

**THE UNIVERSITY OF TEXAS
AT TYLER**



**Annual Internal Audit Report
Fiscal Year Ending August 31, 2007**

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

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Internal Audit Plan for Fiscal Year 2007

The University of Texas at Tyler
INSTITUTION TOTAL 2006 EXPENDITURE AMOUNT: \$62,155,976
TOTAL NUMBER OF 2007 BUDGETED AUDITOR POSITIONS (GROSS OF VACANCIES): 2.5

Fiscal Year 2007 Audit Plan

Audit Areas	Priority Budgeted Hours	% of Total
<i>UT System Requested</i>		
Financial Audit - Deloitte	250	
Regents' Rule 20205 - Presential Travel and Entertainment	80	
Social Security Number Protection BPM 66-01-06	120	
Time And Effort Reporting Principles	60	
Confidentiality and Integrity of Digital Research Data BPM 75-04-06	60	
Subtotal	570	24%
<i>Externally Required</i>		
Grant Requests - required by grantor:		
Gear-up	60	
JAMP	40	
<i>Carryforward</i>		
TAC 202 Compliance Audit - completion	40	
Subtotal	140	6%
<i>Risk Based: Institutional Processes</i>		
Construction Management-Local Projects	120	
Campus Safety and Security	0	
<i>Consulting</i>		
Strategic Planning Process	40	
Business Continuity Plan	60	
Subtotal	220	9%
<i>Risk Based: Auditable Area</i>		
Student Services:		
Financial Aid	100	
Health Clinic	100	
Instruction and Academic Support:		
Course Availability and Scheduling	100	
Program Development	0	
Faculty Tenure and Productivity	120	
Information Technology:		
Academic Local Area Networks	80	
Information Technology Consulting/Meetings	40	
General Security Controls	80	
Subtotal	620	26%

Internal Audit Plan for Fiscal Year 2007

Change in Management Allocation

Dean of Engineering	72	
Dean of Liberal Arts	80	
Associate Provost	60	
Director of Environmental Health and Safety	40	
Executive Director of University Advancement	60	
Reserve for Other Change in Management Reviews	0	
Change in Management Subtotal	312	13%

Follow up Audits

Follow-up of FY 2006 Audits	40	
Significant Recommendation Tracking	20	
Follow up subtotal	60	3%

Consulting Projects

Reserve for Special Projects and Investigations as requested by the President and/or Audit Committee	100	
Risk Assessment Consultation	40	
Compliance Sub-committee meetings	40	
Consulting Projects Subtotal	180	

Other Projects

Quality Assurance Review-internal follow-up	40	
Training provided by IA	16	
Internal Audit Committee-Quarterly	60	
Compliance Working Group - Monthly	13	
2006 Annual Audit Report - SAO	20	
Investigations/Ethics Line	40	
2007-2008 Audit Plan	50	
Website Development	0	
UT System Requests - Information and misc reports	35	
Other Projects Subtotal	274	

Projects Total	454	19%
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Total Priority Hours	2376	100%
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Explanations for Deviations from Fiscal Year 2007 Audit Plan

There were no significant deviations from the Fiscal Year 2007 Audit Plan. The Office of Audit Services at The University of Texas at Tyler accomplished 98% of the priority audit hours for 2006-2007. All but two risk based audits were not substantially completed by year-end, and have been included in the 2007-2008 audit work plan.

External Quality Assurance Review Report



The Texas A&M University System

System Internal Audit Department

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August 4, 2005

Ms. Kathy Kapka
Director of Audit Services
The University of Texas at Tyler
3900 University Blvd ADM 363
Tyler, TX 75799

Dr. Rodney H. Mabry
President
The University of Texas at Tyler
3900 University Blvd ADM 363
Tyler, TX 75799

Subject: Report of Quality Assurance Review

Dear Ms. Kapka and Dr. Mabry:

We have completed a Quality Assurance Review of Audit Services at the University of Texas at Tyler. The review was conducted during July, 2005, and covered the period from the date of the last review to the present, with emphasis on current practices. The objective of the Quality Assurance Review was to provide reasonable assurance that the internal auditing program at the University of Texas at Tyler complied with the Institute of Internal Auditors' *Standards for the Professional Practice of Internal Auditing* and *Code of Ethic*, collectively referred to as "the Standards." The objective was achieved by means of interviews with selected customers, members of Audit Services staff, and Audit Services management, review of quality control processes implemented by the department, and evaluation of the department's work products.

