2005-2006 :: Audit

1. Mission Statement:
The Office of Internal Audits (Internal Audit) provides independent, objective assurance and consulting services designed to add value and improve UTD's operations. Internal Audit helps the university accomplish its objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control mechanisms, and operational and governance processes. See http://www.utdallas.edu/audit-compliance/audit_ourcharter.htm

2. Objectives:

2.1 Adequate and Sustained Resources:
Adequate and Sustained Resources to ensure the recruiting, development, and retention of staff. By: Review position descriptions once a year; Increase the staff size and funding levels of the Office as the University grows; Provide continuing professional education (CPE) and staff development.

2.1.1 Related Strategic Plan Item(s): III-1 Dynamic Change Management; VI-3 Business Leadership

2.1.2 Related Institutional Priority Item(s): SP-4 Tell UTD's Story Better

2.1.3 Standards and Associations:
The Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing Generally Accepted Governmental Auditing Standards

2.2 Responsiveness to Risk:
Responsiveness to Risk - ensure continuous awareness of current risks in the university environment and at UTD.

2.2.1 Related Strategic Plan Item(s): III-1 Dynamic Change Management

2.2.2 Related Institutional Priority Item(s): SP-4 Tell UTD's Story Better

2.2.3 Standards and Associations:
Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing Generally Accepted Governmental Auditing Standards

2.3 Annual Audit Work Plan and Completion: Completion of Plans of Work based on Annual Audit Work Plan

2.3.1 Standards and Associations:
Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing Generally Accepted Governmental Auditing Standards

2.4 Compliance with Audit Standards and Best Practices: Compliance with Audit Standards and Best Practices - as promulgated by the Institute of Internal Auditors, the U T System, and the Texas Internal Auditing Act.

2.4.1 Related Strategic Plan Item(s): III-1 Dynamic Change Management

2.4.2 Standards and Associations:
Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing Generally Accepted Governmental Auditing Standards

2.5 Communication and Collaboration:
Effective Communication and Collaboration and Partnerships - with organizations, institutions, and personnel

2.5.1 Related Strategic Plan Item(s): III-1 Dynamic Change Management

2.5.2 Standards and Associations:
Institute of Internal Auditors (IIA) International Standards for the Professional Practice of Internal Auditing Generally Accepted Governmental Auditing Standards

3. Measures & Findings:

3.1 Report - market needs: Report on evaluation fo market needs Time frame: once a year

3.1.1 Success Criteria: Generate a standardize salary of staff auditor to compete with market

3.1.2 Related Objective(s): Adequate and Sustained Resources

3.1.3 Results Related To Success Criteria: Able to increase salary of Staff Auditor to compete with market.

3.1.4 Achievement Level: Met

3.1.5 Further Action: Yes

3.2 Report - organization enhancement:
Report on organization enhancement. Time frame: once a year Report on reorganization of internal audit and compliance. Reorganize - September 1, 2005

3.2.1 Success Criteria:

Reorganized audit and compliance. Add one staff audit and hire summer student intern. Reorganize functions of internal audit and compliance. To have more efficient and operations, less duplication of efforts. This will be realized by less hours spent per year by Audit on compliance activities, and less hours by both offices on risk assessment. Hours are tracked by time budgets to evidence savings.

3.2.2 Related Objective(s): Adequate and Sustained Resources; Communication and Collaboration

3.2.3 Results Related To Success Criteria:

Reorganization of Audit and Compliance enhanced the Compliance function at UTD by increasing staff size by one. Used available resources to hire summer student intern or Audit.

We found duplication of risk assessments and inspections and audits.

3.2.4 Achievement Level: Met

3.2.5 Further Action: Yes

3.3 Monitor staff supervisory experience:

Monitor staff supervisory experience. Time frame: Work with students in the Endorsed Internal Audit Program both fall and spring semesters.

3.3.1 Success Criteria:

Senior Auditor and Information Systems Auditor receive supervisory experience on complex audits, such as those exceeding 200 hours or requiring technical expertise. Staff auditors receive supervisory experience on less complex, basic audits. Work with students in the Endorsed Internal Audit Program both fall and spring semesters.

