

The University of Texas
of the Permian Basin



ANNUAL INTERNAL AUDIT REPORT

**For the Fiscal Year Ended
August 31, 2014**

**Office of Internal Audit
4901 E. University Boulevard
Odessa, Texas 79762**

The University of Texas of the Permian Basin
Office of Internal Audits
Annual Internal Audit Report
FY Ended August 31, 2014

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I. Compliance with House Bill 16 (Texas Government Code, Section 2102.015): Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on Internet Website

In accordance with the provisions of House Bill 16, UT Permian Basin will post on its website the approved Annual Internal Audit Report for fiscal year 2014 and the approved Audit Plan for fiscal year 2015. The website address is <http://www.utpb.edu/services/president's-office/internal-audit>.

Additional required information will be posted to this website, such as: a detailed summary of the weaknesses, deficiencies, wrongdoings, or other concerns, if any, raised by the audit plan or annual report; and a summary of the action taken by the agency to address concerns, if any, that are raised by the audit plan or annual report.

II. Planned Work Related to the Proportionality of Higher Education Benefits

At the request of the Governor, an internal audit of the proportionality of higher education benefits process is underway during the first quarter of fiscal year 2015. A consistent audit methodology has been deployed across the UT System that will assess the reporting process and accuracy of benefits funding information provided to the State Comptroller as applicable under the General Appropriations Act, Article IX, Sec. 6.08: Benefits Paid Proportional by Fund. The audit will be completed by November 30, 2014.

III. Internal Audit Plan for Fiscal Year 2014

FY 2014 Audit Plan Audit/Project	Status	Report Date	Explanation
Financial Annual Financial Report - Interim - FY 2014 Tuition and Fees	Completed Cancelled		Interim work only. No report issued. Insufficient resources to be performed in fiscal year. Not rescheduled for fiscal year 2015.
Operational Presidential Travel and Entertainment Expense Audit FY - 2013 Executive Travel and Entertainment Expense Audit - FY 2013 Contract Management Procurement Card and Travel Card Purchases and Payments Cash Handling and Internal Controls	N/A Completed In progress Rescheduled Rescheduled	5/2/2014	Audit performed by UT System Audit office. In progress at fiscal year end. Rescheduled to fiscal year 2015. Rescheduled to fiscal year 2015.
Compliance Subcertification and Monitoring Plan Time and Effort Donations	Completed Cancelled Rescheduled	11/14/2013	Insufficient resources to be performed in fiscal year. Not rescheduled for fiscal year 2015. For current year, changed to consulting engagement to review donations for the performing arts center. Audit rescheduled for fiscal year 2015.
Information Technology PeopleSoft Implementation testing and review TAC 202 Laptop and Tablet Inventory	Ongoing In progress In progress		Ongoing review of controls related to the PeopleSoft implementation. In progress. Fieldwork substantially complete at year end. In progress. Fieldwork substantially complete at year end.
Follow-up Follow-up on outstanding audit findings and recommendations	Ongoing		Follow-up performed on an ongoing basis.
Projects FY 15 Annual Audit Plan Annual Internal Audit Report Quality Assurance Review Activities External Quality Assessment Annual Audit Risk Assessment Training provided by IA Internal Audit Committee Compliance Committee Professional Organizations UT System Projects/Requests UT System Council Meetings Coordination and Tracking of Outside Audits	Completed Completed Ongoing Completed Completed Ongoing Ongoing Ongoing Ongoing Ongoing Ongoing	7/15/2014 10/29/2013 8/25/2014 7/15/2014	

Deviations from the Audit Plan

There were several minor deviations from the original 2014 Audit Plan. The scope of the Donations audit was revised to a consulting engagement for the purpose of reviewing donations and endowment funds for the Performing Arts Center. The scope was reduced because the original audit scope to encompass all donations was determined to be too large for the amount of resources available. A reduced-scope Donations audit has been rescheduled for fiscal year 2015. Four special requests were made during the year that resulted in three consulting engagements and one audit. The audits still in progress at year-end are the Contract Management, TAC 202, and Laptop and Tablet Inventory audits. The Time and Effort audit has been cancelled and is not rescheduled at this time, due to the results of the risk assessment for fiscal year 2015.

