

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

## **Internal Audit Annual Report For Fiscal Year 2016**

*As required by the Texas Internal Auditing Act*

# TABLE OF CONTENTS

	<u>Page</u>
I. Compliance with Texas Government Code, Section 2102.015.....	3
II. Internal Audit Plan for Fiscal Year 2016.....	4
III. Consulting Services and Nonaudit Services Completed.....	8
IV. External Quality Assurance Review.....	9
V. Internal Audit Plan for Fiscal Year 2017 .....	10
VI. External Audit Services Procured in Fiscal Year 2016.....	12
VII. Reporting Suspected Fraud and Abuse .....	13

## **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 2016 Internal Audit Annual Report and the approved FY 2017 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 II of this report, The University has included the following for the FY 2016 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. Internal Audit Plan for FY16

Audit Title	Report Number	Report Date	Status
<b>Risk Based Audits</b>			
Identity Management Audit	2016-30	7/10/16	Report Issued
Sponsored Projects Compliance - Human Subjects Audit	2016-40	7/26/16	Report Issued
Development Restricted Gifts	2016-25	N/A	Draft Report
Fleet Management	2015-25	11/9/15	Report Issued
Construction Management	2015-21	11/9/15	Report Issued
Title IX (Sexual Harassment/Sexual Violence)	2015-26	10/16/15	Report Issued
<b>Externally Required Audits</b>			
FY 2015 NCAA Annual Financial Audit	N/A	N/A	Report Issued By UT System Audit Office
NCAA Football Attendance Audit	2016-13	1/29/16	Report Issued
Employee Benefits Proportionality Audit (1)	2016-24	2/19/16	Report Issued
State Auditor's - FY15 and FY16 Statewide Single Audit	N/A	N/A	Report Issued by State Auditor's Office
NCAA Compliance Audit	2016-10	5/23/16	Report Issued
Contract Practices Audit -TEC 51.9337 - Purchasing Policy Assessment (2)	2016-21	8/19/16	Report Issued
<b>UT System Required Projects</b>			
FY 2015 Financial Statement Audit	2016-01	2/22/16	Report Issued
FY 2015 UTS 142.1 Monitoring Plan and Sub-certifications Review	2016-06	3/22/16	Report Issued
FY 2015 Executive Management Travel and Entertainment Audit	2016-05	7/15/16	Report Issued
<b>Special Request Audit</b>			
Student Financial Aid Internal Control Review	2015-55J	9/8/15	Report Issued

(1) Employee Benefits Proportionality Audit (2016-24) was performed to address the benefits proportionality audit requirement prescribed in Rider 8, page III-41, the General Appropriations Act (84th Legislature). No recommendations were made. The Benefits Proportionality by Fund Report (APS 011) for AY 2012 and AY 2014, as submitted to the State Comptroller in November of the respective years were materially accurate with minor reimbursements due for 2014 to State Agencies.

(2) 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 UTSA Office of Auditing and Consulting Services conducted this required assessment (2016-21) for fiscal year 2016, 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 San Antonio 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.

Deviations from FY 2016 Audit Plan were as follows:

- 1) Per Audit Committee approval in July 2016, Threat Management Audit was changed to Threat Management Consulting.

