

UNIVERSITY OF NORTH★TEXAS™ SYSTEM



Internal Audit

Annual Report

Fiscal Year 2009

Submitted by: *Donald W. Holdegraver*
Donald W. Holdegraver, CIA, CFE
Chief Internal Auditor



Internal Audit

University of North Texas

*University of North Texas
Health Science Center at Fort Worth*

*University of North Texas
Dallas Campus*

November 2, 2009

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 2009 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 the UNT System operations and may help to increase accountability in State government.

We appreciate the opportunity to participate in this process.

Sincerely,

Donald W. Holdegraver, CIA, CFE
Chief Internal Auditor

Cc Members of the UNT System Board of Regents
Lee Jackson, Chancellor, UNT System
Gretchen Bataille, D.A., President, UNT
Scott Ransom, D.O., President, UNTHSC
John Price, Ph.D., CPA, Vice Chancellor, UNT at Dallas



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VII. Risk Assessment and Internal Audit Plan for Fiscal Year 2009

The attached annual audit plan for the University of North Texas System was approved by the Board of Regents on August 21, 2008.

University of North Texas System Internal Audit Department FY 2009 Risk Assessment and Annual Audit Plan

Overview

The University of North Texas System Internal Audit Department operates in accordance with the Texas Internal Auditing Act, Government Code Chapter 2102. Under the Act, the purpose of internal auditing is:

“to assist agency administrators and governing boards by furnishing independent analyses, appraisals, and recommendations about the adequacy and effectiveness of a state agency's systems of internal control policies and procedures and the quality of performance in carrying out assigned responsibilities.”

The Institute of Internal Auditors (IIA) is recognized as the authoritative body for a program of internal auditing. Under the IIA Professional Practices Framework, internal auditing is defined as:

“an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.”

The UNT System Internal Audit Department conforms to the *International Standards for the Professional Practice of Internal Auditing*, the Code of Ethics contained in the *Professional Practices Framework* as promulgated by the IIA, and generally accepted government auditing standards.

At UNT, the Chief Internal Auditor reports directly to the UNT System Board of Regents with access to the Chancellor of the UNT System as needed. The Chief Internal Auditor is supported by Directors of Internal Audit at the Health Science Center and Denton Campuses, as well as a professional staff of ten and 1.5 FTE support staff.

Risk Assessment Background

Internal audit departments overall, serving in an advisory and support capacity to management, traditionally face limited audit resources and budget constraints in the performance of their responsibilities. As such, internal audit departments must rely on establishing priorities in developing work plans to address and evaluate risks to their organization in fulfilling their mission.

The purpose of business risk assessment is to allocate limited resources to areas of the organization that are most critical, or carry higher business risk, to the success of the organization in reaching its goals and fulfilling its mission. Knowing the areas to audit and where to commit resources is critical to a successful internal audit department. Internal audit department efficiency and effectiveness is increased when audit effort is matched to business risk in the organization.

A well-developed business risk assessment model provides an efficient and systematic process to:

- Identify the business risks that impact the organization at a point in time;
- Identify the auditable areas of an entity impacted by these business risks;
- Measure the risk of each unit and identify activities of highest business risk;
- Rank the units by business risk;
- Determine the time necessary to complete reviews;
- Distribute available resources in the most efficient manner; and
- Develop annual valid, business risk-based project plans that address the business risks in priority order.

Scope

Risk is a measure of impact to an organization. Though often thought of as the probability that an event or action could adversely affect the organization, risk is also the potential that a positive result will not be achieved because the organization is overly risk-averse. In a positive context, risk is considered from a cost-benefit viewpoint. Analysis of positive risks assures that optimal outcomes will be achieved.

However, in its most commonly understood form, risk is defined as the degree to which activities are exposed to the potential for financial loss, the inappropriate

disclosure of data, or other negative results from the absence or inadequacy of internal control. Using this frame of reference, risk is a measurement of the likelihood that an organization's goals and objectives will not be achieved. Any action that reduces negative risk or improves positive risk increases the likelihood that goals and objectives will be achieved. In general, increased internal control and improved efficiency and effectiveness mean less risk.

Business risks facing an organization generally include the following categories:

- Strategic: Decisions may be based on incorrect, unreliable, fraudulent, or incomplete information, or may result in failure to accomplish objectives and goals.
- Financial: Record keeping, accounting, and financial reporting may be subject to inaccuracy, fraud, theft or financial loss, or exposure, and assets may not be adequately safeguarded.
- Operational: Resources may be managed poorly, uneconomically, or may be used inefficiently or ineffectively.
- Compliance: Appropriate adherence to organizational policies, plans or procedures, relevant federal, state, and local laws, or various regulations may not occur consistently.
- Reputational: The organization's reputation may be subjected to customer dissatisfaction, negative publicity, or damage.

Methodology

As already stated, the goal of business risk assessment is to identify elevated business risk, and to allocate limited Internal Audit resources appropriate to the level of risk identified in the appropriate areas. Steps to accomplish this purpose, which ultimately results in project selection and inclusion in the annual project plan, include the following:

1. 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.
2. Weight the selection (risk) factors in terms of importance to management, external influences, and the internal auditor.
3. Identify and catalog auditable activities (the "audit universe") of the organization, including budgetary impact.

4. Prepare a risk matrix that includes the factors for each audit universe item.
5. Compute the weighted score for each universe item and the cumulative factor score.
6. Identify mandated projects required to be performed by the State of Texas, federal regulatory bodies, and other stakeholders in the operations of the University System.
7. Select and prioritize the risk-based projects to be performed.
8. Apply available resources in a systematic manner to address the largest portion of identified mandatory and risk-based areas possible.

Staffing and Operating Budget

The UNT System Internal Audit Department salary and operating budget for fiscal year 2009 is projected to be approximately \$1,077,000. This level of support will allow Internal Audit to begin to address the most significant risk areas identified in the risk assessment. Remaining high and medium risk areas will be prioritized and audits performed to the extent allowed by available resources.

