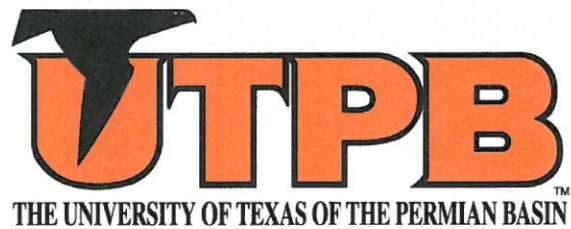


**The University of Texas  
of the Permian Basin**



**ANNUAL INTERNAL AUDIT REPORT**

**For the Fiscal Year Ended  
August 31, 2015**

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

The University of Texas of the Permian Basin  
Office of Internal Audit  
Annual Internal Audit Report  
FY Ended August 31, 2015

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**The University of Texas of the Permian Basin  
Annual Internal Audit Report – Fiscal Year 2015**

**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 2015 and the approved Audit Plan for fiscal year 2016. 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. Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institutions**

Rider 8, page III-39, the General Appropriations Act (84<sup>th</sup> Legislature, Conference Committee Report), requires that higher education institutions conduct an internal audit during fiscal year 2016 of benefits proportional by fund, using a methodology prescribed by the State Auditor's Office. The rider requires that the audit examine appropriation years (AY) 2012 through 2014, and be completed no later than August 31, 2016. To comply with Rider 8, a benefits proportionality audit is included in UT Permian Basin's FY 2016 annual audit plan.

An internal audit of the proportionality of higher education benefits process was conducted during FY 2015 at the request of the Governor. The scope of the audit included benefits funding proportionality for appropriation year (AY) 2013. Audit procedures were consistent with the methodology prescribed by the State Auditor's Office to comply with Rider 8, and included review of source information obtained from the internal accounting system and the State's Uniform Statewide Accounting System (USAS), review of the benefits proportionality reporting process, validation of the accuracy of information and proportional funding calculations reported to the State Comptroller on the Benefits Proportionality by Fund Report (APS 011), and testing to verify eligibility of employee benefits paid with appropriated funds.

Because AY 2013 was included in the prior year audit, the benefits proportionality audit conducted during FY 2016 will include only AY 2012 and AY 2014. The results of the AY 2013 audit will be included in the resulting audit report, with a statement certifying that the procedures followed were consistent with the methodology prescribed by the State Auditor's Office.

### III. Internal Audit Plan for Fiscal Year 2015

FY 2015 Audit Plan Audit/Project	Status	Report Date	Explanation
<b>Financial</b>			
Annual Financial Report - FY 2014	Completed	07/01/15	
Annual Financial Report - Interim - FY 2015	Completed	N/A	Interim work only. No report issued.
<b>Operational</b>			
Presidential Travel and Entertainment Expense Audit FY - 2014	Completed	N/A	Assistance only. Report issued by UT System Audit Office.
Executive Travel and Entertainment Expense Audit - FY 2014	Completed	09/21/15	Completed shortly after fiscal year end. Substantially complete at 8/31/15.
Joint Admission Medical Program (JAMP) - FY's 2013 and 2014	Completed	10/30/14	
Cash Handling	In progress		In progress at fiscal year end.
Contract Management	Rescheduled		Rescheduled for FY 2016.
Donations	Rescheduled		Rescheduled for FY 2016.
Human Resources	Cancelled		Insufficient resources to be performed in fiscal year. Not rescheduled for fiscal year 2016.
Accounting	Cancelled		Insufficient resources to be performed in fiscal year. Not rescheduled for fiscal year 2016.
Pro Cards	Cancelled		Insufficient resources to be performed in fiscal year. Not rescheduled for fiscal year 2016.
<b>Compliance</b>			
Segregation of Duties and Accounts Reconciliation Monitoring Plan	Completed	04/02/15	
Benefits Proportionality - FY 2013	Completed	12/02/14	
Bank Reconciliation and Journal Entry Approval Process	Completed	06/04/15	
NCAA Academic Integrity	Rescheduled		Rescheduled for FY 2016.
State of Texas Single Audit	Completed	N/A	Assistance only. Report issued by SAO.
<b>Information Technology</b>			
Social Media	Cancelled		Insufficient resources to be performed in fiscal year. Not rescheduled for fiscal year 2016.
UT Share	Ongoing	N/A	Ongoing review of controls related to the PeopleSoft implementation.
TAC 202	Completed	04/30/15	
Laptop and Tablet Inventory	Completed	04/16/15	
<b>Follow-up</b>			
Follow-up on outstanding audit findings and recommendations	Ongoing	N/A	Follow-up performed on an ongoing basis.
<b>Projects</b>			
Annual Audit Plan - FY 2016	Completed	07/16/15	
Annual Internal Audit Report - FY 2014	Completed	10/31/14	
Quality Assurance Review Activities	Ongoing	N/A	
External Quality Assessment	Ongoing	N/A	
Annual Audit Risk Assessment	Completed	07/16/15	
Training provided by IA	Ongoing	N/A	
Internal Audit Committee	Ongoing	N/A	
Compliance Committee	Ongoing	N/A	
Professional Organizations	Ongoing	N/A	
UT System Projects/Requests	Ongoing	N/A	
UT System Council Meetings	Ongoing	N/A	
UT System - Performance Metrics	Ongoing	N/A	
Coordination and Tracking of Outside Audits	Ongoing	N/A	
TeamMate, website development/maintenance	Ongoing	N/A	

