



UNT SYSTEM™

Office of Internal Audit

State Auditor's Office Fiscal Year 2021 Annual Internal Audit Report

Ninette Caruso
Chief Audit Executive

October 29, 2021

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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 2021 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 Roe
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 FY21 Annual Internal Audit Report and the approved FY22 Audit Plan at the following website: <https://www.untsystem.edu/internal-reference-documents>.

II. Internal Audit Plan for Fiscal Year 2021

The UNT System 2021 Audit Plan outlined the internal audit activities to be performed by Internal Audit during FY21 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 FY22 audit plan. Internal Audit conducted a higher volume of consulting services in FY21 from previous years due to a number of system enhancements. See detail at section III.

Report Number	Audit Name	Status	Report Date
21-002	UNT World Major Capital Construction	Issued	06/16/21
21-006	UNT Tuition and Fees / Differential Tuition	Issued	07/22/21
21-008	UNT World Data Breach Response Plans	Issued	12/23/20
21-010	UNT World Patch Management	Issued	06/22/21
21-014	UNT World Payroll	Issued	07/22/21
21-031	UNT World Benefits Proportional by Fund	Issued	07/27/21
21-032	UNT World Senate Bill 20	Issued	09/14/21
21-033	THECB Family Medicine Residency Program	Issued	12/10/20
21-034	THECB Faculty Development Center	Issued	12/10/20
21-035	UNT Facility Certification Review	Issued	10/29/20
21-036	UNT Student – Managed Investment Fund	Issued	05/06/21
21-041	UNT World Change Management	Issued	07/22/21
NA	Marketing and Branding Process	Cancel	NA
NA	Campus and Events Safety	Cancel	NA
NA	Recruiting Process	Deferred to FY22	NA
NA	Discount and Allowances	Cancel	NA
NA	Network Monitoring	Cancel	NA
NA	Vulnerability Scanning and Penetration	Cancel	NA

	Testing Process		
NA	School of Medicine Financial Review	Cancel	NA
FY20 Audits Issued in FY21			
20-013	NCAA Compliance	Issued	09/21/20
20-032	Grants and Contracts Compliance	Issued	09/28/20
20-035	Effort Certification Process	Issued	09/25/20

Benefits Proportionality:

The Benefits Proportionality Audit (report #21-031) was performed to address the audit requirement prescribed in Rider 8, page III-48, the General Appropriations Act (85th 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 5, 2020, which assessed the work performed in FY20.

III. Consulting Services and Nonaudit Services Completed

Report Number	Management Advisory Name	High-Level Objective	Report Date	Summary of Recommendation
21-004	Dallas Budget Process	Assess the effectiveness of the governance, risk management, and processes surrounding budget planning, preparation, and implementation.	05/11/21	Recommendations relates to budget methodology and approach as well as process guidelines documentation and communication.
21-017	HSC 1135 Waivers Assessment	Evaluate the design and documentation supporting HSC Health's utilization of applicable 1135 waivers and the key steps taken to ensure compliance with CMS requirements.	03/03/21	Improvement opportunities noted related to documentation, interpretation, auditing, monitoring, and operational plans to demobilize waivers once they are no longer needed or allowed.
21-020	UNT Dallas CARES Act	Provide consulting services regarding the CARES funds allocated to UNT Dallas to ensure compliance by reviewing supporting documentation.	12/23/20	Improvements opportunities noted in policies and procedures, inappropriate aid disbursement, and notification of aid denial and disbursement tracking.



21-021	Contract Management Lifecycle	Assess the effectiveness of the governance, risk management, and control processes surrounding the contract management, procurement, and accounts payable functions within the lifecycle.	06/24/21	Recommendations relates to vendor management, manual activities within accounts payable department, purchase order utilization, working capital, security access provisioning, late fees, and data migration strategy for contract system implementation.
21-022	UNTHSC Budget Process	Assess the effectiveness of the governance, risk management, and processes surrounding budget planning, preparation, and implementation.	12/23/20	Improvements opportunities noted related to procedures, segregation of duties, monitoring of Journal Entries and SOC-1 reporting.
21-037	UNTHSC CARES Act	Provide consulting services regarding the CARES funds allocated to UNTHSC to ensure compliance by reviewing supporting documentation.	12/23/20	Improvements opportunities noted in policies and procedures. Improve Provider Relief Fund billing controls, expense tracking, and reporting.
21-038	Huron Research Suite System Implementation	To provide a risk register associated with the system implementation and impacted research business processes.	05/21/21	IA provided risk statements mapped to the six impacted research business processes as well as the implementation related risk areas and IT general controls.
21-039	SolarWinds Risk Assessment	Assess UNT World's risk exposure related to the SolarWinds Orion ("SolarWinds") software vulnerability and the suitability of the ITSS Data Communications team's remediation procedures prior to re-establishing regular use of this security tool.	02/22/21	Recommendations provided to IT.

21-043	UNT Embassy of the Federal Republic of Germany	Examined the expenditure report prepared at the conclusion of the project, funded by a donation from the Embassy of the Federal Republic of Germany to the University of North Texas.	03/12/21	None
21-045	UNT TRIO Talent Search Gift Card	Reviewed the TRIO Talent Search process for securing and distributing gift cards to program participants.	08/05/21	Improvements noted to electronic gift card procedures
NA	Succession Planning	Providing consulting services surrounding the maturity of the organization's short, medium, and long-term succession plan for managerial staff and technical roles.	NA	Ongoing monitoring
NA	Learning, Training, and Development	Provide consulting services to determine whether there is an adequate and effective management framework for learning, training, and development to ensure that employees received the training and development they needed, when they needed it, to carry out their duties.	NA	Ongoing monitoring

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 2022

The Fiscal Year 2022 Internal Audit Plan for the University of North Texas System Internal Audit Department was approved by the Board of Regents on August 12, 2021.