The increase of “required” statutory, THECB, and senior administrator-requested projects, as well as vacant positions resulting from below-market salaries for all Internal Audit positions is impacting the ability of the Internal Audit Department to complete its risk-based audit plan. This balancing of risk-based versus required projects will be considered in coming budgetary discussions for FY 2010.

Summary

Internal Audit objectives, and scopes of work, are aligned with the overall mission of the UNT System. The attached UNT System Internal Audit Plan for fiscal year 2009, for the UNT System, and the Denton, Health Science Center, and Dallas campuses, represent the results of this business risk assessment identification and assignment process. The project plan attempts to make the most efficient and effective use of limited UNT System Internal Audit Department resources.

The attached project plan was developed and is presented on a component basis, based on risk, materiality, existing internal controls, state, federal and other audit requirements, audit staff capabilities, results of prior audits, knowledge of the UNT System and its personnel, current trends in higher education, and the general business environment overall.

University of North Texas System Internal Audit Department Allocation of Hours by Position -- UNT Denton Fiscal Year Ending August 31, 2009
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Staff Size by Position	<u>Director</u>		<u>Assistant Director</u>		<u>Auditor III</u>		<u>Auditor II</u>		<u>Total</u>	
	(1)		(1)		(3)		(4)		(9)	
Total Hours Available	<u>2,080</u>		2080		<u>6,240</u>		<u>8,320</u>		<u>18,720</u>	
Less:										
Vacation**	222		96		480		444			
Sick leave	310		96		288		384			
Holidays	120		120		360		480			
Professional Development	<u>40</u>		<u>40</u>		<u>120</u>		<u>160</u>			
Total Non-audit Hours	692	33.3%	352	16.9%	1248	20.0%	1468	17.6%	<u>3,760</u>	20.1%
Net Hours Available	<u>1,388</u>	66.7%	<u>1,728</u>	83.1%	<u>4,992</u>	80.0%	<u>6,852</u>	82.4%	<u>14,960</u>	79.9%
Administrative Activities	700	33.7%	400	19.2%	360	5.8%	480	5.8%	<u>1,940</u>	10.4%
Direct Audit Hours	<u>688</u>	33.1%	<u>1,328</u>	63.8%	<u>4,632</u>	74.2%	<u>6,372</u>	76.6%	<u>13,020</u>	69.6%
Total Hours - Denton									<u>18,720</u>	100.0%

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years. Vacation and Sick leave for the Director include an additional 280 hours for maternity leave.

University of North Texas System Internal Audit Department Allocation of Hours by Position -- UNT Health Science Center Fiscal Year Ending August 31, 2009

Staff Size by Position	<u>Director</u>		<u>Assistant Director</u>		<u>Auditor III</u>		<u>Auditor II</u>		<u>Total</u>	
	(1)		(1)		(2)		(1)		(5)	
Total Hours Available	<u>2,080</u>		<u>2,080</u>		<u>4,160</u>		<u>2,080</u>		<u>10,400</u>	
Less:										
Vacation**	108		204		192		96			
Sick leave	96		96		192		96			
Holidays	120		120		240		120			
Professional Development	<u>40</u>		<u>40</u>		<u>80</u>		<u>40</u>			
Total Non-audit Hours	<u>364</u>	17.5%	<u>460</u>	22.1%	<u>704</u>	16.9%	<u>352</u>	16.9%	<u>1,880</u>	18.1%
Net Hours Available	<u>1,716</u>	82.5%	<u>1,620</u>	77.9%	<u>3,456</u>	83.1%	<u>1,728</u>	83.1%	<u>8,520</u>	81.9%
Administrative Activities	<u>400</u>	19.2%	<u>200</u>	9.6%	<u>120</u>	2.9%	<u>120</u>	5.8%	<u>840</u>	8.1%
Direct Audit Hours	<u>1,316</u>	63.3%	<u>1,420</u>	68.3%	<u>3,336</u>	80.2%	<u>1,608</u>	77.3%	<u>7,680</u>	73.8%
Total Hours HSC									<u>10,400</u>	<u>100.0%</u>

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years.

University of North Texas System Internal Audit Department Allocation of Hours by Position -- Chief Internal Auditor Fiscal Year Ending August 31, 2009
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Staff Size by Position	<u>Chief IA</u>	
Total Hours Available	(1) <u>2,080</u>	
Less:		
Vacation**	108	
Sick leave	96	
Holidays	120	
Professional Development	40	
	<u>0</u>	
Total Non-audit Hours	364	17.5%
Net Hours Available	<u>1,716</u>	82.5%
Administrative Activities	818	39.3%
Direct Audit Hours	<u>898</u>	43.2%
Total Hours - CIA	<u>2,080</u>	<u>100.0%</u>

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years.

University of North Texas System Internal Audit Department Allocation of Hours by Position -- System Summary Fiscal Year Ending August 31, 2009
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Staff Size by Position	<u>Chief IA</u>		<u>Director</u>		<u>Assistant Director</u>		<u>Auditor III</u>		<u>Auditor II</u>		<u>Total</u>
	(1)		(2)		(2)		(5)		(5)		(15)
Total Hours Available	<u>2080</u>		<u>4,160</u>		<u>4160</u>		<u>10,400</u>		<u>10,400</u>		<u>31,200</u>
Less:											
Vacation**	108		330		300		672		540		1,950
Sick leave	96		406		192		480		480		1,654
Holidays	120		240		240		600		600		1,800
Professional Development	40		<u>80</u>		<u>80</u>		<u>200</u>		<u>200</u>		<u>600</u>
	<u>0</u>										
Total Non-audit Hours	<u>364</u>	17.5%	<u>1056</u>	25.4%	<u>812</u>	25.4%	<u>1952</u>	18.8%	<u>1820</u>	17.5%	<u>6,004</u>
Net Hours Available	<u>1,716</u>	82.5%	<u>3,104</u>	74.6%	<u>3,348</u>	74.6%	<u>8,448</u>	81.2%	<u>8,580</u>	82.5%	<u>25,196</u>
Administrative Activities	<u>818</u>	39.3%	<u>1100</u>	26.4%	<u>600</u>	26.4%	<u>480</u>	4.6%	<u>600</u>	5.8%	<u>3,598</u>
Direct Audit Hours -- System	<u>898</u>	43.2%	<u>2,004</u>	48.2%	<u>2,748</u>	48.2%	<u>7,968</u>	76.6%	<u>7,980</u>	76.7%	<u>21,598</u>
Total Hours - System											<u>31,200</u>
											<u>31,200</u>

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years.