#### Deviations from the Audit Plan

There were several minor deviations from the original 2015 Audit Plan. Significantly, one staff auditor position was vacant for five months out of the fiscal year, which was the primary reason for a reduced number of completed audits. In addition, three audits/projects were added to the audit plan during the year. The Cash Handling audit was still in progress at year-end. Several other audits have been rescheduled at this time, to be performed in fiscal year 2016.

#### IV. Consulting Services and Nonaudit Services Completed

Project Name	Report Date	Overall Objective	Observations/Results/Recommendations
N/A - No consulting or non-audit services were performed in FY 2015			



June 27, 2014

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

## V. External Quality Assurance Review

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 stylized signature in black ink that reads "PricewaterhouseCoopers LLP".

PricewaterhouseCoopers LLP

PricewaterhouseCoopers LLP, 1201 Louisiana, Suite 2900, Houston, TX 77002-5678  
T: (713) 356 4000, F: (713) 356 4717, [www.pwc.com/us](http://www.pwc.com/us)

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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.

PwC

Information contained herein is for the sole benefit and use of PwC's Client

## ***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

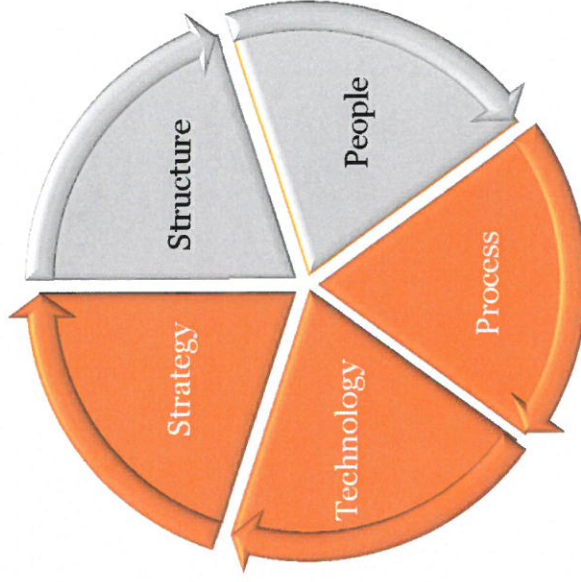
We utilized PwC's Internal Audit Framework, comprised of five major categories, to assess the current state of IA. The analysis was based on stakeholder interviews, IA documentation, and a comparison with our internal audit leading practices database.

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: ↔*



**Legend:**



## 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

- **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

- **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

- **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

- **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.

## 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. ↔

## 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. ↔

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**VI. Internal Audit Plan for Fiscal Year 2016**

The approved Fiscal Year 2016 audit plan is presented as required by the State Auditor's Office guidelines: 1) The Contract Management audit addresses the subject of contract management and other requirements of Senate Bill 20 (84th Legislature); 2) The Annual Financial Report audit may address expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act; 3) A list of risks ranked as high that were identified, but have not been included in the Fiscal Year 2016 audit plan, is included after the plan; and 4) A brief description of the risk assessment methodology used to develop the plan, including consideration of risks applicable to information technology, is included as well.

