Annual
Internal Audit Report

Fiscal Year 2005

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PURPOSE

The purpose of this annual report is to provide information on the benefits and effectiveness of the internal audit function at The University of Texas at Dallas (UTD). In addition, the annual report assists central oversight agencies in their work planning and coordinating efforts.

The Texas Internal Auditing Act requires that an annual report on internal audit activity be filed by November 1st of each year. Refer to the Texas Government Code, Section 2102, as amended by H. B. 2485 during the 78th Legislature.

Additional information regarding the UTD Office of Audit and Compliance can be found at the following website:

http://www.utdallas.edu/utdgeneral/business/internal_audits/.

Report Distribution:

- Texas State Auditor's Office
- Office of the Governor
- Legislative Budget Board
- Sunset Advisory Commission
- The University of Texas System Executive Vice Chancellor for Academic Affairs
- The University of Texas System Audit Office
- The University of Texas at Dallas Audit Committee

INTERNAL AUDIT PLAN FOR FISCAL YEAR 2005

Priority Audits

Audit Areas	Budget Hours
Key Financial and Operating Audits	
System-wide Financial Audits	
Assistance to Outside Auditors – Statewide Federal Audit	120
Assistance to Outside Auditors – UT System Opinion Audit	550
Training on Financial Statement Methodology	135
Mandatory Financial Audits	
Lena Callier Trust	100
Financial Statement Certifications	80
Other Financial	60
Financial Consulting and Meetings Implementation of Sarbanes-Oxley "Best Practices"	30
Financial Audit Carry-forward	80
Subtotal Key Financial and Operating Audits	**1,155**
Institutional Compliance Audits	
High-Risk Areas	
Account Reconciliations & Segregation of Duties	120
Cash Handling	120
EEO – Faculty	60
EEO – Staff	40
Emergency Operating Plan	40
Environmental Health & Safety	160
Gramm Leach-Bliley	120
Reimbursement of Business Expenses	120
SSN Protection	60
Student Confidential Non-directory Information	80
TAC 202	(see IT audits)
Scanning	60
Time and Effort Reporting (Follow-up)	50
Other Compliance	
Compliance Consulting and Meetings	120
Hotline Investigations	80
Compliance Carry-forward	30
Subtotal Institutional Compliance	**1,260**

Audit Areas	Budget Hours
Information Technology Audits	
System-wide and Mandatory IT Audits	
General Controls	200
Information Security	200
TAC 202	120
Risk-based IT Audits	
HRS Application Review	100
Information Technology Consulting and Meetings	40
ERP Team Meetings	80
IT Carryforward	30
Subtotal IT Audits	**770**
Core Business Process Audits	
System-wide Audits	
Contracting	160
Risk-based Core Business Process Audits	
Cash Handling & Receipting	200
Student Registration	150
Equipment	100
Engineering and Science Research Enhancement Initiative	200
Core Business Consulting and Meetings	50
Enterprise Risk Management	80
Core Business Process Audits Carryforward	75
Subtotal Core Business Process Audits	**1,015**
Change in Management Audits	
Change in Management Audits	120
President's Office	80
Subtotal Change in Management Audits	**200**
Follow-Up Audits	
Annual Follow-up Audit	150
Quarterly Follow-up of Significant Recommendations	20
Subtotal Follow-Up Audits	**170**
Projects	

Audit Areas	Budget Hours
UT System Requests	50
Quality Assurance Reviews	50
Follow-up QAR	30
FY 2006 Audit Plan	80
Annual Internal Audit Report	30
Reserved for Special Projects & Audit Committee	108
Audit Committee	100
Investigations	80
Audit Manual Revision	100
Subtotal Projects	**628**
Total Audit Hours	**5,198**

Explanation of Deviations from 2005 Audit Plan

The Audit Plan was accomplished as approved by the Audit Committee, with the following exceptions. The Audit Committee approved the exceptions due to various circumstances, including the staff turnover, which are discussed below. The exceptions are documented in the quarterly Audit Committee meeting minutes.