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 UNT - Denton
 Fiscal Year Ending August 31, 2009

<u>Projects in Progress</u>	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
NCAA Compliance Review	260	
Fiscal Year 2008 Investments/Commercial Paper Review	200	
Athletics Camps Review	150	
Libraries Review	150	
Speech & Hearing Sciences	120	
School of Visual Arts Review	120	
<u>Total Projects In Progress</u>	<u>1,000</u>	<u>7.68%</u>
<u>Required Projects</u>		
NCAA Agreed-Upon Procedures Review	750	
Fiscal Year 2009 Investments/Commercial Paper Review	300	
ARP Grant Review	0	
Facilities Audit Certification (using THECB Facilities Audit Protocol)	240	
Student Managed Investment Fund Review	200	
Chancellor's Expenditure Review	150	
NTIEVA Grant Review	150	
Joint Admission Medical Program (JAMP) Review	150	
President's Expenditure Review	150	
TWD - Texas Workforce Development Grants	0	
Compliance Office Review	<u>280</u>	
<u>Total Required Projects</u>	<u>2,370</u>	<u>18.20%</u>
<u>System Assigned Projects</u>		
UNT Denton - Dormitory Construction Contract Audit	350	
UNT Dallas - Financial Aid Process	160	
UNT Dallas - Bldg. #1 Construction Contract Review	140	
<u>Total System Assigned Projects</u>	<u>650</u>	<u>4.99%</u>

Projects Based on Risk Assessment

Financial Statement Review	300
Governance Review (Tone at the Top)	300
Financial Aid Process Review	250
International Programs - Thailand Project	240
Grants Review - Effort Reporting	240
Review of Emerald Eagle Scholarship Program	240
Research Services - Post-Award Process Assessment	240
Research Services - Pre-Award Process Assessment	240
Automotive Services Review (Fuel Usage and Controls)	240
Research Development Funds Expenditure Review	240
Money Management Center Review	240
Facilities - Scrap Recycling	240
Hourly Termination Process Review	220
Leave Administration Review	220
Murchison Ticketing Office Review	200
Crisis Management Follow-up Review	200
College of Education - Fundraising Review	180
Theatre Box Office Review	180
Equity and Diversity Follow-up Review	180
Endowment Review (use of selected Foundation distributions to UNT)	160

Total Projects Based on Risk Assessment 4,550 34.95%

Co-sourced IT Projects 400 3.07%

Follow-Up Activities 600 4.61%

Other Direct Audit Activity 1,300 9.98%

Internal Audit Training Activities 200 1.54%

Contingency for Special Requests, Investigations, etc. 1,950 14.98%

Total Direct Project Hours -- Denton **13,020** **69.12%**

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 Health Science Center
 Fiscal Year Ending August 31, 2009

<u>Projects in Progress</u>	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Biomedical Stores & Pharmacy Lab	80	
UNT Health Patient Care Clinic - Front Office Operations Review	240	
UNT Health Business Office Review	300	
UNT Health Fund Balance Agreed-Upon Procedure	<u>80</u>	
<u>Total Projects In Progress</u>	<u>700</u>	<u>9.11%</u>
<u>Required Projects</u>		
Graduate Medical Education	100	
Family Practice Residency Program	150	
Advanced Research /Advanced Technology Programs - ARP/ATP	0	
Public Funds Investment Act (Investments)	220	
UNT Health Expenditure Review	200	
Joint Admissions Medical Program (JAMP)	120	
President's Contract Compliance Review	150	
UMA Contract - Agreed Upon Procedures Review	150	
Anatomical Lab Review	0	
Compliance Program Effectiveness Review	200	
<u>Total Required Projects</u>	<u>1,290</u>	<u>16.80%</u>
<u>System Assigned Projects</u>		
HSC Building #2 - Construction Progress Payment Audit	300	
<u>Total System Assigned Projects</u>	<u>300</u>	<u>3.91%</u>

Projects Based on Risk Assessment

Admissions Process Review (TCOM & School of Biomedical Sciences)	300
Advancement Follow Up Review	150
UNT Health Federal Bureau of Prisons Contract Compliance Review	240
UNT Health Medical Malpractice Self Insurance Review	180
UNT Health Revenue Cycle Review	530
UNT Health Allocation of Expense	240
Clinical Research Compliance and Process review	180
Grants and Contracts Sub-recipient Monitoring	180
Clinical Drug Trials Follow Up Review	120
Professional and Continuing Education (PACE)	170
Animal Lab Medicine	200
Private Grants Compliance Review	180
Technology Transfers and Commercialization	200
Information Technology Services	240
Human Resource Services Process Review	<u>200</u>

(Total UNT Health Projects = 2,160 hours (28.13% of Total Direct Hours, 35.6% of Risk Based hours)

<u>Total Projects Based on Risk Assessment</u>	<u>3,310</u>	<u>43.10%</u>
<u>Co-sourced IT Projects</u>	<u>0</u>	<u>0.00%</u>
<u>Follow-Up Activities</u>	<u>0</u>	<u>0.00%</u>
<u>Other Direct Audit Activity</u>	<u>900</u>	<u>11.72%</u>
<u>Internal Audit Training Activities</u>	<u>30</u>	<u>0.39%</u>
<u>Contingency for Special Requests, Investigations, etc.</u>	<u>1,150</u>	<u>14.97%</u>
<u>Total Direct Project Hours -- Health Science Center</u>	<u>7,680</u>	<u>100.00%</u>