IV. Consulting Services and Nonaudit Services Completed

Project Name	Report Date	Overall Objective	Observations/Results/Recommendations
Wagner-Noel Performing Arts Center - Endowment Accounts	4/25/2014	To assure that amounts in the Endowment Account for the Wagner-Noel PAC accurately reflect donations, expenditures and residual amounts transferred to the Endowment Account.	Provided reconciliation of donations to expenditures and the current Endowment Account balance.
Endowment Fee Administration	5/30/2014	To determine whether endowment management and administrative expenditures as projected at 8/31/2014 by UT Permian Basin's Development Office are allowable, reasonable and adequately supported.	The Development Office's projected endowment and administrative expenditures are allowable, reasonable and adequately supported.



V. External Quality Assurance Review

June 27, 2014

Mr. Glen Spencer, Director of Internal Audit
University of Texas Permian Basin
4901 E. University
Odessa, Texas 79762-0001

We have completed an External Quality Assessment ("EQA") of The University of Texas of the Permian Basin ("UT Permian Basin" or "institution") Office of Auditing and Consulting Services ("IA"). The EQA included an assessment of the level of conformance with the Institute of Internal Auditors' International Standards for the Professional Practice of Internal Auditing ("the IIA Standards"), the Generally Accepted Government Auditing Standards ("GAGAS"), as well as the relevant requirements of the Texas Internal Auditing Act ("TIAA"). Listed below are our observations:

- IIA Standards – Based on our work, overall IA generally conforms. We did identify process enhancement opportunities.
- GAGAS – Our assessment of GAGAS was limited, based on IA's disclosure that no internal audits were performed during our assessment period under GAGAS. Based on our work, we did not identify conformance observations. We did identify process enhancement opportunities.
- TIAA requirements – Other than the observations related to IIA Standards and GAGAS, no other observations were identified during our work.

Our services were performed and this report was developed in accordance with our contract dated February 18, 2014 and are subject to the terms and conditions included therein. Our Services were performed in accordance with the Standards for Consulting Services established by the American Institute of Certified Public Accountants ("AICPA"). Accordingly, we are providing no opinion, attestation or other form of assurance with respect to our work and we did not verify or audit any information provided to us. Our work was limited to the specific procedures and analysis described herein and was based only on the information made available through May 30, 2014, when field work was substantially completed. Accordingly, changes in circumstances after this date could affect the findings outlined in this Report. This information has been prepared solely for the use and benefit of, and pursuant to a client relationship exclusively with The University of Texas System Administration. PwC disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than The University of Texas System Administration and UT Permian Basin.

We would like to offer a sincere thank you to you and your staff, and the Internal Audit Committee and management of UT Permian Basin, for the time and attention they provided during this assessment. We appreciate the opportunity to serve The University of Texas System Administration on this important engagement.

Very truly yours,

A handwritten signature in black ink that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP

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Executive Summary

Project objectives, approach, and scope

The overall objective of the project was to evaluate whether The University of Texas of the Permian Basin (“UT Permian Basin” or “institution”) Office of Auditing and Consulting Services (“IA”, “internal audit function”, or “IA”) conforms with the Institute of Internal Auditors’ (“IIA”) International Standards for the Professional Practice of Internal Auditing (“the IIA Standards”), the Generally Accepted Government Auditing Standards (“GAGAS”) as well as the Texas Internal Auditing Act (“TIAA”), and to perform an assessment of the IA function compared to leading practices and recommend areas for improvement. In cases where the IIA Standards and GAGAS varied, we utilized the IIA’s “Supplemental Guidance” document, which provides a suggested approach to assess these standards.

Our approach and scope included:

- Interviewing stakeholders of the IA function, including the President and other institution executive team members, members of The University of Texas System and members of the external audit firm.
- Surveying executive management and IA team members.
- Interviewing the IA team members.
- Analyzing a sample of IA documents, including Internal Audit Committee and management reports, methodology and procedure documents, annual plans, risk assessments, audit work papers and reports, performance metrics, customer surveys, and other relevant information for fiscal years 2013 and 2014.