3.3.2 Related Objective(s): Adequate and Sustained Resources

3.3.3 Results Related To Success Criteria:

Work with students in the Endorsed Internal Audit Program fall and spring semesters.

Work with the students has enhanced supervisory skills.

Senior Auditor, Information Systems Auditor, and Staff Auditors received supervisory experience.

3.3.4 Achievement Level: Met

3.3.5 Further Action: Yes

3.4 Report - staff professional education program: Report on staff professional education program.

3.4.1 Success Criteria:

All Internal Auditors should receive professional education (Achievement of Institute of Internal Auditor (IIA) Standards of continuing professional education.) Also, the ability to have staff members attend one national conference.

3.4.2 Related Objective(s): Adequate and Sustained Resources

3.4.3 Results Related To Success Criteria:

Able to have staff attend national Association of College and University Auditors (ACUA) conference or similar national conference.

At annual performance appraisal, obtain staff goals for CPE. Continuous monitoring to ensure goals are met. Annual budget process asks for additional funding for quality conferences.

Did not meet criteria for annual conferences in FY 2005.

3.4.4 Achievement Level: Partially Met

3.4.5 Further Action: Yes

3.5 Peer review:

Peer review for audit. Director review of audits on individual basis (approximately monthly). Monitor the review and appraise the soundness of operating controls.

3.5.1 Success Criteria:

Compliance of auditing standards that require risk assessments to be incorporated in audits. Time frame: monthly

3.5.2 Related Objective(s): Responsiveness to Risk

3.5.3 Results Related To Success Criteria:

While we were in compliance with auditing standards that require risk assessment be incorporated in all audits, we enhanced the process by Incorporating a "risk footprint" model into risk assessments for selected audits.

3.5.4 Achievement Level: Met

3.5.5 Further Action: Yes

3.6 Report on risk assessment:
Monitor specific risk assessments on an annual basis and update during the year as necessary.

3.6.1 Success Criteria:
Generate a report - Risks and appropriately identified and audit and compliance resources are focused on the highest risks to the University. Time frame: annual audit planning process Produce report to the management and Management is satisfied that risks are being appropriately addressed, and they are aware of the current "hot topics." Time frame: Quarterly reviews with upper management at Audit and Compliance Committee meetings.

3.6.2 Related Objective(s): Responsiveness to Risk

3.6.3 Results Related To Success Criteria:
Enhanced processes by meeting with members of upper management in risk assessment process for audit.

Criteria was met for FY 2006 and Annual Audit Plan report documents this. Management approved the Annual Audit Plan indicating their satisfaction with the documen

3.6.4 Achievement Level: Met

3.6.5 Further Action: Yes

3.7 Report on ERM: Report on enterprise risks assessment and report on implement enterprise risk management (ERM).

3.7.1 Success Criteria:
Enterprise risks are assessed by management on a global basis. Internal audits obtain training in ERM and management (President, VP, Directors, Deans) at all levels are aware of risks. Time frame: once a year

3.7.2 Related Objective(s): Responsiveness to Risk

3.7.3 Results Related To Success Criteria: Internal Audits obtained training in ERM.

Management has not been trained in ERM. Internal Audits will use the training received and educate management in the future.

3.7.4 Achievement Level: Partially Met

3.7.5 Further Action: Yes

3.8 Report on audit recommendation:
Report on monitoring the audit recommendations to ensure they are implemented. Once a year for all audit recommendations. Once a quarter for recommendations that would impact UTD operations.

3.8.1 Success Criteria:
All audit recommendations have been implemented or are in process for all recommendations made.

3.8.2 Related Objective(s): Responsiveness to Risk

3.8.3 Results Related To Success Criteria:
For fiscal year 2005, all audit recommendations were either in progress or implemented; therefore, the criteria was met.

Recommendations significant to UTD (highest risk) are followed up on a quarterly basis. Recommendations of high risk but only significant to audit areas are followed up annually. Results are communicated to management at least quarterly, but after each audit.