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 Chief Internal Auditor
 Fiscal Year Ending August 31, 2009

<u>Projects in Progress</u>	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
<u>Total Projects In Progress</u>	<u>0</u>	0.00%
<u>Required Projects</u>		
<u>Total Required Projects</u>	<u>0</u>	0.00%
<u>System Assigned Projects</u>		
Electronic Record Retention	<u>200</u>	22.27%
<u>Total System Assigned Projects</u>	<u>200</u>	22.27%
<u>Projects Based on Risk Assessment</u>		
UNT Dallas - Financial Aid Process	160	
UNT Dallas - Bldg. #1 Construction Contract Review	200	
<u>Total Projects Based on Risk Assessment</u>	<u>360</u>	40.09%
<u>Co-sourced IT Projects</u>	<u>0</u>	<u>0.00%</u>
<u>Follow-Up Activities</u>	<u>0</u>	<u>0.00%</u>
<u>Other Direct Audit Activity</u>	<u>100</u>	11.14%
Internal Control Training Activities	<u>100</u>	11.14%
<u>Contingency for Special Requests, Investigations, etc.</u>	<u>138</u>	<u>15.37%</u>
<u>Total Direct Project Hours -- Chief Internal Auditor</u>	<u>898</u>	<u>100.00%</u>

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 UNT System Summary
 Fiscal Year Ending August 31, 2009

	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Total Projects In Progress	1,700	7.87%
Total Required Projects	3,660	16.95%
Total System Assigned Projects	1,150	5.32%
Total Projects Based on Risk Assessment	8,220	38.06%
CO-sourced IT Projects	400	1.85%
<u>Follow-Up Activities</u>	600	2.78%
Other Direct Audit Activity	2,300	10.65%
Internal Audit Training Activities	330	1.53%
Contingency for Special Requests, Investigations, etc.	<u>3,238</u>	<u>14.99%</u>
<u>Total Direct Project Hours -- System Summary</u>	<u>21,598</u>	<u>100.00%</u>

**UNT System Internal Audit
Department Status Report
Fiscal Year 2009**

1. Progress Report - Denton

		Budgeted Hours	Actual Hours	Variance
Audit Reports Issued Year to Date				
08-002-D	UNT Dallas Cashier Office Review	0 ¹	3	3
08-002	2008 Investments/Commercial Paper Review	200	191	(9)
08-011	NCAA Compliance - Financial Aid Review	260	127	(133)
08-015	Computer System Security Risk Analysis Review	0 ¹	17	17
08-019	EIS Business Continuity Plan Review	0 ¹	14	14
08-022	Hazardous Materials Management Review	0 ¹	318	318
08-023	UNT-International Review	0 ¹	142	142
08-024	Libraries Review	150	1	(149)
08-030	PCIDSS Follow-up Review	0 ¹	207	207
08-032	Annuity Payments Review (UNT & System)	0 ¹	3	3
08-038-D	UNT Dallas P-Card Review	0 ¹	1	1
08-039	Purchasing Card Review Follow-Up	0 ¹	3	3
08-040	Speech & Hearing Sciences Review	120	42	(78)
08-041	Physics Timekeeping	0 ¹	3	3
08-043	College of Visual Arts and Design (CVAD) Fundraising and Purchasing Card Review	120	260	140
08-044	Faculty/Staff Scholarship Follow-Up Review	0 ¹	0	0
09-001	NCAA Agreed Upon Procedures Review	750	499	(251)
09-003	Facilities Certification Audit	240	138	(102)
09-004	Student Managed Investment Fund Review	200	224	24
09-005	Chancellor's Expenditure Review	150	245	95
09-006	NTIEVA Grant Review	150	151	1
09-007	Joint Admission Medical Program Review	150	28	(122)
09-008	President's Expenditure Review	150	269	119
09-011-D	UNT Dallas - Financial Aid Process Review	170	173	3
09-013	Financial Statement Review	360	348	(12)
09-018	Emerald Eagle Scholars Review	290	261	(29)
09-021	Automotive Services Review	380	456	76
09-022	Research Development Funds Expenditure Review	240	259	19
09-023	Student Money Management Center Review	240	270	30
09-024	Facilities - Scrap Recycling	200	193	(7)
09-025	Hourly Termination Process Review	220	266	46
09-027	Murchison Ticketing Office Review	200	147	(53)
09-030	Theatre Box Office Review	180	160	(20)
09-035	Philosophy and Religion P-Card Review	32 ¹	67	35
09-037	ISP Sponsorship Review	140	99	(41)
09-039	Emergency/Administrative Leave Review	120 ¹	111	(9)
09-041	Facilities Audit Certification - Health Science Center	240 ¹	203	(37)
09-044	Physics Sick Leave Review	120	117	(3.0)
Total Budget vs. Actual Hours For Completed Audits		5772	6016	244

¹ Allocated from Annual Audit Plan contingency hours (1092 used/1950 budgeted)

**UNT System Internal Audit
Department Status Report
Fiscal Year 2009**

1. Progress Report - Denton (continued)

		Budgeted Hours	Actual Hours	Variance
Audits in Progress				
08-014	Athletic Camps Review	150	147	(3)
09-002	Annual Investments/Commercial Paper Review	270	51	
09-009	Compliance Office Review	250	233	(17)
09-010	UNT Denton - Dormitory Construction Contract Review	350	82	(268)
09-015	Financial Aid Process Review	250	181	(69)
09-016	Thailand Project Review	160	203	43
09-017	Grants Review - Effort Reporting	240	205	(35)
09-022	Research Development Funds Expenditure Review	240	259	19
09-026	Leave Administration Review	260	280	20
09-029	College of Education - Fundraising Review	180	285	105
09-031	Equity and Diversity Follow-Up Review	220	229	9
09-032	Endowment Review	160	22	(138)
09-040	Management Certification Review	145	148	3
09-042	I-9 Review	180	204	24
09-044	Physics Sick Leave Review	120	136	16
09-046	North Texas Daily Review	200	278	78
09-049	COCI Scholarship Review	200	155	(45)
09-050	Facilities Rehab/Renovation Review	500	406	(94)
09-051	CALL Review	230	43	(187)
09-052	Art/Collections Insurance Coverage Review	200	197	(3)
09-053	Mechanical and Energy Engineering Purchasing Review	180	106	(74)
09-054	Center for Learning Enhancement, Assessment and Redesign (CLEAR) DeptID/Grant Account Review	185	318	133

