



THE UNIVERSITY OF TEXAS  
**PERMIAN BASIN**

**Office of Internal Audit**

**Annual Audit Report  
For the Fiscal Year Ended  
August 31, 2023**

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

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**I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other audit Information on internet website**

The UT Permian Basin FY 2023 Internal Audit Annual Report, which includes its approved FY 2024 Internal Audit Plan (see Section V) and a summary of weaknesses/concerns and related actions taken resulting from the FY 2023 Internal Audit Plan (see Section II), can be found on the UT Permian Basin Office of Internal Audit website at <https://www.utpb.edu/university-offices/internal-audit/annual-reports>.

## II. Internal Audit Plan for Fiscal Year 2023

FY 2023 Audit Plan - Engagements	Status of Plan
<b>Assurance Engagements</b>	
IT Asset Management Audit	Complete (5/22/2023)
Export and Intellectual Property Controls Audit	Deferred to FY24
Account Reconciliation and Segregation of Duties Monitoring Plan Audit	Complete (7/26/2023)
Third-Party Cloud Security Management Audit	Complete (10/17/2023)
Effort Certification Audit	Cancelled
Hiring Procedures and Controls for Faculty Audit (FY 2022 c/f)	Complete (5/10/2023)
Football Revenue Collection and Reporting Procedures Audit (FY 2022 c/f)	Complete (1/11/2023)
Research Pre and Post Award Process and Controls Audit (FY 2022 c/f)	Complete (12/14/2022)
Pro Card Audit (FY 2021 c/f)	Complete (9/19/2023)
<b>Advisory and Consulting Engagements</b>	
HEERF Compliance	Complete - Report NA
Facility Maintenance	Complete (7/25/2023)
Meetings with Leadership	Ongoing - Report NA
Committees	Ongoing - Report NA
Continuous Auditing	Ongoing - Report NA
Disaster Recovery/Business Continuity	Continuing in FY24
<b>Required Engagements</b>	
TEC 51.9337 Compliance Assessment	Complete (6/15/2023)
Annual Financial Report - FY 2022, assistance to Deloitte	Deloitte Report (UT System)
Annual Financial Report - Interim Procedures - FY 2023, assistance to Deloitte	Deloitte Report (UT System)
<b>Investigations</b>	
Various Special Reviews	Internal Memos, as applicable
<b>Follow-Up</b>	
General follow-up procedures	Ongoing - Internal Memos, as applicable
<b>Operations</b>	
Annual Risk Assessment and Audit Plan	Complete - Report NA
Annual Internal Audit Report - FY 2022	Complete (11/1/2022)
Quality Self-Assessment Review	Complete (6/28/2023)
Internal Audit Committee	Quarterly - Report NA
IT issues	Ongoing - Report NA
Other required work - UT System	Ongoing - Report NA
TeamMate	Ongoing - Report NA
Outside audit coordination/tracking	Ongoing - Report NA
UT System Council Meetings (non-CPE hours)	Ongoing - Report NA
Audit staff meetings/discussions	Ongoing - Report NA

<b>Initiatives and Education</b>	
Required Continuing Professional Education (CPE)	Ongoing - Report NA
Other training and prof. development (incl travel)	Ongoing - Report NA
Audit software conversion training	Conversion postponed to FY24

***Deviations from Audit Plan Submitted:***

The UTPB Internal Audit Office completed its FY 2023 Internal Audit Plan except for the deviations noted below. Two engagements for which reports had not yet been issued at the end of FY 2023 were carried forward for completion in FY 2024 and are now complete. Changes from the original FY 2023 Internal Audit Plan were made as follows.

- *Canceled:* Effort Certification Audit
- *Postponed:* Export and Intellectual Property Controls Audit
- *Added:* Unanticipated carry-forwards from FY 2022 include Research Pre and Post Award Process and Controls Audit, Procurement Card Audit, Football Revenue Collection and Reporting Procedures Audit
- *Recategorized from Assurance to Advisory:* Disaster Recovery/Business Continuity

***TEC Section 51.9337(h):***

Senate Bill 20 (84th Legislative Session) made several modifications and additions to Texas Government Code (TGC) and Texas Education Code (TEC) related to purchasing and contracting. Effective September 1, 2015, TEC §51.9337 requires that, “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.” The UTPB Office of Internal Audit conducted this required assessment for FY 2023 and found the following:

Based on the review of current institutional policy and the UT System Board of Regents’ *Rules and Regulations*, UT Permian Basin has adopted the rules and policies required by Texas Education Code §51.9337. These rules and policies will continue to be assessed annually to ensure continued compliance.

***Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institution:***

Rider 8, page III-50, of the General Appropriations Act (87th Legislature) required that an audit examine appropriation years (AY) 2019 through 2021. An audit of benefits proportionality for appropriation years 2020-2021 was completed as part of the FY 2022 Internal Audit Plan, and an audit of appropriation year 2019 was performed as part of the FY 2020 Internal Audit Plan. Rider 8 also required that, for FY 2022 and 2023, audits of benefits proportionality be considered when developing internal audit plans. Because benefits proportionality was not identified as a high-risk area in the annual risk assessment, there was no audit conducted during FY 2023.

***TGC Section 2102.015:***

A summary table of observations identified from FY 2023 engagements, the actions planned to be taken by management, and the current implementation status is included on the following pages to address web site posting requirements as required by Texas Government Code §2102.015. Audit results are included in each issued audit report, which are provided to the State Auditor’s Office.

Report Date	Report Name	Observation	Management Response	Status
12/14/2022	Research Pre- and Post-Award Process and Controls Audit	Reports should be reviewed for overall compliance with grant requirements, and Grants Accounting should verify that reported revenues and expenditures reconcile with those reflected within PeopleSoft.	Procedures have been implemented to require that all interim and final reports/invoices are first reviewed and/or prepared by Grants Accounting prior to final approval and submission to the granting agency. These requirements will be included in the terms and conditions in the award notification email that faculty members must agree to before the project is funded in the accounting system. Quarterly reminders regarding these requirements will be sent.	Implemented
12/14/2022	Research Pre- and Post-Award Process and Controls Audit	Grant files and information that distinguishes between pre-award and-post award information should be organized such that it is comprehensive and documents are easily located.	Files have been re-organized the files for each grant in an orderly and systematic manner, eliminating unnecessary duplicate documents.	Implemented
5/10/2023	Hiring Procedures and Controls for Faculty Audit	Faculty hiring procedures should be updated to include all federal and state requirements and be disseminated to all faculty and department chairs. In addition, all faculty recruitment and hiring information, including search committee applicant evaluations, should be provided to the Human Resources Department (HR) as the official record keeper of all information gathered during recruitment and hiring.	The Human Resources Department will work with the Provost and Deans to update faculty hiring procedures and will communicate this information to all faculty and department chairs.	Open - due 12/31/2023
5/10/2023	Hiring Procedures and Controls for Faculty Audit	Standard policies are need for study-based exchange visas (F1), temporary nonimmigrant and exchange workers (H1B, J1), and workers seeking legal permanent residence. The policy should include details such as standard fees that the University will cover, the source of funds covering those fees, and the percentage of expenses the employee will be required to cover. Individuals with knowledge of immigration law should review drafted guidelines to ensure UTPB complies with the Department of Homeland Security, the Department of Labor, the Texas Workforce Commission, and other federal and state laws.	The Office of Academic Affairs will update the faculty hiring policy and include specific guidelines for hiring foreign nationals. The policy will be reviewed by the individual(s) familiar with immigration law and federal and state hiring requirements, including cost sharing provisions for administrative processing between UTPB and the employee.	Open - due 12/31/2023