The annual plan was prepared by developing a framework to assess all aspects of risk across UNT World. This framework was comprehensive of all risk management,

governance, and control processes across all the Institutions. This created 64 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 FY22 audit plan.

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

VI. External Audit Services Procured in Fiscal Year 2021

- External Audit of the System's Financial Statements, BKD LLP
- Compliance Audit of the Title IV Program, BKD LLP
- Cancer Prevention and Research Institute of Texas Grants Program Audit, BKD LLP
- Southern Association of Colleges and Schools Commission on Colleges Review, BKD LLP
- NCAA Agreed-Upon Procedures, Merki & Associates P.C.
- 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 World 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 2022 Internal Audit Plan

Institution	Overall Rating	Engagement Name	Business Outcome	Total Budget Hours
ASSURANCE ENGAGEMENTS				
UNTS	Critical	Cybersecurity Program Audit	Systems, data, technology infrastructure, and all other forms of digital assets are protected to ensure all UNT World institutions operate successfully without an IT disruption or loss.	500
UNT, UNTD, HSC, SYS	Critical	Recruiting and Onboarding	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.	600
UNT	Critical	Tuition and Fees - ongoing UNT	Recalculate the resident and non-resident tuition rates for Undergraduate and Graduate students to ensure the accuracy and timeliness of Tuition rates.	300
UNTD	Critical	Tuition and Fees - UNT Dallas	Recalculate the resident and non-resident tuition rates for Undergraduate and Graduate students to ensure the accuracy and timeliness of Tuition rates.	450
UNT, UNTD, HSC, SYS	High	Compliance Program Framework	Design of Compliance Program including all aspects listed in the Sentencing Guidelines.	1,000
HSC	High	HSC Foundation	The expenditures that the HSC Foundation makes are properly documented, appropriate, recorded accurately and consistent with applicable policies and procedures.	500
HSC	High	HSC Data Governance	Data at UNT HSC is organized, classified, consolidated, secured, and available to support the needs of employees, students, and faculty.	200
UNT, UNTD, HSC	High	EEO Investigation Process	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.	400
UNT, UNTD, HSC	High	Title IX Compliance	Institutions' have established and maintain Title IX/ Texas Senate Bill 212 compliant programs including accurate and timely reporting, training, sound investigative processes, and counseling and support services.	400

Institution	Overall Rating	Engagement Name	Business Outcome	Total Budget Hours
UNTS, UNT, UNTD, HSC	High	Third Party Oversight	Oversight and management of third-parties is effective to control and mitigate risks.	700
HSC	High	Clinical Revenue Cycle - Billing and Coding	Achieve and maintain healthcare regulatory compliance requirements within the patient access, documentation and charge capture, and patient financial service areas of the institutions healthcare revenue cycle.	500
UNT	High	Faculty and Program Oversight - College of Engineering	Faculty approach on educational decisionmaking and how they organize their work, using the resources available to them and working collegially to provide a quality education in the best interests of the discipline and student learning.	400
UNTS, UNT, UNTD, HSC	Medium	Asset Management	Assets are appropriately procured, tracked, maintained, and protected until appropriate disposition. Assets are accurately captured within tracking and financial systems.	700
UNTS, UNT, UNTD, HSC	Medium	Training Program Identification Development and Implementation	Staff training programs are designed to identify curriculum needs, develop appropriate content, and disseminate and track timely participation.	350
UNT	Critical	Systems Service Continuity	Systems and data are consistently available to end users (employees, students, and faculty) to ensure successful daily operations of all institutions across UNT World.	400
		Assurance Engagements Total		7,400
MANAGEMENT ADVISORY AND CONSULTING ENGAGEMENTS				
UNTS	Critical	Cloud Implementation	UNT World will eliminate deprecated IT infrastructure while ensuring systems and data are consistently available to end users (employees, students, and faculty).	200
UNTS	Critical	IT Finance	Information Technology assets receive the appropriate level of investment and resources are efficiently allocated to support strategy.	400
UNTS, UNT, UNTD, HSC	Critical	IT Governance and Strategy	The governance and management of the enterprise's information technology supports the organization's strategies and objectives, generates value and improves efficiency.	450
		Advisory and Consulting Engagements Total		1,050
CONTINUOUS MONITORING ENGAGEMENTS				
UNTS, UNT, UNTD, HSC	Critical	Emergency Safety Preparedness	Management capabilities are in place to respond to emergencies and safety issues timely with coordinated teams, actions, and communications.	150
		Continuous Monitoring Engagements Total		150

Institution	Overall Rating	Engagement Name	Business Outcome	Total Budget Hours
MANDATORY ENGAGEMENTS				
DAL	High	JAMP	The institution is in compliance with JAMP Agreement requirements and the JAMP Expenditure Guidelines.	275
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.	275
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.	275
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.	275
SYS	Medium	Public Funds Investment Act	Investing activities are effective and efficient with: <ul style="list-style-type: none"> • UNT System Regulation 08.2000, Investment of System Funds; • UNT System Regents Rule 10.100; and • State Auditor's Office (SAO) Article III, Rider 5 reporting requirements. 	275
UNT	Medium	Student Managed Investment Funds	Compliance with the donor agreement between UNT and Colonel Guy M. Cloud, Jr. related to the SMIF.	275
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.	275
UNT	High	Federal Republic of Germany	Grant expenditure report presents complete and accurate information on the income and expenditures related to the project.	150
		Annual SAO Internal Audit Report		120
		Mandatory Engagements Total		2,195