In our opinion, Audit Services at the University of Texas at Tyler generally complied with the Standards in all material respects during the period under review. A summary of the department's exemplary practices and the team's observations for program enhancements is attached to this report.

We appreciate the cooperation and assistance provided to us throughout the course of our review by the members of Audit Services at the University of Texas at Tyler and by the campus community.

Sincerely,

Mark Poehl, CPA, CIA, CISA, CFE
Audit Manager
Texas A&M University System Internal Audit
Team Leader

Team Member:
Norma Ramos, CPA
Director Internal Audits
UT Brownsville and Texas Southmost College

Attachment

cc: Dr. Jim Ferguson, Audit Committee Chair
Eric Polonski, UT System Audit Liaison

List of Audits Completed with Key Findings, Recommendations, and Status

Report No.	Report Date	Report Name	Audit Objectives	Findings/Recommendations	Current Status	Impact
06-13	01/07	General IT Controls Review	Assess the adequacy and effectiveness of general security controls and other applicable internal controls.	<ul style="list-style-type: none"> Establish an IT planning/steering committee that meets regularly. Seek an increase in training budget in order for all staff to attend seminars to enhance their job performance. A formal assignment or job title/description should be created for the person in charge of IT issues across campus. 	Implemented	Reduce the risk of errors, irregularities and non-compliance.
06-14	01/07	TAC 202	Assess the adequacy and effectiveness of internal controls in relation to criteria as outlined in TAC 202.	<ul style="list-style-type: none"> Dedicate an existing position to enhance IT security and efficiency. Pursue adequate budget resources to achieve an adequate security zone in their new area. Draft and implement a Business Continuity Plan for the entire University. 	Implemented	Reduce the risk of errors, irregularities and non-compliance.
06-15	10/06	JAMP Grant	Assess compliance with grant restrictions regarding administration and program requirements.	No audit findings pertaining to grant restrictions were detected.	N/A	Provide reasonable assurance on accuracy of financial information and compliance with grant requirements.

07-01	10/06	AFR 2006	Financial Reporting and Compliance with laws and regulations.	<ul style="list-style-type: none"> • Executive management should consider charging interest on eligible loans eligible. • No accrual was made at year end for interest and fees posted to student accounts totaling approximately \$10,640. • The allowance for doubtful accounts should be decreased to an amount not to exceed the total of NSF checks outstanding. • Construction in Progress includes amounts over one year old for a Student Residence House project that has been abandoned. These amounts include \$90,691 in architect fees and \$98,516 in capitalized interest for a total of \$189,207. These amounts should be either expensed or combined with the capitalized amount for Ornelas Hall in fiscal year 2007. • Construction in Progress as of 8/31/06 was understated by approximately \$147,000. • Retainage payable was understated by approximately \$283,000. 	<p>Implemented, except as noted below.</p> <p>Not implemented as of 8/31/07. In progress for year ending 8/31/08.</p>	Provide reasonable assurance on accuracy of financial information.
07-02	09/06	Dean of College of Engineering and Computer Science	Assess adequacy and effectiveness of internal controls in relation to New Budget Authority Responsibilities.	<ul style="list-style-type: none"> • Payments should be made based on supporting invoices. • A camera located in the office was not properly tagged, several items were listed with an incorrect room location, and the 	Implemented	Reduce the risk of errors, irregularities and non-compliance.

				<p>Property Removal Permit was not completed for one item that was removed from campus.</p> <ul style="list-style-type: none"> • A supervisor should sign and date employee timesheets prior to processing for payment. • All Faculty Chair evaluations should be completed and on file the Dean's office. • The Unit Effectiveness Plans for the departments of Civil Engineering and Computer Sciences should be created for Fiscal Year 2006. 		
07-03	09/06	Director of Environmental Health and Safety	Assess adequacy and effectiveness of internal controls in relation to New Budget Authority Responsibilities.	<ul style="list-style-type: none"> • Maintain a procurement card log to document all purchases. • Reimbursements should be properly approved by the employee's supervisor. • Date stamp invoices as required. • Meeting expenses should be supported by an invoice and a properly completed "Request for Payment of Business Expense Form". 	Implemented	Reduce the risk of errors, irregularities and non-compliance.
07-05	11/06	Office of the President	Evaluate internal controls, approval processes and documentation for Presidential travel, entertainment and other expenses.	<ul style="list-style-type: none"> • All invoices should be processed within 8 days and all payments should be made within 30 days as required. • A "Request for Payment of Business Expense" form should be on file for all expenditures as required. • Lindsey funds should not be used for athletic apparel or equipment purchases in the future. 	Implemented	Reduce the risk of errors, irregularities and non-compliance.