Report Date	Report Name	Observation	Management Response	Status
5/22/2023	IT Asset Management Audit	Copies of the most recent annual certification of IT assets, with relevant details should be distributed to all University departments to be brought current. Moving forward, all IT assets should be certified by departments at least annually. All additions, deletions, transfers, and changes in location should be reported on an ongoing basis to the Office of Accounting, which maintains the official inventory records for the University.	An Ad Hoc committee was formed and finalized a plan for developing an accurate asset listing on 5/18/2023. A memo has been developed to send out to departments with instructions and example of information needed from departments on these updates needed for the IT assets beginning the week of 5/22/2023. This committee also developed a plan for ensuring that future tracking of controllable IT assets is accurate and complete for certification by departments. Information will be shared on a quarterly basis. Planned implementation of an asset tracking tool will provide the capability of scanning the ITS assets directly into the software for tracking and sharing with the Office of Accounting.	Pending Internal Audit follow-up procedures in 1st qtr FY 2024
5/22/2023	IT Asset Management Audit	Ownership of an IT asset within the asset management system should be transferred to the assigned department once initial configuration by ITS is complete and the asset has been delivered to the department.	The plan developed for future tracking in response to finding #1 will also address the transfer of asset ownership when assets are deployed from ITS to departments. Until the software is fully implemented, ITS will continue to manually update ownership and location in its database.	Pending Internal Audit follow-up procedures in 1st qtr FY 2024
5/22/2023	IT Asset Management Audit	Established policy and procedures for receiving goods, including computers, should be consistently followed. In addition, all appropriate staff, including procurement personnel, should review established procedures regularly. Any proposed procedure changes should be reviewed and approved by the appropriate management level.	We will ensure that this policy is followed and that any necessary amendments to this policy are appropriately reviewed for approval. We have procured a new RFID asset tracking and inventory system and are awaiting system implementation. The procedures for receiving property will be updated as appropriate to include this system.	Implemented
7/26/2023	UTS 142 Segregation of Duties and Reconciliation of Account Monitoring Plan Audit	Continued monitoring of the reconciliation process will aid in determining non-compliance timely and allow for regular communication of corrective action if needed. Training opportunities should continue with newly assigned reconcilers and approvers required to attend.	Monthly reminders will continue to be sent to reconcilers when reconciliations are ready to be performed and quarterly monitoring reports will continue to be distributed to managers and others that may supervise reconcilers. Training will continue to be offered to new reconcilers and to others as needed and will highlight the importance of performing reconciliations.	Implemented

**III. Consulting Services and Non-Audit Services Completed**

<b>Report Date</b>	<b>Project Name</b>	<b>Overall Objective</b>	<b>Observations/Results/Recommendations</b>
7/25/2023	Facilities Maintenance Advisory Services	Review facility/campus maintenance procedures, including deferred maintenance.	No reportable observations
4/5/2023	HEERF Compliance Review	Document procedures and review overall compliance with HEERF expenditure and reporting requirements.	No reportable observations
Various	Reviews	Investigations or special reviews conducted at the request of management.	Internal memos issued, as appropriate



#### IV. External Quality Assurance Review (Peer Review)

The triennial external quality assurance review for 2023 is in progress but not yet complete. Results of the prior assessment, performed in 2020, are below.



September 16, 2020

Mr. Glenn Spencer, Chief Audit Executive  
 The University of Texas Permian Basin

In September 2020, The University of Texas Permian Basin (UT Permian Basin) internal audit (IA) function, the Office of Internal Audit (OIA), completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). UT Permian Basin OIA engaged an independent review team consisting of internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of OIA's QAR self-assessment. The primary objective of the validation was to verify the assertions made in the QAR report concerning IA's conformity to the IIA's *International Standards for the Professional Practice of Internal Auditing* (the IIA Standards) and Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA).

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the Standards. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the Standards, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by OIA, we agree with OIA's overall conclusion that the internal audit function "**Generally Conforms**" with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, as well as with OIA's conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

This information has been prepared pursuant to a client relationship exclusively with, and solely for the use and benefit of, The University of Texas System Administration and UT Permian Basin and is subject to the terms and conditions of our related contract. Baker Tilly 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 The University of Texas Permian Basin.

The review team appreciates the cooperation, time, and candid feedback of executive leadership, stakeholders, and OIA personnel.

