# Office of Internal Audit

# Annual Audit Report
# For the Fiscal Year Ended
# August 31, 2024

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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 2024 Internal Audit Annual Report, which includes its approved FY 2025 Internal Audit Plan (see Section VI) and a summary of weaknesses/concerns and related actions taken resulting from the FY 2024 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 2024

| FY 2023 Audit Plan – Engagements | Status of Plan |
|---|---|
| **Assurance Engagements** | |
| Export and Intellectual Property Controls Audit | Cancelled |
| Cybersecurity and Threat Response Audit | Complete (9/30/2024) |
| Procurement Card Audit (FY22 Carryforward) | Complete (9/19/2023) |
| Third Party Cloud Security Management Audit (FY23 Carryforward) | Complete (10/17/2023) |
| Travel Card Audit | Complete (4/30/2024) |
| **Advisory and Consulting Engagements** | |
| Disaster Recovery/Business Continuity | Cancelled |
| Benefits Proportionality | Complete |
| Use of Donor Funds Advisory | In progress |
| Continuous Auditing/Data Analytics | Ongoing |
| Procurement Card Monitoring Assistance | Complete |
| **Required Engagements** | |
| Joint Admission Medical Program Expenditures Audit | Complete (11/28/2023) |
| Texas Education Code §51.9337 Compliance Assessment | Complete (1/12/2024) |
| Texas Education Code §51.3525 Compliance Audit | Complete (8/12/2024) |
| Annual Financial Report - FY 2023, assistance to Deloitte | Deloitte Report (UT System) |
| Annual Financial Report - Interim Procedures - FY 2024, assistance to Deloitte | Deloitte Report (UT System) |
| **Investigations** | |
| Various Special Reviews | Internal Memos, as applicable |
| **Follow-Up** | |
| General follow-up procedures | Ongoing - Internal Memos, as applicable |
| **Operations** | |
| Annual Risk Assessment and FY25 Audit Plan Preparation | Complete - Report NA |
| Annual Internal Audit Report - FY 2023 | Complete (11/1/2023) |
| Triennial External Quality Assessment | Complete (11/15/2023) |
| Internal Audit Committee | Quarterly - Report NA |
| IT Issues | Ongoing - Report NA |
| UT System Requests and Internal Audit Council | Ongoing - Report NA |
| Audit Software Administration | Ongoing - Report NA |
| External Audit Coordination | Ongoing - Report NA |
| UT System Council Meetings (non-CPE hours) | Ongoing - Report NA |
| Audit staff meetings/discussions | Ongoing - Report NA |
| **Initiatives and Education** | |
| Required Continuing Professional Education (CPE) | Ongoing - Report NA |
| Other training and prof. development (incl travel) | Ongoing - Report NA |
| Audit software conversion training | Complete |

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**PERMIAN BASIN**

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

The UTPB Internal Audit Office completed its FY 2024 Internal Audit Plan except for the deviations noted below.  Two engagements for which reports had not yet been issued at the end of FY 2024 were carried forward for completion in FY 2025 and are now complete.  Changes from the original FY 2024 Internal Audit Plan were made as follows.

- *Canceled:* Export and Intellectual Property Controls Audit
- *Postponed:* None
- *Added:*  Procurement Card Audit (carry-forward), Third Party Cloud Security Management Audit (carry-forward), Travel Card Audit, Texas Education Code §51.3525 Compliance Audit, Procurement Card Monitoring Advisory

***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 2024 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.

***TGC Section 2102.015:***

A summary table of observations identified from FY 2024 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 |
|---|---|---|---|---|
| 9/19/2023 | Procurement Card Audit | Misuse should be timely communicated to cardholder with escalating consequences for misuse. | Detected misuse or policy violations will be communicated to the cardholder and the cardholder's department head once monitoring begins, following the established escalation process which begins with refresher training after first violation. These will be tracked so that subsequent violations can be escalated and sanctions imposed for repeated misuse. | Implemented |
| 9/19/2023 | Procurement Card Audit | Improved monitoring of card activity is needed to enforce compliance with policies. | More detailed monitoring capabilities will be implemented based on the methods used for this audit, including review of item descriptions when available and other types of inappropriate use that can be detected through analysis of purchase data (for example, split transactions). Spot-check audits will be performed to monitor for inappropriate use or non-compliance with policy that is not easily detected through analysis of data. | Implemented |
| 9/19/2023 | Procurement Card Audit | Policies, procedures, and training should be updated to reflect current expectations and policies | Procurement card policies will be reviewed and updated to simplify and clarify requirements, align with current practices, and minimize common exceptions. Training materials will be updated and any significant changes will be communicated to all cardholders. | Implemented |
| 10/17/2023 | Third-Party Cloud Security Management Audit | Consistent compliance with and enforcement of established Software Request Procedures will reduce the risk that use of unsanctioned and insecure cloud services results in exposure of university data | A custom report will be developed to detect software purchases as they occur and used to verify that the established procedure was followed. If the procedure was not followed, the department will be reminded of the approval process and instructed to submit a software request for the purchase. | Implemented |
| 10/17/2023 | Third-Party Cloud Security Management Audit | Excepted from disclosure under Texas Government Code §552.139 or other law.  Full report has been provided to the State Auditor's Office. | Excepted from disclosure under Texas Government Code §552.139 or other law.  Full report has been provided to the State Auditor's Office. | Open – Due 12/31/2024 |
| 10/17/2023 | Third-Party Cloud Security Management Audit | A complete software inventory, including any cloud services and their TX-RAMP status, is critical for identifying and managing any potential risks to university data and can assist in reducing duplications and inefficiencies. | In addition to the custom report tool to monitor purchases, the inventory has now been updated to include fields to record TX-RAMP information. | Implemented |

