

The University of Texas at Brownsville



Office of Internal Audits

**Internal Audit Annual Report
Fiscal Year 2015**



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Purpose of the Internal Audit Annual Report

The purpose of this annual report is to provide information on the assurance services, consulting services, and other activities of the internal audit function. In addition, the annual internal audit report assists oversight agencies in their planning and coordination efforts. The Texas Internal Auditing Act, Texas Government Code, Chapter 2102, requires that an annual report on internal audit activity be filed by November 1st of each year and submitted to the Governor, the Legislative Budget Board, the Sunset Advisory Commission, the State Auditor's Office (SAO), and the entities' governing boards and chief executives. The report was prepared using the guidelines provided by the Texas State Auditor's Office. Additional information regarding the UT Brownsville Office of Internal Audits can be found at the following website:

<http://www.utb.edu/president-fannin/internalaudits/Pages/Reports.aspx>

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

On September 1, 2015, The University of Texas – Pan American (UTPA) and The University of Texas at Brownsville (UTB) were abolished to create a new institution, The University of Texas Rio Grande Valley (UTRGV). UTRGV operates in Brownsville, Edinburg, and Harlingen.

To comply with the requirements of Texas Government Code, Section 2102.015, the annual audit report was posted on both the UTB's website <http://www.utb.edu/president-fannin/internalaudits/Pages/Reports.aspx> and the new University's website homepage <http://www.utrgv.edu/en-us/site-policies/> under the heading "Required Reports to the State", for the Annual Internal Audit Report. In addition, all periodic internal audit reports were submitted to the Governor's Office of Budget, Planning & Policy, State Auditor's Office, Legislative Budget Board, and the Sunset Advisory Commission.



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 [institution] 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

FY 2015 Audit Plan Engagements	Status	Report Date
Financial		
FY 2014 Financial Statement Audit	Completed	May 5, 2015
FY 2015 Financial Statement Audit - Interim	Completed	-
President's Travel & Entertainment Expenses	Completed	-
Executive Management Travel & Entertainment Expenses	Completed	-
Proportional Funding of Benefits	Completed	November 2014
Inventory/Asset Management	In Progress*	
Operational		
Research Division-Change in Management	Not Completed	
Compliance		
Financial Portion-Statewide Single Audit	Completed	-
Effort Reporting	In Progress*	
Carry Forward-Financial Aid-Scholarships	Completed	May 5, 2015
Information Technology		
TAC 202	In Progress*	
UT Shared Service Project (HCM/FMS)	Completed	-
Follow Up		
Follow-up on all significant/non-significant	Completed	-
Projects		
Departmental Reviews (Campus Police, Testing)	Cancelled	-
UTRGV Consolidation	Completed	-
UT System Requests	Completed	-
Account Reconciliation/Internal Control Training to	Completed	-
State Auditor's Annual Report	Completed	-
Staff Meetings	Completed	-
Internal Quality Assurance and Improvement Plan	Completed	-
TeamMate (Audit Workpaper Software)	Completed	-
Committee Meetings		
University Council	Completed	-
Audit Committee Meetings	Completed	-
Compliance Committee Meetings	Completed	-
UT System Audit Council	Completed	-
Annual Audit Plan	Completed	-
Endowment Compliance Committee	Completed	-
EthicsLine Triage Team	Completed	-
Student Health Services Advisory Committee	Completed	-
Reserve		
Reserve -Special Request UTS 178	In Progress*	



Explanations for Deviations from the Fiscal Year 2015 Audit Plan

The Office of Audit Services completed all projects except for the following:

- Unable to complete Management Audit of Research Division due to audit hours transferred to the Reserve-Special Request UTS 178.
- In Progress* expected to be completed in the first quarter of FY 2016.



IV. Consulting Services and Non-audit Services Completed

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Non-audit Service Objective(s)	Observations/ Results and Recommendations	Fiscal Impact/ Other Impact
N/A	N/A	N/A	Participation on the Ethics Line Triage Team	Participation, guidance, research, and advice	Provide independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized and helps ensure that institutional compliance issues are being addressed.
N/A	N/A	N/A	Assisted with One-to-One Training on Account Reconciliations.	Train employees on departmental controls over account reconciliations and expenses.	Provide independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.
N/A	N/A	N/A	Assisted Compliance Office with Ethics Line Complaints	Participation, guidance, research, and advice.	Provide independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.



V. External Quality Assurance Review



June 9, 2014

Mrs. Norma Ramos, Director and Chief Audit Executive
The University of Texas at Brownsville
451 E. Alton Gloor Blvd., Rm. 140
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We have completed an External Quality Assessment ("EQA") of The University of Texas at Brownsville ("UT Brownsville" or "institution") Office of Internal Audits ("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 are our observations:

- IIA Standards – Based on our work, overall IA generally conforms. We did identify process enhancement opportunities.
- GAGAS – Our assessment of GAGAS was limited, based on IA's disclosure that no internal audits were performed during our assessment period under GAGAS. Based on our work, we did not identify conformance observations. We did identify process enhancement opportunities.
- TIAA requirements – Other than the observations related to IIA Standards and GAGAS, 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 2, 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 UT Brownsville.