3.8.4 Achievement Level: Met

3.8.5 Further Action: Yes

3.9 Peer review for audit compliance:
Conduct peer reviews to ensure compliance with audit standards regarding completion of work. Per the Texas Internal Auditing Act and Internal Auditing Standards, every three years. At the end of each audit, the Director reviews audits for compliance with Standards. This is approximately monthly.

3.9.1 Success Criteria: Written peer review report states satisfactory compliance.

3.9.2 Related Objective(s): Annual Audit Work Plan and Completion

3.9.3 Results Related To Success Criteria: Completion of work plan was adequate.

3.9.4 Achievement Level: Met

3.9.5 Further Action: Yes

3.10 Report on implementation: Report results of work to management.

3.10.1 Success Criteria: Management agrees with and implements recommendations.

3.10.2 Related Objective(s): Annual Audit Work Plan and Completion

3.10.3 Results Related To Success Criteria: Findings put into database and monitored quarterly and annually. Sent out customer surveys.

Annually perform self-assessment of Audit and Compliance committee. Conduct customer service surveys at end of each audit. Communicate results to Audit Committee each quarter.

Management has agreed with all audit recommendations as evidenced in the written audit report responses.

3.10.4 Achievement Level: Met

3.10.5 Further Action: Yes

3.11 Report on annual audit plan:
Monitor accomplishment of annual audit plan. Quarterly reporting to Audit and Compliance Committee and UT System by Director. Weekly review by Director of audit progress.

3.11.1 Success Criteria: 80% of the plan is accomplished.

3.11.2 Related Objective(s): Annual Audit Work Plan and Completion

3.11.3 Results Related To Success Criteria: Audit plan not accomplished at 80%; however, reasons justified to the State Auditor`s Office and to the Audit and Cmpliance Committee in Annual Internal Audit Report.

3.11.4 Achievement Level: Met

3.11.5 Further Action: Yes

3.12 Report on working paper:
Monitor preparation of working papers to ensure they are prepared in an efficient and effective manner.

3.12.1 Success Criteria:
Reviews performed by the Director as evidenced in the working papers maintained in the Office indicate compliance with audit standards and work performed within budget. Significant variances between actual and budgeted hours are documented and reasonable per the approval of the Director. Reviews after each audit by Director. Generally, reviews are done monthly depending on the length of the audit.

3.12.2 Related Objective(s): Annual Audit Work Plan and Completion

3.12.3 Results Related To Success Criteria:
Audits appear to be overbudget. Need to determine better ways to prepare working papers.

3.12.4 Achievement Level: Not Met

3.12.5 Further Action: Yes

3.13 Report on audit performed: Report on number of audits performed Monitor annually.

3.13.1 Success Criteria:
Increase by 25% the number of audits performed by using students from the Endorsed Internal Audit Program on audits.

3.13.2 Related Objective(s): Annual Audit Work Plan and Completion

3.13.3 Results Related To Success Criteria: Students are not completing work assigned by the end of each semester, but approximately 10% more audits were conducted.

3.13.4 Achievement Level: Partially Met

3.13.5 Further Action: Yes

3.14 Report on maintainance of an audit charter: Report on maintainance of an audit charter which addresses accountability, independece, and responsibllities. Time frame : annual review of the charter

3.14.1 Success Criteria:
Both UTD and Audit and Compliance Staff understand responsibilities of the audit function to allow for audit work to be conducted in accordance with standards. Quality assurance reviews indicate compliance.

3.14.2 Related Objective(s): Compliance with Audit Standards and Best Practices

3.14.3 Results Related To Success Criteria: Charter revised and updated in 2005 for new Standards.

Both UTD and Audit and Compliance Staff understand responsibilities of the audit function to allow for audit work to be conducted in accordance with standards.

Quality assurance reviews indicate compliance; therefore, criteria was met.

3.14.4 Achievement Level: Met

3.14.5 Further Action: Yes

3.15 External peer review:
Obtain external peer review. Required every three years. Follow-up of recommendations required approximately 18 months after.