- *Key Financial and Operating Audits* – All audits were either completed or in the process of completion as of 8/31/05. During FY05, our highest risks were determined to be in the Key Financial and Operating Areas; therefore, we placed a higher priority on these audits.
- *Compliance Audits* – Due to organizational changes at UTD, including turnover in the Compliance Office, many of the compliance audits planned for FY05 were postponed to FY06 at the request of the Compliance Office. Only five of the 14 audits planned were completed or in process of completion at 8/31/05.
- *Information Technology Audits* – Due to the implementation of new administrative systems (Project Quest/Banner), the Audit Committee decided to delete the Human Resources System (HRS) Application Review from the Audit Plan. In addition, the General Controls, Information Security, and TAC (Texas Administrative Code) 202 audits were postponed at the request of Information Resources due to the implementation. A TAC 202 audit has been added to the FY06 Audit Plan, which will include a review of general controls and security. Note that the Director of Internal Audits is involved in the Oversight Committee for Project Quest, and the Information Systems Auditor is involved in the technical and other committees, ensuring that sufficient controls are built in to the new systems.
- *Core Business Processes* – Of the five audits planned, three were in process of completion at 8/31/05. The audit of Cash Handling was postponed to due organizational changes at the request of the Audit Committee. The audit of Project Emmitt was rescheduled to FY06.

There were no changes of scope in the audits that were performed during fiscal year 2005.

EXTERNAL QUALITY ASSURANCE REVIEW

The following is the External Quality Assurance Review report, issued October 2003.

EXECUTIVE SUMMARY

At your request, we have conducted a quality assessment of the Office of Internal Audit (Internal Audit) at The University of Texas at Dallas (UTD). The principal objectives of the quality assessment (QA) were to assess Internal Audit's conformity to The IIA's *Standards for the Professional Practice of Internal Auditing (Standards)*, evaluate Internal Audit's effectiveness in carrying out its mission (as set forth in its charter and expressed in the expectations of UTD's management), and identify opportunities to enhance its management and work processes, as well as its value to UTD.

As part of the preparation for the QA, Internal Audit prepared a self-study, with detailed documentation. Prior to the commencement of the onsite work by the QA team, the team members reviewed the self-study and supporting documentation. During the onsite work performed by the QA team on October 22 – 24, 2003, the team interviewed key executives and Internal Audit staff. Additionally, we reviewed Internal Audit's risk assessment and audit planning process, audit tools and methodologies, engagement and staff management processes, and a representative sample of Internal Audit's working papers and reports.

The Internal Audit activity environment is well structured and strives to be progressive. Additionally, Internal Audit staff understand the *Standards* and management is endeavoring to provide useful audit tools and implement appropriate practices. Among these tools and practices are automated audit sampling software; professional training and encouragement of certifications for Internal Audit staff; concise reports with a focus on risk; and a strong reputation and credibility with customers. Consequently, our comments and recommendations are intended to build on this foundation already in place in Internal Audit.

Our recommendations are divided into two groups:

- Those that concern UTD as a whole and suggest actions by senior management. Some of these are matters outside the scope of the QA, as set out above, which came to our attention through the interviews. We include them because we believe they will be useful to UTD management and because they impact the effectiveness of Internal Audit and the value it can add.
- Those that relate to Internal Audit's structure, staffing, deployment of resources, and similar matters that should be implemented within Internal Audit activity, with support from senior management.

Highlights of our recommendations are set forth below, with details in the main body of our report.

PART 1 – MATTERS FOR CONSIDERATION OF UTD MANAGEMENT

1. Enhance the independence of Internal Audit, including rescinding the delegation of responsibility for providing the University's official responses to audit reports and contact personnel.
2. Enhance the resources dedicated to Internal Audit, including establishing an appropriate funding level to ensure adequate training resources to maintain and enhance the knowledge and skill sets of personnel.

PART II – ISSUES SPECIFIC TO INTERNAL AUDIT

1. Complete the update of the Audit Manual to reflect the new Standards and any other changes in departmental operating procedures.
2. Review the department training policy to ensure that the established requirements are consistent with training needs for the current staffing level and address the changing, complex environment of UTD.
3. Expand available Internal Audit activities to include more formalized consulting projects.