## II. Internal Audit Plan for Fiscal Year 2016

Project Name	Issue Date	Recommendation	Response	Recommendation Status	Estimated Implementation Date
<u>Student Financial Aid Internal Control Review</u>	9/8/2015		Report is confidential based on the exception found in Government Code Section 552.139 and is not subject to disclosure requirements of Texas Public Information Act. Specific results were shared with appropriate management members and the Institutional Internal Audit Committee.		
<u>Title IX (Sexual Harassment/Sexual Violence)</u>	10/16/2015		No recommendations were made. UTSA's policies and procedures comply with Title IX of Education Amendments of 1972 as it relates to sexual harassment/sexual violence to mitigate these risks.		
<u>Construction Management</u>	11/9/2015	Institutionally managed construction project close-out files were inconsistent.	Facilities EPM will implement the following: (1) Partial and incomplete documents will be discarded during the closeout document assembly process, (2) Redundant signature lines will be eliminated, and (3) A closeout flow process will be developed, distributed, and reviewed with staff.	Implemented	2/29/2016
		The institutionally managed construction project periodic and close-out reconciliations did not have documented evidence of review, were not approved by a second individual, and were not timely.	All reconciliations will be done timely and with an approval by a second individual. In order to provide documented evidence of review, we will begin to print out project activity from the Microsoft Access project management database and our TMA work order system.	Implemented	8/31/2016
		The unique identifier for institutionally managed construction projects managed by Facilities EPM is different than the unique identifier for construction projects in PeopleSoft, UTSA's Financial System.	Facilities is working with Financial Affairs to coordinate unique identifiers. There are limitations, but for some projects this appears to be viable.	Implemented	2/29/2016
<u>Fleet Management</u>	11/9/2015	Active drivers were out of compliance with the annual Motor Vehicle Record history check requirement and/or the requirement for online Defensive Driving Awareness training once every three years.	While the Fleet Manager has the responsibility of maintaining a list of all authorized drivers, it remains the responsibility of each individual department to ensure their driver's requirements are up to date. The Fleet Manager will contact drivers when their qualifications will be expiring within 30 days. The Fleet manager will also provide a list of authorized drivers and their expiration dates to departments on a monthly basis.	Implemented	2/29/2016
		Training material does not reflect 15 passenger van restrictions.	The Fleet Manager will coordinate with Transportation Services to make sure the training material accurately reflects the limitations stated in HOP 5.18.	Implemented	2/29/2016
		HOP 8.09 driver's license guidance differs from UTS 157 driver's license guidance.	The Fleet Manager has coordinated with Policy Specialist and Director, Financial Services and University Bursar to ensure the HOP will be updated to change the "Texas" driver's license requirement to a driver's license from the state which this person permanently resides. This will be more directly in line with UTS policy 157.	Implemented	5/31/2016
<u>NCAA Football Attendance</u>	1/29/2016		No recommendations were made. UTSA complies with NCAA Bylaw 20.9.9.3 regarding home football attendance.		
<u>Employee Benefits Proportionality</u>	2/19/2016		No recommendations were made. Based on audit procedures performed, the Benefits Proportionality by Fund Report (APS 011) for AY 2012 and AY 2014, as submitted to the State Comptroller in November of the respective years were materially accurate with minor reimbursements due for 2014 to State Agencies. 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>FY 2015 Financial Statement Audit</u>	2/22/2016	There were unreconciled variances between the general ledger and bank balances. These variances were due to issues when the cash balances were converted from the previous accounting system to PeopleSoft.	Management agrees with the recommendation and considers the reconciliation of the variance deserving of the highest priority resources. After significant time spent by the accounting function, UT System personnel and an outside consultant during FY2015 without success, management will engage an outside accounting firm to reconcile the account.	Implemented	8/31/2016
<u>FY 2015 UTS 142.1 Monitoring Plan and Sub-certifications Review</u>	3/22/2016		No recommendations were made. UTSA complies with UTS 142.1 related to the Monitoring Plan. The Office of Financial Affairs and the Office of Institutional Compliance and Risk Services are performing their responsibilities as outlined in the Monitoring Plan to ensure compliance with UTS 142.1.		