07-06	11/06	Gear-up Grant	Assess compliance with grant restrictions regarding administration and program requirements.	No audit findings pertaining to grant restrictions were detected.	N/A	Provide reasonable assurance on accuracy of financial information and compliance with grant requirements.
07-07	03/07	Vice President for University Advancement	Assess adequacy and effectiveness of internal controls in relation to New Budget Authority Responsibilities.	<ul style="list-style-type: none"> • All account reconciliations should be properly completed and approved. • Accounts and payments should be carefully monitored to avoid negative balances. • Purchase orders should be processed prior to ordering items as required. • The "Request for Payment of Business Expense" form should be completed for all applicable expenses. • The department should reconcile the total event tickets available to the number sold, donated and destroyed and increase controls over tickets as necessary based on the reconciliation. • Determine the correct object code for each source of income and provide the code to the cashier's office when depositing funds. • The APS form should be completed prior to contracting the services of an individual. 	Implemented	Reduce the risk of errors, irregularities and non-compliance.

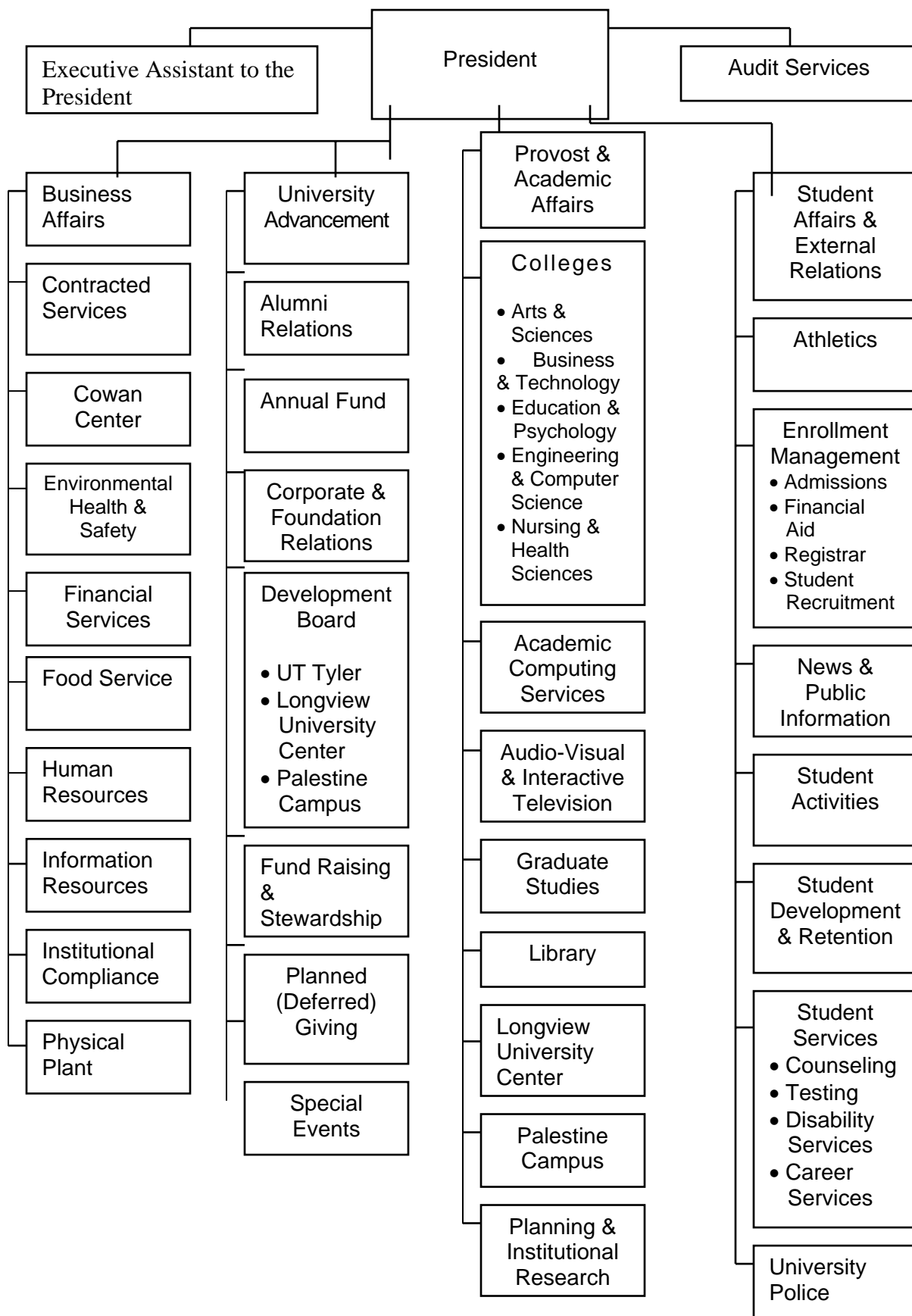
07-08	05/07	Time & Effort Reporting Principles	Assess implementation of principles as required by UT System.	<ul style="list-style-type: none"> • Revise the training module to be more informative and easier to understand. • The effort certification policy should be either followed as written, or revised to match guidelines from UT System. 	In progress	Reduce the risk of errors, irregularities and non-compliance.
07-09	06/07	SSN Protection	Assess implementation of principles as required by UT System.	<ul style="list-style-type: none"> • An ERM footprint and Monitoring Plan should be developed at an appropriate level and used to strengthen controls over the protection of Social Security numbers. • The verbiage from Office of General Counsel from UT System "Provisions for Safeguarding SSNs" should be added to the next annual renewal or added as an addendum to any contract that allows access to SSNs. • All forms used by UT Tyler to obtain a persons Social Security Number should have the required disclosures and be approved by the Information Security Officer to verify the disclosures prior to publication of the forms. • The bulletin of "Compliance with BPM 66" should be distributed to the members of University Council with directions that the members should share the information with those in their area. 	In progress	Reduce the risk of errors, irregularities and non-compliance.