| Report Date | Report Name | Observation | Management Response | Status |
|---|---|---|---|---|
| 10/17/2023 | Third-Party Cloud Security Management Audit | Consistent documentation of security assessments and TX-RAMP evaluations will support software request and risk management decisions and provide the records necessary to demonstrate compliance with TX-RAMP program requirements | Going forward, security risk assessment and TX-RAMP documentation will be attached to each request ticket using a standard template to record and report risk assessment information for this purpose. | Implemented |
| 10/17/2023 | Third-Party Cloud Security Management Audit | Excepted from disclosure under Texas Government Code §552.139 or other law. Full report has been provided to the State Auditor's Office. | Excepted from disclosure under Texas Government Code §552.139 or other law. Full report has been provided to the State Auditor's Office. | Implemented |
| 10/17/2023 | Third-Party Cloud Security Management Audit | Updating annual security awareness training to accurately reflect university policy and reinforce required procedures will strengthen protection of university data by reducing any noncompliance caused by misunderstanding or lack of awareness. | Security awareness training will be updated to include additional guidance on the use of cloud applications, to reinforce the software request process, and provide additional detail on UTPB data classifications. | Implemented |
| 11/28/2023 | Joint Admission Medical Program Audit | Awarded funds should be fully expended to ensure the JAMP Program maximizes its opportunity to help historically under-served students interested in postgraduate medical education. | Beginning with the spring semester, situations in which a student position is unfilled by a course instructor will be identified so that the position can either be reallocated to another course and filled, or an alternate use of funds can be found and a budget change requested from the JAMP office. | Open – Due 1/31/2025 |
| 11/28/2023 | Joint Admission Medical Program Audit | Consistent reconciliation, review, and approval of the JAMP project account is needed to ensure funds are deposited timely and expenditures are recorded correctly. | A newly hired administrative assistant is expected to provide stability in the role and improve compliance with reconciliation requirements and account monitoring. | Implemented |
| 4/30/2024 | Travel Card Audit | Updates to Travel Card policies, procedures, and training materials to clearly communicate card guidelines, align with travel policy, and reflect current expectations will reduce the risk of non-compliant card use. | Accounting will review and update travel procedures and reconciliation requirements while referencing travel card policies and procedures. Purchasing will update travel card policies and procedures and collaborate with Accounting to develop training materials for policy communications. | Open – Due 9/30/2024 |
| 4/30/2024 | Travel Card Audit | Improved monitoring of Travel Card purchases is needed to enforce compliance with card and travel policies and State travel rules. | Oversight of travel card purchases and documentation within expense report reviews will be enhanced to ensure policy compliance, promptly notifying cardholders of any violations for corrective measures. Monitoring protocols will mirror those employed for overseeing procurement card use. | Open – Due 9/30/2024 |