3.15.1 Success Criteria: Peer reviews indicate compliance with Standards.

3.15.2 Related Objective(s): Compliance with Audit Standards and Best Practices

3.15.3 Results Related To Success Criteria:
Peer review indicated compliance with the Standards. Recommendations to enhance efficiency of office operation were made. Follow-up indicated work still needed to be completed for Audit Manual.

3.15.4 Achievement Level: Partially Met

3.15.5 Further Action: Yes

3.16 Monitor Audit Manual for updates.: Monitor Audit Manual for updates. Annual review of Manual by Director.

3.16.1 Success Criteria: Audit Manual ensures compliance and conforms to Standards.

3.16.2 Related Objective(s): Compliance with Audit Standards and Best Practices

3.16.3 Results Related To Success Criteria:
Audit Manual needs to be updated. The Audit Manual helps the audit staff ensure compliance with standards and be aware of their responsibilities. The outdated manual suffices; however, it does not mention the revised auditing standards. Therefore, compliance, while met, needs to be enhanced.

3.16.4 Achievement Level: Not Met

3.16.5 Further Action: Yes

3.17 Report on monitor performance:
Monitor performance of consulting engagements and special projects. At the end of each consulting engagement, which can vary depending on the requests from management, we send a customer service survey to the customer. Annually assess the consulting needs during the audit planning process.

3.17.1 Success Criteria:
Management seeks input and asks for special projects. Written procedures exist to document what constitutes consulting engagements.-- Consulting engagement agreement that documents what a consulting engagement entail

3.17.2 Related Objective(s): Communication and Collaboration

3.17.3 Results Related To Success Criteria:
Need written procedures. Consulting performed, but not significant number of audit hours.

We have a consulting engagement agreement that documents what a consulting engagement entails.

3.17.4 Achievement Level: Not Met

3.17.5 Further Action: Yes

3.18 Report on professional achievement:
Report on UTD Office of Audit and Compliance professional achievement. Annually assess

3.18.1 Success Criteria:
UTD Office of Audit and Compliance is recognized as a leader in the audit and compliance community

3.18.2 Related Objective(s): Communication and Collaboration

3.18.3 Results Related To Success Criteria: Director on Dallas Chapter IIA Board of Governors, and Dallas Chapter IIA CIA Review Chair and ACUA Conference Track Coordinator . Also speaks at Internal Auditing class at UTD each semester.

3.18.4 Achievement Level: Met

3.18.5 Further Action: Yes

5. Closing the Loop:

5.1 Additional resources in audit:
During next budget cycle, ask for additional resources in audit to help ensure annual audit plan is accomplished.

5.1.1 Related Objective(s): Adequate and Sustained Resources

5.1.2 Related Measure(s): Report - market needs; Report - organization enhancement

5.1.3 Responsible Person: Director of Audit and Compliance

5.1.4 Target Date: FY 2007 Budget

5.1.5 Priority: Medium Priority

5.2 Quality education for all staff members:
Continue to look for opportunities for quality education, and obtain the funding available for all staff members to receive the education. Annual budgtet process will help ensure, and FY 2007 peer reviews will provide further guidance. Goal to have all staff members attend annual conference in FY 2007.

5.2.1 Related Objective(s): Adequate and Sustained Resources

5.2.2 Related Measure(s): Monitor staff supervisory experience

5.2.3 Responsible Person: Director of Audit and Compliance

5.2.4 Target Date: 8/31/06

5.2.5 Priority: Medium Priority

5.3 Enhance staff supervisory experience:
Continue to work with students and enhance processes to ensure proper supervision. Training in supervisory duties.

5.3.1 Related Objective(s): Adequate and Sustained Resources

5.3.2 Related Measure(s): Monitor staff supervisory experience

5.3.3 Responsible Person: Director of Audit and Compliance

5.3.4 Target Date: 8/31/06

5.3.5 Priority: Medium Priority

5.4 Enchance risk assessment process & risk footprint: Continue to monitor risks on a continuous basis to avoid surprises. Enhance risk assessment processes during the year and annually.Continue to enhance the risk footprint models in all audits.

