

UNT SYSTEM™

Office of Internal Audit

**State Auditor's Office Fiscal Year 2024
Annual Internal Audit Report**

Ninette Caruso
Chief Audit Executive

October 31, 2024

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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 2024 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 Fiscal Year 2024 Annual Internal Audit Report and the approved Fiscal Year 2025 Audit Plan at the following website: <https://www.untsystem.edu/reports/internal-audit-reference-documents.php>.

II. Internal Audit Plan for Fiscal Year 2024

The UNT System 2024 Audit Plan outlined the internal audit activities to be performed by Internal Audit during Fiscal Year 2024 in accordance with responsibilities established by the UNT System Regent Rule, the Texas Internal Auditing Act, 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 Fiscal Year 2025 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
24-001	UNT Athletics NCAA Compliance	Issued	05/31/2024
24-002	UNT Dallas Athletics NAIA Compliance	Issued	05/01/2024
24-005	Deferred Maintenance	Issued	02/08/2024
24-007	Employee Off-Boarding	Issued	In Progress
24-008	Benefits Proportional by Fund	Issued	08/30/2024
24-009	UNT Dallas Asset Management, Receiving and Warehousing	Issued	08/01/2024
24-010	Annual Assessment of Compliance and Procurement Policies	Issued	10/22/2024
24-011	Purchase Cards	Issued	04/30/2024
24-013	Medical Credentialing	Issued	08/05/2024
24-014	UNT Human Subject Research Program	Issued	08/01/2024
24-015	Family Medicine Residency Program Grant	Issued	12/20/2023
24-016	THECB Faculty Development Center Grant	Issued	01/12/2024
24-018	UNT Tuition and Fees - Fall	Issues	02/14/2024
24-019	UNT Dallas Tuition and Fees	Issued	07/03/2024
24-020	UNTHSC Tuition and Fees	Issued	05/14/2024
24-023	UNT Tuition and Fees - Spring	Issued	08/14/2024

23-020	Incident and Crisis Management (Carryover from 2023) ~ <i>Confidential</i>	Issued	2/15/2024
24-024	UNTHSC Human Subject Research Program	Issued	10/31/2024
Added to Plan			
24-013	UNT Dallas Medical Credentialing	Issued	08/05/2024
Carryover to Fiscal Year 2025			
	None		
Canceled/Postponed and risk assessed for Fiscal Year 2025			
N/A	UNTHSC Continuity of Operations	Cancelled	N/A
N/A	UNT Student Services Fees	Cancelled	N/A

Benefits Proportionality:

The Benefits Proportionality Audit (report #24-008) 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 will submit the report to the State Auditor’s Office upon completion as this review is still in progress.

III. Consulting Services and Nonaudit Services Completed

Report Number	Management Advisory Name	High-Level Objective	Report Date	Summary of Recommendation
24-012	Third Party Management	Collaborate with Procurement and advise on the development of a third-party management program that mitigates risks, ensures vendor accountability, and informs the organization of critical vendor risks.	08/13/2024	Actively engaged with Procurement and IT Vendor Management on the development of a third-party framework. As a first phase, providing guidance on aligning the disparate risk assessment methods into a holistic approach in classifying vendors in risk tiers.
24-022	IT Governance	Provide input and advice in the design of IT Governance processes to ensure changes align with best practices, enterprise strategies, value generation, accountability, and efficiency.	08/13/2024	Actively participating in the ongoing IT Governance project through workshops and town halls, providing regular feedback on key documents (e.g., Charter) to help ensure clear communication and accountability in the governance programs.
Proposed Roadmap and Process Mappings	Identity and Access Management	Assist the Identity and Access Management team in streamlining the infrastructure and processes related to system access.	5/23/2024	Document and map current diverse practices related to providing system access to UNTS Information Technology resources.

NA	Compliance Program On-Going Monitoring	Compliance Programs are adequately designed, implemented, and monitored in line with the Department of Justice Sentencing Guidelines.	Ongoing	Progress was made to closing out all recommendations from the FY22 maturity assessment. In addition, the review of HSC compliance maturity indicated an overall "managed" level, which is in line with the risk appetite and exceeding the HSC Compliance department goal.
NA	Conflict of Interest Continuous Monitoring	Follow-up on the status of the implementation/enhancement by Procurement related to Conflict-of-Interest processes including Board of Regent member disclosures.	NA – Internal Memo to File	Progress has been made in implementing an employee and Board of Regents financial disclosure form, with potential conflicts reviewed and shared with Procurement. However, additional improvements are needed to fully address gaps.