<b>FY 2016 Audit Plan Engagements</b>	<b>Original Budget</b>
<b>Financial Audits and Projects</b>	
Annual Financial Report - FY 2015	100
Annual Financial Report - Interim Procedures - FY 2016	40
UTS 142.1 - Monitoring Plan and Segregation of Duties - FY 2015	160
<b>Financial Subtotal</b>	<b>300</b>
<b>Operational Audits and Projects</b>	
Presidential Travel and Entertainment Expense - FY 2015	10
Executive Travel and Entertainment Expense - FY 2015	240
Donations	240
Contract Management	400
Grants Management/Time and Effort	360
<b>Operational Subtotal</b>	<b>1250</b>
<b>Compliance Audits and Projects</b>	
Benefits Proportionality - FY's 2012, 2013 and 2014	400
State of Texas Federal Single Audit	20
NCAA - Academic Integrity	240
<b>Compliance Subtotal</b>	<b>660</b>
<b>Information Technology Audits and Projects</b>	
TAC 202 System Security - FY 2015	240
UT Share - UT System	40
<b>Information Technology Subtotal</b>	<b>280</b>
<b>Follow Up</b>	
Follow-up on outstanding audit findings and recommendations	180
<b>Follow Up Subtotal</b>	<b>180</b>

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FY 2016 Audit Plan Engagements	Original Budget
<b>Development - Operations</b>	
Annual Risk Assessment and Audit Plan	240
Annual Internal Audit Report - FY 2015	40
Internal Quality Assurance Activities	40
Training Provided by Internal Audit	20
Internal Audit Committee	160
Compliance Committee	10
TeamMate, IDEA, website development/maintenance	80
Performance Metrics - UT System	20
Other Required Work - UT System	60
Outside Audit Coordination/Tracking	80
<b>Development - Operations Subtotal</b>	<b>750</b>
<b>Development - Initiatives and Education</b>	
UT System Council Meetings	40
Professional Organizations	20
Continuing Professional Education	120
Other Training	120
<b>Development - Initiatives and Education Subtotal</b>	<b>300</b>
<b>Reserve</b>	
Special Requested Audits / Consulting Projects	360
<b>Reserve Subtotal</b>	<b>360</b>
<b>Total Budgeted Hours</b>	<b>4080</b>



**VI. Identified High Risks Not Covered in FY 2016 Audit Plan**

Ranking	Risk	Explanation/ Mitigation	Internal Audit Action
<b>Athletics</b>			
High	Implementation of football and expansion of other sports is not successful.	Non audit and compliance issue. Rely upon management oversight	None in FY 2016
High	Gender equity is not maintained in programs, services and support for student athletes.	Rely upon compliance monitoring and management oversight.	None in FY 2016
High	Ongoing staff training on Title IX compliance is not provided with regard to athletics/NCAA.	Rely upon compliance monitoring and management oversight.	None in FY 2016
<b>Business Affairs</b>			
High	Proper controls over accounts payable and other disbursements are not implemented.	Reply upon outside audits of financial statements	None in FY 2016
High	Sexual harassment claims are not properly investigated and reported.	Rely upon compliance monitoring and management oversight.	None in FY 2016
High	Employee training and procedure updates regarding Title IX compliance are not provided.	Rely upon compliance monitoring and management oversight.	None in FY 2016
High	Information is not disseminated to staff and students regarding Title IX compliance.	Rely upon compliance monitoring and management oversight.	None in FY 2016
<b>Environmental Health &amp; Safety</b>			
High	Emergency mitigation measures, response procedures, and training of staff are not current or have not been implemented.	Rely upon management oversight	None in FY 2016
<b>Human Resources</b>			
High	Benefit and compensation levels are not commensurate with local job market and cost of living.	Non audit and compliance issue. Rely upon management oversight	None in FY 2016
High	Effective and relevant training and individual development is not provided to faculty and staff on an ongoing basis.	Rely upon management oversight	None in FY 2016
<b>Research, Planning, and Effectiveness</b>			
High	Inaccurate reporting to the THECB and to UT System with new system in PeopleSoft, which is in testing phase, and which is not yet providing accurate reports, and is expected to be implemented in FY 2016.	Rely upon management oversight	None in FY 2016