During the period covered by this Report, IA informed us that they did not issue any individual audit reports that stated the audit was conducted in accordance with GAGAS. As such, certain GAGAS related to audit execution and reporting were not assessed.

This Executive Summary provides a high level summary of our observations and recommendations. Additional details were provided to the Chief Audit Executive (“CAE”).

Executive Summary (continued)

Assessment of IIA Standards

We have assessed IA's conformance with the IIA Standards and our overall assessment is reflected in the table below.

Standard Number	IIA Standards	Assessment of Conformance
1000	The purpose, authority and responsibility of the internal audit activity must be formally defined in an internal audit charter, consistent with the definition of Internal Auditing, the Code of Ethics, and the Standards. The chief audit executive must periodically review the internal audit charter and present it to senior management and the board for approval.	Generally Conforms
1100	The internal audit activity must be independent, and internal auditors must be objective in performing their work.	Generally Conforms
1200	Engagements must be performed with proficiency and due professional care.	Generally Conforms
1300	The chief audit executive must develop and maintain a quality assurance and improvement program that covers all aspects of the internal audit activity.	Generally Conforms
2000	The chief audit executive must effectively manage the internal audit activity to ensure it adds value to the organization.	Generally Conforms
2100	The internal audit activity must evaluate and contribute to the improvement of governance, risk management, and control processes using a systematic and disciplined approach.	Generally Conforms
2200	Internal auditors must develop and document a plan for each engagement, including the engagement's objectives, scope, timing, and resource allocations.	Generally Conforms
2300	Internal auditors must identify, analyze, evaluate and document sufficient information to achieve the engagement's objectives.	Generally Conforms
2400	Internal auditors must communicate the results of engagements.	Generally Conforms
2500	The chief audit executive must establish and maintain a system to monitor the disposition of results communicated to management.	Generally Conforms
2600	When the chief audit executive concludes that management has accepted a level of risk that may be unacceptable to the organization, the chief audit executive must discuss the matter with senior management. If the chief audit executive determines that the matter has not been resolved, the chief audit executive must communicate the matter to the board.	Generally Conforms

"Generally Conforms" means the IA activity has practices that are in accordance with the IIA Standards, although opportunities for enhancement may exist. "Generally Conforms" is the highest ranking possible.

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Executive Summary (continued)

Assessment of standards and requirements

Below is a summary of our overall assessment of IA's adherence with IIA Standards, GAGAS and the relevant TIAA requirements. Additional details of observations or recommendations were provided to the CAE.

IIA Standards

Based on our work, overall IA generally conforms. We did identify process enhancement opportunities.

GAGAS

Our assessment of GAGAS was limited, based on IA's disclosure that no internal audits were performed during our assessment period under GAGAS. Based on our work, we did not identify conformance observations. We did identify process enhancement opportunities.

TIAA requirements

Other than the observations related to IIA Standards and GAGAS, no other observations were identified during our work.

Executive Summary (continued)

Summary of Internal Audit leading practices benchmarking results

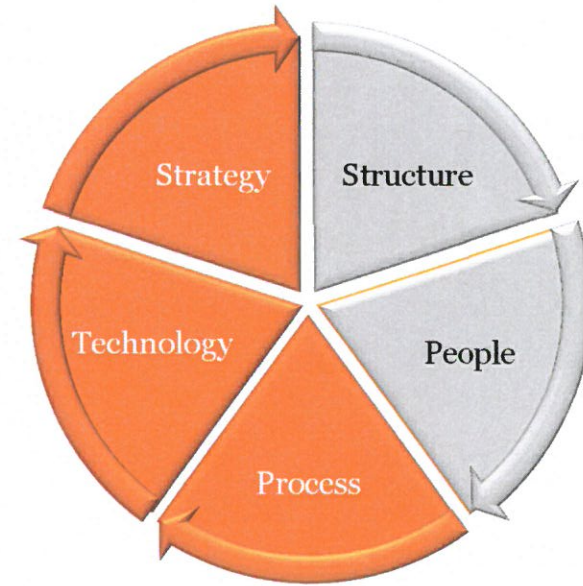
We utilized PwC's Internal Audit Framework, comprised of five major categories, to assess the current state of IA. The analysis was based on stakeholder interviews, IA documentation, and a comparison with our internal audit leading practices database.