Time Allocation Among Budgeted Activities

	Budgeted Percentage	Actual Percentage	Variance
Vacation	6.6%	7.9%	1.3%
Sick Leave	5.7%	6.7%	1.0%
Holidays	5.8%	5.6%	(0.2)%
Continuing Education	1.9%	2.9%	1.0%
Administrative Activities	10.4%	9.6%	(0.8)%
Direct Audit Hours	69.6%	67.3%	(2.3)%

**UNT System Internal Audit
Department Status Report
Fiscal Year 2009**

2. Progress Report - Health Science Center

		Budgeted Hours	Actual Hours	Variance
Audit Reports Issued Year to Date				
08-012	Controlled Substances	120	544	424
08-013	UNT Health Fund Balance Agreed-Upon Procedures	350	360	10
08-014	Donated Body Program Compliance	160	49	(111)
08-015	Advanced Research/Advanced Technology Program	240 ¹	108	(132)
08-019	HSC Investigations - Pharmacology	200	86	(114)
09-002	Family Practice Residency Program	144	207	63
09-003	Public Funds Investment Act	200	155	(45)
09-004	UNT Health Expenditure Review	275	343	68
09-005	HSC Joint Admissions Medical Program	120	141	21
09-006	President's Contract Compliance Review	150	175	25
09-011	Advancement Office Follow-Up Review	150	176	26
09-025	TIOPA Investigation	160	167	7
09-026	Performance Measures - AUP Timekeeping	160	190	30
Total Budget vs. Actual Hours For Completed Audits		2309	2157	(152)

¹ Allocated from Annual Audit Plan contingency hours (108 used/1150 budgeted)

Audits in Progress

08-008	Procurement Card Review (Selected Cards)	83	194	111
08-016	Investigation - School of Public Health/Biomedical	0	94	94
09-008	Compliance Program Effectiveness Review	280	283	3
09-014	UNT Health Revenue Cycle Review	240	124	(116)
09-017	Federal Grant and Contract Sub-Recipient Monitoring	300	364	64
09-018	Clinical Drug Trials Follow-Up Review	120	17	(103)
09-019	Professional and Continuing Education	160	122	(38)
09-020	Animal Lab Medicine	300	314	14
09-027	Cashier Office Cash Loss	40	23	(17)
10-001	Investment Review	170	46	(124)
10-002	President's Contract Review	150	24	(126)

Time Allocation Among Budgeted Activities

	Budgeted Percentage	Actual Percentage	Variance
Vacation	5.8%	7.9%	2.1%
Sick Leave	4.6%	3.9%	(0.7)%
Holidays	5.8%	5.3%	(0.5)%
Continuing Education	1.9%	3.8%	1.9%
Administrative Activities	8.1%	8.4%	0.3%
Direct Audit Hours	73.8%	70.7%	(3.1)%

**UNT System Internal Audit
Department Status Report
Fiscal Year 2009**

3. Progress Report - Chief Internal Auditor

	Budgeted Percentage	Actual Percentage	Variance
Vacation	5.2%	7.6%	2.4%
Sick Leave	4.6%	5.2%	0.6%
Holidays	5.8%	5.7%	(0.1)%
Continuing Education	1.9%	3.8%	1.9%
Administrative Activities	39.3%	35.6%	(3.7)%
Direct Audit Hours	43.2%	42.1%	(1.1)%

II. External Quality Assurance Review (Peer Review)

In accordance with the Texas Internal Auditing Act, an independent, external peer review team performed an external quality assurance review of the work of the UNT System Internal Audit Department. A copy of the Summary Letter is attached.

**PEER REVIEW REPORT ON THE
EXTERNAL QUALITY ASSESSMENT
OF THE UNIVERSITY OF NORTH TEXAS**

Internal Audit Department

May 2007

PERFORMED BY:

**Frances E. Grogan CPA, CFE
Chief Audit Executive, Retired
Texas Tech University System**

**Randy C. Ross, CPA
Director of Internal Audit, Retired
University of North Carolina at Charlotte**

**Amy Hughes, CPA, CISA, CIA
Director, Internal Audit Department
Michigan Technological University**

**Mark Eisenman, CPA, CFE
Senior Internal Auditor
Boise State University**

June 29, 2007

Regent Robert Nickell
Chair, Finance and Audit Committee
Board of Regents
University of North Texas System
P O Box 311220
Denton, Texas 76203-1220

RE: Report of Quality Assurance Review for the Internal Audit Department

Dear Regent Nickell:

In accordance with the Texas Internal Auditing Act, we have conducted an external quality assurance review of the work of the University of North Texas Internal Audit Department. The principal objective of the quality assurance review (QAR) was to assess the Internal Audit Department's conformity to the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing (Standards)*, the *Code of Ethics*, and the Internal Auditing Act of the State of Texas (The Act).

The review was performed by persons independent of the University's Internal Audit Department and covered audit activity conducted during the period May 1, 2006, through April 30, 2007. The scope of our review included an evaluation of selected documents; a review of a sample of internal audit reports issued during the period under review, together with the applicable work papers; a survey of institutional personnel with whom the Internal Audit Department interacts; interviews with key university management; and interviews with staff members within the Internal Audit Department.

