



UNIVERSITY^{of} NORTH TEXAS SYSTEM

Internal Audit

November 1, 2003

Governor's Office of Budget and Planning
Legislative Budget Board
State Auditor's Office
Sunset Advisory Commission

A report on activity of the University of North Texas System (Agency 769) Internal Audit function is attached. This report fulfills requirements set out in the Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code. The report provides information pertaining to fiscal year 2003 audit plan and deviations, audits completed, audit objectives, key observations/findings and recommendations, and other Internal Audit activities at the University of North Texas (Agency 752) and the University of North Texas Health Science Center at Fort Worth (Agency 763).

The information contained in this report will give the State's decision makers information about UNT System operations and may help to increase accountability in State government.

We appreciate the opportunity to participate in this process.

Sincerely,

A handwritten signature in black ink that reads "Tim Edwards".

Tim Edwards, CIA, CFE
Chief Internal Auditor

Enclosure

cc: Members of the Board of Regents
Mr. Lee Jackson, Chancellor
Dr. Norval F. Pohl, President, UNT
Dr. Ronald R. Blanck, President, UNTHSC

UNIVERSITY^{of} NORTH TEXAS SYSTEM



Internal Audit

Annual Report Fiscal Year 2003

Submitted by: _____

A handwritten signature in black ink, appearing to read "Tim Edwards", is written over a horizontal line.

**Tim Edwards, CIA, CFE
Chief Internal Auditor**

TABLE OF CONTENTS

	<u>Page</u>
I. Internal Audit Plan for Fiscal Year 2003	1
II. External Quality Assurance Review (Peer Review)	15
III. List of Audits Completed Showing High-Level Objectives, Observations/Findings, Recommendations, and Status	19
IV. Organizational Chart	45
V. Report on Other Internal Audit Activities	47
VI. Risk Assessment and Internal Audit Plan for Fiscal Year 2004	51

I. Internal Audit Plan for Fiscal Year 2003

The attached annual audit plan for the University of North Texas System was approved by the Board of Regents on August 24, 2002.

ANNUAL RISK ASSESSMENT AND AUDIT PLAN
Audit No. 02-031

INTRODUCTION

The Internal Audit function for the University of North Texas System performs its duties in accordance with the Texas Internal Auditing Act, Chapter 2102 of the Texas Government Code. The Chief Internal Auditor reports directly to the UNT System Board of Regents with access to the Chancellor.

Internal Audit objectives and scope of work are aligned with the overall mission of the UNT System. Whereas internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations, it helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

Risks and controls regarding the organization's governance, operations, and information systems are evaluated in relation to the following:

- Reliability and integrity of financial and operational information.
- Effectiveness and efficiency of operations.
- Safeguarding of assets.
- Compliance with laws, regulations, and contracts.

The attached Internal Audit Plan for fiscal year 2003 was developed and is presented on a component basis based on risk assessment, materiality, existing controls, state, federal and other audit requirements, audit staff capabilities, results of prior audits, and knowledge of the UNT System and its personnel. Additionally, consideration was given to specific requests by University and Health Science Center management.

STAFFING/BUDGET

The System Internal Audit operating budget for fiscal year 2003 is \$702,000. This level of support, in conjunction with current staffing, is sufficient to accomplish the attached audit plan.

**University of North Texas System
Internal Audit**

**Allocation of Hours by Position - System
Fiscal Year 2003**

	<u>Chief IA</u>	<u>Director</u>	<u>Asst Director</u>	<u>Auditor III</u>	<u>Auditor II</u>	<u>Interns</u>		
Staff Size by Position	1	1	2	3	4	3		
Total Hours Available	2,080	2,080	4,160	6,240	8,320	2,100		
Less:								
Vacation	80 4%	80 4%	160 4%	240 4%	320 4%			
Sick Leave	80 4%	80 4%	160 4%	240 4%	320 4%			
Holidays	120 6%	120 6%	240 6%	360 6%	480 6%			
Continuing Education	45 2%	40 2%	85 2%	130 2%	175 2%	48 2%		
Total Non-office Hours	<u>325 16%</u>	<u>320 16%</u>	<u>645 16%</u>	<u>970 16%</u>	<u>1,295 16%</u>	<u>48 2%</u>		
Net Hours Available	<u>1,755 84%</u>	<u>1,760 84%</u>	<u>3,515 84%</u>	<u>5,270 84%</u>	<u>7,025 84%</u>	<u>2,052 98%</u>		
Administrative Activities	650 31%	704 34%	902 21%	1,076 17%	1,754 21%	255 12%		
Total Direct Audit Hours	1,105 53%	1,056 50%	2,613 63%	4,194 67%	5,271 63%	1,797 86%		
Total Direct Audit Hours - System						16,036	64%	

NOTE: All percentages are calculated on total individual hours available (2080).

**University of North Texas System
 Internal Audit**

**Allocation of Hours by Position - UNT Denton
 Fiscal Year 2003**

	<u>Chief IA</u>	<u>Asst Director</u>	<u>Auditor III</u>	<u>Auditor II</u>	<u>Interns</u>
Staff Size by Position	1	1	2	3	3
Total Hours Available	2,080	2,080	4,160	6,240	2,100
Less:					
Vacation	80 4%	80 4%	160 4%	240 4%	
Sick Leave	80 4%	80 4%	160 4%	240 4%	
Holidays	120 6%	120 6%	240 6%	360 6%	
Continuing Education	45 2%	45 2%	90 2%	135 2%	48 2%
Total Non-office Hours	<u>325 16%</u>	<u>325 16%</u>	<u>650 16%</u>	<u>975 16%</u>	<u>48 2%</u>
Net Hours Available	<u>1,755 84%</u>	<u>1,755 84%</u>	<u>3,510 84%</u>	<u>5,265 84%</u>	<u>2,052 98%</u>
Administrative Activities	650 31%	550 26%	900 21%	1,050 17%	255 12%
Direct Audit Hours	1,105 53%	1,205 58%	2,610 63%	4,215 67%	1,797 86%
<hr/>					
Total Direct Audit Hours - UNT Denton					<u>10,932 66%</u>

NOTE: All percentages are calculated on total individual hours available (2080).

**University of North Texas System
Internal Audit**

**Allocation of Hours by Position - UNT Health Science Center
Fiscal Year 2003**

	<u>Director</u>		<u>Asst Director</u>		<u>Auditor III</u>		<u>Auditor II</u>	
Staff Size by Position	1		1		1		1	
Total Hours Available	2,080		2,080		2,080		2,080	
Less:								
Vacation	80	4%	80	4%	80	4%	80	4%
Sick Leave	80	4%	80	4%	80	4%	80	4%
Holidays	120	6%	120	6%	120	6%	120	6%
Continuing Education	40	2%	40	2%	40	2%	40	2%
Total Non-office Hours	<u>320</u>	<u>16%</u>	<u>320</u>	<u>16%</u>	<u>320</u>	<u>16%</u>	<u>320</u>	<u>16%</u>
Net Hours Available	<u>1,760 84%</u>		<u>1,760 84%</u>		<u>1,760 84%</u>		<u>1,760 84%</u>	
Administrative Activities	704	34%	352	17%	176	8%	704	34%
Direct Audit Hours	1,056	50%	1,408	67%	1,584	76%	1,056	50%
Total Direct Audit Hours - UNT Health Science Center							5,104	61%

NOTE: All percentages are calculated on total individual hours available (2080).