| Report Date | Report Name | Observation | Management Response | Status |
|---|---|---|---|---|
| 4/30/2024 | Travel Card Audit | Ongoing monitoring of card transactions pending assignment to an expense report will ensure the cardholder acknowledges all card use, the cost center owner approves the purchases, and Accounting verifies compliance with policies and procedures so that payment can be made timely. | Accounting will engage in Travel Business Process walkthrough with UT System Shared Information Services to grasp the bank-PeopleSoft interface, essential for crafting a monitoring process. This process aims for timely assignment of credit card transactions to expense reports by cardholders, accompanied by notification for overdue transactions | Open – Due 9/30/2024 |
| 4/30/2024 | Travel Card Audit | Purchase of fuel for personal vehicles should be explicitly prohibited because the business-use and personal-use portions of purchased fuel cannot be accurately determined | Accounting will revise travel procedures in accordance with state policies. Subsequently, Purchasing and Accounting will communicate these policies and procedures during travel training | Open – Due 9/30/2024 |
| 8/12/2024 | Texas Education Code §51.3525 Compliance Audit | Ongoing compliance with TEC §51.3525 can be strengthened by expanding communication of its provisions to all employees to ensure they understand the prohibition on performance of DEI duties. Planned compliance training that will include this topic, to be required annually, is not yet in place. | The Office of Compliance is working with Human Resources to develop and implement a new compliance training module specific to TEC §51.3525 by September 30, 2024. The new training will be required for all employees annually. | Implemented |
| 8/12/2024 | Texas Education Code §51.3525 Compliance Audit | While management has taken actions to strengthen controls to enhance compliance with statute, management has not developed risk-based monitoring activities to provide reasonable assurance of continued compliance. Ongoing monitoring should be designed to address key risk areas in the statute including, but not limited to, staff hiring and employment practices, tracking of related compliance training, and periodic review of programs and activities. | The Office of Compliance is developing a risk-based compliance monitoring plan based on the key prohibitions of TEC §51.3525, to be implemented by September 30, 2024. | Open – Due 9/30/2024 |
| 9/30/2024 | Cybersecurity and Threat Response Audit | Seven observations. Excepted from disclosure under Texas Government Code §552.139 or other law.  Full report has been provided to the State Auditor's Office. | Excepted from disclosure under Texas Government Code §552.139 or other law.  Full report has been provided to the State Auditor's Office. | Open  - Various due dates |

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

| Report Date | Project Name | Overall Objective | Observations/Results/Recommendations |
|---|---|---|---|
| NA | Benefits Proportionality | Review/confirm corrective actions implemented by Office of Accounting are still in place and performing as intended. | No reportable observations |
| NA | Procurement Card Monitoring Assistance | Provide training and guidance to Office of Accounting staff in using analytics tool to monitor procurement card compliance | No reportable observations |
| Various | Reviews | Investigations or special reviews conducted at the request of management. | Internal memos issued, as appropriate |

**IV. External Audit Services Procured in Fiscal Year 2024**

UT System Administration, on behalf of UT Permian Basin, contracted with the following audit services provider in Fiscal Year 2024:

- EisnerAmper Gulf Coast LLP to perform an audit of UT Permian Basin Cybersecurity and Threat Response.

While no other external audit services were procured by UT Permian Basin during Fiscal Year 2024, other engagements relevant to the university were performed by outside entities and include the following for FY 2024:

- Deloitte & Touche LLP, contracted by UT System to conduct audit procedures related to the FY 2023 Annual Systemwide Consolidated Financial Report and interim procedures for the audit of the FY 2023 Systemwide Consolidated Annual Financial Report.

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

**bakertilly**

November 2023

Ms. Dyan Hudson, Interim Chief Audit Executive
University of Texas Permian Basin

In June 2023, 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 IA engaged an independent review team consisting of internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of IA'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 IA, we conclude that the internal audit function **"Partially Conforms"** with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* due to challenges related to the following:

- Standard 1300 – Quality Assurance and Improvement Program
- Standard 2040 – Policies and Procedures
- Standard 2330 – Documenting Information

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 IA personnel.

Very truly yours,

*Baker Tilly US, LLP*

Baker Tilly US, LLP

## VI. Internal Audit Plan for Fiscal Year 2025

| FY 2024 Internal Audit Plan | Budget | Percent of Total | General Objective/Description |
|---|---|---|---|
| **Assurance Engagements** | | | |
| Contract Management Audit | 350 | | Determine whether controls in all contracting phases (solicitation, award, monitoring, and termination) are effective to ensure compliance with applicable policies and State procurement law |
| Change in Leadership Audits | 300 | | Review administrative business processes in colleges with new leadership to determine whether controls are implemented in compliance with applicable university policies and procedures |
| Student Fee Audit | 300 | | Determine whether controls over student fee management and use are in place and effective |
| Business Continuity and Disaster Recovery Planning Audit | 150 | | Determine whether plans to ensure continuity of business operations during a disruptive event are in place, and disaster recovery plans are in place to timely restore technology infrastructure and comply with applicable Texas Administrative Code §202.76 security control standards |
| **Assurance Engagements Subtotal** | **1,100** | **27.0%** | |
| **Advisory Engagements** | | | |
| Use of Donor Funds - FY24 Carry-forward | 110 | | Determine whether controls are in place and effective to ensure gifted funds are spent for donor-intended purposes. (completion of FY 2024 audit) |
| Permian Strategic Partnership Advisory | 120 | | Review use of funds for significant projects funded by Permian Strategic Partnership including, but not limited to, the Permian Basin SAS Workforce Analytics Project. |
| Student Housing Advisory | 100 | | Assist Student Housing in assessing revenue and expense trends, plans, and related data analysis |
| Continuous Auditing / Data Analytics | 100 | | Perform recurring data analyses to monitor risk areas and advise management on potential analytics of benefit to their monitoring responsibilities |
| EIR Accessibility Standards Consulting | 40 | | Provide advice and assistance to IT in its efforts to ensure compliance with Texas Administrative Code §206 (web accessibility law) and federal law |
| Artificial Intelligence Governance Advisory | 80 | | Provide advisory services related to development and implementation of artificial intelligence governance |
| Scholarship Fund Management Advisory | 80 | | Review management oversight of funding, use rate, and solvency of significant scholarship funds |
| Athletics Business Processes Advisory | 60 | | Assist Athletics is reviewing and updating financial practices |
| TEC §51.3525 Compliance Advisory | 40 | | Provide ad-hoc assistance to support compliance monitoring activities |
| Meetings with Leadership / General Advisory Services | 40 | | Ad hoc meetings with executive management and general advisory services |
| **Advisory Engagements Subtotal** | **770** | **18.9%** | |
| **Required Engagements** | | | |
| TEC §51.9337 Compliance Assessment | 16 | | Determine compliance with Texas Education Code §51.9337 regarding contracting and purchasing policies |
| Annual Financial Report - FY 2024 (assist Deloitte) | 9 | | Provide assistance as needed to external auditors |
| Annual Financial Report - Interim Procedures (assist Deloitte) | 6 | | Provide assistance as needed to external auditors |
| NCAA Agreed Upon Procedures coordination/assistance | 40 | | Coordinate as needed in performance of the triennial engagement. |
| UTPB STEM Academy Expenditure Review | 40 | | Coordinate as needed in performance of the triennial engagement. |
| **Required Engagements Subtotal** | **111** | **2.7%** | |

