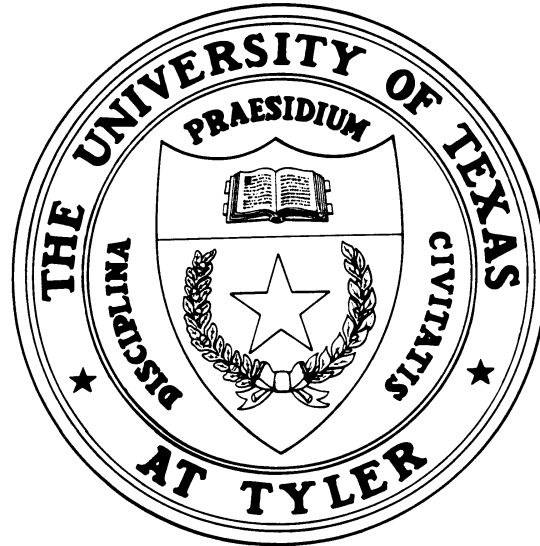


**THE UNIVERSITY OF TEXAS
AT TYLER**



**Annual Internal Audit Report
Fiscal Year Ending August 31, 2014**

The University of Texas at Tyler
Office of Audit Services
3900 University Boulevard
Tyler, Texas 75799

Table of Contents

I.	Compliance with House Bill 16.....	2
II.	Proportionality of Higher Education Benefits.....	2
III.	Internal Audit Plan for Fiscal Year 2014.....	3
IV.	Consulting Engagements and Non-audit Services Completed.....	7
V.	External Quality Assurance Review.....	7
VI.	Internal Audit Plan for Fiscal Year 2015.....	9
VII.	External Audit Services.....	11
VIII.	Reporting Suspected Fraud and Abuse.....	12

I.Compliance with House Bill 16

In accordance with House Bill 16, The University of Texas at Tyler (UT Tyler) Office of Audit Services has posted the Fiscal Year 2014 Annual Internal Audit Report and Fiscal Year 2015 Annual Audit Plan, on its web site at <http://www.uttyler.edu/internalaudit/>.

II.Proportionality of Higher Education Benefits

At the request of the Governor, an internal audit of the proportionality of higher education benefits process is underway during the first quarter of fiscal year 2015. A consistent audit methodology has been deployed across the UT System that will assess the reporting process and accuracy of benefits funding information provided to the State Comptroller as applicable under the General Appropriations Act, Article IX, Sec. 6.08: Benefits Paid Proportional by Fund. The audit will be complete by November 30, 2014.

III. Internal Audit Plan for Fiscal Year (FY) 2014

Engagement Name	Status	Report Date
<i>Financial Audits</i>		
Departmental Account Reconciliations	Completed	July 2014
Annual Financial Report - FY 2013	Completed	Dec 2013
Annual Financial Report - Interim FY 2014	Completed	-
<i>Operational Audits</i>		
Change in Management Audits		
Vice President of Business Affairs	Completed	Mar 2014
Dean of the College of Nursing and Health Sciences	Completed	Mar 2014
Dean of the College of Education and Psychology	Completed	Mar 2014
Dean of the College of Business and Technology	Completed	Mar 2014
Athletics	Completed	June 2014
Other Training and Consulting	Completed	-
Executive Travel and Entertainment Expenses	Completed	June 2014
International Studies Consulting Review	Completed	-
President's Travel and Entertainment Expenses Audit by UT System	Completed	-
Program Efficiency and Historical Trends Consulting Review	Completed	-
Executive Management Consulting and Advisory	Completed	-
<i>Compliance Audits</i>		
Joint Admission Medical Program (JAMP) Grant	Completed	Nov 2013
Campus Programs for Minors Consulting Review	Completed	-
Compliance Department Assistance	Completed	-
Financial Aid Audit Completion	Completed	Oct 2013
<i>Information Technology Audits</i>		
PeopleSoft Conversion Testing and Training	Completed	-
PeopleSoft Student Billing and Accounting Interface	In Process *	In Process *
Payment Card Industry (PCI) Compliance	Completed	Aug 2014

III. Internal Audit Plan for Fiscal Year 2014, Continued

Engagement Name	Status	Report Date
<i>Follow-up Audits</i>		
Follow-up of Audit Recommendations #1	Completed	Mar 2014
Follow-up of Audit Recommendations #2	Completed	Aug 2014
<i>Projects</i>		
Internal Audit Committee Preparation, Campus Committees, Events, and Projects	Completed	-
UT System Administration, State Auditor, and External Auditor Requests and Assistance	Completed	-
External Peer Review	Completed	-
FY 2015 Annual Audit Plan Development and Risk Assessment Update	Completed	-
Internal Quality Assurance and Improvement Program including updates and maintenance of TeamMate Auditing Software	Completed	-
Training and Assistance Provided by Audit Services	Completed	-
FY 2013 Annual Audit Report	Completed	Oct 2013
Faculty Advisor for Student Organizations	Completed	-
Professional Organizations	Completed	-