**University of North Texas System
 Internal Audit**

**Schedule of Planned Audits & Detail of Direct Audit Hours - UNT Denton
 Fiscal Year 2003**

	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Audits In Progress		
E-Commerce Activities	250	
UNT System Expenditures	150	
UNT Policy 18.1.14 Disability Accommodation Compliance	150	
Controller's Office - GASB 34 & 35 Implementation (Audit No. 01-010)	100	
Special Event Insurance Coverage Review	57	
Total Audits In Progress	707	6%
Required Audits		
Bonds Review - UNT System Compliance	325	
State Auditor's Office A-133 Assistance	250	
Annual Investments Audit FY03 Compliance	150	
Total Required Audits	725	7%
Audits Based On Risk Assessment		
Comptroller Performance Review (fiscal and management area)	400	
Comptroller Performance Review (student services area)	400	
Federal Programs Review (Trio Cluster, Gaining Early Awareness)	400	
Grant Accounting A-133 Compliance	400	
Purchasing Card Departmental Reviews	400	
Construction Selection Process (architect, engineer, contractor)	300	
Contract Administration Process	300	
Performance Measures Reliability	300	
Distributed Learning Policy/Courseware Agreements	250	
Enrollment Data Review	250	
Instructional Materials Policy Compliance	250	
Accounts Receivable Management	200	
Auxiliary Services Contract Process	200	
Clinical Services Billing Review	200	
HUB Expenditures/Initiatives	200	
Immigration and Naturalization (INS) Reporting	200	
Leave of Absence and Termination Procedures	200	
Research Committees Review	200	
Special Fund Expenditures	200	
Athletics Title IX Expenditures	150	

Schedule of Planned Audits & Detail of Direct Audit Hours - UNT Denton (continued)

	Budget Hours	Percent of Direct Hours
Endowment Valuation Process	150	
Research Committees Review	150	
Information Technology Reviews		
Enterprise Information System (EIS)	600	
Telecommunications Services Billing	250	
Disaster Recovery/Business Continuity	200	
Total Audits Based on Current Year Risk Assessment	6,750	62%
 Other Direct Audit Activities		
Risk Assessment/Annual Audit Plan/Annual Report	500	
Follow-up Reviews - Prior Audit Recommendations FY03	350	
Consulting/Training	200	
Total Other Direct Audit Activities	1,050	10%
 Contingency for Special Requests, Investigations, etc.	 1,700	 15%
TOTAL DIRECT AUDIT HOURS	10,932	100%

**University of North Texas System
Internal Audit**

**Schedule of Planned Audits & Detail of Direct Audit Hours - Health Science Center
Fiscal Year 2003**

	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Audits In Progress		
Accounts Receivable (Write-offs and Discounts)	200	
Clinical Trials (Financial Assessment)	200	
Total Audits In Progress	400	7%
Required Audits		
Family Medicine Residency	200	
Graduate Medical Education - Residency Program	200	
Bonds Payable	120	
Investment Compliance/Public Funds	120	
Federal Skip Tracing	80	
Total Required Audits	720	14%
Management Requested Audits		
Physician's & Surgeons Group Practice Expenditures from Pres & Clinical Accts	190	
Total Management Requested Audits	190	4%
Audits Based On Risk Assessment		
Continuing Medical Education	300	
Private Grants	260	
Physician's & Surgeons Group Practice - All Clinics (HIPPA)	204	
Physician's & Surgeons Group Practice/ ADM Offices (Accounts Receivable - Collections)	200	
Grants - Other Deductions and Changes	150	
Safety Office	40	
Internal Control Reviews		
Cash Receipts	200	
Compensable Leave	200	
Purchasing (Procurement Card System)	200	
Federal Financial Aid	150	
Information Technology (Disaster Recovery, Business Continuity Plan)	150	
Substantive Testing		
Expenditures	200	
Liabilities	200	
Fund Balances	75	
Transfers	75	
Assets	50	

Schedule of Planned Audits & Detail of Direct Audit Hours - Health Science Center (continued)

	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Financial Report	50	
Revenues	50	
Trial Balance	50	
<u>Total Audits Based on Current Year Risk Assessment</u>	<u>2,804</u>	<u>55%</u>
 Other Direct Audit Activities		
Internal Audit Plan and Risk Assessment Preparation	150	
Annual Internal Audit Report	140	
Assisting State Auditor's Office	50	
Follow-Up on Audit Recommendations	50	
<u>Total Other Direct Audit Activities</u>	<u>390</u>	<u>8%</u>
 Contingency for Special Requests, Investigations, etc.	 600	 12%
 <u>TOTAL DIRECT AUDIT HOURS</u>	 <u>5,104</u>	 <u>100%</u>

**Internal Audit – UNT Denton
Status Report
(From Board of Regents Quarterly Report, August 2003)**

The following schedule details current progress and variances in accomplishment of the Annual Audit Plan.

	Budgeted Hours	Actual Hours	Variance	Comments
Audit Reports Issued Year to Date				
02-003 Annual Investments Audit - Fiscal Year 2002	25 ²	17	(8)	
02-007 Athletics Follow-up Review	150 ²	181	31	
02-023 Disability Accommodation Activities Assessment	50 ²	45	(5)	
02-024 Review of System Expenditures	150	74	(76)	Add'l testing not needed
02-028 E-Commerce Activities Review	250	178	(72)	Detailed testing not needed
02-034 Fiscal Year 2002 Follow-up Review	50 ²	44	(6)	
02-065 Consulting - Custodial Contractor Payment Review	75 ²	55	(20)	
03-002 Consulting - Student Financial Aid and Scholarships	50 ³	41	(9)	
03-008 Departmental Purchasing Card Review	400	760	360	Extensive testing
03-009 Construction Selection Process	300	306	6	
03-016 Business Services Contract Administration Review	200	210	10	
03-020 Leave of Absence/Termination Reporting	200	87	(113)	Procedures review
03-022 Diversity Fund Expenditures	150	166	16	
03-024 Endowment Valuation Review	150	141	(9)	
03-025 Mailroom Processes Review	150	152	2	
03-026 Enterprise Information System (EIS) Update	150	103	(47)	On-going review
03-026 Enterprise Information System (EIS) Update	200	243	43	
03-027 Telecommunications Billing Process/Cell Phone Policy Review	250	234	(16)	
03-028 Disaster Recovery Plan (DRP) Review	200	96	(104)	Well documented
03-029 Annual Internal Audit Report	150 ¹	200	50	
03-031 Consulting - Dining Services	5 ²	12	7	
03-032 Consulting - University Union	5 ²	4	(1)	
03-033 Consulting - Bank Fees Review	5 ²	5	0	
03-036 Consulting - Student-Managed Investment Fund	25 ²	20	(5)	
03-038 Consulting - Engineering Technology	20 ²	15	(5)	
03-039 Consulting - Provost's Office	5 ²	4	(1)	
03-040 Consulting - Athletics Department	10 ²	8	(2)	

Audit Reports Issued This Quarter

03-013	UNT Dallas Enrollment Reporting	250	152	(98)	Experienced personnel
03-034	UNT Housing/University Union Construction Selection Process	100 ²	97	(3)	
03-037	Dual Employment Review	175 ²	139	(36)	
03-041	Consulting - Research Center	250 ²	248	(2)	
03-042	Student Recreation Center Cash Handling	25 ²	21	(4)	
03-029	Annual Risk Assessment and Audit Plan	100 ¹	96	(4)	

Total Budget vs. Actual Hours For Completed Audits	4275	4154	(121)
---	-------------	-------------	--------------

Audits in Progress

03-014	Instructional Materials Policy Compliance	350	319	(31)
03-015	Accounts Receivable Management	200	274	74
03-017	Clinical Services Billing	200	68	(132)
03-019	INS Reporting	200	107	(93)
03-021	Research Committees Review	200	226	26
03-023	Athletics Title IX Expenditures	150	162	12

¹ Allocated from Risk Assessment/Annual Audit Plan/Annual Report/Quarterly Reports (500 used/500 budgeted).

² Allocated from Contingency Hours (1877 used/1700 budgeted).

³ Allocated from SAO A-133 Assistance (41 used/250 budgeted).

Time Allocation Among Budgeted Activities

	Budgeted Percentage	Actual Percentage	Variance	Comments
Vacation	3.4	7.0	3.6	
Sick Leave	3.4	3.4	0.0	
Holidays	5.0	5.6	0.6	
Continuing Education	2.2	3.9	1.7	
Administrative Activities	20.5	24.9	4.4	New employee training
Direct Audit Hours	65.5	55.2	(10.3)	Administrative impact

Status Report Summary

Thirty-three audit reports were issued by Internal Audit in fiscal year 2003. Approximately 75 percent of the Board Approved Audit Plan was completed or in progress at fiscal year end (27 of 36 activities). Eleven additional assignments were completed as a result of consulting/special reviews/requests. Direct audit hours accounted for approximately 55 percent of time expended, while administrative time was 25 percent.

**Internal Audit – Health Science Center
Status Report**

The following schedule is an analysis of budgeted hours vs. actual hours for September 1, 2002 – August 31, 2003.