5.4.1 Related Objective(s): Responsiveness to Risk

5.4.2 Related Measure(s): Peer review; Report on risk assessment

5.4.3 Responsible Person: Director of Audit and Compliance

5.4.4 Target Date: 8/31/07

5.4.5 Priority: Medium Priority

5.5 Enchance ERM knowledge and use:
Continue to obtain additional training in ERM. Conduct control self-assessment workshop for various areas. Use ERM in Annual Audit Plan. Conduct training regarding ERM to areas of high risk. Goal will be to do one the first year of implementation, five the next year, and then re-evaluate the process to determine how many we can achieve. Continuous assessment of Enterprise Risks. Part of annual audit planning and compliance planning.

5.5.1 Related Objective(s): Responsiveness to Risk

5.5.2 Related Measure(s): Report on ERM

5.5.3 Responsible Person: Director of Audit and Compliance

5.5.4 Target Date: 8/31/07

5.5.5 Priority: Medium Priority

5.6 Design a new database: Continue to monitor. Design a new database to better track follow up work.

5.6.1 Related Objective(s): Responsiveness to Risk

5.6.2 Related Measure(s): Report on audit recommendation

5.6.3 Responsible Person: Director of Audit and Compliance

5.6.4 Target Date: 8/31/06

5.6.5 Priority: Medium Priority

5.7 Conduct self assessment: Conduct self-assessment in FY 2006 for ensuring the compliance with audit standards

5.7.1 Related Objective(s): Annual Audit Work Plan and Completion

5.7.2 Related Measure(s): Peer review for audit compliance

5.7.3 Responsible Person: Director of Audit and Compliance

5.7.4 Target Date: November 2006

5.7.5 Priority: High Priority

5.8 Put surveys on the web.: Put surveys on the web

5.8.1 Related Objective(s): Annual Audit Work Plan and Completion

5.8.2 Related Measure(s): Report on implementation

5.8.3 Responsible Person: Director of Audit and Compliance

5.8.4 Target Date: 8/31/06

5.8.5 Priority: Low Priority

5.9 New monitoring methods:
Provide new monitoring methods for audit staff to track progress and report progress by holding staff meetings every other week or as needed.

5.9.1 Related Objective(s): Annual Audit Work Plan and Completion

5.9.2 Related Measure(s): Report on annual audit plan

5.9.3 Responsible Person: Director of Audit and Compliance

5.9.4 Target Date: 8/31/06

5.9.5 Priority: Medium Priority

5.10 Puchase of Team Mate : Purchase of TeamMate electronic working papers to make work more efficient.

5.10.1 Related Objective(s): Annual Audit Work Plan and Completion

5.10.2 Related Measure(s): Report on working paper

5.10.3 Responsible Person: Director of Audit and Compliance

5.10.4 Target Date: 12/31/05

5.10.5 Priority: High Priority

**5.11 Develop better ways to monitor students` time.:** Develop better ways to monitor students` time.

5.11.1 Related Objective(s): Annual Audit Work Plan and Completion

5.11.2 Responsible Person: Director of Audit and Compliance

5.11.3 Target Date: Fall Semester 2006

5.11.4 Priority: Medium Priority

5.12 Continue to ensure Audit Charter is current.: While criteria was met, we will continue to monitor progress as this is part of Auditing Standards to ensure Audit Charter is current.

5.12.1 Related Objective(s): Compliance with Audit Standards and Best Practices

5.12.2 Related Measure(s): Report on maintainance of an audit charter

5.12.3 Responsible Person: Director of Audit and Compliance

5.12.4 Target Date: 8/31/06

5.12.5 Priority: Medium Priority

5.13 Conduct follow up: Conduct follow up and complete Audit Manual. Select external peer review team.

5.13.1 Related Objective(s): Compliance with Audit Standards and Best Practices

5.13.2 Responsible Person: Director of Audit and Compliance

5.13.3 Target Date: 8/31/06

5.13.4 Priority: Medium Priority

5.14 Prepare written procedures and advertise services: Need to prepare written procedures and advertise services to campus via website.