We have broken out each of the five categories into sub-categories and provided the following details to the CAE:

- Overview of common benchmark attributes (not UT Permian Basin specific);
- Areas of strength;
- Recommendations related to IIA Standards, GAGAS, and TIAA requirements; and
- Leading practice recommendations.

A summary of the internal audit function's performance against leading practices is illustrated to the right. This current state assessment benchmarked IA's operations and activities against internal audit leading practices as of May 30, 2014.

Some elements of these observations are included in planned UT System-wide initiatives and are identified throughout this report with this symbol: ↔



Executive Summary (continued)

Positive attributes and/or demonstrated leading practices

The following is a summary of positive attributes and/or leading practices demonstrated by the IA function. More detailed information was provided to the Director of IA.

Strategy	<ul style="list-style-type: none">•Risk Assessment Input from Management - The risk assessment includes input from management and senior executives and has a defined risk rating methodology.•Stakeholder Communications – The CAE has clear ownership of audit committee materials and deliverables and has a direct line of communication to the audit committee.
Structure	<ul style="list-style-type: none">•Independent and Objective - It is clear that IA staff are independent and are viewed as such by management.•External Audit Committee Members - The Audit Committee includes external members, including the Audit Committee Chair.
People	<ul style="list-style-type: none">•Team Attendance at Audit Committee Meetings - The IA team attends quarterly Audit Committee meetings for development and exposure.•Training - The Director of IA approves training taken by audit staff to strengthen staff knowledge in areas of higher risk.
Process/ Technology	<ul style="list-style-type: none">•Methodology and Execution - IA documents procedures performed utilizing standardized workpaper format to drive consistency on each audit.•Issue Tracking - IA has a well-defined process around issue tracking, follow-up and reporting to the Internal Audit Committee.•Audit Report Summaries - Executive summaries are consistently prepared for each audit to concisely provide overall conclusions and significant observations.

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Executive Summary (continued)

Opportunities for enhancement and leading practice recommendations

The following is a summary of the top recommendations identified in this external quality assessment of the IA function. More detailed information was provided to the CAE.

Strategic Plan and Alignment (Strategy)

- IA should formalize a strategic IA plan detailing strategies and tactical actions to ensure IA is aligned with leading practices and current and planned initiatives of the institution. ↔
- The current IA Charter has not been updated since March 2011. IA should consider updating the Charter to provide clarity on the functional and administrative reporting lines of IA (leading practices recommend functional reporting to the Audit Committee and administratively reporting to the President of the institution).

Risk Assessment and Audit Plan (Strategy)

- IA should consider specifically linking the institution's strategic priorities to the risk assessment and audit planning process. ↔
- IA should consider formalizing and documenting the process to conduct periodic updates to the risk assessment and proposing adjustments to the Institutional Audit Plan, if needed, in order to reflect issues, audit results, emerging trends and changes within the organization or the business function risk profiles. ↔

Specialized Expertise (Structure)

- IA could further benefit from utilizing additional specialized subject matter expertise (i.e., cyber security, Peoplesoft, FERPA, Clery Act, research etc.) for certain audits to keep up with changes in the technical and regulatory environment.
- For audits of complex areas (both IT and non-IT) consideration should be given to utilizing guest auditors, and leveraging specialized expertise from the UT System and/or external co-sourced providers for subject matter expertise.

Audit Reporting (Process)

- IA should consider further articulating the actual and potential risk exposure associated with audit findings and explicitly prioritizing findings based on risk exposure. An effort to develop a consistent System-wide approach to prioritize findings is ongoing by the System Audit Office. ↔
- IA should continue to work with the System Audit Office to finalize the scorecard and begin reporting the agreed-upon performance metrics to the Internal Audit Committee on a regular basis. Institution specific metrics should be considered and feedback provided to the System Audit Office during the pilot program. ↔

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↔ UTS Coordination

Executive Summary (continued)

Opportunities for enhancement and leading practice recommendations (continued)

Audit Committee Communication (Process)

- For reports to the Internal Audit Committee, IA should consider including systemic control themes, underlying root causes, impact and probability of risk, forward views of risks, and leading practices.
- IA should consider that an “independent” Executive Session with the CAE and the external Audit Committee members be a standing agenda item.