<u>Functional Areas</u>	<u>Budgeted Hours</u>	<u>Actual Hours Audited</u>	<u>Variance Over (Under)</u>	<u>Percent Over (Under)</u>
Audits Based on Risk Assessment	<u>3,204</u>	<u>2,989</u>	<u>(215)</u>	<u>(7%)</u>
Required Audits	<u>720</u>	<u>661</u>	<u>(59)</u>	<u>(8%)</u>
Management Requested Audits	<u>190</u>	<u>138</u>	<u>(52)</u>	<u>(27%)</u>
Other Planned Projects	<u>390</u>	<u>611</u>	<u>221</u>	<u>57%</u>
Unplanned Audits	<u>600</u>	<u>204</u>	<u>(396)</u>	<u>(66%)</u>
Miscellaneous	<u>0</u>	<u>0</u>	<u>0</u>	<u>0%</u>
<i>Total Direct Hours Charged</i>	<u>5,104</u>	<u>4,603</u>	<u>(501)</u>	<u>(10%)</u>
<i>Administrative Hours Charged</i>	<u>1,936</u>	<u>1,214</u>	<u>(722)</u>	<u>(37%)</u>
Total Hours Charged	<u>7,040</u>	<u>5,817</u>	<u>(1,223)</u>	<u>(17%)</u>

Status Report Summary

Internal Audit completed the fiscal year 10 percent under the aggregate Direct Audit Hours budget. Internal Audit finished the fiscal year 17 percent under the overall budget (Total Direct Audit Hours plus Administrative Hours). This variance can be attributed to one of the department's employees being away from the office for five months during the fiscal year. The department carried forward to fiscal year 2004 only two projects in progress.

Direct audit hours accounted for approximately 55 percent of total available hours, administrative time 15 percent, and continuing education, vacation, sick leave, and holiday time 30 percent.

II. External Quality Assurance Review (Peer Review)

A respected consultant in the field of internal auditing completed an evaluation of the UNT System Internal Audit function in June 2001. Performed in accordance with the Association of College and University Auditors (ACUA) quality assurance guide, the UNT System received a *fully complies* with *Standards for the Professional Practice of Internal Auditing*. This rating represents the best possible evaluation. A copy of the Executive Summary is attached.

UNIVERSITY OF NORTH TEXAS SYSTEM

Internal Audit Department

Quality Assurance Review – June 2001

EXECUTIVE SUMMARY

Objectives and Scope of the Review

The objective of the review at the University of North Texas System (UNTS) was to evaluate whether its internal audit function was in compliance with The Institute of Internal Auditor's Standards for the Professional Practice of Internal Auditing (IIA Standards), and whether it was efficiently and effectively achieving its audit objectives. The review focused on audit department independence, the proficiency of the audit staff, the scope of audit work, the performance of audit work, and the management of the audit departments. Where applicable, the provisions of the Texas Internal Auditing Act, Texas Government Code Chapter 2102 were used as a guide in conducting the review.

The scope of the review included an evaluation of existing internal audit policies, procedures, and audit files, at both the University of North Texas Health Science Center at Fort Worth (UNTHSC) and the University of North Texas (UNT) campus in Denton. Interviews were conducted with: the Chair of the Budget and Finance Committee UNTS Board of Regents; the UNTS Chancellor; the UNTS Vice Chancellor for Legal Affairs and General Counsel; and the UNTS Chief Internal Auditor. At UNTHSC interviews were conducted with the President; the Senior Vice President of Finance and Administration; the Provost and Senior Vice President of Health Affairs; the Vice President Governmental Affairs, who is also the Associate Vice Chancellor Governmental Affairs for UNT; the UNTHSC Audit Director; and the audit staff. At the UNT campus interviews were conducted with the President; the Vice President for Finance and Business Affairs; the UNT Assistant Director; and the audit staff.

Each location's reporting relationships and their communications with the Audit Committee, their President and the Chancellor, and the objectivity of the audit work they performed were reviewed to determine their independence. The knowledge, skills, discipline and training of the staff at each location were evaluated by examining examples of their workpapers and their

administrative records. An inventory of current audit work and selected workpapers at each site was reviewed and the scope and performance of the planned and completed audit work at each location was also evaluated. The annual internal audit planning process was examined at each location, including a review of the policies and procedures for planning, documenting, and communicating audit results, and following-up on audit recommendations.

The audit departments at UNTHSC and UNT were last reviewed in June 1998. At that time these institutions were independent, each with an Internal Audit Director that reported to the UNT Board of Regents. A number of changes have occurred since then. Both institutions are now part of the University of North Texas System, each with a newly appointed President who reports to the UNTS Chancellor. The former Director of Internal Audit at the UNT campus is now the UNTS Chief Internal Auditor. The Director of Internal Audit at UNTHSC and the Assistant Director of Internal Audit at the UNT campus now both report to the Chief Internal Auditor who reports to the UNTS Board of Regents.

Overall Opinion

Based on the work outlined above, it is the opinion of the reviewer that the Internal Audit function at the University of North Texas System **fully complies** with the IIA Standards for the Professional Practice of Internal Auditing. This opinion, representing the best possible evaluation, means that policies, procedures and/or practices are in place at both UNTHSC and the UNT campus at Denton that implement the IIA Standards and comply with the Texas Internal Auditing Act.

Both departments are independent, objective and considered by management to be impartial and unbiased. Management at both UNTHSC and UNT is strongly supportive of the internal audit function. Management interviews indicated that the scope and type of work being performed by the departments is directly addressing where management believes there are risks. The staffs at both locations are proficient and knowledgeable in the areas they review. Audit projects are being well planned; work performed by the staffs is being appropriately documented in their workpapers; and audit concerns and conclusions contained in audit reports can be supported by the work performed.

While both of these audit departments are in compliance with the IIA Standards and the Texas Internal Auditing Act, the challenge now is to leverage these two very good individual internal audit departments into one very good system-focused internal auditing function. There are opportunities that would improve the efficiency and effectiveness of a system focused internal auditing function. Among these opportunities are:

- Increasing the communication and interaction the Chief Internal Auditor has with the UNTS Chancellor and the UNTHSC President;
- Creating a single system-wide risk assessment methodology and annual audit plan;
- Implementing the use by the staff of Computer Assisted Audit Techniques (CAAT) to expand and improve audit testing and analysis;
- Developing a plan to review the project controls for the Enterprise Information System (EIS) project, and the controls for each of the applications that it will support;
- Transferring day-to-day management of the UNT audit department to the Assistant Director.

These and other opportunities and suggestions are outlined below in the UNTS, UNT and UNTHSC sections that follow.