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Ranking	Risk	Explanation/ Mitigation	Internal Audit Action
<b>Institutional Research, Planning, and Effectiveness</b>			
High	Inaccurate reporting to the Federal government (Integrated Post-Secondary Educational Data System - IPEDS) with new system in PeopleSoft, which is in testing phase, and which is not yet providing accurate reports, and is expected to be implemented in FY 2016.	Rely upon management oversight	None in FY 2016
<b>IRD</b>			
High	Connection with network is interrupted due to fire or some other event at the CEED Communication Room, eliminating services at Midland campus and eliminating backup capability for Odessa campus.	Rely upon management oversight	None in FY 2016
High	Communications link between Midland and Odessa campuses is damaged or severed.	Rely upon management oversight	None in FY 2016
High	Operations at the Data Center will be interrupted due to water leakage.	Rely upon management oversight	None in FY 2016
<b>President's Office</b>			
High	Funding requirements for both current and future needs are not attained.	Rely upon management oversight	None in FY 2016
High	Strategic plans and organizational goals and objectives are not properly aligned and not updated on a regular basis.	Rely upon management oversight	None in FY 2016
<b>Provost-VP of Academic Affairs</b>			
High	Website and social media procedures, controls and information are not current and are not utilized to its fullest extent to maximize the image of the university.	Rely upon management oversight	None in FY 2016
<b>Purchasing</b>			
High	Procurement cards are misused.	Rely upon management oversight	None in FY 2016
<b>REACH</b>			
High	Online courses are not effectively offered or maintained resulting in a loss of additional students and/or an actual decrease in overall online enrollment.	Rely upon management oversight	None in FY 2016
<b>Student Services</b>			
High	Notices of acceptance letters and financial aid packages are not transmitted in a timely manner.	Rely upon management oversight	None in FY 2016

## VI. Risk Assessment Methodology

The FY Audit Plan indicates planned internal audit activities that will be performed during the fiscal year. This Plan is prepared using a risk-based approach to ensure that areas and activities specific to UT Permian Basin are identified for consideration to be audited.

In conjunction with the FY 2016 Audit Plan, the UT System Audit Office initiated a pilot risk assessment process for each of its member institutions. The goals for this common risk assessment approach were to start at the top with an awareness of critical initiatives and objectives to ensure the risks assessed were the most relevant. The assessment process was standardized by creating common terms and criteria, enabling trending of risk and Systemwide comparisons. An emphasis was placed on collaboration with other functions that assess, handle, or manage risk. Information Technology risks represent a broad, high-risk category in our risk assessment and includes specific information technology risks related to Title 1, Texas Administrative Code, Chapter 202. Information Security Standards (TAC 202). An audit of compliance with TAC 202 requirements was initiated in FY 2014 and completed in FY 2015. Another biennial audit of TAC 202 compliance is included in the FY 2016 Audit Plan.

The risk assessment approach was based on a top-down process that included conversations with, and requests for input from executive management, deans, and department heads. Risk factors evaluated were likelihood, vulnerability, and impact to the achievement of the objective. UT System will evaluate this pilot process and will continue to develop and strengthen it in the upcoming years.

The resulting Risk Assessment for 2016 was discussed with the Audit Committee at its July 2015 meeting, and was subsequently approved as part of the 2016 Audit Plan.

## VII. External Audit Services Procured in Fiscal Year 2015

While no external audit services were procured by UT Permian Basin during Fiscal Year 2015, other audits are annually performed by outside agencies, and include the following for FY 2015:

- The public accounting firm, Deloitte Touche LLP, conducted audit procedures related to the FY 2014 Annual Financial Report and interim procedures for the audit of the FY 2015 Annual Financial Report.
- The Texas State Auditor's Office completed its work on an audit of Student Financial Assistance as part of the FY 2014 Federal Single Audit (A-133) for the State of Texas.
- The UT System Audit Office reviewed the President's travel and entertainment expenses as part of their Presidential Travel and Entertainment Expense audit for FY 2014.
- A review of UT Permian Basin's emergency management program was conducted by the UT System Office of Risk Management.

## 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 (84<sup>th</sup> 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](http://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](http://www.utsystem.edu/bor/procedures/policy/policies/uts118).*