Very truly yours,

*Baker Tilly Virchow Krause, LLP*

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## V. Internal Audit Plan for Fiscal Year 2024

FY 2024 Internal Audit Plan	Budget	Percent of Total	General Objective/Description
<b>Assurance Engagements</b>			
Export and Intellectual Property	250		Evaluate adequacy of procedures and controls to guard against unauthorized access or release of information.
Cybersecurity and Threat Response	300		Determine if cybersecurity protections and threat response activities intended to guard against both internal and external threats are in place, function effectively and are designed to evolve rapidly as emerging threats develop. This engagement includes compliance with applicable Texas Administrative Code §202.76 security control standards.
Use of Donor Funds	200		Determine whether controls are in place and effective to ensure gifted funds are spent for donor-intended purposes.
<b>Assurance Engagements Subtotal</b>	<b>750</b>	<b>19.6%</b>	
<b>Advisory Engagements</b>			
Reserve for Consulting Engagements/General	200		Consulting projects or non-specific consulting on an as-needed basis.
Disaster Recovery/Business Continuity	200		Advisory services related to planning, development and implementation of DRP and BCP, including facilitating coordination with business areas on development of business continuity plans.
Benefits Proportionality	50		Review/confirm corrective actions implemented by Office of Accounting are still in place and performing as intended.
Meetings with Leadership	40		Meetings with the President and executive management.
Continuous Auditing / Data Analytics	100		Perform recurring data analyses to monitor risk areas to be determined (e.g., procurement card use).
<b>Advisory Engagements Subtotal</b>	<b>590</b>	<b>15.4%</b>	
<b>Required Engagements</b>			
TEC 51.9337 Compliance Assessment	20		Determine compliance with Texas Education Code 51.9337 in regard to purchasing policies and staff certifications.
Joint Admissions Medical Program (JAMP) Funds	80		Required under agreement between UTPB and the JAMP Council, to determine the appropriateness of FY22 and FY23 program expenditures.
Annual Financial report - FY 2023 (assist Deloitte)	5		Provide minimal assistance to external auditors.
Annual Financial Report - Interim Procedures - FY 2024 (assist Deloitte)	5		Provide minimal assistance to external auditors.
<b>Required Engagements Subtotal</b>	<b>110</b>	<b>2.9%</b>	
<b>Investigations</b>			
Investigations - Reserve/General	250		Investigations, complaints, hotline tips on as-needed basis.
<b>Investigations Subtotal</b>	<b>250</b>	<b>6.5%</b>	
<b>Reserve</b>			
Reserve for management requests, emerging risks, and other unanticipated audits/projects	780		To provide for emerging risks as well as special requests from the President, executive management, audit committee, unanticipated events, other engagements that have not been specifically budgeted, and engagements proposed by new CAE upon re-assessment of risk.
<b>Reserve Subtotal</b>	<b>780</b>	<b>20.4%</b>	
<b>Follow-Up</b>			
General follow-up procedures	100		Follow-up on outstanding recommendations as necessary.
<b>Follow-Up Subtotal</b>	<b>100</b>	<b>2.6%</b>	
<b>Development - Operations</b>			
Annual Risk Assessment and Audit Plan	140		Required annually.
Annual Internal Audit Report - FY 2023	40		Required annually by SAO - covers audit activity during FY 2023.

FY 2024 Internal Audit Plan	Budget	Percent of Total	General Objective/Description
Quality Control Processes/External Review	100		Work associated with external peer review required every three years to validate conformance to IIA, GAGAS (Yellow Book) and Texas Internal Auditing Act requirements.
Internal Audit Committee	250		Preparation for audit committee meetings and meetings with audit committee members.
IT issues	30		Technical issues related to remote and office workstations and website data updates.
Other required work - UT System	40		Other work required by UT System, including weekly CAE meetings and general reporting of performance metrics.
TeamMate	40		TeamMate reporting/changes, including setting up new audits/projects.
Outside audit coordination/tracking	40		Coordination and monitoring of status of outside audits.
UT System Council Meetings (non-CPE hours)	20		Attend meetings of UT System Audit Council as required.
Audit-related staff meetings/discussions	180		Discussion of audit-related issues not specific to one engagement.
<b>Development - Operations Subtotal</b>	<b>880</b>	<b>23.0%</b>	
<b>Development - Initiatives and Education</b>			
Required Continuing Professional Education (CPE)	120		Required continuing education in order to maintain professional certifications.
Other Training, including travel	160		Other necessary training that is non-CPE, including travel.
Audit software conversion and training	80		For converting to new audit software application.
<b>Development - Initiatives and Education Subtotal</b>	<b>360</b>	<b>9.4%</b>	
<b>Total Budgeted Hours</b>	<b>3820</b>	<b>100.0%</b>	

### ***Risk Assessment/Methodology Used to Develop FY 2024 Annual Audit Plan & High Risks Not Included***

The FY 2024 Internal Audit Plan includes 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.