Richard H. Tarr, CISA, CIA

**III. List of Audits Completed Showing High-Level Objectives,
Observations/Findings, Recommendations, and Status**

University of North Texas – Denton

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
02-003	Nov 2002	Annual Investments Audit – Fiscal Year 2002	Based on University policy, the Public Funds Investment Act, and State Auditor requirements: <ul style="list-style-type: none"> • Perform a review of management controls over investing activities and adherence to UNT's established investment policy; • Verify investments are adequately and appropriately safeguarded; and • Verify investment transactions are recorded and reported in a manner consistent with state law and in accordance with methods prescribed by the Legislative Budget Board. 	No findings/recommendations.	N/A	N/A
02-007	Nov 2002	Athletics Follow-up Review	Follow-up on twenty-eight recommendations from the Internal Audit NCAA Compliance Review (February 2001) and the Sun Belt Conference Compliance Review (October 2001).	(1) Of the twenty-eight recommendations, Athletics had fully implemented eleven (39%), had partially implemented or was in the process of implementing twelve (43%), and had not implemented five (18%).	In Progress Recommendations accepted. Athletics was evaluating appropriate responses and specific action for each of the outstanding recommendations. Follow-up scheduled for FY 2004.	Assist in strengthening Athletics compliance program.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				(2) During the review, it was noted that the <i>Certification of Compliance for Staff Members of Athletics Departments</i> form was not completed in accordance with NCAA Bylaw 30.3.5. Subsequently, the form was completed and this item was discussed with the Athletics Director, the President, and the NCAA.	Implemented	Achieve compliance with NCAA Bylaw.
02-023	Feb 2003	Disability Accommodation Activities Assessment	Review and evaluate activities related to disability accommodation for students and academic units to determine if they are appropriate, functioning as intended, and in compliance with University Policy 18.1.14.	Referencing significant work performed by a University committee, Internal Audit determined that the University has taken steps to identify the current level of compliance with the Americans with Disabilities Act as well as other relevant statutes. In addition, strategies for improved performance in meeting the needs of all disabled members of the University community, including students, faculty, staff, and Denton residents, have been recommended by the committee. It is incumbent upon the University to continue these efforts and to take appropriate action on the recommendations.	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation 	
02-024	Nov 2002	Review of System Expenditures	Evaluate expenditure of \$100,000 state appropriation to determine compliance with provisions of the General Appropriations Act.	No findings/recommendations.	N/A	N/A
02-028	Nov 2002	E-Commerce Activities Review	Determine the extent to which the University utilizes e-commerce, assess risks associated with e-commerce activities, and evaluate general controls and/or guidelines currently in place to mitigate the risks.	The University should perform a comprehensive review of the use of e-commerce as a viable and necessary method of conducting business. A policy should be established which states clear objectives, expectations, and boundaries in which to operate.	In Progress Internal Audit is working with multiple University resources (i.e., Computing Center, Controller, etc.) to assist in developing an appropriate and effective policy that addresses the e-commerce elements.	Provide a clearly defined vision of e-commerce opportunities, oversight responsibilities, and management strategies.
02-034	Nov 2002	Fiscal Year 2002 Follow-up Review	Determine if previously agreed-upon actions have been taken and are functioning as intended.	N/A	N/A	N/A
02-065	Nov 2002	Consulting – Custodial Contractor Payment Review	Internal Audit was contacted regarding possible inappropriate activities related to a custodial service owned by an employee of the University.	The employee, through ownership of the cleaning service and services provided to another university department, failed to adhere to certain UNT Policies and Standards and Principles of Ethical Conduct.	Appropriate personnel action was taken.	Eliminate non-compliance with UNT Policy.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-002	Feb 2003	Consulting – Student Financial Aid and Scholarships	Internal Audit assisted with coordinating work performed by an external audit firm. The accounting firm of KPMG LLP conducted the federal portion of the Texas statewide single audit (A-133) for fiscal year 2002. The State Auditor’s Office entered into a contract with KPMG to perform this review, and the University of North Texas’ involvement was restricted to federal student financial assistance programs.	This is the second year that the University’s federal student financial assistance programs were selected for review. Once again, no significant findings or recommendations were expressed by KPMG upon completion of the review.	N/A	N/A
03-008	May 2003	Departmental Purchasing Card Review	Review departmental use of purchasing cards and to evaluate compliance with purchasing card guidelines.	At the time of the review, Internal Audit identified a total of 162 different cardholding entities for potential testing. A sample of fifty entities was chosen for review. Thirty-two of the entities reviewed did not fully comply with purchasing card guidelines. Internal Audit discussed several methods of increasing departmental compliance with appropriate management. It was agreed that Purchasing and Payment Services would partner with Internal Audit to assist departments in achieving compliance with the guidelines.	In Progress Follow-up scheduled for FY 2004.	Assist in achieving compliance with the guidelines.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation 	
03-009	Feb 2003	Construction Selection Process	Review and evaluate the selection process for architects, engineers, and contractors.	Controls should be established to increase the accuracy of numbers transferred from individual scorecards to the summary evaluation schedule.	Implemented	Assure correct scoring information is utilized for evaluation purposes.
03-013	Aug 2003	UNT Dallas Enrollment Reporting	Determine whether the process for determining enrollment information at UNT Dallas reasonably assures compliance with Texas Higher Education Coordinating Board guidance related to enrollment reporting and full-time equivalent student determination.	(1) Generally, approval of selection criteria and statistical programming to calculate enrollment data has been verbal. The Office of University Planning should document in writing the selection criteria for determining enrollment statistics.	In Progress Implementation was scheduled for Fall 2003. Follow-up scheduled for FY 2004.	Assist in assuring continuity and consistency of operations.
				(2) Procedures for determining enrollment have not been documented in writing. The Office of University Planning should develop written procedures for the preparation of enrollment information for UNT Dallas.	In Progress Implementation was scheduled for Fall 2003. Follow-up scheduled for FY 2004.	Assist in assuring continuity and consistency of operations.
03-016	Nov 2002	Business Services Contract Administration Review	Determine if Business Services has established policies and procedures for contract administration that reasonably assure management oversight and compliance with contract provisions.	(1) There is no centralized control mechanism maintained at the Business Services level to monitor the status of contracts. Controls should be established to ensure that contracts are renegotiated, renewed, or re-bid as appropriate.	Implemented	Assure compliance and appropriate oversight.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				(2) Compliance with contract terms such as timeliness of payment, receipt of scholarship funds, and appropriate insurance coverage is not consistently enforced or monitored. Business Services should establish procedures to assure that those individuals responsible for administering contracts monitor and enforce all provisions contained in the contracts.	Implemented	Increase assurance of appropriate monitoring and enforcement of contract provisions.
				(3) Sales information provided by vendors (upon which commission payments are based) is not consistently verified for reasonableness and accuracy. Procedures should be developed to reconcile sales commission computations to available sales support documentation.	In Progress	To assure the University receives all monies due.
				(4) There are no written procedures to provide guidance with the administration of contracts. Written procedures should be developed.	Implemented	Provide guidance to employees responsible for contract administration.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-020	Feb 2003	Leave of Absence/Termination Reporting	Review Human Resources procedures related to reporting status changes for insurance-eligible employees. Specifically, to determine if Human Resources is receiving accurate and timely information from departments to mitigate the following: <ul style="list-style-type: none"> • Financial costs to the University for insurance premiums related to employee terminations or leaves of absence reported after ERS deadlines; and • Late insurance cancellations due to information being reported after ERS deadlines. 	No findings/recommendations.	N/A	N/A
03-022	May 2003	Diversity Fund Expenditures	Determine if expenditures from the diversity/multicultural activities fund account were in compliance with restrictions placed on the fund and to evaluate fund utilization.	(1) Four instances were noted in which funds allocated to diversity activities exceeded actual expenditures. The Provost's Office should obtain expenditure information from recipients of fund allocations that demonstrate all diversity funding has been expended appropriately.	Implemented	Reasonably assure funds are expended in a manner consistent with the purpose of the fund.
				(2) Procedures for administering the diversity/multicultural activities fund should be documented in writing.	In Progress Implementation date was scheduled for September 1, 2003. Follow-up scheduled for FY 2004.	Assist in assuring continuity and consistency of operations.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-024	Feb 2003	Endowment Valuation Review	Verify the accuracy of UNT's endowment calculations performed in the first quarter of fiscal year 2003.	Specific written procedures that document detailed steps involved in the endowment valuation process should be developed.	In Progress	Provide guidance in performing calculations and assist in assuring continuity in the event of employee turnover.