IV. External Quality Assurance Review (Peer Review)

In compliance with the Texas Internal Auditing Act, the International Standards for the Professional Practice of Internal Auditing established by the Institute of Internal Auditors, and the Generally Accepted Government Auditing Standards, a quality assurance review was conducted for the UNT System Internal Audit Department in the fourth quarter of Fiscal Year 2023. Deloitte LLP, an independent auditing firm, conducted this audit to assess the department's adherence to the Standards and Code of Ethics mandated by Texas law. The review determined that the Internal Audit Program, generally conforms with the prescribed standards and requirements. There were no issues or discrepancies identified. See **Appendix A** for the executive summary.

V. Internal Plan for Fiscal Year 2025

The Fiscal Year 2025 Internal Audit Plan for the UNT System Internal Audit Department was approved by the Board of Regents on August 15, 2024.

The annual plan was prepared by developing a framework to assess all aspects of risk across UNT System 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. The auditable units were subsequently assessed based on their inherent risk, taking into account the potential impact, probability, and velocity of each. Following the determination of the overall risk score, the annual audit plan was formulated with an emphasis on achieving a well-rounded coverage of risks and operations.

A copy of the plan, including budgeted hours and audits addressing certain State requirements, is included at **Appendix B**. The audit requirement prescribed in Rider 8, page III-52, the General Appropriations Act (88th Legislature), as well as the Annual Assessment of Compliance and Procurement Policies (TEC 51.9337(h)) are included in the Fiscal Year 2025 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 2024

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

VII. Reporting Suspected Fraud and Abuse

To comply with the requirements of Section 7.09, page IX-41, the General Appropriations Act (88th Legislature), each entity in UNT System 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: External Quality Assurance Review Executive Summary

Executive summary



Executive summary



Objectives and Approach

Deloitte & Touche LLP (Deloitte¹) assessed the University of North Texas System Internal Audit’s (“Internal Audit”) conformance with the International Standards for the Professional Practice of Internal Auditing (the “IIA Standards”) issued by the Institute of Internal Auditors (“IIA”), the relevant requirements of the Generally Accepted Government Auditing Standards, and the relevant requirements of the Texas Internal Auditing Act; including the effectiveness of the Internal Audit methodology, technology and tools, stakeholder feedback through interviews and value add recommendations. The objectives included:

Conformance with the IIA Standards

Assessed Internal Audit for level of conformance with the IIA Standards and the elements of the professional practice framework.

Stakeholder feedback

Obtained stakeholder and team member feedback through interviews and discussions.



Conclusion

The Internal Audit function is an experienced and well- respected function that has established effective practices overall to **“Generally Conform”** with the IIA Standards the relevant requirements of the Generally Accepted Government Auditing Standards, and the relevant requirements of the Texas Internal Auditing Act. We have concluded that the relevant structures, policies, and procedures of the function, as well as the processes by which they are applied, comply with the requirements of the individual *Standards*

“Generally Conforms” is the highest conclusion which can be given.

Throughout our assessment, Internal Audit’s knowledge and understanding of risk, as well as collaborative nature, were assessed as a crucial aspect of the quality of the department.

Internal Audit has established a foundation to further mature and modernize its future strategy for delivering added value and insights to the UNT System Enterprise.

Overall Conformity with the IIA Standards

- Generally Conforms
- Partially Conforms
- Does Not Conform

¹As used in this document, “Deloitte” means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting. Our services will be performed in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA).

This document may contain Confidential Information and is intended strictly for the UNT System’s internal use and not for any other third party. As such, Deloitte is not, by means of any resulting publication of this document, rendering professional advice or services to any third party. Any resulting publication should not be used by any third party as a basis for any decision or action that may affect its business.