07-10	06/07	Local Construction Projects	Ensure that locally managed construction projects are in compliance with UT System's Regents' Rules, UT Tyler policies and procedures and applicable state and federal guidelines.	<ul style="list-style-type: none"> • Procard expenditures should be approved in DEFINE by the appropriate budget authority on a timely basis. • The "Request for Payment of Business Expense" form should be completed for all applicable expenses. • Employee reimbursement expenses should be approved by the appropriate supervisor. • A comprehensive ERM assessment and Monitoring Plan should be developed. • Ensure that all persons with budget authority responsibilities attend the required training. • All account reconciliations should be properly completed and approved. 	In progress	Reduce the risk of errors, irregularities and non-compliance.
07-14	07/07	Dean of the College of Arts & Sciences	Assess adequacy and effectiveness of internal controls in relation to New Budget Authority Responsibilities.	<ul style="list-style-type: none"> • All invoices should be processed timely as required. • The "Request for Payment of Business Expense" form should be completed for all applicable expenses. • The Request for Travel Authorizations (RTA's) should include the estimated amount of the travel expenditure to be encumbered. • The department should deposit checks in accordance with UT Tyler guidelines. • The department should submit the required transfer forms to correct the assets in DEFINE. 	Implemented	Reduce the risk of errors, irregularities and non-compliance.

List of Consulting Engagements and Non-audit Services Completed

Report No.	Report Date	Report Name	Engagement Objectives	Recommendations	Current Status	Impact
06-09	06/06- Not included last year	NCAA Compliance	Evaluate the adequacy of internal controls over selected NCAA Division III regulations to ensure the compliance with NCAA requirements.	<ul style="list-style-type: none"> • Attach receipts to the unofficial visit forms when they are signed and turned in to the department for documentation. • A missing drug consent form should be obtained from a student-athlete. • A missing general eligibility form should be obtained. • A copy of the student deletion form should be kept in the file in order to support the student being removed from the original eligibility form. 	Implemented	Reduce the risk of errors, irregularities and non-compliance.
07-11	08/07	Health Clinic	Evaluate compliance of operations with UT Tyler, state and federal guidelines.	<ul style="list-style-type: none"> • A Memorandum of Understanding should be executed designating responsibilities for the current financing, operating and compliance functions between UT Tyler and UTHCT. 	In progress	Reduce the risk of errors, irregularities and non-compliance.
07-12	06/07	Student Services Employee Investigation	Evaluate procurement card purchases of employee responsible for intra-mural sports.	<ul style="list-style-type: none"> • Several instances of inadequate documentation for expenditures and one instance of a personal expense being paid with the procurement card. 	Implemented	Termination of employee.