03-025	Nov 2002	Mailroom Processes Review	Evaluate the effectiveness of mailroom processes relating to Inter-Departmental Orders (IDO's), billing procedures, and documentation of services.	Procedures for processing (collecting, tracking, sorting, and distributing) intra-campus and outgoing official University mail should be documented in writing.	Implemented	Assure continuity of operations and reduce the possibility of errors and inconsistencies.
03-026	Nov 2002	Consulting – Enterprise Information Systems (EIS) Update	The EIS project team and <i>Ciber</i> developed a detailed project charter in which Internal Audit was identified as responsible for project quality assurance. Internal Audit will monitor the progress of the EIS project by taking an active role in the software implementation process, by performing technical evaluations of both infrastructure and software applications chosen for overall controls, and by periodically updating the Board of Regents and Management regarding project progress.	N/A	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
	May 2003	Enterprise Information System (EIS) Update	One function related to this quality assurance responsibility includes an evaluation of actual project financial performance versus budgeted expenditures. Reviewed EIS expenditures to determine reasonableness in relation to budget expectations and project completion plans.	Reconciliation of expenses recorded on the "EIS Project Budget and Expenses" tracking schedule to general ledger accounts was not currently being performed. Periodic reconciliations should be conducted between the tracking schedule and the general ledger.	<p>In Progress</p> <p>Recommendation accepted. Implementation was scheduled for June 1, 2003.</p> <p>Follow-up scheduled for FY 2004.</p>	Reasonably assure all expenses are appropriately tracked.
				Identified several potential EIS expenditures that were recorded in accounts other than EIS accounts. These expenditures included most significantly a software maintenance expense of \$184,096. This expense was included in the project budget, however it was posted to a Computing Center operating account. The questioned expenditures should be reviewed to determine if they should be posted to EIS accounts	Implemented	Comply with appropriate accounting methods to ensure EIS accounts reflect all costs associated with the project.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-027	Feb 2003	Telecommunications Billing Process/Cell Phone Policy Review	<p>To determine the accuracy of billings for long distance charges.</p> <p>To evaluate the utilization of wireless communication devices (cell phones, pagers, and calling cards).</p> <p>To review the draft Cell Phone Policy to determine attainment of its intended purpose.</p>	(1) Although general procedures related to telecommunications services are written, numerous details related to service initiation, repair, and billing of long distance and wireless communications charges are not documented. Detailed "how to" procedures should be fully documented in writing.	<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation <p>In Progress</p>	To assure continuity of operations and to reduce the possibility of errors and inconsistencies.
				(2) Telecom maintains a stock of inactivated (blank) calling cards and pagers stored in employees' desk drawers, one of which had a broken lock. Since activation of these devices is relatively simple, appropriate security should be maintained. Inactivated calling cards and pagers should be stored in a more secure (locked) area.	Implemented	Reduce the possibility of theft, destruction, or unauthorized use.
				(3) An inventory of calling cards and pagers is taken when they are received from service providers. However, no other inventories are taken. Periodic inventories should be taken to reconcile calling cards and pagers received with those distributed and on hand.	Implemented	Detect loss, destruction, or unauthorized use.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				(4) Overall, the new policy meets its intended purpose. It provides a means to accommodate employees and eliminate the need to carry two cell phones (one for University business and one for personal use). It simplifies payments and associated record keeping, and it adheres to state law, minimizing potential problems regarding personal use of University-provided cell phones. However, the policy provides little guidance to department heads in meeting required conditions of justification, approval, or review of cell phone usage. Upon approval of the policy by the Board of Regents, detailed guidelines should be established to assist departments.	<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation <p>In Progress</p> <p>Recommendation accepted. The new cell phone policy was approved in March 2003. Detailed guidance was then to be developed through a cooperative effort among several departments within the Finance and Business Affairs area.</p>	Provide appropriate guidance to department heads.
03-028	May 2003	Disaster Recovery Plan (DRP) Review	<p>To reasonably assure that IT functionality could continue in case of a disaster.</p> <p>To assure that the plan complies with standards of the Texas Administration Code (TAC 202.6).</p>	No findings/recommendations.	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation 	
03-031	Nov 2002	Consulting – Dining Services	As required by University Policy 2.1.3, Internal Audit was contacted regarding a cash loss. Reviewed circumstances surrounding the loss to determine if (a) controls related to cash handling had been circumvented; and (b) appropriate procedures related to reporting the loss were followed.	No findings/recommendations.	N/A	N/A
03-032	Nov 2002	Consulting – University Union	As required by University Policy 2.1.3, Internal Audit was contacted regarding a cash loss. Reviewed circumstances surrounding the loss to determine if (a) controls related to cash handling had been circumvented; and (b) appropriate procedures related to reporting the loss were followed.	No findings/recommendations.	N/A	N/A
03-033	Nov 2002	Consulting – Bank Fees Review	At the request of the Vice President for Finance and Business Affairs, reviewed information assembled by the UNT Cash Manager related to contracted rates for bank charges.	No findings/recommendations.	N/A	N/A
03-034	Aug 2003	UNT Housing/University Union Construction Selection Process	To review the selection process for architects/engineers, contractors, and sub-contractors for Housing Department and University Union construction projects.	The Housing Department should coordinate renovations greater than \$350,000 with Facilities or update policy to reflect that Facilities is only required to coordinate <u>new</u> construction.	In Progress. Management is changing policy. Follow-up scheduled for FY 2004.	Achieve compliance with policy; policy will reflect current practice.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-037	Aug 2003	Dual Employment Review	The Chair and Executive Committee of the Physics Department are in the process of developing guidelines to assist the department in evaluating "Requests for Approval of Outside Employment." The Chair of the Physics Department requested the assistance of Internal Audit in evaluating compliance with UNT Policy and reviewing the departmental guidelines.	Discussed with management several suggestions related to the draft guidelines and made the following recommendation. The Physics Department management should obtain training from the Office of Compliance regarding UNT Policy 1.2.2, Dual Employment and UNT Policy 1.2.9, Ethics.	<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation <p>In progress.</p> <p>The current Chair will revise the draft of the Department of Physics Dual Employment policy, including most of the recommendations and information provided by the audit team. He will forward the draft to the new interim Chair and the Executive Committee for approval in September. The current Chair will convey to the incoming Chair the recommendation that the Chair and Executive Committee attend training in Dual Employment Policy.</p> <p>Follow-up scheduled for FY 2004.</p>	Assist in assuring compliance in the future.
03-036	May 2003	Consulting – Student Managed Investment Fund	UNT received a donation to establish a Student-Managed Investment Fund. Internal Audit met with the Vice President for Finance and Business Affairs, the Cash Manager, and representatives of the Student Investment Group to discuss (a) specific audit requirements for the fund, and (b) controls to assure compliance with provisions of the agreement which established the fund. The first full audit of the fund will be in fiscal year 2004.	No findings/recommendations.	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation 	
03-038	May 2003	Consulting – Engineering Technology	Internal Audit reviewed and evaluated the use of a departmental purchasing card for appropriateness.	Internal Audit determined that the cardholder exceeded the purchasing card single purchase limit. This resulted in a failure to solicit bids in accordance with UNT Policy and state law.	The department has taken appropriate action to address the issue, including revocation of purchasing card privileges of the cardholder.	Assure compliance with purchasing guidelines.
03-039	May 2003	Consulting – Provost's Office	At the request of the Assistant Vice President for Academic Affairs, Internal Audit reviewed and evaluated the Provost's Office online Account/Budget Authorization (ABA) System	No findings/recommendations.	N/A	N/A
03-040	May 2003	Consulting – Athletics Department	As required by University Policy 2.1.3, Internal Audit was contacted regarding a cash loss. Reviewed circumstances surrounding the loss to determine if (a) controls related to cash handling had been circumvented; and (b) appropriate procedures related to reporting the loss were followed.	No findings/recommendations.	N/A	
03-041	Aug 2003	Consulting - Research Center	Internal Audit reviewed the activities of an Administrative Assistant employed by a Research Center for fiscal improprieties.	Internal Audit determined the Administrative Assistant used a UNT purchasing card for personal purchases. Additionally, payroll controls and procedures were circumvented to allow for an inappropriate payroll check payment.	Personnel action has been taken to address the situation.	Misappropriation of University funds minimized.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-042	Aug 2003	Student Recreation Center (SRC) Cash Handling	Evaluate the overall building design of the SRC scheduled to open Fall 2003 and the procedures in place to secure cash and ensure the safety of cashiers.	No findings/recommendations.	<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation N/A	N/A