Explanations for Deviations from Fiscal Year 2014 Audit Plan

**The Office of Audit Services completed all projects except the PeopleSoft Student Billing and Accounting Interface Audit which is in process at year-end and will be completed in the first quarter of FY 2015.*

III. Summary of Fiscal Year 2014 Audit Report Issues

Report Name & Date	Recommendations	Management Action Plan	Status
Financial Aid Audit Oct 2013	Update policies and procedures manual and communicate to departments and personnel responsible for duties. Update and implement monitoring plan for Department of Education requirements. Implement controls to ensure timely reporting of Pell Grant disbursements. Develop procedures, assign responsible parties, and complete account reconciliations. Update strategic plan to include continuity and cross training of personnel.	Manuals will be updated and communicated. Monitoring Plan will be updated. New process will be developed to increase controls. Accounts will be reviewed and individuals will be identified to reconcile accounts. An action plan will be created that addresses cross training and other items.	Implemented Implemented Implemented In Process Implemented
Joint Admission Medical Program Audit Nov 2013	Monitor account balances, transactions and reconciliations. Budget authority should review invoices and approve procurement card charges by due dates. Reimbursements should be processed timely and forwarded to the appropriate supervisor for approval. Follow UT Tyler inventory policies and implement stronger controls for inventory. Obtain permission from JAMP for the expenditures to be processed using current year funds or refund funds. Monitor the budget and expenditures to ensure the funds are being spent appropriately to accomplish the objective of the program.	New monitoring procedures will be implemented. Procurement card transactions will be reviewed and approved as required. Proper reimbursement procedures will begin immediately. The JAMP director will implement the policies immediately. Budget Authority will request permission from JAMP and follow their instructions. JAMP faculty director will monitor the budgeted funds.	Implemented Implemented Implemented Implemented Implemented

III. Summary of Fiscal Year 2014 Audit Report Issues, Continued

Report Name & Date	Recommendations	Management Action Plan	Status
Annual Financial Report Audit Dec 2013	Financial Services Department should implement procedures to increase communication with The Office of University Advancement to assure proper recording of pledge receivables.	Financial Services will obtain quarterly report of pledges from The Office of University Advancement and will obtain a copy of the entire "Council to Aid Education" report to assure proper recording of pledges.	Implemented
The Office of The Vice President of Business Affairs Change in Management Audit March 2014	Update the policies and procedures manual to include items specific to the operations of the department. Budget Office should submit UT System required budget amendments and establish internal procedures to assure future required amendments are submitted in a timely manner.	Manual will be updated. All required budget amendments will be submitted. Procedures will be included in the policies and procedures manual to assure this requirement is documented.	Implemented Implemented
Departmental Account Reconciliations Audit July 2014	UT System is developing reports and procedures for use in reconciling departmental accounts in the PeopleSoft accounting system; however, these have not been completed at this time. Once these are finalized, campus-wide training should be offered for budget authorities and administrative assistants.	Training for PeopleSoft reconciliation procedures will be conducted in a timely manner when the procedures are provided by UT System. Alternative procedures will be considered as necessary.	In Process
Payment Card Industry Data Security Standard (PCI DSS) Audit August 2014	Develop institutional policies and procedures to become compliant with PCI DSS requirements. Policies should include an annual assessment and improvement process, physical and electronic security of credit card data, and methods and forms used to obtain credit card numbers for processing. Consider following additional best practices.	Policies and procedures will be developed and distributed to departments on campus that process credit card transactions. An annual self-assessment will also be completed.	In Process

IV. Consulting Engagements and Non-audit Services Completed

Project Name and Date	Engagement Objectives, Results, and Recommendations
Program Efficiency and Historical Trends Dec 2013	The objective was to compile historical data to develop trends of undergraduate degrees for consideration of The Texas Higher Education Coordinating Board (THECB) requirements, Space Utilization Efficiency, and other funding and resource considerations. THECB requirements were met. Management should continue to monitor trends for the most efficient use of resources.
Campus Programs for Minors July 2014	The objective was to determine compliance with Senate Bill 1414 and UT System Policy 124 for training and background checks for individuals working or volunteering in campus programs for minors. Recommendations were made to increase communication and access to training materials to responsible parties and increase compliance with and monitoring of the requirements.
International Travel Aug 2014	The objective was to determine if employees and students are following policies and procedures for international travel and if risks associated with international travel are adequately addressed. Recommendations were made to update policies, procedures, forms, and disclosures for international travel by University employees and students.

