

UNT SYSTEM™

Office of Internal Audit

**State Auditor's Office Fiscal Year 2023
Annual Internal Audit Report**

Ninette Caruso
Chief Audit Executive

October 31, 2023

October 31, 2023

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 2023 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 2023 Annual Internal Audit Report and the approved Fiscal Year 2024 Audit Plan at the following website: <https://www.untsystem.edu/reports/internal-audit-reference-documents.php>.

II. Internal Audit Plan for Fiscal Year 2023

The UNT System 2023 Audit Plan outlined the internal audit activities to be performed by Internal Audit during Fiscal Year 2023 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 Fiscal Year 2024 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
23-001	Treasury Services	Issued	02/13/2023
23-002	Facility Development	Issued	12/13/2022
23-003	Family Medicine	Issued	12/13/2022
23-005	Third Party Management	Issued	01/12/2023
23-007	Student Managed Investment Funds (SMIF)	Issued	01/23/2023
23-008	UNT Tuition and Fees	Issued	02/13/2023
23-009	UNTD Tuition and Fees	Issued	01/24/2023
23-010	HSC Tuition and Fees	Issued	05/12/2023
23-013	International Security Compliance	Issued	10/30/2023
23-014	Identity and Access Management	Issued	05/05/2023
20-016	UNT Tuition and Fees - Spring	Issues	06/08/2023
23-017	UNTD Tuition and Fees - Spring	Issued	06/02/2023
23-018	Benefits Proportional by Fund	Issued	10/24/2023
23-019	TEC 51.9337(h) - Annual Assessment	Issued	07/25/2023
22-024	Cybersecurity (Carryover from 2022)	Issued	10/31/2022
Added to Plan			
23-015	Willed Body Program	Issued	04/18/2023

Carryover to Fiscal Year 24			
23-020	Incident and Crisis Management	Carryover to FY24	To be issued in FY2Q24
Canceled/Postponed and risk assessed for Fiscal Year 2023			
NA	Recruiting and Onboarding	Postponed	N/A
NA	HSC Clinic Pharmacy Operations	Canceled	N/A
NA	Federal Republic of Germany	Canceled	N/A

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 July 25, 2023, which assessed the work performed in Fiscal Year 22.

III. Consulting Services and Nonaudit Services Completed

Report Number	Management Advisory Name	High-Level Objective	Report Date	Summary of Recommendation
22-030	Equal Employment Opportunity EEO – CONFIDENTIAL (Carryover form 2022)	All Equal Employment Opportunity concerns are appropriately resolved in a timely manner according to established policies and procedures, and in compliance with Federal and State regulations.	02/09/2023	A maturity assessment was conducted with feedback provided related to the following categories. <ul style="list-style-type: none"> • Accountability and Resources • Policies and Procedures • Training and Education • Compliance Reporting and Assignments • Investigation Process • Non-Retaliation
N/A	IT Organizational Assessment	Evaluated the IT organizational structure and capabilities as well as IT strategy and existing governance models, and overall operating models and capability maturity	04/26/2023	An assessment was conducted, and feedback related to prioritization of Organizational Design and Structure and Governance Model were emphasized.
N/A	Compliance Program – Ongoing Monitoring	Compliance Programs are adequately designed in accordance with the Federal Sentencing Guidelines.	N/A	Provide advice and monitor implementation of maturity assessment remediation.
N/A	Data Center Migration	Engagement goal was to provide insight to risks related to decommissioning and migration	05/12/2023	Provided risk considerations to include in the development of

		of the UNT Data Center to vendor hosted data centers.		the migration plan. Specific areas included: Data center strategy, migration, application discovery, IT infrastructure, project governance and management and System Development Lifecycle.
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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 B** for the most recent external quality assurance report.

V. Internal Plan for Fiscal Year 2024

The Fiscal Year 2024 Internal Audit Plan for the UNT System Internal Audit Department was approved by the Board of Regents on August 17, 2023.