| FY 2024 Internal Audit Plan | Budget | Percent of Total | General Objective/Description |
|---|---|---|---|
| **Investigations** | | | |
| Investigations - Reserve/General | 280 | | Investigations, complaints, hotline tips on as-needed basis. |
| **Investigations Subtotal** | **280** | **6.9%** | |
| **Reserve** | | | |
| Reserve for Assurance and Advisory Engagements/General | 600 | | Reserved for management-requested audits and advisory services, emerging risks and issues, and other non-specific ad hoc consulting. |
| **Reserve Subtotal** | **600** | **14.7%** | |
| **Follow-Up** | | | |
| General follow-up procedures | 120 | | Follow-up on outstanding recommendations as necessary. |
| **Follow-Up Subtotal** | **120** | **2.9%** | |
| **Development - Operations** | | | |
| Internal Audit Committee | 150 | | Preparation for audit committee meetings |
| Audit-related staff meetings/discussions | 120 | | Discussion of audit-related issues not specific to one engagement. |
| Quality Control Processes and Interim Self-Assessment | 128 | | Assessment of conformance with new professional standards; continuing follow-up on 2023 External Quality Assessment |
| Annual Risk Assessment and Audit Plan | 120 | | Perform risk assessment and develop annual internal audit plan |
| UT System requests and Internal Audit Council (non-CPE) | 60 | | Other work requested by UT System Audit Office such as CAE meetings and reporting of performance metrics |
| External Audit Assistance and Coordination | 60 | | Coordination and monitoring of audits performed by external entities. |
| Annual Internal Audit Report - FY 2024 | 40 | | Annual report to State Auditor's Office |
| Audit software administration | 70 | | eCase software administration as needed |
| IT issues | 24 | | Resolution of technical issues |
| **Development - Operations Subtotal** | **772** | **19.0%** | |
| **Development – Initiatives and Education** | | | |
| Continuing Professional Education (CPE) | 120 | | Continuing education for professional development and maintenance of professional certifications |
| Other Training, including travel | 120 | | Internal training, training that does not earn CPE, and travel related to attendance at in-person training events |
| Audit software conversion and training | 80 | | Conversion to eCase and associated training |
| **Development - Initiatives and Education Subtotal** | **320** | **7.9%** | |
| | | | |
| **Total Budgeted Hours** | **4,073** | **100.0%** | |

***Risk Assessment/Methodology Used to Develop FY 2025 Annual Audit Plan & High Risks Not Included***

The FY 2025 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$^{th}$ Legislature), there are no plans to conduct an audit during FY 2025.

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.  In addition, an audit of contract management practices is included in the FY 2025 annual audit plan based on risk.

The resulting Internal Audit Plan outlines the internal audit activities that will be performed during FY 2025 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 July 8, 2024, and by the UT System Board of Regents' Audit, Compliance, and Risk Management Committee on August 21, 2024,  as part of the UT Systemwide Audit Plan.

Additional critical/high risks were identified in the general areas of:
- Information technology,
- Policy management, and
- Enrollment.

While engagements related to these risks are not part of the FY 2025 Internal Audit Plan, there are other risk mitigation activities that address them.

## VII. Reporting Suspected Fraud and Abuse

Actions taken by the University of Texas Permian Basin to implement the requirements of General Appropriations Act (88th 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/)