OPINION AS TO CONFORMITY TO THE *STANDARDS*

It is our opinion that Internal Audit generally conforms to the following *Standards*:

- 1000 – Purpose, Authority, and Responsibility (Charter),
- 1100 – Independence and Objectivity,
- 1200 – Proficiency and Due Professional Care
- 1300 – Quality Assurance/Improvement Program,
- 2000 – Managing the Internal Audit Activity,
- 2100 – Nature of Work,
- 2200 – Engagement Planning,
- 2300 – Performing the Engagement,
- 2400 – Communicating Results,
- 2500 – Monitoring Progress,
- 2600 – Management's Acceptance of Risks, and
- The IIA's *Code of Ethics.*

In our terminology, "generally conforms" means that Internal Audit has a charter, policies, and procedures that are judged to be in accordance with the *Standards,* with some opportunities for improvement, as discussed in our recommendations. "Partially

conforms" means deficiencies in practice are noted and are judged to deviate from the *Standards,* but these deficiencies did not preclude Internal Audit from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies in practice are judged to be so significant as to seriously impair or preclude the internal audit activity from performing adequately in all or in significant areas of its responsibilities. It is our opinion that there are no areas in which Internal Audit does not conform to the *Standards*.

We appreciate this opportunity to be of service to UTD. We will be pleased to respond to further questions concerning this report and to furnish any desired information.

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Team Leader
Assistant Director for System-wide Compliance
The University of Texas System

Team Members:
Lois Pierson, CPA, CIA
Manager, Internal Audit
U. T. M. D. Anderson Cancer Center

Jack Evans, CIA, CISA
Supervisor of Internal Audit
U. T. Southwestern Medical Center at Dallas

OBSERVATIONS AND RECOMMENDATIONS

The review team, based on observations made during interviews and review of Internal Audit's conformity to the *Standards*, makes the following recommendations for enhancing the efficiency and effectiveness of the internal audit function.

A. PART 1 – MATTERS FOR CONSIDERATION OF UTD MANAGEMENT

1. **Enhance the independence of Internal Audit by rescinding the delegation of responsibility for providing the University's official responses to audit reports and contact personnel.**

   During our review, we noted that the President has delegated the responsibility for providing the University's official responses to all audit reports to the Senior Vice President for Business Affairs. Additionally, the Senior Vice President for Business Affairs approves all institutional audit reports for issuance, including those for operational areas under other Vice Presidents or Senior Vice Presidents. This could be interpreted as the Senior Vice President for Business Affairs having authority over operational units not reporting to him. Additionally, when reports are transmitted outside the University, the recipient is advised to contact the Senior Vice President for Business Affairs with any questions. This creates the outward appearance that Internal Audit reports to the Senior Vice President for Business Affairs, rather than directly to the President.

   Recommendation: We recommend that the delegation of responsibility for providing the University's official responses to all audit reports be rescinded. Audit responses for institutional audit reports should be the responsibility of the appropriate Vice President or Senior Vice President for the organizational unit being audited. For external audit reports, the appropriate Vice President or Senior Vice President should be responsible for the audit response with coordination by the President's office. Inquiries related to audit reports should be directed to the Director of Internal Audits.

   Response: We agree, and the recommendation will be implemented.

   Implementation Date: Immediately.

2. **Enhance the resources dedicated to Internal Audit, including establishing an appropriate funding level to ensure adequate training resources to maintain and enhance the knowledge and skill sets of personnel.**

We noted that the budgeted funds for Maintenance & Operations (M&O) and Travel activities of the Department of Internal Audit have remained static since the 2000-2001 fiscal year at a combined total of $13,000 or approximately $2,900 per audit professional. This funding level appears inadequate based on the amount of professional development required to maintain a qualified and certified professional audit staff, which is current on industry developments, trends and changes. High quality continuing professional training is especially important due to the limited experience levels of the current staff, excluding the Director and Audit Manager. We reviewed the funding of internal audit departments at other comparable UT System academic institutions, noting that an average of approximately $5,600 per audit professional is budgeted in these categories. Internal Audit encourages the obtainment of professional certifications including the Certified Internal Auditor, Certified Information Systems Auditor, and Certified Public Accountant. Currently, several members of the staff have certifications requiring a specified minimum of annual professional development hours to maintain certification.

