

Table of Contents

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.....	3
II. Internal Audit Plan for Fiscal Year 2016	3
• Deviations From the Audit Plan	
III. Consulting Services and Non-Audit Services Completed.....	5
IV. External Quality Assurance Review	5
• See Attachment A	
V. Internal Audit Plan for Fiscal Year 2017	5
• High Risks Not Included in Audit Plan for Fiscal Year 2017	
• Risk Assessment Methodology	
VI. External Audit Services Procured in Fiscal Year 2016	10
VII. Reporting Suspected Fraud and Abuse	11
Attachment A – External Quality Assurance Review	

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

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 2016 and the approved Audit Plan for fiscal year 2017. 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. Internal Audit Plan for Fiscal Year 2016

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 UT Permian Basin Office of Internal Audit conducted this required assessment for fiscal year 2016, and found the following:

Based on review of current institutional policy and the UT System Board of Regents’ *Rules and Regulations*, UT Permian Basin has generally adopted, with no exceptions noted, all of the rules and policies required by TEC §51.9337. Review and revision of institutional and System policy is an ongoing process. These rules and policies will continue to be assessed annually to ensure continued compliance with TEC 51.9337.

Engagements	Status	Report Date	Explanation
Financial			
Annual Financial Report - FY 2015	Completed	09/20/16	
Annual Financial Report - Interim Procedures - FY 2016	Completed	N/A	Interim work only. No report issued.
Segregation of Duties and Accounts Reconciliation Monitoring Plan	Completed	06/13/16	
Operational			
Presidential Travel and Entertainment Expense - FY 2015	Completed	N/A	Performed by UT System Audit Office.
Executive Travel and Entertainment Expense - FY 2015	In Progress		In progress. Fieldwork substantially complete at fiscal year-end.
Donations	Rescheduled		Rescheduled for FY 2017.
Procurement (Contract Management)	In Progress		In progress.
Effort Reporting and Certification - Grants	Completed	09/26/16	

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

Compliance			
Benefits Proportionality - FY's 2012, 2013 and 2014	Completed	03/7/16	Report submitted to the State Auditor's Office.
State of Texas Federal Single Audit (A-133)	Completed	N/A	Performed by State Auditor's Office.
NCAA Academic Integrity	In Progress		In progress.
Procurement - Compliance Checklist	Completed	N/A	Completed 8/30/16. No report issued.
Information Technology			
TAC 202 - System Security - FY 2015	In Progress		In progress.
UT Share - PeopleSoft	Ongoing	N/A	Ongoing work only.
Follow-Up			
Follow-up on outstanding audit findings and recommendations	Ongoing	N/A	Ongoing work only.
Investigations	Ongoing	N/A	Ongoing work only.
Development - Operations			
Annual Risk Assessment and Audit Plan	Completed	06/16/16	
Annual Internal Audit Report - FY 2015	Completed	10/28/15	
Internal Quality Assurance Review Activities	Ongoing	N/A	
Training provided by Internal Audit	Ongoing	N/A	
Internal Audit Committee	Ongoing	N/A	
Compliance Committee	Ongoing	N/A	
TeamMate, IDEA, website development/maintenance	Ongoing	N/A	
Performance Metrics - UT System	Ongoing	N/A	
Other Required Work - UT System	Ongoing	N/A	
Outside Audit Coordination/Tracking	Ongoing	N/A	
Uniform Guidance - Sponsored Projects and Research	Ongoing	N/A	
Systemwide IT Risk Assessment	Ongoing	N/A	
Development - Initiatives and Education			
UT System - Council Meetings	Ongoing	N/A	
Professional Organizations	Ongoing	N/A	
Continuing Professional Education	Ongoing	N/A	
Other Training	Ongoing	N/A	
Reserve			
Consulting Projects	Ongoing	N/A	
Deviations from the Audit Plan			
<p>The Senior Auditor I position was vacant for 6.5 months out of the fiscal year. This was the primary reason for not all audits being completed within the fiscal year. The planned audits that were not completed were in progress at August 30, 2016. These are expected to be completed within early fiscal year 2017.</p>			

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

III. Consulting Services and Non-Audit Services

Project Name	Report Date	Overall Objective	Observations/Results/Recommendations
First 5 Permian Basin - Gift Card Review	07/6/16	To assess effectiveness of internal controls over gift card program.	All purchased gift cards were accounted for. Recommendations made to strengthen controls over the use and disposition of a small number of donated gift cards.

IV. External Quality Assurance Review

The executive summary of the most recent external quality assurance review is included with this report as Attachment A.

V. Internal Audit Plan for Fiscal Year 2017

The approved Fiscal Year 2017 audit plan is presented as required by the State Auditor's Office guidelines: 1) The requirements of Senate Bill 20 (84th Legislature) were fulfilled by the Procurement audit in progress at 8/31/2016, as part of the FY 2016 Audit Plan; 2) The audit requirements for benefits proportionality were fulfilled in the FY 2016 Audit Plan; 3) A list of risks ranked as high that were identified, but have not been included in the Fiscal Year 2017 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.

