



UNT SYSTEM[™]

Office of Internal Audit

State Auditor's Office Fiscal Year 2022 Annual Internal Audit Report

Ninette Caruso
Chief Audit Executive

October 25, 2022

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The Honorable Greg Abbott
Governor, State of Texas
State Capitol Extension, Room
E1.304 Austin, Texas 78701

Dear Governor Abbott:

We are pleased to present the State Auditor's Office Fiscal Year 2022 Annual Report for the University of North Texas System Internal Audit Department.

This report fulfills the requirements set out in the Texas Internal Auditing Act (Texas Government Code, Section 2102) and provides the information in the format prescribed by the State Auditor's Office.

For further information about the contents of this report or to request copies of audit reports, please call (940) 565-2153.

Respectfully,

Ninette Caruso
Chief Audit Executive

cc: UNT System Board of Regents
UNT System Chancellor Williams
Texas State Auditor's Office
Texas Legislative Budget Board
Texas Sunset Advisory Commission

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I. Compliance with Texas Government Code, Section 2102.015

The Texas Internal Auditing Act (Texas Government Code, Section 2102.015: Publication of Audit Plan and Annual Report on Internet) requires that the internal audit plan and the internal audit annual report be posted on the institution’s website. Accordingly, the UNT System Internal Audit department has posted this FY22 Annual Internal Audit Report and the approved FY23 Audit Plan at the following website: <https://www.untsystem.edu/reports/internal-audit-reference-documents.php>.

II. Internal Audit Plan for Fiscal Year 2022

The UNT System 2022 Audit Plan outlined the internal audit activities to be performed by Internal Audit during FY22 in accordance with responsibilities established by the UNT System Regent Rule, 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, consistent with the UNT System Internal Audit Charter.

Audits that were deferred or canceled were approved by the UNT System Board of Regents, and as applicable were carried forward to the FY23 audit plan. Changes to the audit plan can be found at the following website: <https://www.untsystem.edu/reports/internal-audit-reference-documents.php>

Report Number	Audit Name	Status	Report Date
22-001	DAL Joint Admission Medical Program	Issued	10/28/21
22-002	HSC Data Governance	Issued	12/15/21
22-003, 22-027	Tuition and Fees – UNT Dallas	Issued	01/19/22, 04/29/22
22-004	UNT World Training Program Audit	Issued	05/02/22
22-005	HSC Faculty Development Grant Audit	Issued	12/16/21
22-006	HSC Family Medicine Grant Audit	Issued	12/16/21
22-007	Public Funds Investment Act	Issued	12/20/21
22-008	HSC Clinical Revenue Cycle	Issued	04/08/22
22-009	UNT System Service Continuity	Issued	04/27/22
22-010, 22-026	Tuition and Fees – UNT	Issued	10/12/21, 04/29/22
22-011	Federal Republic of Germany	Issued	03/03/22
22-014, 22-035, 22-036, 22-037	Compliance Program Effectiveness Assessment – UNTS, UNT, HSC, UNT Dallas	Issued	09/20/22
22-031	Benefits Proportional by Fund	Issued	08/16/22
NA	Senate Bill 20 Annual Assessment Memo	Issued	7/20/22

Added to Plan			
22-022	UNT Grants Compliance and Time and Effort Audit	Issued	05/02/22
22-025	Accounts Payable Transformation Readiness Assessment - Control Assessment	Issued	08/10/22
22-034	Chancellor Transition Advisory Engagement	Issued	8/26/22
Carryover to FY23			
NA	Cybersecurity Program Audit	Carryover to FY23	To be issued in 1Q23
NA	EEO Investigation Process	Carryover to FY23	To be issued in 2Q23
Cancelled/Postponed and risk assessed for FY2023			
NA	Recruiting and Onboarding	Added to FY23 Plan	NA
NA	Third Party Oversight	Added to FY23 Plan	NA
NA	Student Managed Investment Funds	Added to FY23 Plan	NA
NA	IT Finance	Ongoing Assessment	NA
NA	IT Governance and Strategy	Ongoing Assessment	NA
NA	Title IX Compliance	Canceled	NA
NA	HSC Foundation	Canceled	NA

Benefits Proportionality:

The Benefits Proportionality Audit (report #22-031) was performed to address the audit requirement prescribed in Rider 8, page III-50, the General Appropriations Act (87th Legislature).

Texas Education Code 51.9337(h):

As required by TEC 51.9337(h), Internal Audit submitted a report to the State Auditor's Office on October 29, 2021, which assessed the work performed in FY21.