> *Recommendation:* We recommend review of the M&O and Travel funding levels to ensure that adequate resources are available to ensure high quality training opportunities for each member of the professional staff.

> *Response:* A review of the M&O and Travel funding levels will be performed during the next budgetary cycle.

> *Implementation Date:* Third quarter, fiscal year 2004.

PART II – ISSUES SPECIFIC TO INTERNAL AUDIT

1. **Complete the update of the Audit Manual to reflect the new *Standards* and any other changes in departmental operating procedures**.

   During our review of the Audit Manual and Internal Quality Assurance Report, we noted that the Audit Manual is in the process of being updated to address the changes in the *Standards* that occurred in January 2002.

   > *Recommendation:* We recommend that the Audit Manual be updated to reflect the new *Standards* and any other changes in departmental policies and procedures.

   > *Response: The Audit Manual is in the process of being updated.*

   > *Implementation Date: We will complete the update by the end of the second quarter, fiscal year 2004.*

2. **Review the department training policy to ensure that the established requirements are consistent with training needs for the current staffing level and address the changing, complex environment of UTD**.

During our review of the departmental training policy, we noted that a percentage of the annual training time is targeted toward information systems auditing. With the exception of the one member of the staff classified as an Information Systems Auditor, who is a Certified Information Systems Auditor, the department is not meeting this training target for all auditors. Since the department has an Information Systems Auditor, the concentration of a percentage of training on information technology auditing for all staff might not be the best allocation of limited resources. Additionally, we noted that training is not identified in other specialized focus areas.

Recommendation: During the update of the Audit Manual, consideration should be given to modifying the training policy to expand target training to include other specializations. The policy should also ensure that training received assists the audit staff in meeting the needs of a changing, complex organization.

Response: We implemented that policy at the recommendation of the previous quality assurance review team. We agree, and we will revise the training policy as suggested.

Implementation Date: We will incorporate the revised training policy into the revised Audit Manual by the end of the second quarter, fiscal year 2004.

3. Expand available Internal Audit activities to include more formalized consulting projects.

During our review of documentation and interviews with management, we noted a limited amount of audit resources were dedicated to consulting engagements. Several interviewees indicated that Internal Audit was very responsive to informal requests for assistance; however, they believe the addition of more consulting activities would enhance the value of Internal Audits activities.

Recommendation: We recommend Internal Audit established a more formalized process for consulting requests. This could include developing an inventory of services available, maintaining summary information on completed requests and reporting of these activities to the Internal Audit Committee on a quarterly basis.

Response: A more formalized process for consulting requests will be developed as suggested.

Implementation Date: We will incorporate this process into our revised Audit Manual by the end of the second quarter, fiscal year 2004.

LIST OF AUDITS COMPLETED

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
R501	10/6/04	**HIPAA – Privacy**	To provide reasonable assurance that an effectively designed Institutional Compliance Program for HIPAA – Privacy has been implemented and is operating effectively.	No recommendations.		
R502	10/22/04	**TAC 202**	To provide assurance that UTD is in compliance with Texas Administrative Code (TAC) 202.	1. UTD should perform a thorough cost-benefit analysis and reconsider the purchase and implementation of the Intrusion Prevention System during fiscal year 2005. 2. Information Resources should work with the mission critical business offices to develop written business continuity plans that complement the existing disaster recovery plans. Written disaster recovery plans should be finalized for the Callier Center, Technology Customer Services, UNIX, and Telecommunications. The plans should be approved by the President and include the elements required by TAC 202.6. 3. Information Resources should develop policies and procedures that improve wireless network security and consider mandating that wireless users meet the same security standards before being allowed to connect to the network. 4. Controls over the Identipass system should be improved. The Security Manager should work with the University Police to implement appropriate security controls.	*The annual audit of TAC 202 is currently underway to determine the status of these recommendations. The audit report will be issued prior to December 2005.*	The UTD network may be compromised. UTD may not be able to maintain or quickly resume mission-critical functions. An increased likelihood exists that a virus/worm or malicious code will spread via the network. Unauthorized access could result in loss of data, equipment, etc. Unauthorized