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 68 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 and probability 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 A**. 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 2024 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 2023

- 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 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. However, two of the system entities' policies currently advise individuals to report fraud, waste, and abuse to the appropriate authorities without specifically directing the reporting of fraud to the State Auditor's Office, as required. These entities are in the process of revising their policies to include the necessary language.

Appendix A: Fiscal Year 2024 Internal Audit Plan

Institution	Overall Rating*	Engagement Name	Business Outcome	Total Hours
ASSURANCE ENGAGEMENTS				
UNT, UNTD, HSC, SYS	Critical	Employee Offboarding	Provide a positive experience and transition to departing employees, while ensuring timely notification of key stakeholders (e.g., payroll), access removal, and return of company assets.	500
HSC	Critical	Continuity of Operations	Address disruptions timely, minimize impact to operations and return to normal operations as soon as possible.	400
UNT	Medium	Deferred Maintenance	- Deferred maintenance projects are prioritized and addressed timely to reduce impact on ongoing operations and safety. - Successful completion of the construction delivery process, in compliance with the requirements of the State of Texas, Board of Regents, and UNT System policies and procedures	400
UNT, HSC	High	Human Subjects Research Program	Comply with HHS regulations 45 CFR Part 46 ('Common Rule'), to safeguard the rights and welfare of individuals who participate as subjects in research activities, relying on Institution Review Board (IRB) oversight, informed consents and other processes.	550
UNT, UNTD, HSC, SYS	High	Purchase Cards	- Permissible goods and services are purchased within authorization limits by approved UNT System Enterprise personnel. - Purchases are restricted to approved merchant categories, credit limits are monitored and transactions are reviewed for propriety.	500
UNT	High	Student Services Fees	Fees are allocated equitably and used to support the services for which they were collected	500
UNTD	Medium	Athletics - Dallas NAIA Compliance	Athletics programs comply with NAIA rules and regulations related to eligibility, recruiting and financial-aid.	400
UNT	Medium	Athletics -UNT NCAA Compliance	Athletics programs comply with NCAA rules and regulations related to eligibility, recruiting and financial-aid.	500
UNTD	Medium	Asset Management, Receiving and Warehousing-Dallas	Assets are appropriately procured, tracked, received, maintained, and protected until appropriate disposition. Assets are accurately captured within tracking and financial systems.	400
HSC, UNT	Medium	Medical Credentialing	Medical staff have appropriate credentials for their roles and functions served.	500
UNT	Medium	Tuition and Fees - Ongoing Assurance UNT	Recalculate the resident and non-resident tuition rates for Undergraduate and Graduate students to ensure the accuracy and timeliness of Tuition rates	250
UNTD	Medium	Tuition and Fees - Ongoing Assurance UNT Dallas	Recalculate the resident and non-resident tuition rates for Undergraduate and Graduate students to ensure the accuracy and timeliness of Tuition rates	250
UNTHSC	Medium	Tuition and Fees - Ongoing Assurance UNT HSC	Recalculate the resident and non-resident tuition rates for Undergraduate and Graduate students to ensure the accuracy and timeliness of Tuition rates	500
UNT, HSC, UNTD, SYS	Critical	Incident Response / Crisis Management	Incidents are detected, escalated and resolved timely by Crisis Management Teams to restore normal operations and minimize impact to business operations, and/or loss exposure and to mitigate damage to reputation.	200
		Assurance Engagements Subtotal		5,650