University of North Texas Health Science Center

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
02-017	Nov 2002	Procurement Card Program Review	Determine whether the control system over procurement cards is suitably designed to ensure compliance with laws and regulations.	(1) Reconcilers should be required to attend training prior to performing reconciler duties.	Implemented	Reduce errors and the risk of loss due to irregularities and defalcations.
				(2) Ensure that all cardholders have signed purchase card agreements.	Implemented	Mitigate cardholders from effecting transactions that would be contrary to the terms and conditions of the agreement.
02-020	May 2003	Review of MSRDP Patients Receivable Write-Offs and Discounts	(a) Assess control environment over write-offs and discounts for Un-sponsored Charity Care, Professional Courtesy, and Other Unreimbursed Medical Costs; (b) determine whether write-offs and discounts follow Center's policy; and (c) determine if opportunities existed to collect funds that were otherwise written-off.	(1) Formalize write-offs and discounts policies and procedures.	In Progress	Mitigate legal risk by applying discounts and write-offs on a consistent basis.
				(2) Ensure reimbursement protocols are followed and information needed to refile patients' claims is submitted to insurance carriers within the prescribed time.	In Progress	Potential to increase patient reimbursements from third party carriers.
				(3) Ensure employees follow existing policies and procedures.	In Progress	Same as above.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
02-022	May 2003	Examination of Clinical Trial Research Accounts	Determine: (a) the overall profitability of the clinical trial protocols for FY 2002; (b) the effectiveness of internal accounting controls over research accounts; and (c) whether the system is operating as described by management.	(1) Ensure clinical trials' funds are not commingled with other institutional funds, especially during the project period.	Implemented	Reduce the risk of potential legal improprieties as well as a possible violation of a major reporting standard regarding college and university accounting.
				(2) Maintain all funds in clinical trial accounts until protocol is completed before transferring unexpended funds to other institutional accounts.	Implemented	Reduce the risk of individual protocols funds from being commingled with other institutional funds and improves cost accounting.
				(3) Ensure payments to clinical trial patients are mailed directly to the patients from the Accounting Department.	Implemented	Reduce the risk of fraud or a defalcation from occurring.
				(4) Implement formal policies and procedures regarding how financial transactions should be handled.	In Progress	Reduce the risk of inconsistent application of policies and procedures.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation 	
03-001	Nov 2002	Annual Safe-guard Report	Ensure procedures are established to safeguard names and addresses of defaulted borrowers under the Federal Perkins Loan Program. Determine if confidential information is properly disposed of after serving its usefulness.	No findings/recommendations.	NA	NA
03-003	Nov 2002	Joint Admission Medical Program (JAMP) Review	Ensure program expenditures as reported for FY ended August 31, 2002 were accurate. JAMP Council authorized that Internal Audit could certify the expenditures.	The JAMP Council provides no formal written guidelines to show how program funds should be expended.	Agency Does Not Plan to Implement Recommendation	Provide an avenue for program funds to be expended in ways that do not relate to the program.
03-004	Nov 2002	Federal Student Financial Aid–Confirmation of Perkins Loan Balances	Determine whether Perkins Loans were fairly stated on the Center’s student financial aid records and general ledger as of July 31, 2002.	No findings/recommendations.	N/A	N/A
03-005	Nov 2002	Practice Plan Disbursements Review	Determine whether disbursements: (a) were allowable per Plan policy; (b) were made in accordance with center and state requirements for documentation; and (c) were allowable per IRS guidelines. Also, if opportunities for cost savings existed.	No findings/recommendations.	N/A	N/A
03-006	Nov 2002	Annual Investments Audit–FY 2002	Ensure the Center’s funds are invested in accordance with the Public Funds Investment Act (Government Code 2256).	No findings/recommendations.	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-007	Feb 2003	Graduate Medical Education (GME) Financial Review	Issue an audit statement concerning the financial activities and certain program compliance matters related to the residency program as of and for the fiscal year ended August 31, 2002.	No findings/recommendations.	NA	NA
03-008	Feb 2003	Family Practice Residency Program Financial Review	Issue an audit statement to accompany the annual financial report that states fund revenues and expenditures were fairly stated and state funds were expended appropriately.	No findings/recommendations.	NA	NA
03-009	Feb 2003	Accrued Leave Review	Review the Center's compensable leave balance for August 31, 2002 to ensure that the balance was materially accurate and fairly stated.	(1) The Accounting Department should reconcile data received from the Information Technology Services Department to the Payroll Department's detailed data. This procedure will help prevent the possibility of using wrong data.	Implemented	Eliminate a misstatement of account balances and other affected accounts in the Annual Financial Report.
				(2) Ensure all compensable leave balances are calculated and reported in the Annual Financial Report before the lapse occurs.	Agency Does Not Plan to Implement Recommendation	Eliminate a misstatement of the compensable leave balance and other affected accounts in the Annual Financial Report.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-010	May 2003	Restricted Funds Deductions–Other Changes	Determine (a) the nature of Other Deductions in Restricted Funds; (b) whether these adjustments were in accordance with statutory requirements; (c) whether external influences resulted in any negative conditions; and (d) whether the deductions were materially accurate.	(1) Notify account holders as to the requirement to have contracts reviewed by Legal Affairs.	Implemented	Will help mitigate risk of adverse legal consequences to Center.
				(2) Establish guidelines for review of contracts received by the center's Foundation and forwarded to the center.	In Progress	Will help mitigate risk of adverse legal consequences to Center and Foundation.
				(3) Include a clause in contracts stipulating unexpended grant funds will inure to the center.	Implemented	Limit possible loss of revenues because unexpended funds were returned to sponsors.
03-011	May 2003	Private Gifts, Grants and Contracts	Determine (a) whether private grants were appropriately recorded on the books of the Center; (b) whether interim and final reports were filed on a timely basis; (c) grantors were billed and collection follow-ups were made on a timely basis; and (d) collections were received on a timely basis.	(1) Develop formal written policies and procedures.	In Progress	Reduce the risk of inconsistent treatment in processing certain transactions; facilitate the training of new employees.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				(2) Research uncollected receivables and make appropriate collection efforts.	In Progress	Mitigate the risk of the Center losing earned funds and investment earning.
				(3) Examine causes for untimely recording of grants and receipting of cash.	In Progress	Reduce the risk of payments and payroll not being processed timely.
03-012	May 2003	Review of Professional and Continuing Education Operations (PACE)	Determine: (a) PACE's operations were in accord with its mission; (b) if PACE in good standing with accrediting agencies; (c) PACE's control environment operating as designed; and (d) if the department's revenues are adequate to sustain the department's self-sufficient directive.	(1) Cease and desist in crediting PACE program registration fees to Foundation accounts.	Implemented	Limit the risk of noncompliance with Article 3, Section 51 of the Texas Constitution.
				(2) Implement security measures ensuring customer credit card numbers are locked in files where there is limited access.	Implemented	Mitigate unauthorized access and use of customers' credit card numbers.
03-013	Aug 2003	Business Continuity Plan/Disaster Recovery Plan Assessment	Assess the Center's status regarding the implementation of its BCP/DRP. Determine if certain criteria and compliances were observed.	(1) Draft an enterprise-wide Business Continuity Plan	In Progress	Reduce the risk of the Center not being able to minimize the effects of a disaster or being able to maintain mission critical functions.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
					<ul style="list-style-type: none"> • Implemented • Planned • In Progress • Factors Delay Implementation • Agency Does Not Plan to Implement Recommendation 	
				(2) Have the Information Technology Disaster Recovery Plan approved by senior management.	In Progress	Increase institution's overall commitment to the Plan.
				(3) Perform annual testing of the DRP and document the results.	In Progress	Reduce the risk of not being in compliance with the Texas Administrative Code; lessens the Center's risk of the DRP failing in whole or part during a disaster.
03-014	Aug 2003	Follow-Up Review	Satisfy the audit standard that requires audit follow-up and provide a summary of the status of audit recommendations for senior management.	N/A	N/A	N/A
03-015	Aug 2003	Fiscal Year 2002 Financial Statement Review	Review the liabilities, expenditures and net assets so that a determination could be made if selected balances were not in conformity with GASB 34 & 35.	(1) The Annual Financial Reports need to reflect the accrual of bond interest expense on the Statement of Net Assets (Balance Sheet) at fiscal year end.	Implemented	Assure compliance with the full accounting method of GASB 34 & 35.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
				(2) Bond interest expense needs to be properly recorded and classified.	Implemented	Reduce the risk of noncompliance with GSB 34 & 35 and the comptroller's reporting requirements. Also reduce the risk of misstatements within the Annual Financial Report.
03-016	Aug 2003	Procurement Card Program Review	(a) Assess the control environment over credit card transactions, (2) determine whether purchases are being transacted in accordance with institutional policy, and (3) determine if opportunities exist to enhance controls.	(1) Management should stipulate that the reconciler of credit card purchases be different than the credit card holder.	In Progress	Reduce the potential for transactional errors and irregularities to be processed.
				(2) Implement a formal self-monitoring function to ensure cardholders and account holders do not violate the center's purchasing guidelines.	In Progress	Same as above.
				(3) Establish policies explaining what the sanctions will be when violating the use of the credit card.	In Progress	Potentially dissuade fraudulent conduct and heighten employees' accountability and responsibility.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented)	Fiscal Impact/ Other Impact
03-017	Aug 2003	Cash Receipts Review	Determine to what extent, if any, reliance could be placed on the Center's internal accounting controls over cash receipts.	Deposit cash receipts with the institution's cashier within a time-frame consistent with state and institutional policies.	In Progress	Ensure compliance with institutional and state policies; mitigate theft and irregularities. Opportunities for investment earning are enhanced.
03-018	Aug 2003	Certification of the Expenditures and Budget for the Joint Admissions Medical Programs (JAMP)	The state coordinator of the JAMP requested that Internal Audit (1) certify all program revenues and expenditures from the inception of the JAMP program through June 30, 2003; (2) account for the amounts budgeted, by category, for the period July 1, 2003 through August 31, 2003, and (3) provide a list of computer and computer related equipment purchased with program funds.	No findings/recommendations.	NA	NA

This page left blank intentionally.