IT Integration & Data Analytics (Technology)

- IA should expand its use of data analytics through development of continuous auditing scripts that can identify trends, anomalies or higher risk transactions on a real-time or frequent basis.
- IA should consider utilizing other functions/modules of TeamMate – TeamSchedule, TeamRisk, TeamCentral, and TeamMate TEC to help drive process efficiencies and promote audit quality.
- IA should develop a formal IT risk assessment process and leverage the appropriate IT skillsets during the risk assessment process to assist in identifying key and emerging IT risks (cyber, data leakage, privacy and security, Peoplesoft, etc.). ↔

Knowledge Management (Technology)

- IA could benefit from enhanced sharing of training programs, audit programs, risk analysis, data analysis techniques, etc., and by leveraging the System Audit Office’s recently developed knowledge sharing platform. ↔
- IA should develop a program to identify and facilitate sharing of best practices with management across Departments or functional areas of the institution. ↔

VI. Internal Audit Plan for Fiscal Year 2015

FY 2015 Audit Plan Audit/Project	Budgeted Hours	% of Total	Description
Financial			
Annual Financial Report - FY 2014	80		Assistance to the external auditor for completion of the FY 2014 financial statement audit.
Annual Financial Report - Interim - FY 2015	60		Perform interim procedures to assist external auditor prepare for FY 2015 financial statement audit.
State of Texas Single Audit - State Auditor's Office	20		Provide assistance to State Auditor's Office for federal portion of Statewide Single (A-133) Audit.
Financial Subtotal	160	4%	
Operational			
Presidential Travel and Entertainment Expense for FY 2014	40		Assist UT System Audit office with audit of compliance with UT System and Board of Regents Rule 20205 for Presidential Travel, Entertainment, and University Residence Maintenance Expenses.
Executive Travel and Entertainment Expense for FY 2014	160		Review travel and entertainment expenses for FY 2014 for executive management. Complete audit on sample of executive travel and entertainment expenses as required by UT System. Determine whether expenditures related to travel and entertainment associated with university events of those that report directly to the university President are appropriate, accurate, and in compliance with university and System policies.
JAMP audit for FYs 2013 and 2014	120		Two-year audit required by the Texas Joint Admission Medical Program
<u>Risk Based Tier One Audits</u>			
Donations	300		To assess compliance with institution's donations policy and procedures and the adequacy of the procedures in accordance with donor requirements and IRS reporting. Will be examining whether or not donations were used in activities as specified by the donor.
Human Resources	300		Review internal controls and procedures and test individual employee payroll data, special pay, and vacation and sick leave balances. Review segregation of duties and assigned roles and permissions within PeopleSoft.
Accounting	120		Review segregation of duties, and assigned roles and permissions within PeopleSoft.
Pro Cards	240		Review internal controls and procedures and perform testing of transactions.
Cash handling	240		Review internal controls and procedures and perform testing of deposits.
<u>Carryforward Audits</u>			
Contract Management	80		Identify and test contracts to determine if they are being properly reviewed and monitored.
Operational Subtotal	1600	39%	

FY 2015 Audit Plan Audit/Project	Budgeted Hours	% of Total	Description
Compliance			
Subcertification and Monitoring Plan	160		Determine whether the Accounting Department has developed an adequate monitoring plan over sub-certifications and validate the assertions on segregation of duties and account reconciliations (UTS142.1) - The Internal Audit Director shall perform annual testing, within 60 days of the fiscal year end, of the Monitoring Plan and the subcertifications, and validate the assertions on segregation of duties and account reconciliations.
Benefits Funding Proportionality	160		Required by the State of Texas. Verify proportionality calculations are correct.
Compliance Subtotal	320	8%	
Information Technology			
<i>Risk Based Tier One Audits</i>			
Social media	240		To determine compliance with UTPB social media policies, Higher Education Opportunity Act and other applicable policies, procedures, laws, and regulations.
UT Share Post-implementation review	160		Required by UT System.
Laptop and tablet inventory	80		To determine that all laptops, tablets and other mobile devices are being properly used and accounted for.
Information Technology Subtotal	480	12%	
Follow-up			
Follow-up on outstanding audit findings	160		Follow-up on prior outstanding audit findings and recommendations.
Follow-up Subtotal	160	4%	