We would like to offer a sincere thank you to you and your staff, and the Internal Audit Committee and management of UT Brownsville, 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,

PricewaterhouseCoopers LLP

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Information contained herein is for the sole benefit and use of PwC's Client



VI. Internal Audit Plan for Fiscal Year 2016

On September 1, 2015, The University of Texas – Pan American (UTPA) and The University of Texas at Brownsville (UTB) were abolished to create a new institution, The University of Texas Rio Grande Valley (UTRGV), as per *Senate Bill 24*. UTRGV operates in Brownsville, Edinburg, and Harlingen. The following FY 2016 Audit Plan is for UTRGV.

University of Texas Rio Grande Valley

FY 2016 Audit Plan Engagements	Original Budget
Financial Audits and Projects	
FY 2015 Financial Statement Audit - Final Procedures	300
FY 2016 Financial Statement Audit Interim	125
THECB Peer Review Facilities Audit	100
NCAA Agreed Upon Procedures	300
Review of Asset Management	300
SAO Financial Portion of Statewide Audit	50
UTS 142.1 Certification	75
Financial Subtotal	1250
Operational Audits and Projects	
Medical School Consulting	800
Business Process Consulting	600
UTShare PeopleSoft Consulting	700
Student Academic History Consulting	200
Executive Travel and Entertainment	250
President's Travel and Entertainment	50
Contract Administration	350
Operational Subtotal	2950
Compliance Audits and Projects	
NCAA Compliance Audit	150
Endowments and Scholarship Awards	200
Title IX	200
Joint Admission Medical Program (JAMP)	100
Benefits Proportionality by Fund	300
Research Compliance	400
Compliance Subtotal	1350



University of Texas Rio Grande Valley

FY 2016 Audit Plan Engagements	Original Budget
Information Technology Audits and Projects	
Texas Administrative Code (TAC) 202	600
Payment Card Industry Data Security Standards (PCI)	200
BlackBoard	200
Continuous Audits of Pro-cards	200
Information Technology Subtotal	1200
Follow Up	
Follow Up	100
Follow Up Subtotal	100
Development - Operations	
UT System/SAO External Reporting	250
Annual Audit Plan and Risk Assessment	150
Internal Audit and other Committees	400
Council Meetings	150
TeamMate and audit software	100
Management of Audit Activity	400
Internal Controls Training	200
Development - Operations Subtotal	1650
Development - Initiatives and Education	
UT System Audit Office Initiatives	100
Professional Organizations	200
Continuing Professional Education	619
Assistance to other departments	200
Internal Audit Office Organization and Strategy	200
Development - Initiatives and Education Subtotal	1319
Reserve	
Financial Reserve	500
Operational Reserve	800
Special Requests and Investigations	550
Reserve Subtotal	1850
Total Budgeted Hours	11669



RISK ASSESSMENT PROCESS

The UT Rio Grande Valley 2016 Audit plan was prepared using a risk-based approach to ensure that areas and activities specific to UT Rio Grande Valley with the greatest risk are identified for audit consideration.

As part of the FY 2016 Audit Plan process, the UT System Audit Office initiated a pilot risk assessment 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 System wide 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 refine and strengthen this process in the coming years.

We developed a Risk List through evaluation of the twenty (20) major processes applicable to UTRGV. For all critical (red) risks identified on the risk list, either an audit or project is included in the Annual Audit Plan or an explanation/mitigation strategy has been provided on the risk list.

VII. External Audit Services Procured in Fiscal Year 2015

External Audit Services for the year ending August 31, 2015 were provided as follows:

- Deloitte conducted audit procedures related to the FY 2014 Annual Financial Report and interim procedures for the FY 2015 Annual Financial Report audit.
- Norma to include SACS AFR audit information.
- Deloitte performed an independent audit of UT Brownsville's FY 2013 and FY 2014 financial statements.



VIII. Reporting Suspected Fraud and Abuse

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

Fraud Reporting. Section 7.09, Fraud Reporting, General Appropriations Act (84th Legislature, Conference Committee Report), Article IX

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.*

The following actions have been taken by UT Brownsville to ensure compliance with the fraud reporting requirements: UT Brownsville as a link for fraud reporting at the University home page, <http://www.utb.edu/ba/compliance/ethicsline/Pages/default.aspx> which provides information about reporting fraud waste and abuse to the State Auditor's office.

UT Brownsville complies with this in conjunction with the UT System Policy UTS118, *Statement of Operating Policy Pertaining to Dishonest or Fraudulent Activities*, located at <http://www.utsystem.edu/bor/procedures/policy/policies/uts118.html>

Coordination of Investigations.

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.*

UTB reports such activities to the State Auditor's Office via the following website:
<http://sao.fraud.state.tx.us>