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				5. Information Resources should regularly communicate to departmental managers and educate them to ensure they notify Information Resources when workstations, servers, equipment, or software is going to be connected to the UTD network. 6. The Security Manager should meet with the President periodically, at least annually, to discuss the effectiveness of security controls and communicate the security risk management decisions and plans. 7. A maintenance schedule should be developed and published for the maintenance of critical computing infrastructure, to allow for patches and normal maintenance during the semester. 8. Callier Technical Services should supervise non-Technical Services employees while in the data center, document key pad procedures for key pad code access/approval, and document a schedule to address the frequency of the change/update of the key pad codes. Written emergency procedures should be developed and periodically tested. A listing of authorized personnel to the Jonsson Data Center should be developed and documented.		access, lack of backup and recovery, noncompliance with federal regulations. The President might not be fully aware of the security risks. The UTD network could be at risk of unauthorized access. Lost data and equipment.
R503	10/29/04	**JAMP**	To provide assurance that UTD is	Various recommendations	*Management stated that the*	Loss of JAMP

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
			in compliance with Joint Admissions Medical Program (JAMP) agreement requirements and expenditure guidelines. This audit is required for even numbered years by the JAMP Council Agreement.	were made over monthly account reconciliations; agreements, budget revisions, equipment, salaries, and the expenditure report accuracy.	*recommendations would be implemented. An annual follow-up audit, scheduled for spring 2006, will follow up on the status of these recommendations.*	funding, risk of fraud or error.
R504	10/30/04	**Annual Internal Audit Report for Fiscal Year 2004**	To provide information on the benefits and effectiveness of the internal audit function at UTD.	*Not applicable to scope.*		
R505	10/30/04	**Financial Aid**	To provide assurance that Financial Aid processes and departmental operations are being employed efficiently and economically and in compliance with certain policies and procedures.	1. UTD departments involved in Financial Aid processing should work together to develop better communications that will help ensure Financial Aid is kept informed, and in a timely manner, of all scholarships, fellowships, and other financial aid offered at the department level. 2. The Financial Aid Office should revise its current organizational structure, providing at least one additional level of management between the Director and the staff. 3. The department should develop a policies and procedures manual that is specific to departmental operations. Job descriptions should be development. 4. Departmental operations should be reviewed for efficiencies and controls, including using email rather than mail, segregating duties, automating processes,	*Management stated that the recommendations would be implemented. An annual follow-up audit, scheduled for spring 2006, will follow up on the status of these recommendations.*	Processes might not be efficient, resulting in increased costs and poor customer service. Productivity and employee morale may be affected, resulting in the department not being able to accomplish its objectives. Departmental inefficiencies and weak internal controls may occur. Departmental inefficiencies and weak internal controls may occur.

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
				enhancing training, enhancing the awarding and verification processes, and processing files in a different manner. 5. Receipt handling should be improved. 6. Account reconciliations should be reviewed by the Director. 7. Procurement card controls should be improved. 8. The server management agreement should be finalized.		Increased risks of error or fraud. The Director may make decisions based on a lack of awareness of departmental operations. Increased risk of error or fraud. Servers may be compromised.
R506	11/12/04	**University Events and Travel – Student Affairs**	To provide assurance that an effectively designed Institutional Compliance Program has been implemented for University Events and Travel – Student Affairs, and to determine whether UTD is in compliance with policies and procedures applicable to the high-risk area.	1.The method of monitoring should be revised to include periodic compliance testing of the policies by the responsible person. 2. Guidelines should be updated to include forms currently being used, and the emergency procedures should reflect those found in UTD policies.	*Management stated that the recommendations would be implemented. An annual follow-up audit, scheduled for spring 2006, will follow up on the status of these recommendations.*	An increased risk to UTD that event participants could be harmed. UTD personnel may not fully understand their responsibilities, resulting in increased risk of physical hard to participants.
R507	11/12/04	**Server Management Compliance**	To provide assurance that an effectively designed Institutional Compliance Program has been implemented for Server Management, and that the	Monitoring should be improved to ensure that the responsible person is made aware of the status of, and can follow up on, server	*Management stated that the recommendations would be implemented. An annual follow-up*	Increased risk of system or data corruption and/or lack of service to