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FY 2015 Audit Plan Audit/Project	Budgeted Hours	% of Total	Description
Projects			
Annual Audit Plan	100		Preparation of annual risk assessment and audit plan.
Annual Internal Audit Report	50		Preparation of the Annual Internal Audit Report, due on November 1st of each year, per the Texas Internal Auditing Act (Chapter 2101 Government Code).
Quality Assurance Review Activities	40		Review audit procedures and documentation to assure adherence to IIA standards.
External Quality Assessment	80		Self-assessment and assistance provided for external assessment.
Annual Audit Risk Assessment	80		Preparation and assessment of annual audit risk assessment.
Training provided by IA	20		Training to be provided as needed in vital areas - Training time need for budget heads and new staff.
Internal Audit Committee	160		Preparation and participation in audit committee meetings by Director and staff. Includes one on one meetings between the Director and Audit Chair and/or committee members.
Compliance Committee	16		Participation by Director.
Professional Organizations	40		Participation by Director and staff.
UT System Council Meetings	50		Participation by Director.
Performance Metrics - UT System	30		Preparation of quarterly performance metric scorecard.
UT Share - UT System	40		
Other Required Work - UT System	30		
Outside Audits - Coordination	80		Coordination and communication between affected University department and outside auditors. Includes monitoring status and results of all outside audits.
TeamMate, website development/maintenance	60		
Projects Subtotal	876	21%	
Reserve			
Special Requested Audits / Consulting	520		Special requests from President/Executive Management, Audit Committee, unanticipated events, investigations, consulting, and to-be-determined UT System engagements.
Reserve Subtotal	520	13%	
Total Hours	4116	100%	

Identified High Risks Not Covered in FY 2015 Audit Plan

Ranking	Risk	Explanation/Mitigation	Internal Audit Action
Finance			
HH	Recruitment and retention of qualified staff	Non-audit and compliance issue. Rely upon management oversight.	None in FY 2015
HM	Accurate and timely financial reporting to external and internal users	Rely upon outside audits of financial statements and financial aid in FY 2015.	None in FY 2015
Human Resources			
HH	Institution-wide employee recruitment and retention	Non-audit and compliance issue. Rely upon management oversight.	None in FY 2015
Governance			
HM	Strategic planning and organizational goals	Non-audit and compliance issue. Rely upon management oversight.	None in FY 2015
HM	Business continuity plans	Rely upon management oversight.	None in FY 2015
HM	Title IX compliance	Rely upon compliance monitoring and management oversight.	None in FY 2015
Athletics			
HM	Compliance with NCAA requirements	Rely upon compliance monitoring and management oversight. Audit findings from most recent audit by UT System resolved in current fiscal year.	NCAA compliance audited every three years by UT System. Next audit to occur in FY 16, and will cover FY 15.
HM	Title IX compliance	Rely upon compliance monitoring and management oversight.	None in FY 2015
Instruction			
HH	Recruitment and retention of qualified faculty	Non-audit and compliance issue. Rely upon management oversight.	None in FY 2015
HM	Loss of accreditation	Non-audit and compliance issue. Rely upon management oversight.	None in FY 2015
Academic Support			
HM	Incorrect reporting of semester credit hours in transition from POISE to PeopleSoft - Campus Solutions	Rely upon UT Share efforts in development stage.	Conversion to PeopleSoft included in UTRGV project. Not expected to be converted/implemented until Fall 2015.
Facilities Management			
HM	Facilities Condition / Deferred Maintenance	Rely upon management oversight.	None in FY 2015
Auxiliary Services			
HM	Recruitment and retention of qualified police officers	Rely upon management oversight.	None in FY 2015
Research			
HM	Safety of research facilities	Rely upon compliance monitoring and management oversight.	None in FY 2015
HM	Safety of academic labs and studios	Rely upon compliance monitoring and management oversight.	None in FY 2015
Information Technology			
HM	Security of IT data and systems	Rely upon TAC 202 System Security audit being conducted in FY 2014	Audited in FY 2014
HM	Recruitment and retention of qualified staff	Non-audit and compliance issue. Rely upon management oversight.	None in FY 2015

Risk Assessment Methodology

Information on potential risks for the institution was obtained from Deans, Department Heads and senior management. Discussions were subsequently held between audit and compliance staff and with the departments regarding changes to existing risks in addition to any newly-identified risks. Risks were ranked on probability and impact, and those risks that met the definition of “high risk” were so identified.