5.14.1 Related Objective(s): Communication and Collaboration

5.14.2 Related Measure(s): Report on monitor performance

5.14.3 Responsible Person: Director of Audit and Compliance

5.14.4 Target Date: 8/31/06

5.14.5 Priority: Medium Priority

5.15 Encourage staff participation & Include ACUA conf.: Director continue with assistance, expand to include Annual ACUA Conference. Encourage staff participation as well.

5.15.1 Related Objective(s): Communication and Collaboration

5.15.2 Related Measure(s): Report on professional achievement

5.15.3 Responsible Person: Director of Audit and Compliance

5.15.4 Target Date: 9/30/06

5.15.5 Priority: Low Priority

5.16 Continue to develop efficiencies.: Continue to develop efficiencies.

5.16.1 Related Objective(s): Communication and Collaboration

5.16.2 Responsible Person: Director of Audit and Compliance

5.16.3 Target Date: 8/31/06

5.16.4 Priority: Medium Priority

6. Analysis:

6.1 Program/Unit Strengths:

6.1.1 Objectives/Outcomes Exceeded or Met: We complied with Auditing Standards. We worked with the students in the Internal Auditing Education Partnership Program to enahance our limited resources.

6.2 Program / Unit Weakneses:

6.2.1 Objectives / Outcomes Partially or Not Met: Due to limited resources, reorganization, and experience levels of the staff, lower priority items were not able to be addressed, such as the update of the Audit Manual.

7. Report:

7.1 Executive Summary:

The Texas Internal Auditing Act requires external quality assurance reviews of internal audit programs every three years. The purpose of the reviews are to ensure compliance with auditing standards, to evaluate Internal Audit's effectiveness in carrying out its mission, and identify opportunities to enhance its management and work processes. In October 2003, UTD's Office of Internal Audit had a peer review that recommended enhancing the independence of and resources dedicated to Internal Audit, including establishing an appropriate funding level to ensure adequate training resources. Both recommendations were implemented. Other areas identified included updating the Audit Manual, reviewing the training policy, and expanding activities to include more formalized consulting projects. These recommendations remain in process and have been identified as goals for fiscal year 2007. Another peer review is scheduled for November 2006.

As identified in the peer review and in an effort to obtain additional resources and supervisory training for Internal Audit staff, the Office of Internal Audit began working with graduate students in the Endorsed Internal Auditing Education Partnership program in the School of Management on audits.

During fiscal year 2006, the Director of Audit and Compliance began having monthly staff meetings. During each meeting, the agenda identifies office goals and opportunities for enhancing operations. Opportunities identified and implemented included development of a more efficient time reporting system. Opportunities that are in process are development of procedures and a new employee orientation manual. These will be done during fiscal year 2007.

7.2 Top 3 Program/Unit Accomplishments:
Reorganization of Audit and Compliance during fiscal year 2006 helped reduce inefficiencies and redundancies in audit and compliance functions.

Worked with graduate students in the School of Management on audits and provided them real-world audit experience.

7.3 Research Activities or Publications: N/A

7.4 Instructional/Training Activities (presented or received):
Worked with the School of Management's Endorsed Internal Auditing Program students by having students complete audit work under Office of Internal Audit staff supervision. Students receive a grade for their participation.

7.5 Public Service:

Work with Dallas Chapter of the Institute of Internal Auditors and Association of College and University Auditors on programs, conferences,and Board of Governors. Serving in this way helps benefit others within the State of Texas as well as globally.

Worked with graduate students in the School of Management on audits and provided them real-world audit experience.

7.6 Other External Activities: N/A

7.7 Contributions to UTD:
Provided assurances to managemen regarding UTD's key institutional risks. Helped enhance UTD operations by conducting operational audits in all areas, including research, which is a key component of UTD's vision.

7.8 Top 3 Program / Unit Challenges: Limited resources to achieve work plans.