FY 2017 Audit Plan	Original Budget
Risk-Based Audits	
Contracts management	286
Vendor contracts - food service	200
Donations	200
Admissions	200
Financial Aid	240
Departmental audits	500
Carryforward audits from FY 2016	160
Risk-Based Audits Subtotal	1786
Required Audits (Externally and Internally)	
Annual Financial Report - FY 2016	120
Annual Financial Report - Interim Procedures - FY 2017	40
UTS 142.1 - Monitoring Plan and Segregation of Duties - FY 2016	160
Presidential Travel and Entertainment Expense - FY 2016	10

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

Executive Travel and Entertainment Expense - FY 2016	200
Athletics Academic Integrity	240
State of Texas Federal Single Audit	20
Required Audits Subtotal	790
Consulting Projects	
As needed	120
Consulting Subtotal	120
Investigations	
Investigations, complaints, hotline tips	80
Investigations Subtotal	80
Follow Up	
Follow-up on outstanding audit findings and recommendations	300
Follow Up Subtotal	300
General Reserve	
Special requested audits	400
General Reserve Subtotal	400
Development - Operations	
Annual Risk Assessment and Audit Plan	160
Annual Internal Audit Report for FY 2016	40
Internal Quality Assurance Activities	40
External Quality Assurance Review	40
Training Provided by Internal Audit	20
Internal Audit Committee	240
Compliance Committee	10
TeamMate, IDEA, website development/maintenance	200
Other Required Work - UT System	80
Outside Audit Coordination/Tracking	80
Development - Operations Subtotal	910
Development - Initiatives and Education	
UT System Council Meetings	50
Professional Organizations	40

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

Continuing Professional Education	120
Other Training	120
Development - Initiatives and Education Subtotal	330
Total Budgeted Hours	4716

V. (continued) Identified High Risks Not Covered in FY 2017 Audit Plan

Ranking	Risk	Explanation/ Mitigation	Internal Audit Action
President's Office			
Critical	Funding requirements for both current and future needs are not attained.	Rely upon management oversight and budgetary process.	<i>None in FY 2017</i>
Critical	University's reputation and image is negatively impacted by low faculty performance in publishing, attainment of outside grant funds, and overall research.	Rely upon management oversight.	<i>None in FY 2017</i>
High	A coordinated and comprehensive marketing approach for the entire University has not been formulated, implemented and updated in order to improve the image and brand awareness of UTPB and attract new students and donors.	Rely upon management oversight.	<i>None in FY 2017</i>
High	Website, print, radio and social media information are not current and are not utilized to their fullest extent to maximize the image of the University and provide up-to-date information for the public.	Rely upon management oversight.	<i>None in FY 2017</i>
High	Strategic plans and organizational goals and objectives are not properly aligned and not updated on a regular basis.	Rely upon management oversight.	<i>None in FY 2017</i>
Undergraduate Success			
High	Inadequate staffing for the Prometric testing center could potentially lead to licensing loss.	Rely upon management oversight.	<i>None in FY 2017</i>
Visual and Performing Arts			
High	Visual and performing arts are perceived as ineffective / expansion of Music program is not successful/.	Rely upon management oversight.	<i>None in FY 2017</i>
Athletics			
High	Implementation of football and expansion of other sports is not successful.	Non audit and compliance issue. Rely upon management oversight	<i>None in FY 2017</i>
High	Gender equity is not maintained in programs, services and support for student athletes.	Rely upon compliance monitoring and management oversight.	<i>None in FY 2017</i>

The University of Texas of the Permian Basin
Annual Internal Audit Report - 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.	<i>None in FY 2017</i>
Business Affairs			
High	Sexual harassment claims are not properly investigated and reported.	Rely upon compliance monitoring and management oversight.	<i>None in FY 2017</i>
High	Employee training and procedure updates regarding Title IX compliance are not provided.	Rely upon compliance monitoring and management oversight.	<i>None in FY 2017</i>
High	Information is not disseminated to staff and students regarding Title IX compliance.	Rely upon compliance monitoring and management oversight.	<i>None in FY 2017</i>
Environmental Health & Safety			
High	Emergency mitigation measures, response procedures, and training of staff are not current or have not been implemented.	Rely upon management oversight. The Emergency Management Peer Review is conducted by the UT System Risk Management Office once every three years. The prior review was performed in FY 2015.	<i>None in FY 2017</i>
Human Resources			
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	<i>None in FY 2017</i>
High	Effective and relevant training and individual development is not provided to faculty and staff on an ongoing basis.	Rely upon management oversight	<i>None in FY 2017</i>
Graduate Studies and Research			
High	Time and effort reporting is not accurate.	Effort Reporting audit conducted in FY 2016. Follow-up of recommendations to occur in FY 2017.	<i>None in FY 2017</i>
High	Grant funds are intentionally misused or not used in accordance with grant and Federal requirements.	Rely upon management oversight and compliance monitoring. University-wide audit on Grant funds planned for FY 2018.	<i>None in FY 2017</i>
Institutional Research, Planning, and Effectiveness			
High	Programming problems prevent the accurate submission of semester credit hours to the Texas Higher Education Coordinating Board (THECB), which adversely affects the formula funding determinations for the University.	Rely upon management oversight	<i>None in FY 2017</i>
Information Resources			