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
			program is operating effectively.	management agreements. In addition, the training plan should be updated to include the awareness emails sent out by the responsible person.	*audit, scheduled for spring 2006, will follow up on the status of these recommendations.*	students, faculty, and staff.
R508	12/3/04	**Research Compliance**	To provide assurance that an effectively designed Institutional Compliance Program for Research Compliance has been implemented, and that the program is operating effectively. This audit was performed based on the recommendations from the previous audit of Research Compliance, performed in fiscal year 2003.	The compliance plans for the high-risk areas should be better documented to ensure that the plans reflect what is actually being done, and that documentation is maintained to evidence the monitoring, training, and reporting.	*Management stated that the recommendations would be implemented. An annual follow-up audit, scheduled for spring 2006, will follow up on the status of these recommendations.*	An increased risk of noncompliance could result in possible loss of federal funding, negative public image, negative financial implications and/or legal actions against UTD.
R509	1/7/05	**Sexual Harassment**	To provide assurance that an effectively designed Institutional Compliance Program has been implemented for Sexual Harassment, and that the program is operating effectively. Also, to provide assurance that UTD is in compliance with policies, plans, procedures, laws, and regulations that could have a significant impact on operations and reports relating to Sexual	No recommendations.		

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
			Harassment.			
R510	2/15/05	**Performance Measures**	To provide assurance to the accuracy of the performance measures data and the adequacy of the processes used to collect complete data.	No recommendations.		
R511	2/24/05	**Emergency Operation Plan**	To provide assurance that an effectively designed Institutional Compliance Program for the Emergency Operation Plan has been implemented and is operating effectively.	The responsible person should work with the Compliance Office to prepare a more comprehensive and specific compliance plan.	*In process. Management stated that the recommendations would be implemented. An annual follow-up audit, scheduled for spring 2006, will follow up on the status of these recommendations.*	Without an effective plan, damage to buildings, infrastructure, and interruption of services could result in significant losses, such as decreases in research funding, enrollment, and faculty and staff.
R512	5/10/05	**Time and Effort Reporting**	To follow up on the recommendations from the previous compliance audit of Time and Effort Reporting.	1.Time and Effort Certifications should be accurately completed in accordance with UTD policies and procedures. 2. The Time and Effort Compliance Program should be enhanced.	*Completed.* *Completed, but enhancements should continue.*	Noncompliance could result in lost federal funding, or employees paid for work not actually performed.
R513	5/24/05	**Lena Callier Trust for the Hard of Hearing**	To ensure compliance with the criteria established by the Trust	No recommendations.		

Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
		and Deaf	and certain UTD policies and procedures. Also, to determine if revenues were recognized and expenses were made in accordance with the terms of the trust for the year ended 8/31/04.			
R514	6/28/05	**Financial Statement Certifications**	To provide assurance that certifications regarding financial reporting were performed as required by the U. T. System Business Procedures Memorandum No. 03-02-04, *Annual Financial Report.*	The Financial Statement Certification process should be better communicated to the account managers.	*Implemented.*	Noncompliance could result in financial statement misstatements.
R515	6/29/05	**Follow-up of Prior Audit Recommendations**	To determine if the audit recommendations made by the Office of Internal Audits during fiscal year 2004 have been adequately addressed by management.	Of the 62 audit recommendations made during fiscal year 2004, 36 were implemented and 26 remain in process of implementation. Satisfactory progress has been made on the recommendations that remain in process. Of those still in process, only two are considered significant to UTD operations.	*The two significant recommendations have been implemented. Management stated that the recommendations would be implemented. An annual follow-up audit, scheduled for spring 2006, will follow up on the status of these recommendations.*	Lack of timely follow-up results in increased risks in all areas of finances, operations, compliance, information systems, etc.
R516	8/2/05	**Travel**	To determine if travel expenses are fairly presented in the financial statements in all material respects; to provide assurance that UTD is in compliance with travel policies and procedures; to provide assurance that travel	1. Control over travel reimbursements should be enhanced. 2. Accounting for travel advances should be improved. 3. Travel card activity and expenses should be monitored.	*In process. Should be implemented by January 2006, per management.*	Increased risk of error or fraud.