Organization Chart



Report on Other Internal Audit Activities

Activity	Impact
Texas State Society of Certified Public Accountants - Committee on Professional Standards	Director participated in discussion and responses to proposals from various governing boards as a member; served as chairperson of governmental standards sub-committee.
Facilitation of Enterprise Risk Management	Conducted training and facilitation for a campus-wide initiative to perform a University risk assessment and develop monitoring plans for identified high risk areas.
Compliance Risk Assessment	Facilitated risk assessment of University functions to ensure compliance with rules, laws, and regulations.
Member of Institutional Compliance Committee	Director attended monthly meetings and participated in review of compliance issues affecting The University. Served on two subcommittees for specific areas.
Member of University Council	Director attended monthly meetings to discuss issues affecting The University. Committee consists of Academic and Administrative directors.
State Auditor Requests	Responded to requests from the State Auditor's Office with regards to performance measures, certified enrollment data, several surveys, and Student Financial Aid.
PeopleSoft Steering Committee	Director served on steering committee for shared service arrangement with UT System.

Internal Audit Plan for Fiscal Year 2008

THE UNIVERSITY OF TEXAS AT TYLER

INSTITUTION TOTAL 2008 BUDGETED EXPENDITURES = \$74,945,642

TOTAL NUMBER OF 2008 BUDGETED AUDITOR POSITIONS (GROSS OF VACANCIES): 2.5

Fiscal Year 2008 Audit Plan

Audit Areas	Priority Budgeted Hours	% of Total
<i>UT System Requested/Required</i>		
2007 Annual Financial Report	250	
2008 Annual Financial Report - Interim	50	
Presidential Travel and Entertainment	80	
IT Systems Change Management/UTS 165	120	
Subtotal	500	19%
<i>Externally Required</i>		
Audits:		
Texas Workforce Development Grant	80	
ATP/ARP Grants (Research Grants)	80	
Consulting:		
Governance/Consulting Project: Standards of Conduct Guide	80	
Subtotal	240	9%
<i>Risk Based Tier One: Institutional</i>		
Audits:		
Campus Safety and Security-carryover	60	
Procurement Card	120	
Endowment Compliance-follow-up	80	
Consulting:		
Business Continuity Plan	0	
Faculty Evaluation and Tenure Process	120	
Subtotal	380	15%
<i>Risk Based Tier Two: Auditable Area</i>		
Audits:		
<i>Student Services:</i>		
Health Clinic	100	
<i>Information Technology</i>		
Academic Local Area Networks-carryover	80	
<i>Research:</i>		
Federal Awards campus wide	200	
Consulting:		
<i>Academic:</i>		
Course Availability and Scheduling	120	
Subtotal	500	19%

Internal Audit Plan for Fiscal Year 2008- continued

Change in Management Allocation

Vice President for Academic Affairs/Provost	120
Vice President for Student Affairs/External Relations	0
Assistant Vice President-Business Affairs	80
Registrar's Office	0

Subtotal	200	8%
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Follow-up

Quarterly follow-up of significant audit recommendations	12
Annual follow-up of audit recommendations for FY 2007	40

Subtotal	52	2%
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Projects

PeopleSoft (POPS) Steering Committee	100
SACS Quality Enhancement Plan Steering Committee	80

Audit Projects Subtotal	180	
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Consulting Projects

Special Requests - President's Office	40
Risk Assessment consultations	40

Consulting Projects Subtotal	80	
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Other Projects

Quality Assurance Review	150
Training provided by IA	40
Internal Audit Committee-UT Tyler	60
Compliance Working Group	25
2007 Annual Audit Report - SAO	40
2008-2009 Audit Work Plan	60
Investigations/Ethics Line	40
Reserve for other Special Requests	0
Website development	40

Other Projects Subtotal	455	
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Projects Total	715	28%
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Total Hours	2587	100%
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External Audit Services

Annual Financial Report FYE 8/31/06:

The University of Texas at Tyler participated in the Audit of the 2006 Annual Financial Report that was conducted throughout The University of Texas System. The UT System Audit office procured the audit services from Deloitte-Touche, LLP.

Note: The only other external (to UT Tyler) Audit Services for the year ending August 31, 2007 were conducted by the State Auditor's Office.