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

High	Problems with particular systems/services may not be resolved in a timely manner due to lack of backup in key staff positions. Frequently, only one individual has the required skills and training to resolve a particular problem. If that individual is not available due to sickness, vacation or other absences, then the resolution of the issue can be delayed.	Rely upon management oversight. Cross training of staff as feasible. Some contractor and UT Shared Services contacts may be available for staff augmentation.	<i>None in FY 2017</i>
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	<i>None in FY 2017</i>
High	Updated contingency plans are not maintained for disaster recovery/business continuity.	TAC 202 System Security Audit performed on biennial basis. Next audit to occur in FY 2018 Audit Plan.	<i>None in FY 2017</i>
High	Operations at the Data Center will be interrupted due to water leakage.	Rely upon management oversight	<i>None in FY 2017</i>
University Police			
High	Inability to lock down buildings remotely in case of an "active shooter" situation or some other emergency, and to help prevent theft and vandalism.	Close management oversight and supervision. Increased campus police presence/increased staffing and training.	<i>None in FY 2017</i>
High	Inability to effectively monitor potential threats or criminal activity due to few security cameras inside of buildings.	Close management oversight and supervision. Increased campus police presence/increased staffing and training.	<i>None in FY 2017</i>
High	No campus-wide public indoor public address (PA) system that would allow for verbal messages / instructions to be communicated due to an active shooter situation, severe weather alert, or some other emergency.	Close management oversight and supervision. Increased campus police presence/increased staffing and training.	<i>None in FY 2017</i>
College of Education			
High	Misuse of grant funds could result in sanctions, loss of funding, and ability to secure new grants.	Effort Reporting audit conducted in FY 2016. Follow-up of recommendations to occur in FY 2017.	<i>None in FY 2017</i>
Information Security			
High	Adequate security controls are not maintained, leading to loss of confidential data, outside hacking, downloading of malware or unauthorized use.	TAC 202 System Security Audit performed in FY 2016. Required on a bi-annual basis. Use of internal security procedures, such as virus scanners, and other internal controls. Ongoing training of all personnel on IT security procedures.	<i>None in FY 2017</i>
REACH			
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 and compliance monitoring.	<i>None in FY 2017</i>
High	Transition from Blackboard to Canvas may result in unforeseen problems during the first year.	Rely upon management oversight and compliance monitoring.	<i>None in FY 2017</i>

High	Library		
	Inadequate building security and protection places individuals at risk.	Rely upon management oversight. Security upgrade measures currently in progress. The Emergency Management Peer Review is conducted by the UT System Risk Management Office once every three years. The prior review was performed in FY 2015.	<i>None in FY 2017</i>

V. (continued) Risk Assessment Methodology

The FY 2017 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.

The goals for this 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. 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 2016 and was in progress at August 31st. Another biennial audit of TAC 202 compliance will be included in the future 2018 Audit Plan.

The risk assessment approach was based on a top-down process that included conversations with, and requests for input from executive management, college deans, and department heads. Risk factors evaluated were likelihood, vulnerability, and impact to the achievement of the objective.

The resulting Risk Assessment for 2017 was discussed with the Audit Committee at its June 2016 meeting, and was subsequently approved as part of the 2017 Audit Plan.

VI. External Audit Services Procured in Fiscal Year 2016

UT Permian Basin contracted with the public accounting firm of Belt Harris Pechacek to perform the financial audit of the STEM charter school for the year ended August 31, 2015. While no other external audit services were procured by UT Permian Basin during Fiscal Year 2016, other audits are annually performed by outside agencies, and include the following for FY 2016:

- The public accounting firm, Deloitte Touche LLP, conducted audit procedures related to the FY 2015 Annual Financial Report and interim procedures for the audit of the FY 2016 Annual Financial Report.

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

- The Texas State Auditor's Office followed up 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 2015.
- The UT System Audit Office performed the NCAA agreed-upon procedures engagement for the year ended August 31, 2015.

VII. Reporting Suspected Fraud and Abuse

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

Fraud Reporting - Section 7.09, General Appropriations Act (84th 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.

The University of Texas of the Permian Basin
Annual Internal Audit Report - FY 2016

- (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.



Attachment A - IV. 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,


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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. ↔