V. External Quality Assurance Review

An External Quality Assessment of the Office of Audit Services was completed by PricewaterhouseCoopers, LLP, with a report dated May 23, 2014. The summary letter is included on the following page.



May 23, 2014

Ms. Lou Ann Viergever
Audit Services Director
The University of Texas at Tyler
3900 University Blvd
Tyler, Texas 75799

We have completed an External Quality Assessment (“EQA”) of The University of Texas at Tyler’s (“UT Tyler”) Office of Audit Services (“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 results:

- 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 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 The University of Texas at Tyler.

We would like to offer a sincere thank you to you and your staff, and the Internal Audit Committee and management of UT Tyler, 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 that reads "PricewaterhouseCoopers LLP". The signature is written in a cursive, flowing style.

PricewaterhouseCoopers, LLP

PricewaterhouseCoopers LLP, 1201 Louisiana, Suite 2900, Houston, TX 77002-5678

T: (713) 356 4000, F: (713) 356 4717, www.pwc.com/us

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

VI. Internal Audit Plan for Fiscal Year 2015

Audit/Project	Budgeted Hours
<i>Financial Audits</i>	
Account Reconciliations	180
FY 2014 Annual Financial Report	240
FY 2015 Interim Annual Financial Report	40
Patriots Applying Technology for Success and Savings (PATSS) Review	60
Proportionality of Benefits	150
Financial Audits Subtotal	670
<i>Operational Audits</i>	
Change in Management Audits	
Provost	150
University Advancement	130
Human Resources	130
Unknown Changes	130
Student Housing	250
Executive Travel and Entertainment Expenses	150
President's Office Travel and Entertainment Audit	40
Executive Management Consulting	150
Operational Audits Subtotal	1130
<i>Compliance Audits</i>	
THECB Nursing Shortage Reduction Program	180
Lab Safety and Hazardous Materials	450
Compliance Department Assistance	100
Compliance Audits Subtotal	730
<i>Information Technology Audits</i>	
Texas Administrative Code (TAC) 202	100
PeopleSoft Implementation Review	250
Information Technology Audits Subtotal	350
<i>Follow-up Audits</i>	
Follow-up of Audit Recommendations	220
Follow-up Audits Subtotal	220

VI. Internal Audit Plan for Fiscal Year 2015, Continued

Audit/Project	Budgeted Hours
<i>Projects</i>	
Institutional Committees, Projects, and Events	300
Internal Quality Assurance and Improvement Program	300
UT System Administration, State Auditor, and External Auditor Requests and Assistance	200
FY 2016 Annual Audit Plan and Risk Assessment	150
Training and Assistance Provided by Audit Services	100
FY 2014 Annual Audit Report	50
Student and Professional Organizations	100
Projects Subtotal	1200
<i>Reserved</i>	
Reserved for Other Projects and Requests	250
Reserve Subtotal	250
Total Hours	
	4550

High level risks that have been identified but are not included in the FY 2015 Audit Plan are as follows:

- Campus Safety and Security,
- Campus Programs for Minors,
- Contract and Grant Management Accounting,
- Endowments,
- Financial Aid, and
- International Studies.

Management for each area has completed a Risk Monitoring Plan for the risks in their area. The results of each plan will be presented to the Compliance Working Group during FY 2015.

University-wide risk assessments were developed or updated by each College and administrative department. Risks were ranked on probability and impact. These risk assessments were then combined and reviewed by members of Executive Management and the Institutional Audit Committee. The assessments included risks associated with contract management and information technology.

VII.External Audit Services

External Audit Services for the year ending August 31, 2014 were provided as follows:

- Deloitte conducted audit procedures related to the FY 2013 Annual Financial Report and interim procedures for the FY 2014 Annual Financial Report audit.
- Belt Harris Pechacek conducted an audit of the financial statements of The University of Texas at Tyler Innovation Academy for the fiscal year ended August 31, 2013.
- Gollob Morgan Peddy conducted agreed-upon procedures for the Federal Perkins Loans Liquidation.

VIII. Reporting Suspected Fraud and Abuse

Actions taken by The University of Texas at Tyler to comply with the following requirements as summarized below:

Sec. 7.09. Fraud Reporting. General Appropriations Act (83rd 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 University has a link for fraud reporting on the University's home page at <http://www.uttyler.edu> which provides information on how to report suspected fraud, waste, and abuse involving state resources directly to the State Auditor's Office (SAO). This includes the SAO's fraud hotline, a link to the SAO's website, and UT Tyler's policies for reporting suspected fraud.

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.*

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