Appendix B: Fiscal Year 2025 Internal Audit Plan

Institution	Rating	Engagement Name	Business Outcome	Budget Hours
ASSURANCE ENGAGEMENTS				
UNTD	Medium	Academic Development and Governance	Effective oversight of the institution's academic activities: help to ensure student outcomes are assessed regularly and achieved; maintains high standards of quality and accreditation; prioritizes programs appropriately; and ensures accountability, and the overall student experience.	750
UNT	Medium	Asset Management	Assets are appropriately procured, tracked, received, maintained, and protected until appropriate disposition. Assets are accurately captured within tracking and financial systems.	800
UNT	Low	Cash and Digital Payment Methods	Receipt of cash and digital payments are securely managed, accurately recorded and comply with all payment card industry (PCI) requirements	400
UNT, UNTD, UNTS	High	Compliance Program Maturity Assessment	Compliance Programs are adequately designed, implemented, and monitored in line with the Department of Justice Sentencing Guidelines.	250
UNTS, UNT, UNTHSC, UNTD	Medium	Data Center Migration and Readiness	Infrastructure and data are migrated completely and accurately to primary and backup data centers with minimal disruption to data information access.	400
UNTS, UNT, UNTHSC, UNTD	High	Data Privacy (FERPA, HIPAA)	Personal data is identified, collected, handled, and protected in compliance with regulations (e.g., FERPA, HIPAA). Appropriate insurance coverage exists, and communication protocols are established in the event of a data breach event.	400
UNT, UNTHSC	Medium	Health and Environmental Laboratory Safety	Safe and secure acquisition, maintenance and monitoring of laboratory equipment meets health and environmental standards. All faculty and students are trained appropriately in safe use of equipment.	650
UNTS, UNT, UNTHSC, UNTD	Critical	HR Talent Planning, Acquisition, Development and Retention	Attract, retain, and develop top talent in line with strategic resource needs to ensure strategic, operational and faculty needs are fulfilled with quality and effectiveness.	750
UNTS, UNT, UNTHSC, UNTD	Medium	IT Change Management	Ensure seamless and secure transition in IT systems and processes, minimizing disruptions to educational services and enhancing overall operational efficiency.	450
UNT, UNTD	High	Medical Billing	Healthcare billings are performed completely, accurately and timely, and support reimbursement requirements, while complying with federal regulations.	400
UNT, UNTHSC, UNTD	High	Research and Grants Management	Grants are managed in compliance with regulations and laws, ensuring thorough and timely reporting, and accurate pre-/post-award administration.	1150
UNTD	Medium	Strategic Budget Expense Review	Expenses are adequately budgeted in line with strategic objectives and resource needs.	500
UNT, UNTHSC, UNTD, UNTS	High	Student and Employee Mental Health Management	UNTS Enterprise provides appropriate and timely mental health support to students and employees. Providers are appropriately trained and compliance reporting (e.g., Clery) is submitted accurately and timely.	650

Institution	Rating	Engagement Name	Business Outcome	Budget Hours
MANAGEMENT ADVISORY AND CONSULTING ENGAGEMENTS				
UNT, UNTHSC, UNTD	High	Gifts and Endowments - Foundations Operations	Foundation operations enable the maximization of private financial support, manage investments effectively and use funds in the furtherance of the UNTS Enterprise mission.	600
UNTS, UNT, UNTHSC, UNTD	High	Third-Party Framework Development	Development of an effective framework for the selection, ongoing monitoring and offboarding of third-party providers in line with the risk profile and in compliance with laws.	750
CONTINUOUS MONITORING ENGAGEMENTS				
UNTHSC	Medium	Tuition and Fees - HSC (Fall)	Resident and non-resident tuition rates and fees for Undergraduate and Graduate students are accurate and timely billed.	180
UNTD	Medium	Tuition and Fees - UNTD (Fall)	Resident and non-resident tuition rates and fees for Undergraduate and Graduate students are accurate and timely billed.	230
UNT	Medium	Tuition and Fees -UNT (Fall)	Resident and non-resident tuition rates and fees for Undergraduate and Graduate students are accurate and timely billed.	180
MANDATORY ENGAGEMENTS				
UNTS, UNT, UNTHSC, UNTD		Annual Assessment of Procurement Policies	The University of North Texas System has adopted the rules and policies required by Texas Education Code § 51.9337 requirement.	75
UNTHSC		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.	250
UNTHSC		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.	250
UNTHSC		Joint Admission Medical Program (JAMP)	The Institution is in compliance with the JAMP Agreement requirements and Expenditure Guidelines.	300

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

Higher Inherent Risks Not on Fiscal Year 2025 Audit Plan:

- Organizational Structure and Accountability (C)*
- Strategic Planning and Metrics (C)*
- Information Security (C)*
- Campus Safety and Security (C)*
- Continuity of Operations (C)*
- Incident/Crisis Response and Communication (C)*
- Enterprise Risk Management (H)*
- Workforce/Succession Planning (H)*
- Access Control and Identity Management (H)*
- Procure-to-Pay (H)*
- Financial Aid (H)*
- Maintenance (H)*

IT Recovery (H)

Legal/BOR Governance (H)

Student Living Security (H)

Many of the high and critical risk areas identified above have been addressed in recent audits. Internal Audit is actively monitoring open audit findings and will continue to assess these areas in the future, ensuring that all identified risks are effectively managed and that necessary improvements are implemented. Going forward, Internal Audit will perform ongoing evaluations and address emerging risks as they arise.