Institution	Overall Rating*	Engagement Name	Business Outcome	Total Hours
MANAGEMENT ADVISORY AND CONSULTING ENGAGEMENTS				
UNT, UNTD, HSC, SYS	Critical	IT Governance	The governance and management of the enterprise's information technology supports the organization's strategies and objectives, generates value and improves efficiency.	250
SYS	Critical	Third-Party Management Program	Oversight and management of third-parties is effective to control and mitigate risks.	250
		Advisory and Consulting Engagements Subtotal		500
CONTINUOUS MONITORING ENGAGEMENTS				
UNT, UNTD, HSC, SYS	High	Compliance Program Maturity Enhancements	Compliance Programs are adequately designed including aspects in the Sentencing Guidelines.	325
SYS	Medium	Conflict of Interest	Conflicts of Interest are disclosed timely, tracked, transparent, and actions are taken to ensure integrity of affected area or financial transaction.	100
		Continuous Monitoring Engagements Subtotal		425
MANDATORY ENGAGEMENTS				
HSC	N/A	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
HSC	N/A	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
SYS	N/A	Annual Assessment of Compliance and Procurement Policies	The University of North Texas System has adopted the rules and policies required by Texas Education Code § 51.9337 requirement. As a part of annual reporting requirement, the audit will focus on adherence with regulations.	40
HSC	N/A	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.	300
		Annual SAO Internal Audit Report		120
		Mandatory Engagements Subtotal		960

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

Higher Inherent Risks Not on Fiscal Year 2024 Audit Plan:

- There has been comprehensive coverage of *Information Security* risks in the recent past. Corrective actions from those audits are being followed up. Internal Audit also is monitoring the re-organization of Information Technology (IT) area as part of the IT Unification project.
- Critical risks have been identified within the Human Resources (HR) lifecycle. HR is currently undergoing a comprehensive strategy update, as a result, coverage of the lifecycle is limited.

Appendix B: External Quality Assurance Review Report



University of
North Texas System
("UNT System") Enterprise
External Quality Assessment (EQA) Report

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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).

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EQA results



Internal Audit “Generally Conforms¹” with the IIA standards

The Standards Scorecard below indicates that Internal Audit **Generally Conforms¹** with the IIA Standards and other mandatory elements of the professional practice's framework. This rating, which is the highest of three possible ratings, means that policies, procedures, and practices are in place to implement the standards and requirements necessary for confirming the independence, objectivity, and proficiency of the internal auditing program. In addition to this report, we have shared directly with management opportunities for continued program enhancement.

Reference	IIA standard	Rating
Attribute Standards		
1000	Purpose, Authority, and Responsibility	●
1100	Independence and Objectivity	●
1200	Proficiency and Due Professional Care	●
1300	Quality Assurance and Improvement Program	●
Performance Standards		
2000	Managing the Internal Audit Activity	●
2100	Nature of Work	●
2200	Engagement Planning	●
2300	Performing the Engagement	●
2400	Communicating Results	●
2500	Monitoring Progress	●
2600	Communicating the Acceptance of Risks	●
Code of Ethics and Definition of Internal Auditing		
Code of Ethics		●
Definition of Internal Auditing		●

Conformity with the IIA Standards

- Generally Conforms
- Partially Conforms
- Does Not Conform

¹See Appendix A for definitions from the IIA

Appendix A: IIA's Standards Compliance Ratings Definitions



The IIA's Standards compliance ratings definitions¹



Generally Conforms

Generally, Conforms

Generally, conforms to the relevant structures, policies, and procedures of the activity, as well as the processes by which they are applied, complies with the requirements of the individual standard or element of the Code of Ethics in all material respects. For the sections and major categories, this means that there is general conformity to a majority of the individual standards or elements of the Code of Ethics, and partial conformity to the others, within the section/category. There may be significant opportunity for improvement, but these should not present situations where the activity has not implemented the standard or the Code of Ethics, is not applying them effectively, or is not achieving their stated objectives.



Partially Conforms

Partially Conforms

Partially conforms to the activity and is making good-faith efforts to comply with the requirements of the individual standard or element of the Code of Ethics and/or achieving their objectives. Some of the deficiencies may be beyond the control of the activity and may result in recommendations to senior management or the board of the organization.



Does Not Conform

Does Not Conform

Does not conform to the activity, is not aware of, is not making good-faith efforts to comply with or failing to achieve many/all of the objectives of the individual standard or element of the Code of Ethics, section, or major category. These deficiencies will usually have a significant negative impact on the activity's effectiveness and its potential to add value to the organization. They may also represent significant opportunities for improvement, including actions by senior management or the board.

¹Source: The International Standards for the Professional Practice of Internal Auditing



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