III. Consulting Services and Nonaudit Services Completed

Report Number	Management Advisory Name	High-Level Objective	Report Date	Summary of Recommendation
NA	Cloud Implementation	Identify relevant cloud implementation risks (solution agnostic) for presentation to the IT cloud project owners for consideration in the next phase of the cloud migration	NA	Internal Audit provided a general cloud risk register to the project team for consideration as a potential cloud adoption initiative gets underway.

		implementation		
NA	Emergency Safety Preparedness	Management capabilities are in place to respond to emergencies and safety issues timely with coordinated teams, actions, and communications	NA	Emergency preparedness plans were in place and tested periodically (e.g., alerts). Safety awareness is raised through websites and training offered to employees and students. Alert notification systems are used to communicate campus-wide via physical beacons, email and digital devices.
NA	Asset Management	Assets are appropriately procured, tracked, maintained, and protected until appropriate disposition. Assets are accurately captured within tracking and financial systems.	NA	Progress has been made related to the physical safety components especially at the UNT campus. However, minimal actions have yet been taken with regards to streamlining the process from order to payment, given multiple stakeholders and prioritization.
NA	Faculty and Program Oversight – College of Engineering	Targeted review for admissions at the UNT College of Engineering	NA	Ongoing monitoring
NA	Accounts Payable Transformation Readiness Assessment - Advisory	Management requested Internal Audit review the Accounts Payable area to identify opportunities to streamline, automate, and improve efficiencies.	08/24/22	Management should evaluate and prioritize streamlining and automation opportunities including approvals, aggregation of invoices with vendors, standardization of payment methods, and optimizing systems to reduce time to input and process data. Management should also ensure detailed business requirements are documented for new AP systems.
22-034	Chancellor Transition Advisory Engagement	Provide the Chancellor background on decisions and payments that were made in the past that may require consideration in the future	08/26/22	Insights provided to Chancellor

22-016	Vaccine Incentive Program Memo	Reviewed the UNT Division of Student Affairs process for securing and distributing book vouchers and gift cards to participants in the UNT Vaccine Incentive Program.	09/08/21	<p>Internal Audit provided detailed process and related control enhancement recommendations to Student Affairs. The following is an extract.</p> <ul style="list-style-type: none"> • Update processes to log the gift card information into a tracking sheet upon receipt • Have an independent reconciler validate information on log to original document • Send log to UNT System Tax office for 1099 purposes
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IV. External Quality Assurance Review (Peer Review)

In accordance with the Texas Internal Auditing Act, Institute of Internal Auditor’s International Standards for the Professional Practice of Internal Auditing, and the Generally Accepted Government Auditing Standards, a quality assurance review was conducted for the UNT System Internal Audit Department in June 2020.

V. Internal Plan for Fiscal Year 2023

The Fiscal Year 2023 Internal Audit Plan for the University of North Texas System Internal Audit Department was approved by the Board of Regents on August 11, 2022.

The annual plan was prepared by developing a framework to assess all aspects of risk across UNT Enterprise. This framework was comprehensive of all risk management, governance, and control processes across all the Institutions. This created 69 auditable units at the process, risk, and functional level. These auditable units were then evaluated by inherent risk against the impact and probability. Impact considered the following: financial, strategic, reputational, regulatory, and operational risks. Probability considered the following: complexity, volume, issues, and changes. Once the overall risk score was determined, the annual audit plan was developed focusing primarily on the higher risks. A copy of the plan, including budgeted hours and audits addressing certain State requirements, is included at **Appendix A**. The audit requirement prescribed in Rider 8, page III-48, the General Appropriations Act (86th Legislature), as well as Senate Bill 20 are included in the FY23 audit plan.

Additionally, Internal Audit is co-sourcing with external auditing firms to provide staff augmentation and subject matter expertise, as necessary.

VI. External Audit Services Procured in Fiscal Year 2022

- External Audit of the System’s Financial Statements, FORVIS (formally BKD)
- Compliance Audit of the Title IV Program, FORVIS (formally BKD)
- Cancer Prevention and Research Institute of Texas Grants Program Audit, FORVIS (formally BKD)
- NCAA Agreed-Upon Procedures, James Moore Certified Public Accountants and Consultants
- Internal Audit Co-Sourcing Engagement, Protiviti

VII. Reporting Suspected Fraud and Abuse

To comply with the requirements of Section 7.09, page IX-37, the General Appropriations Act (86th Legislature), and Section 7.09, page IX-38, the General Appropriation Act (87th Legislature), each entity in UNT Enterprise provides a reporting mechanism on its public website for suspected instances of fraud, waste, and abuse of state resources. The UNT System entities’ websites include information on how to report suspected fraud and abuse.

The UNT System Internal Audit Department is responsible for compliance with Texas Government Code, Section 321.022, Coordination of Investigations. The State Auditor’s Office is notified of all instances where we have reasonable cause to believe fraud, waste or abuse may have occurred.