The goals for this risk assessment approach were to start with executive management with an awareness of critical initiatives and objectives to ensure the risks assessed are the most relevant and timely. 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 include specific information technology risks related to control standards required under Texas Administrative Code §202.76.

An audit of benefits proportionality was last performed as part of the FY 2022 Internal Audit Plan, for appropriation years 2020-2021 as required under Rider 8, page III-50, of the General Appropriations Act (87th Legislature). Because benefits proportionality was not identified as a high-risk area in the annual risk assessment, and is no longer required under Rider 8, page III-52, of the General Appropriations Act (88<sup>th</sup> Legislature), there are no plans to conduct an audit during FY 2024. Advisory services will be provided after the FY 2023 Benefits Proportional by Method of Finance report is prepared, to ensure process improvements implemented after the prior audit are still in place.

This risk assessment process also evaluates risks associated with achieving the requirements of TEC §51.9337 and TGC §2102.005(b) related to required standards for purchasing authority and consideration of contracting risk. A review for compliance with TEC §51.9337 will be performed, as required; however, based on the annual risk assessment and other risk mitigating activities in place, there are no plans to conduct other audits in this area during FY 2024.

The resulting Internal Audit Plan outlines the internal audit activities that will be performed during FY 2024 in accordance with responsibilities established by UT Permian Basin, UT System, the IIA *Standards*, and generally accepted government auditing standards. The plan is prepared using a risk-based approach, as described above, to ensure that areas and activities with the greatest risk are identified for consideration to be audited. The Internal Audit Plan includes Engagements (Assurance, Advisory, Required, Investigations, and Follow-up); Operations (ongoing non-engagement activities); and Initiatives & Education (training and developmental initiatives that may be employed over multiple years). The Internal Audit Plan was approved by the UT Permian Basin Internal Audit Committee on 6/29/23 and by the UT System Board of Regents' Audit, Compliance, and Risk Management Committee on 8/23/23 as part of the UT Systemwide Audit Plan.

Additional critical/high risks were identified in the general areas of:

- Information technology,
- Finance,
- Human resources,
- Contracting,
- Facilities management,
- Emergency management,
- Student services and retention,
- Enrollment and financial aid,
- Athletics, and
- Sponsored research projects.

While engagements related to these risks are not part of the FY 2024 Internal Audit Plan, there are other risk mitigation activities that address them.

## VI. External Audit Services Procured in Fiscal Year 2023

UT Permian Basin contracted with the following public accounting firm in Fiscal Year 2023:

- Belt Harris Pechacek LLLP, to perform a financial audit of the STEM Academy charter school for the year ended August 31, 2022.

While no other external audit services were procured by UT Permian Basin during Fiscal Year 2023, other engagements relevant to the university were performed by outside entities and include the following for FY 2023:

- Deloitte & Touche LLP, contracted by UT System to conduct audit procedures related to the FY 2022 Annual Systemwide Consolidated Financial Report and interim procedures for the audit of the FY 2023 Systemwide Consolidated Annual Financial Report.
- Whitley Penn LLP, to perform a financial audit of the Wagner Noel Performing Arts Center as operated by ASM Global. UT Permian Basin received a SAS 114 *Auditor's Communication with Those Charged with Governance* letter related to this audit.

## VII. Reporting Suspected Fraud and Abuse

Actions taken by the University of Texas Permian Basin to implement the requirements of General Appropriations Act (88<sup>th</sup> Legislature), Article IX, Section 7.09, Fraud Reporting and Texas Government Code, include:

- SAO fraud reporting link on the bottom right of UT Permian Basin homepage (<https://www.utpb.edu/>)
- UT System policy UTS 118 pertaining to fraudulent activities, including coordination of investigations and reporting of suspected fraud (<https://www.utsystem.edu/sites/policy-library/policies/uts-118-dishonest-or-fraudulent-activities>)
- UT Permian Basin Hotline, which provides employees a way to report instances of suspected wrongdoing (<https://www.utpb.edu/university-offices/compliance-and-accommodations/>)