - Initiatives and Education</b>	
System Audit Initiatives	400
Professional Associations	350
Continuing Professional Education	600
<b>Development - Initiatives and Education Subtotal</b>	<b>1350</b>
<b>Reserve</b>	
Special Projects/Requests	1300
<b>Reserve Subtotal</b>	<b>1300</b>
<b>Total Budgeted Hours</b>	<b>9660</b>

## **VII. External Audit Services Procured in Fiscal Year 2015**

- UTSA engaged the State Auditor's Office to perform the Fiscal Year 2014 A-133 Statewide Single Audit
- UTSA engaged the firm of Deloitte & Touche, LLP to conduct the required program specific single audit of the Cancer Prevention and Research Institute of Texas (CPRIT) awards funded for FY 2014.

## VIII. Reporting Suspected Fraud and Abuse

The following actions were taken by The University of Texas at San Antonio to implement the following requirements:

### **The General Appropriations Act (84<sup>th</sup> Legislature), Article IX (Page IX-37), Section 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 as follows:*

- (a) By 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*
- (b) By including in the agency or institution's policies information on how to report suspected fraud involving state funds to the State Auditor's Office.*

At the bottom of the home page of The University of Texas at San Antonio <http://www.utsa.edu/>, there is link to the UTSA hotline website <http://www.utsa.edu/acrs/Hotline.html> in which an individual can either report fraud through the UTSA hotline or the State Auditor's Office hotline.

### **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.*

The University of Texas at San Antonio reports such activities to the State Auditor's Office through the following website: <https://sao.fraud.state.tx.us/hotline.aspx>.