The IIA Quality Assurance Manual, 5th Edition, was used as a guideline in performing the QAR. General guidelines for evaluation include "generally conforms", "partially conforms", and "does not conform". Based on our review, we determined that the University of North Texas Internal Audit Department generally conforms, in all aspects but one, with the *IIA Standards, Code of Ethics*, and the Act. "Generally conforms" means the review team has concluded that the relevant structures, policies, and procedures of the activity, as well as the processes

by which they are applied, comply with the requirements of the *Standards*, the *Code of Ethics* and The Act in all material respects.

The department partially conforms with Standard 2100 – Nature of Work. “Partially conforms” means that the department is making good faith efforts to comply with the requirements of the *Standards*, but has fallen short of achieving some of their major objectives. Standard 2100 requires that the internal audit activity should evaluate and contribute to the improvement of risk management, control, and governance processes using a systematic and disciplined approach. One of the major areas of risk in today’s society is that presented by the pervasive use of information technology (IT). The IA department does not have a qualified IT auditor on staff. Even though IA has done as much audit work as possible in the area of IT security and controls without a certified IT auditor, they do not have the expertise to do in-depth audit work in this area of high risk.

Additionally, in order to comply with Standard 2100, the department needs to become more involved in the governance processes within the university. There is a fine line between getting involved in the governance of an organization and maintaining independence and objectivity required by *Standards*. One of the ways this charge can be met is by being active in an ex-officio capacity on key committees and councils of the university administration. Such involvement keeps the audit activity informed of what is happening within the university and allows IA to act in an advisory capacity to see that controls are being established in the early stages of new endeavors. Such a practice is one avenue that will help to set a proper tone at the top of an organization.

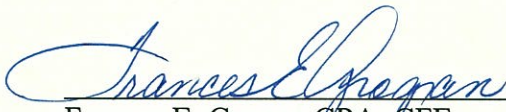
In all other aspects of its scope of work, the department conforms to Standard 2100 and, therefore, is deemed to partially conform with the standard.

We found that IA is independent, objective, and able to render impartial and unbiased judgments on the audit work performed. The staff is qualified, proficient, and knowledgeable in the areas they audit. Individual audit projects are planned using risk assessment techniques, audit conclusions are supported in the working papers, and findings and recommendations are communicated clearly and concisely.

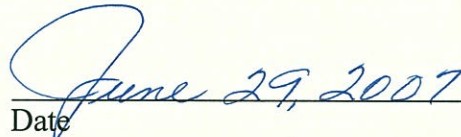
The IA department is well managed internally. In addition, the department has effective relationships with the Board of Regents and is well respected and supported by management. Surveys and interviews conducted during the quality assessment indicate that management considers internal audit to be a useful part of the overall agency operation and finds that the audit process and report recommendations add value and help improve the university’s operations.

The peer review team met with IA management throughout the course of the review, including an exit conference on May 10, 2007. We shared experiences, approaches, and other insights to consider that might further enhance the work of the department.

We appreciate the courtesy and cooperation extended to us by the Chief Auditor, the audit staff, Regent Nickell, Chancellor Jackson, Presidents Bataille and Ransom, and the senior managers who participated in the interview process. We would also like to thank each person who completed surveys for the quality assessment. The feedback from the surveys and the interviews provided valuable information regarding the operations of the internal audit department and its relationship with management.



Frances E. Grogan CPA, CFE
Peer Review Team Leader



Date

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	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
08-002	12/16/08	Annual Investments/ Commercial Paper Review	<ul style="list-style-type: none"> • Determine if the management of investment transactions is compliant with Regents Rules 10.100, Regents Rules 10.300, University Investment Policy 11.5, and the Public Funds Investment Act (PFIA). • Verify that investments are adequately and appropriately inventoried and safeguarded. • Review the recording and reporting of investment transactions for accuracy and compliance with the Higher Education Investment Reporting Requirements Report issued by the State Auditor's Office. • Evaluate the commercial paper program for compliance with Regents Rules 10.100, and Regents Rules 10.300, and UNT Investment Policy 11.5. 	No findings/recommendations.	N/A	N/A

¹ Definitions of implementation status are as follows:

- Fully Implemented: Successful development and use of a process, system, or policy to implement a prior recommendation.
- Substantially Implemented: Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.
- Incomplete/Ongoing: Ongoing development of a process, system, or policy to address a prior recommendation.
- Not Implemented: Lack of a formal process, system, or policy to address a prior recommendation.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
08-002-D	9/15/08	UNT Dallas Cashier Office Review	Review cash handling processes and procedures at the UNT Dallas campus for compliance with UNT Policies: <ul style="list-style-type: none"> • 2.1.10.1 Cash Handling Controls; • 2.1.3 Petty Cash, Demand Deposits, Working Funds; and • 2.2.1 Sales and Receipts of Funds. 	Cash from vending machines is not controlled and secured in accordance with University policy. <ol style="list-style-type: none"> 1. Implement a process of carrying the collected cash to the secure counter area for counting, documenting, and processing for deposit. 	Implementation will provide assurance that cash collected will be properly safeguarded, accounted for, and documented.	Fully Implemented
				<ol style="list-style-type: none"> 2. Implement a process where two trained cash handling employees collect the cash from the ladies room vending machines. 	Same as above.	Fully Implemented
				<ol style="list-style-type: none"> 3. Initiate the securing of the ladies room vending machine keys in the secure counter area. 	Same as above.	Fully Implemented
				<ol style="list-style-type: none"> 4. Include processes and procedures in the Student Accounting Policy and Procedures Manual. 	Same as above.	Fully Implemented (on-going updates/modifications to procedures as needed)