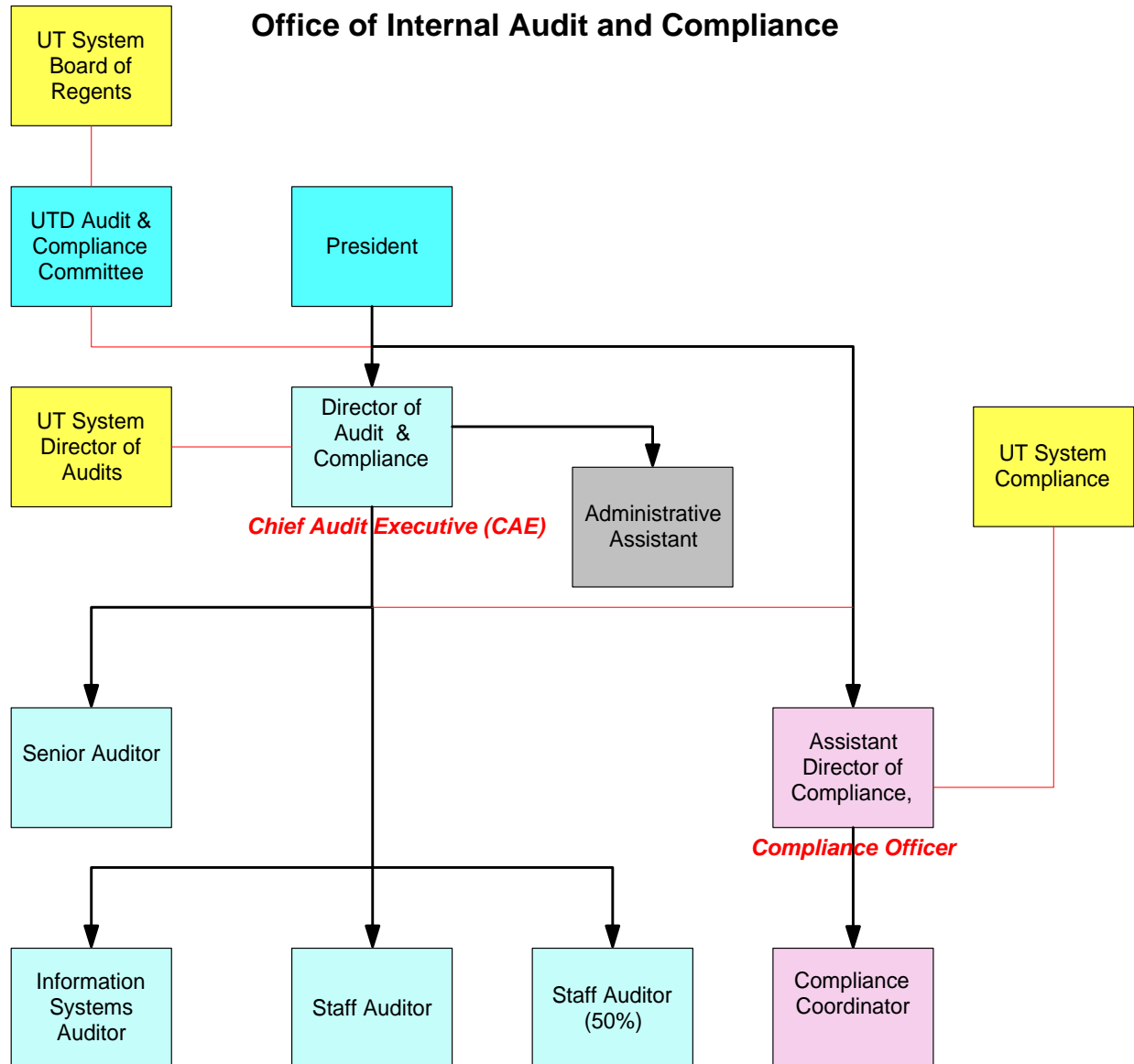| Report No.	Report Date	Name of Report	High-Level Audit Objectives	Observations, Findings, & Recommendations	Current Status	Fiscal Impact/ Other Impact
			operations are being employed efficiently and economically.			