**II. Internal Audit Plan for Fiscal Year 2016**

Project Name	Issue Date	Recommendation	Response	Recommendation Status	Estimated Implementation Date
<u>NCAA Compliance</u>	5/23/2016	Utilize UTSA's Hotline and processes managed by Institutional Compliance and Risk Services for reporting NCAA violations and publicize on the Athletics website.	The current manual violation reporting system documented in the Athletics Compliance Manual will be replaced to utilize the existing UTSA Hotline managed by Institutional Compliance and Risk Services, which allows for anonymity and confidentiality. The Athletics Compliance Manual, Athletics website, Student Athletic Handbook, and relevant training materials will be updated to include information regarding usage of the UTSA Hotline managed by Institutional Compliance and Risk Services and associated links.	Implemented	5/11/2016
		Review all coaches' contracts and follow-up to ensure full execution.	Sr. Associate Athletic Director of Business will review all coaches' contracts and follow-up on those not complete.	Ongoing	2/28/2017
		Perform an annual risk assessment to include identification and prioritization of academic fraud and compliance risks.	Per request from the Athletics Compliance Office, the UTSA Institutional Compliance and Risk Services will utilize their process to perform a one-time risk assessment that will be updated annually by the Athletics Compliance Office.	Ongoing	5/31/2017
		Reconcile payments to camp rosters.	Upon receipt of the final camp documents from compliance, a person in the Athletics Business Office will be responsible for confirming camp payment for each person on a camp roster. Verification will be by deposit transmittal numbers on the final camp roster that is included in the approved paperwork.	Implemented	8/31/2016
		Require sign-in for all rules education and training sessions and retain sign-in sheets as evidence of attendance.	Sign-in sheets will be retained for all rules education training sessions in the future. The Athletics Compliance Manual will be updated with the requirement that all coaches attend a rules education session annually. Furthermore, the manual will be updated to document the frequency in which tutors and other athletics non-coaching staff are required to attend rules education sessions.	Ongoing	11/30/2016
<u>Identity Management</u>	7/10/2016		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>FY 2015 Executive Management Travel and Entertainment</u>	7/15/2016	Create a report to identify potential duplicate payments and re-emphasize the risks of duplicate payments in the Disbursements & Travel Services trainings.	Management concurs that a control should be established to monitor duplicate payments. Management will create a report to look for potential duplicate payments and will re-emphasize the risks of duplicate payments in its training to campus. It is incumbent upon department reconcilers and department managers certifying their monthly financial reports to monitor expenses and the duplicity of payments when different methods of payment are used.	Ongoing	5/31/2017
<u>Sponsored Projects Administration Compliance - Human Subjects Research</u>	7/26/2016	Update the UTSA Handbook of Procedures (HOP) 2.26 Human Research.	Given that UTSA has a customized set of human subjects protections program policies, procedures, forms, and guidance documents, the Assistant Vice President for Research Integrity will submit and implement a general HOP policy that states that UTSA will adhere to 45 CFR 46. The details about the human subjects protections program will continue to be outlined in internal documents and will be referenced in the new HOP policy.	Implemented	8/31/2016
		Update Policies and Standard Operating Procedures.	<ol style="list-style-type: none"> <li>1) The outstanding monthly task on self-assessments has been implemented. All other routine tasks (annual, monthly, and daily) will be reviewed for consistency with current operations. Adjustments to operations or procedures will be made accordingly.</li> <li>2) All key terms marked with &lt;&gt; brackets and key generic terms marked with [] will be removed from all of the documents used by PIs that are found on the website. These documents will indicate that defined terms are located in policy.</li> <li>3) The use of titles, rather than individual's names, will continue to be utilized to ensure consistency even when staff turnover occurs. Thus, no changes will be made.</li> <li>4) All effective date fields will be completed in all IRB Policies and Standard Operating Procedures.</li> <li>5) UTSA headers will be included in the remaining two IRB Standard Operating Procedures.</li> </ol>	Implemented	8/31/2016

**II. Internal Audit Plan for Fiscal Year 2016**

Project Name	Issue Date	Recommendation	Response	Recommendation Status	Estimated Implementation Date
<u>Contract Practices (TEC 51.9337 - Purchasing Policy Assessment)</u>	8/19/2016	Update the outdated policies on the UTSA Purchasing website.	Policies and Procedures to address new legislative requirements and UT Directives including TEC§51.9337 and SB20 related to Purchasing will be updated on the Purchasing & Distribution Services website.	Ongoing	8/31/2017

### III. Consulting Services and Nonaudit Services Completed

Consulting Services & Nonaudit	Project Number	Project Completed	High Level Objective	Observations/Results/ Recommendations
PeopleSoft Post Implementation	2016-23	8/31/2016	To review business processes for the PeopleSoft implementation project.	Provided status updates at the quarterly Internal Audit Committee meetings.
Financial Aid Analytics / Continuous Monitoring	2016-33	8/31/2016	To develop continuous monitoring techniques using the IDEA analytical software tool.	Coordinated with the Office of Student Financial Aid and the UT System Audit Office to develop continuous monitoring techniques of financial aid transactions.
Graduation Rate Improvement Plan	2015-22 & 2016-22	12/11/2015 & 8/31/2016	To perform assessment services of the Graduation Rate Improvement Plan (GRIP) for the Vice Provost for Accountability and Institutional Effectiveness.	Reviewed the Office of the Registrar Student Waitlist Summary Reports and the analysis was provided to Vice Provost for Accountability and Institutional Effectiveness. Additionally, we provided an assessment of the GRIP initiative to the interim Provost.
IT Security/ Emerging Risks	2016-32	8/31/2016	To identify emerging information technology risks affecting the university.	Provided status updates at the quarterly Internal Audit Committee meetings.
Threat Management	2016-31	8/22/2016	To provide input to the Office of Information Security on the development of their threat/vulnerability management program.	Provided research and advised the Office of Information Security regarding key components, controls, and metrics to assist in design and implementation of a comprehensive threat/vulnerability management program to be enumerated within their annual security plan.