IV. Organizational Chart

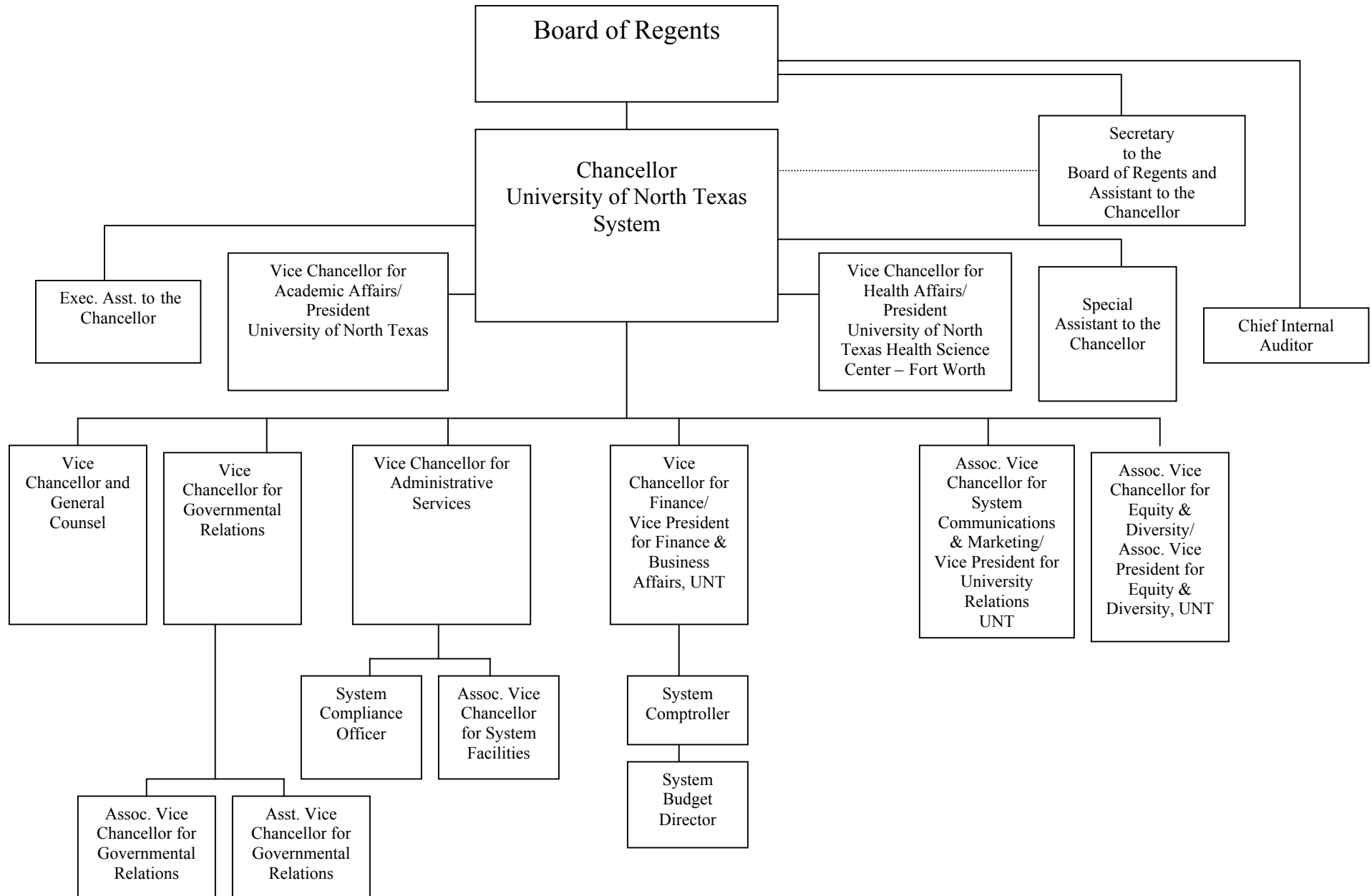
The UNT System Internal Audit Department reports directly to the UNT Board of Regents with access to the Chancellor of the System. A copy of the System's organizational chart follows. The Budget and Finance Committee of the UNT System Board of Regents serves as the Audit Committee.

University of North Texas System 2003-2004 Organization Chart

Policy SY10.9

7/02,12/02, 08/03

Applicability: UNT System



V. Report on Other Internal Audit Activities

University of North Texas – Denton

Activity	Impact
Consulting – Maintain an availability to consult with all University entities.	Topics range from policy and procedural issues, safeguarding of assets, and implementation of appropriate controls, to fraud and misappropriation. Provide independent reviews and/or supply clarification on certain control issues.
Performance Survey – Distribute customer surveys to departments upon completion of audits.	Assists in reviewing Internal Audit’s image, the quality of its product, and management’s need for information.
Committees – Participated/consulted with University committees related to: <ul style="list-style-type: none"> • Enterprise Information System (EIS) • Administrative Information Systems Users Groups (AISUG) • Student Information Management Systems (SIMS) • Network Managers Users Group • Staff Council 	Assists the university in addressing both short- and long-range issues.
Miscellaneous – One auditor achieved Certified Internal Auditor (CIA) designation and another achieved Certified Information Systems Auditor (CISA) designation.	Such certification designations reflect competence in the principles and practices of the specific professional fields.
Continuing Education (Professional Development) – Department participated in the following training/workshops: <ul style="list-style-type: none"> • Forty-Sixth Annual Conference, sponsored by the Association of College and University Auditors (ACUA). • Annual Conference and Expo on Control and Audit of Information Technology, sponsored by MIS Training Institute and Institute of Internal Auditors (IIA). • Controlling and Securing PeopleSoft Applications, sponsored by the State Auditors Office (SAO). • Dale Carnegie Workshop, sponsored by Dale Carnegie and Associates. • Designing and Writing Message Based Audit Reports, sponsored by IIA. • 2003 Midyear Seminar, sponsored by ACUA. • Audit Smarter, Not Harder, sponsored by the Dal- 	Such professional development assists staff to maintain and develop technical competencies and to keep informed about current developments in the internal auditing profession.

Activity	Impact
<p>las Chapter of IIA.</p> <ul style="list-style-type: none">• Eighteenth Annual Texas Association of College and University Auditors (TACUA) Conference.• Principles of Fraud Examination, sponsored by the Association of Certified Fraud Examiners (ACFE).• Techniques of Financial Analysis, Modeling, and Forecasting, sponsored by Professionals Publishing Group.• Total Cash Management, sponsored by Professionals Publishing Group.• The Good, the Bad, and the Ugly, sponsored by IIA.• Monthly meetings, Fort Worth Chapter, IIA.• Supervision 101, sponsored by UNT. <p>As a member of the Finance Committee, the Chief Internal Auditor performed the annual audit of the Council of Public University Presidents and Chancellors</p>	

University of North Texas Health Science Center

Activity	Impact
Serves as a member of the President's Action Committee for the UNT Health Science Center at Fort Worth.	Maintains continuous dialogue with senior management keeping them informed of audit-related issues and priorities impacting the institution and its mission.
Serves as the department liaison at the Information Technology Services monthly meetings.	Disseminates knowledge of updates on the network dealing with how to conquer viruses, institute software changes and any other areas that might impact the department and center operations.
Facilitates the Office of Institutional Compliance.	Serves as an audit liaison to the Office of Institutional Compliance.
Serves as liaison on the Enterprise Information System (EIS) Project.	Serves as a consultant from an audit perspective to the EIS project team.

VI. Internal Audit Plan for Fiscal Year 2004

The attached annual audit plan for the University of North Texas System was approved by the Board of Regents on August 21, 2003.

ANNUAL RISK ASSESSMENT AND AUDIT PLAN

Audit No. 03-029

INTRODUCTION

The Internal Audit function for the University of North Texas System performs in accordance with the Texas Internal Auditing Act, Government Code Chapter 2102. The purpose of internal auditing is “to assist agency administrators by furnishing independent analyses, appraisals, and recommendations about the adequacy and effectiveness of an agency’s system of internal control policies and procedures and the quality of performance in carrying out assigned responsibilities.”

Furthermore, the Institute of Internal Auditors (IIA) is recognized as the authoritative body for a program of internal auditing. The internal audit program at UNT conforms to the *Standards for the Professional Practice of Internal Auditing*, Generally Accepted Government Auditing Standards, the Certified Internal Auditor Code of Professional Ethics, and the Statement of Responsibilities of Internal Auditing of the Institute of Internal Auditors.

The Chief Internal Auditor reports directly to the UNT System Board of Regents with access to the Chancellor.

BACKGROUND

Internal audit departments face limited audit resources and budget constraints. The purpose of risk assessment is to allocate these limited resources to areas of the organization that are most critical to the success of the organization in reaching its goals. Additionally, knowing the areas to audit and where to commit resources is critical to a successful internal auditing department. Overall internal audit department efficiency and effectiveness is increased when audit effort is matched to risk in the various auditable units of the organization.

Thus, a well-developed risk assessment model will provide an efficient and systematic procedure to:

- Determine the auditable areas of an entity;
- Measure the risk of each unit and identify activities exposed to high risk;
- Rank the units by risk;
- Determine the time necessary to complete audits;
- Distribute available resources in the most efficient manner; and
- Develop annual and long-term audit plans.