Appendix A: Fiscal Year 2023 Internal Audit Plan

Institution	Overall Rating	Engagement Name	Business Outcome - why is the business doing this function anyway?	Total Budget Hours
ASSURANCE ENGAGEMENTS				
All	High	Identity and Access Management	Security and access management processes facilitate a secure, efficient, and effective end-user experience with UNT technology resources inclusive of all systems and technical infrastructure.	500
All	Critical	Cybersecurity Program Audit	Systems and data are protected to ensure confidentiality, integrity, and availability information that is required to facilitate successful daily operations across UNTS and UNT.	800
All	High	Incident Response / Crisis Management	<ul style="list-style-type: none"> Incidents are detected and resolved timely to restore normal operations and minimize impact to business operations. Crisis are recognized and responded to timely, using fact-based strategies developed by Crisis Management Teams, to mitigate the damage to reputation and/or loss exposure. 	400
HSC	High	HSC Clinic Pharmacy Operations	Effective pharmacy operations surrounding financial management, including billing and collections as well as controls over inventory, safeguarding, and dispensing of drugs.	500
UNT, HSC	High	International Compliance	Elements and processes are designed for international compliance plans (e.g. study abroad, group travel, research, sponsored programs) due to the heightened international scrutiny to mitigate the damage to reputation and/or loss exposure.	1,000
HSC	High	HSC Tuition and Fees	Recalculate the resident and non-resident tuition rates for students to ensure the accuracy and timeliness of Tuition rates	500
System	High	BOR Governance	The Board of Regents are discharging their fiduciary responsibilities effectively as is outlined in the applicable Board of Regents Rules in line with Texas State Legislation	200
All	Critical	Recruiting and On-boarding	Identify and target exceptional talent that supports and enables the University system in reaching its goals. Frictionless transition and assimilation of new hires into the organization.	1,000
All	High	Third Party Management	Oversight and management of third-parties is effective to control and mitigate risks.	600
System	Medium	Cash Management / Treasury & Investments / Debt Services	Oversight and management of UNT's cash, debt, and investments including oversight of third parties used in these operations.	400
		Assurance Engagements Subtotal		5,900
MANAGEMENT ADVISORY AND CONSULTING ENGAGEMENTS				
All	High	Data Center Migration	The technical infrastructure (e.g., servers, databases, network devices, etc.) supporting the technology solutions (i.e., systems and applications) at UNTS are appropriately maintained to ensure successful business operations.	500
All	High	EEO (Carryover)	Discriminatory employment practices are stopped and remedied, and victims of discrimination receive meaningful relief. In addition enforcement authorities are exercised fairly, efficiently, and based on the circumstances of each charge or complaint.	200
		Advisory and Consulting Engagements Subtotal		700

CONTINUOUS MONITORING ENGAGEMENTS				
UNT	High	UNT Tuition and Fees	Recalculate the resident and non-resident tuition rates for Undergraduate and Graduate students to ensure the accuracy and timeliness of Tuition rates	200
UNTD	High	UNTD Tuition and Fees	Recalculate the resident and non-resident tuition rates for Undergraduate and Graduate students to ensure the accuracy and timeliness of Tuition rates	200
All	High	Compliance Program	Compliance Programs are adequately designed including aspects in the Sentencing Guidelines.	75
		Continuous Monitoring Engagements Subtotal		475
MANDATORY ENGAGEMENTS				
UNT	High	Student Managed Investment Funds (SMIF Audit)	Compliance with the donor agreement between UNT and Colonel Guy M. Cloud, Jr. related to the SMIF.	250
UNT	High	Federal Republic of Germany	Grant expenditure report presents complete and accurate information on the income and expenditures related to the project.	250
HSC	High	Faculty Development	Texas Higher Education Coordinating Board (THECB) program funds were expended in accordance with the terms and conditions of the Faculty Development Center Support Grant contract. Also, the Annual Financial Report was prepared in accordance with THECB guidelines.	350
HSC	High	Family Medicine	THECB program funds were expended in accordance with the terms and conditions of the Family Medicine Residency Program contract. Also, the Annual Financial Report was prepared in accordance with the THECB guidelines.	350
SYS	High	Senate Bill 20 Contracting Compliance Assessment	The University of North Texas System has adopted the rules and policies required by SB 20 as part of the annual Texas Education Code § 51.9337 (h) requirement. The audit will focus on substantive testing to ensure controls surrounding the contracting process are effective and adhere with the SB 20 regulation.	500
UNT, DAL, HSC	Medium	Benefits Proportional by Fund	The Form APS 011 as required by the General Appropriations Act, Article IX, Section 6.08, Benefits Paid Proportional by Fund, was completed accurately and submitted timely for each institution.	350
		Annual SAO Internal Audit Report		120
		Mandatory Engagements Subtotal		2,170

*The overall rating is an assessment of inherent risk prior to taking control mitigation into account.

Higher Inherent Risks Not on FY23 Audit Plan:

- *Talent Development; Retention; Performance Management and Workforce Planning; and Succession Planning* are **Critically** rated risk areas that have not been included in the audit plan and will be considered in coming periods.
- *Organizational Structure & Accountability and IT Governance and Strategy* are **Critically** rated risk areas that will be continually evaluated for inclusion.