The resulting Risk Assessment for 2015 was discussed with the Audit Committee at its July 2014 meeting, and was subsequently approved as part of the 2015 Audit Plan.

The 2015 Audit Plan includes risk-based audits in the areas of Donations, Human Resources and Accounting procedures regarding the PeopleSoft implementation, pro cards, cash handling, and contract management, which is being carried forward from the prior 2013 fiscal year. Additional risk-based audits under IT include social media, UT Share post-implementation, and laptop and tablet inventory. The biennial TAC 202 audit was included in the prior 2013 fiscal year and is not included in the 2014 Audit Plan.

VII. External Audit Services Procured in Fiscal Year 2014

While no external audit services were procured by UT Permian Basin during fiscal year 2014 other audit services performed and/or completed by outside agencies were as follows:

- The public accounting firm, Deloitte Touche, conducted audit procedures related to the fiscal year 2013 Annual Financial Report and interim procedures for the audit of the fiscal year 2014 Annual Financial Report.
- The Texas State Auditor's Office conducted an audit of Student Financial Assistance as part of the 2014 Federal Single Audit (A-133) for the State of Texas.
- The Texas State Auditor's Office tested census data and payroll record information of participating employees as part of their audit of the Teacher Retirement System's annual financial statements for fiscal year 2014.
- The UT System Audit Office reviewed the President's travel and entertainment expenses as part of their Presidential Travel and Entertainment Expense audit for fiscal year 2013.
- The U.S. Small Business Administration examined expenditures made by the UT Permian Basin Small Business Development Center as part of their overall audit of the Northwest Texas Small Business Development Center network for program year 2013.
- The Texas Workforce Commission reviewed the personnel policies and procedures of UT Permian Basin pursuant to Texas Labor Code, Sections 21.451-456.

VIII. Reporting Suspected Fraud and Abuse

The following actions were taken by the University of Texas of the Permian Basin to implement the following requirements:

Fraud Reporting - Section 7.09, General Appropriations Act (83rd Legislature, Conference Committee Report), Article IX.

Sec 7.09 Fraud Reporting. A state agency or institution of higher education appropriated funds by this Act, shall use appropriated funds to assist with the detection and reporting of fraud involving state funds as follows:

- (a) By providing information on the home page of the entity's website on how to report suspected fraud, waste, and abuse involving state resources directly to the State

Auditor's Office. This shall include, at a minimum, the State Auditor's Office fraud hotline information and a link to the State Auditor's Office website for fraud reporting; and

- (b) By including in the agency or institution's policies information on how to report suspected fraud involving state funds to the State Auditor's Office.

UT Permian Basin has a link for reporting fraud, waste, and abuse at the University's home page, www.utpb.edu, which provides a direct link to the State Auditor's fraud website and hotline.

Coordination of Investigations - Texas Government Code, Section 321.022.

Sec. 321.022. Coordination of Investigations.

- (a) If the administrative head of a department or entity that is subject to audit by the state auditor has reasonable cause to believe that money received from the state by the department or entity may have been lost, misappropriated, or misused, or that other fraudulent or unlawful conduct has occurred in relation to the operation of the department or entity, the administrative head shall report the reason and basis for the belief to the state auditor. The state auditor may investigate the report or may monitor any investigation conducted by the department or entity.
- (b) The state auditor, in consultation with state agencies and institutions, shall prescribe the form, content, and timing of a report required by this section.
- (c) All records of a communication by or to the state auditor relating to a report to the state auditor under Subsection (a) are audit working papers of the state auditor.

UT Permian Basin complies with this requirement, as applicable, in conjunction with the UT System Policy UTS118, Statement of Operating Policy Pertaining to Dishonest or Fraudulent Activities, located at www.utsystem.edu/bor/procedures/policy/policies/uts118.