SCOPE

“Risk” is the probability that an event or action could adversely affect the organization. Stated another way, risk is the degree to which activities are exposed to the potential for financial loss, the inappropriate disclosure of data, or other forms of embarrassment that result from the absence or inadequacy of control or effectiveness of human resources. Furthermore, risk is a measurement of the likelihood that an organization’s goals and objectives will not be achieved. Since controls are anything that improve the likelihood that goals and objectives will be achieved, controls and risk are inversely related by definition. Better control means less risk.

Specific examples of risks facing the organization include the following:

- Erroneous decisions from using incorrect, unreliable, fraudulent, or incomplete information;
- Erroneous record keeping, inappropriate accounting, fraudulent financial reporting, financial loss or exposure;
- Failure to adequately safeguard assets;
- Customer dissatisfaction, negative publicity, and damage to the organization’s reputation;
- Failure to adhere to organizational policies, plans or procedures, or not complying with relevant laws and regulations;
- Acquiring resources uneconomically or using them inefficiently; and
- Failure to accomplish objectives and goals.

METHODOLOGY

As previously stated, the goal of risk assessment is to determine units exposed to high risk and to allocate limited audit resources appropriate to that level of risk. Steps to accomplish this purpose, which ultimately results in audit selection and inclusion in the annual audit plan, include the following:

1. Identify and catalog auditable activities (the "audit universe") of the organization.
2. Select the criteria (risk factors) used to identify the significance of and likelihood that conditions and/or events may occur that would adversely affect the organization.
3. Weight the selection (risk) factors in terms of importance to management, external influences, and the auditor.
4. Prepare an audit selection schedule that includes the factors for each audit universe item.

5. Compute the weighted score for each universe item and the cumulative factor score.
6. Select and prioritize the audits to be conducted.
7. Examine available resources.

STAFFING/BUDGET

The System Internal Audit operating budget for fiscal year 2004 (including one special item request) is \$695,769. This level of support, in conjunction with current staffing, is sufficient to accomplish the attached audit plan.

SUMMARY

Internal Audit objectives and scope of work are aligned with the overall mission of the UNT System. Whereas internal auditing is an independent, objective assurance and consulting activity designed to add value and improve the organization's operations, it helps the organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

The attached Internal Audit Plan for fiscal year 2004 was developed and is presented on a component basis based on risk assessment, materiality, existing controls, state, federal and other audit requirements, audit staff capabilities, results of prior audits, and knowledge of the UNT System and its personnel. Additionally, consideration was given to specific requests by University and Health Science Center management.

**University of North Texas System
Internal Audit**

**Allocation of Hours by Position - UNT Denton
Fiscal Year 2004**

	<u>Chief IA</u>	<u>Asst Director</u>	<u>Auditor III</u>	<u>Auditor II</u>
Staff Size by Position	1	1	1	3
Total Hours Available	2,080	2,080	2,080	6,240
Less:				
Vacation	80 4%	80 4%	80 4%	240 4%
Sick Leave	80 4%	80 4%	80 4%	240 4%
Holidays	112 5%	112 5%	112 5%	336 5%
Continuing Education	45 2%	45 2%	45 2%	135 2%
Total Non-office Hours	317 15%	317 15%	317 15%	951 15%
Net Hours Available	1,763 85%	1,763 85%	1,763 85%	5,289 85%
Administrative Activities	500 24%	400 19%	250 12%	750 12%
Direct Audit Hours	1,263 61%	1,363 66%	1,513 73%	4,539 73%
Total Direct Audit Hours - UNT Denton				8,678 70%

NOTE: All percentages are calculated on total individual hours available.

**University of North Texas System
 Internal Audit**

**Schedule of Planned Audits & Detail of Direct Audit Hours - UNT Denton
 Fiscal Year 2004**

	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Audits In Progress		
Follow-up Reviews - Prior Audit Recommendations FY03	300	
Distributed Learning Policy/Courseware Agreements	175	
Annual Investments Audit FY03 Compliance	100	
Immigration and Naturalization (INS) Reporting	100	
Special Events Insurance Coverage	75	
Total Audits In Progress	750	9%
Required Audits		
Bonds Review - UNT System Compliance	303	
State Auditor's Office A-133 Assistance	250	
Advanced Technology Program (ATP) Review	200	
Annual Investments Audit FY04 Compliance	150	
Total Required Audits	903	10%
Audits Based On Risk Assessment		
Departmental Accountability Reviews	500	
Federal Programs Review (Trio Cluster, Gaining Early Awareness)	400	
Environmental Safety/EPA Compliance Review	350	
Contract Administration Process	300	
Performance Measures Reliability	300	
Compliance Function Review	300	
Health Insurance Portability and Accountability Act (HIPAA) Review	250	
Purchasing Card Departmental Reviews	200	
Employee Reimbursement Review	200	
Student Development Loan Programs	200	
Tuition Increase - Financial Aid Review	150	
Financial Modernization Act of 1999 (GLB) Compliance Review	150	
Survey Research Center Departmental Review	100	
President's Office Review	100	
Unrelated Business Income Tax (UBIT) Audit	100	
Cash Handling Review - Student Recreation Center	75	
Information Technology Reviews		
Enterprise Information System (EIS)	600	
Wireless Technology Review	200	
Total Audits Based on Current Year Risk Assessment	4,475	52%

Other Direct Audit Activities

Risk Assessment/Annual Audit Plan/Annual Report	400	
Follow-up Reviews - Prior Audit Recommendations FY04	350	
Quality Assurance Review	300	
Consulting/Training	200	
Total Other Direct Audit Activities	1,250	14%
Contingency for Special Requests, Investigations, etc.	1,300	15%
TOTAL DIRECT AUDIT HOURS	8,678	100%

**University of North Texas System
 Internal Audit**

**Allocation of Hours by Position - UNT Health Science Center
 Fiscal Year 2004**

	<u>Director</u>		<u>Asst Director</u>		<u>Auditor III</u>		<u>Auditor II</u>	
Staff Size by Position	1		1		1		1	
Total Hours Available	2,080		1,200 *		2,080		2,080	
Less:								
Vacation	88	4%	88	7%	88	4%	88	4%
Sick Leave	80	4%	80	7%	80	4%	80	4%
Holidays	112	5%	112	9%	112	5%	112	5%
Continuing Education	40	2%	40	3%	40	2%	40	2%
Total Non-office Hours	320	15%	320	26%	320	15%	320	15%
Net Hours Available	1,760	85%	880	74%	1,760	85%	1,760	85%
Administrative Activities	528	25%	176	15%	176	8%	528	25%
Direct Audit Hours	1,232	60%	704	59%	1,584	77%	1,232	60%
Total Direct Audit Hours - UNT Health Science Center							4,752	64%

* Excused leave due to illness.

NOTE: All percentages are calculated on total individual hours available.

**University of North Texas System
Internal Audit**

**Schedule of Planned Audits & Detail of Direct Audit Hours - Health Science Center
Fiscal Year 2004**

	Budget Hours	Percent of Direct Hours
Audits In Progress		
Health Insurance Portability and Accountability Act (HIPPA)	80	
MSRDP Fund Balance Deficits	120	
Total Audits In Progress	200	4%
 Required Audits		
Family Medicine Residency Program	240	
Advanced Technology Programs	200	
Graduate Medical Education - Residency Program	200	
Investment Compliance/Public Funds	200	
Joint Admission Medical Program (JAMP)	120	
Federal Skiptracing Program	100	
Total Required Audits	1,060	22%
 Management Requested Audits		
MSRDP Expenditure Review	320	
Total Management Requested Audits	320	7%
 Audits Based On Risk Assessment		
Accounting Controls - Cash Disbursements	300	
Construction Audit - Biotechnology and Public Health Building	300	
Federal Contracts and Grants	300	
MSRDP - Cash Receipts Internal Controls	300	
Indirect Cost Recoveries	240	
Substantive Testing of Financial Statements		
Assets	200	
Revenues	100	
Annual Financial Report	75	
Trial Balance and General Ledger	57	
Liabilities	50	
Net Assets	50	
Expenditures	40	
Total Audits Based on Current Year Risk Assessment	2,012	42%

University of North Texas System
Annual Internal Audit Report for Fiscal Year 2003

Other Direct Audit Activities

Annual Internal Audit Report	200	
Peer Review	200	
Follow-Up on Audit Recommendations	160	
Internal Audit Plan and Risk Assessment Preparation	150	
Assisting State Auditor's Office	50	
Total Other Direct Audit Activities	760	16%
Contingency for Special Requests, Investigations, etc.	400	9%
TOTAL DIRECT AUDIT HOURS	4,752	100%