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				<p>Reconciliations are not consistently performed on the Dallas campus.</p> <p>5. Develop and implement local reconciliation processes and procedures for all payments received at UNT Dallas.</p>	<p>Implementation will provide assurance that a reconciliation process will be in place as UNT Dallas prepares for the transition to a stand-alone University.</p>	<p>Incomplete/Ongoing.</p> <p>Due to the untimely death of the Director of Administration and Finance and the search to fill this position, as well as the Texas Legislative session, progress had not been made on this item. A new Executive Director of Finance and Administration has been hired. He is overseeing the implementation of the recommendations and will send Internal Audit new target completion dates very soon.</p> <p>Additional follow-up scheduled for April 2010.</p>
				<p>6. Include processes and procedures in the Student Accounting Policy and Procedures Manual.</p>	<p>Same as above.</p>	<p>Incomplete/Ongoing.</p> <p>Due to the untimely death of the Director of Administration and Finance and the search to fill this position, as well as the Texas Legislative session, progress had not been made on this item. A new Executive Director of Finance and Administration has been hired. He is overseeing the implementation of the recommendations and will send Internal Audit new target completion dates very soon.</p> <p>Additional follow-up scheduled for April 2010.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				Checks and money orders received are not restrictively endorsed consistently. 7. Review UNT Policy 2.1.10.1 Cash Handling Controls.	Implementation will provide assurance that UNT Dallas will be in compliance with UNT Policy 2.1.10.1 and the risk of misappropriation of funds will be mitigated.	Fully Implemented
				8. Instruct cash handling employees to restrictively endorse checks/money orders immediately upon receipt.	Same as above.	Fully Implemented
				9. Include restrictive endorsement procedures in the UNT Dallas Student Accounting Policies and Procedures Manual.	Same as above.	Fully Implemented
				Two deposit bank bags were misplaced and never recovered. Deposit procedures at that time called for the courier service to pick up deposit bank bags from the Vice Chancellor's Office. There is no record that the bags were ever picked up by the courier in this instance. Since this incident, the deposit bank bags are picked up at the secure counter area by a new courier service. 10. Review and adhere to UNT Policy 2.1.3.	Implementation will provide assurance that UNT Dallas is in compliance with UNT Policy 2.1.3.	Fully Implemented
				11. Contact the UNT Dallas Police and make a full disclosure of events concerning the missing deposit bank bags.	Same as above.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				<p>The secure counter area door is not always properly secured.</p> <p>12. Keep the secure counter area door closed and locked at all times.</p>	Implementation will provide assurance that the counter area will be secure, and that the risk of loss of funds will be mitigated.	Fully Implemented
				<p>UNT enrollment application payments are being collected in an unsecure area.</p> <p>13. Implement procedures that all payments accepted be collected in a secure area.</p>	Implementation will provide assurance that payments are accepted and processed in a secure area. Additionally, supervision of employees and procedures will occur from the proper chain of command.	Fully Implemented
				14. Initiate restrictive endorsement of received funds.	Same as above.	Fully Implemented
				15. Begin a process that supervisory approval is granted before implementing a procedure.	Same as above.	Fully Implemented
				<p>Memorial Loan checks were left unclaimed past the repayment deadline.</p> <p>16. Enhance notification procedures to include weekly monitoring of student's receipt of Memorial Loan checks.</p>	Implementation will provide assurance that students are not incurring interest expense without the use of funds	Fully Implemented
				17. Encourage students to use direct deposit from UNT SAUCS office.	Implementation will assist in providing the funds to the students on a timely basis.	Fully Implemented