## IV. 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" followed by a stylized flourish.

PricewaterhouseCoopers, LLP

PricewaterhouseCoopers LLP, 1201 Louisiana, Suite 2900, Houston, TX 77002-5678  
T: (713) 356 4000, F: (713) 356 4717, [www.pwc.com/us](http://www.pwc.com/us)

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

## V. Internal Audit Plan for Fiscal Year 2017

### Risk Assessment Methodology for the Annual Audit Plan

The University of Texas at San Antonio (UTSA) Fiscal Year 2017 Audit Plan outlines the internal audit activities that will be performed by the Office of Auditing and Consulting Services during FY 2017 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 2017 Audit Plan process, the UT System Audit Office executed a consistent risk assessment approach across all institutions. The common risk assessment approach started 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 Audit Office will continue to develop and strengthen this process in the upcoming years.

V. Internal Audit Plan for Fiscal Year 2017

<b>FY 2017 Audit Plan</b>	<b>Budget</b>
<b>Risk Based Audits</b>	
Sponsored Projects Compliance (Uniform Guidance)	400
Graduation Rate Improvement Plan/Academic Advising	400
Scholarship Management	400
Campus Security	400
NCAA Compliance	300
Network	500
Banner - Student Records System	400
Cloud Hosted Systems Review	500
Risk Based Projects Carry Forward	200
<b>Risk Based Audits Subtotal</b>	<b>3500</b>
<b>Required Audits (Externally and Internally)</b>	
FY16 NCAA Agreed Upon Procedures	350
NCAA Football Attendance	100
FY16 Financial Statement	350
FY17 Financial Statement (Interim)	100
UTS 142.1 Compliance	100
Executive Management Travel and Entertainment	300
Presidential Travel and Entertainment Assistance	20
TAC 202 Information Security Self-Assessment Validation	300
State Auditor's Office (SAO) Statewide Single Audit (Student Financial Aid)	50
SAO Annual Reporting Requirement on Procurement Policies	20
Cancer Prevention and Research Institute of Texas (CPRIT) Agreed Upon Procedures	20
Required Audits Carry Forward	200
<b>Required Audits Subtotal</b>	<b>1910</b>
<b>Consulting Projects</b>	
PeopleSoft	200
Decentralized IT Departmental Reviews	400
Data Analytics	200
IT Security and IT Emerging Risks	40
Undergraduate Admissions	200
<b>Consulting Subtotal</b>	<b>1040</b>
<b>Investigations</b>	
Investigations	100
<b>Investigations Subtotal</b>	<b>100</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>General Reserve</b>	
Special Projects/Request	400
<b>General Reserve Subtotal</b>	<b>400</b>
<b>Development - Operations</b>	
Internal Audit Committee Meetings	300
Campus Committee Meetings	300
Project Status Staff Meetings	300
Teammate Maintenance and Upgrade Implementation	50
Audit Planning	300
UT System Reporting	50
External Quality Assessment Review	200
<b>Development - Operations Subtotal</b>	<b>1500</b>
<b>Development - Initiatives and Education</b>	
System Audit Initiatives	350
Professional Associations	75
Continuing Professional Education	600
<b>Development - Initiatives and Education Subtotal</b>	<b>1025</b>
<b>Total Budgeted Hours</b>	<b>9675</b>

## **VI. External Audit Services Procured in Fiscal Year 2016**

- UTSA engaged the State Auditor's Office to perform the Fiscal Year 2015 A-133 Statewide Single Audit
- UTSA engaged the firm of Weaver and Tidwell, L.L.P. to conduct the required Agreed-Upon Procedures of the Cancer Prevention and Research Institute of Texas (CPRIT) awards for FY 2015.

## VII. 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.texas.gov/ReportFraud/>