LIST OF CONSULTING ENGAGEMENTS AND NON-AUDIT SERVICES[1] COMPLETED

Report Date	Name of Report	High-Level Objectives	Observations, Findings, & Recommendations	*Current Status*	Fiscal Impact/ Other Impact
n/a	**No report issued.**	Perform monitoring of account reconciliations and segregation of duties.	Information provided to the high-risk area responsible person regarding various monitoring procedures.	*Completed consulting agreement.*	
n/a	**No report issued.**	Provide support using ACL (audit software) to the following compliance high-risk area responsible persons to allow them to select samples for their monitoring procedures: Endowments and Unallowable Costs.			

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[1] http://www.gao.gov/govaud/yb/2003/html/chap26.html

ORGANIZATIONAL CHART

Office of Internal Audit and Compliance

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UT System
Board of
Regents
  |
UTD Audit &            President
Compliance
Committee
  |                       |
UT System          Director of
Director of        Audit &
Audits             Compliance          Administrative      UT System
                   Chief Audit         Assistant           Compliance
                   Executive (CAE)
     |                                                          |
Senior Auditor                          Assistant
                                        Director of
                                        Compliance,
                                        Compliance Officer
     |                                        |
Information    Staff Auditor   Staff Auditor   Compliance
Systems                        (50%)           Coordinator
Auditor
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REPORT ON OTHER INTERNAL AUDIT ACTIVITIES

ACTIVITY	IMPACT
Served on University Information Resources Security Committee.	Provides independent consultation and guidance to help ensure that the University's computing environment is adequately safeguarded.
Consulted on maintenance of the financial, student, human resources, and smart card information systems, as needed.	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized.
Participated on the University's compliance committee and compliance subcommittee.	Provides independent consultation and guidance to help ensure that institutional compliance issues are being addressed.
Facilitated University's ethics/compliance hotline and served on committee to address calls to the hotline.	Provides independent consultation and guidance to help ensure that the risk of errors and fraudulent activities are minimized and helps ensure that institutional compliance issues are being addressed.
Consulted with management, faculty, and staff with questions on various university issues such as internal controls, procedures, etc.	Provides university employees with guidance and resources.
Participated in external quality assurance review.	Participated in an external quality assurance review of The University of Texas at Austin. This provides a sharing of ideas, experiences, and approaches with other internal audit departments.
Participated in the Dallas Chapter of the Institute of Internal Auditors as a Board and member and as co-chair of the Certified Internal Auditor Examination Committee.	This provides a sharing of ideas, experiences, and approaches with other internal audit departments.
Participated on Association of College and University Auditors' Track Coordinators.	This provides a sharing of ideas, experiences, and approaches with other internal auditors and audit/business professionals.
Participated on Programs Committee for the Institute of Internal Auditors 2004 Regional Conference held September 2004.	This provides a sharing of ideas, experiences, and approaches with other internal auditors and audit/business professionals.
Presented to the Endorsed Internal Audit Program class on Risk Assessment and working papers. Supervised student auditors from the class on audit projects.	This provides opportunity to interact with students and share ideas, approaches, audit issues.

INTERNAL AUDIT PLAN FOR FISCAL YEAR 2006

A full copy of the Audit Plan may be requested from the Director of Internal Audits at 972-883-2693.

EXTERNAL AUDIT SERVICES

The University of Texas System contracted with an external audit firm to conduct a financial audit of the U. T. System financial statements for the year ended August 31, 2005. UTD is being audited; however, the contract is with the U. T. System.