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				18. Communicate with the Student Money Management Center when a check has not been accepted by student.	Same as number 16 above.	Fully Implemented
				19. Coordinate the return of uncollected checks to the Student Money Management Center by repayment deadlines.	Same as number 16 above.	Fully Implemented
				Staff enhancement training in the cash handling areas is not being performed. 20. Provide training for all employees that have been authorized for new tasks.	Implementation will provide assurance that employees are properly trained in cash handling practices, and that proper segregation of duties is maintained.	Fully Implemented
				21. Initiate a dialogue with the proper chain of command to seek funding for additional staffing at UNT Dallas to assure adequate segregation of duties.	Same as above.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
08-011	4/29/09	NCAA Compliance – Financial Aid Review	Verify compliance with NCAA by-laws pertaining to Student Financial Aid including, but not limited to, eligibility, financial aid limits, award letters, team and sport limitations, and additional institutional support. Verification of compliance included a review of UNT Athletics policies and procedures as well as procedures employed by the Student Financial Aid and Scholarships Office in distributing athletic student aid.	1. Develop a timeline for UNT Athletics and SFAS with due dates for the receipt of information for processing purposes, expected completion dates for implementation, and means of notification when requests are completed.	Implementation will strengthen communication between UNT Athletics and SFAS. It will also provide assurance that financial aid and athletic scholarships for student athlete recipients will be processed in an efficient and timely manner based on mutually agreed-upon and documented procedures.	Follow-up currently in progress.
				2. Prepare and provide a completed 'UNT Competitive Scholarship Waiver for Non-Resident or Citizen' form to SFAS for each waiver approved by UNT Athletics.	Implementation should provide assurance to SFAS management that the issuance of waivers by UNT Athletics is in compliance with University Policy 18.3.5.	Follow-up currently in progress.
				3. Prepare comprehensive written procedures documenting the current processes and procedures for both UNT Athletics and SFAS with respect to administering (e.g., approving, processing, issuing, reporting and/or monitoring) athletic scholarships and other aid to student athletes.	Implementation will provide assurance that appropriate personnel resources are allocated, and that departmental steps are performed in an efficient and timely manner regarding athletic scholarships and other financial aid for student athletes.	Follow-up currently in progress.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
08-015	10/31/08	Computer System Security Risk Analysis Review	<p>Review CITC's Computing Systems Security Risk Analysis for 2008 and compare it to the 2005 Risk Analysis to identify unresolved security risks, emerging risks, and controls put it place.</p> <p>Verify that the Risk Analysis was completed as required by the Texas Administrative Code, Rules 202.70 - 202.77</p>	No findings/recommendations.	N/A	N/A
08-019	10/27/08	EIS Business Continuity Plan Review	Evaluate the plan and verify compliance with State laws and regulations, inclusion of all components of EIS as well as systems attached to it, and to verify testing and updates were made.	1. CITC should develop an appraisal for recovery alternatives to be documented in the Business Continuity Plan.	Implementation will provide assurance that UNT is compliant with state mandated guidelines.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
08-022	2/2/09	Hazardous Materials Management Review	Determine whether: <ol style="list-style-type: none"> 1. Controls related to hazardous materials management processes (purchasing, receiving, distribution, labeling, storage, identification, disposal, and reporting) comply with state regulations; 2. Training received by the Environmental Services (ES) division employees and training provided by ES employees to UNT employees is appropriate; 3. Identification and reporting of hazardous materials comply with Department of Homeland Security requirements; and 4. Emergency planning activities related to the Risk Management Services' (RMS) response to catastrophic events are appropriate. 	<ol style="list-style-type: none"> 1. Include in inspection reports the results of inspection and re-inspection activities that fully outline lab inspection findings, recommendations, suggestions, and other instructional communications. 	Implementation will provide assurance that inspection reports provide a clear, concise, and complete record of inspection and re-inspection activities. Additionally, readiness for external investigations and compliance reviews will be strengthened and increased compliance with UNT policy and safety manual requirements will be achieved.	Fully Implemented
				<ol style="list-style-type: none"> 2. Perform follow-up activities with specific labs to determine whether training provided to attend to low hazard inspection issues has effectively addressed the issue and the desired results achieved. 	Implementation will provide assurance that training provided is effective in addressing and mitigating low hazard inspection issues.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				3. Obtain from Facilities a written record of total quantities of diesel and gasoline purchased and on hand and retain the documentation as a part of the RMS departmental records.	Implementation will provide assurance that total fuel inventories reported to the Texas Department of State Health Services and other state or federal agencies were received from an authoritative source. Additionally, written documentation of fuel inventory amounts received from the Facilities Department minimizes potential discrepancies regarding the validity and accuracy of reported fuel amounts and strengthens the overall reporting process.	Fully Implemented
08-023	1/30/09	UNT-International Review, Audit	Review departmental policies and procedures within UNT-International (UNT-I), and evaluate compliance with UNT policies and to assess risk mitigation strategies.	1. Establish a workgroup including SAUCS, UNT-I, and the Registrar's Office to develop procedures to transfer all payment and cash handling responsibilities from UNT-I to SAUCS.	Implementation will provide assurance that cash handling occurs in the most secure environment on campus and the risk of theft, loss, and misuse of funds is minimized.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				2. All funds collected from the food fair should be deposited into a dept ID, and checks should be made payable to the student organizations.	Implementation will provide assurance that the funds are monitored and properly accounted for, and in compliance with UNT Policy.	Fully Implemented
				3. Disburse all cash currently stored in the safe in the UNT-I cashier's office to the appropriate student organizations.	Same as above.	Fully Implemented
				4. The cashier should be accompanied by another employee or officer from UNT Police while transporting the bank bags from Kendall Hall to SAUCS.	Implementation of the recommendations should occur prior to SAUCS taking over cash collections. Implementation will provide assurance that the risks associated with receiving and transporting large volumes of cash and checks are limited.	Fully Implemented
				5. The bank bags should be transported in another bag out of direct sight.	Same as above.	Fully Implemented
				6. Cash receipts should be deposited at the close of each business day.	Same as above.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				<p>7. A working (i.e. petty cash) fund in the amount of \$250.10 was not established through Purchasing and Payment Services. The change fund within UNT-I was discovered during the surprise cash count. The associate director of international education stated that she was not aware of how the funds were originally generated, and that the funds were there when she was first employed.</p> <p>Deposit the funds into a dept ID.</p>	Implementation will provide assurance that the funds are monitored and properly accounted for, and in compliance with UNT Policy.	Fully Implemented
				8. Establish working funds by a request to Purchasing and Payment Services.	Same as above.	Fully Implemented
08-024	10/22/08	Libraries Review	Review, evaluate, and document the operational controls and processes for the UNT Library Annex pertaining to technical services, preservation, and remote storage operations.	1. Develop and approve a written disaster response plan for property recovery specifically for the Library Annex location.	Implementation will provide assurance that essential emergency contact individuals are contacted and appropriate action is taken to limit property losses should an emergency or disaster occur.	Fully Implemented
				2. Communicate to Library Annex personnel that the annex facility has developed a written disaster response plan for property recovery, and also convey the location of this plan to use as a guide should disaster emergencies occur.	Same as above.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				3. Review periodically, and update as needed, the disaster plan to assure that emergency contact names and phone numbers are current and all appropriate asset recovery steps are included.	Same as above.	Fully Implemented
				4. Discontinue the practice of allowing student workers to store their backpacks and personal items in the secured remote storage area.	Implementation will provide assurance that only authorized removal of library items are removed from the secured remote storage area.	Fully Implemented
				5. Instruct department cardholders to follow current (March 2008) UNT Purchasing Card Program Guide guidelines by not allowing other individuals to use their UNT issued p-card.	Implementation will provide assurance that UNT Purchasing Card Program Guide guidelines are being followed.	Fully Implemented
				6. Instruct department p-card cardholder's to monitor their cumulative monthly dollar p-card purchases to assure that the total cumulative amount for a cycle month does not exceed their established total monthly cycle p-card purchasing limit.	Implementation should assist a cardholder in not exceeding their monthly p-card cycle purchasing card limit.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				7. Contact Purchasing Card Administrator in Purchasing and Payment Services to obtain a p-card exception request form for completion to increase a cardholder's purchasing limit, if the cardholder expects future monthly purchases to exceed their monthly cycle p-card purchasing limit.	Same as above.	Fully Implemented
08-030	4/29/09	PCI DSS Follow-Up Review	Follow-up on prior audit recommendations from Departmental Credit Card Review, Audit No. 06-017, and determine the University's compliance with UNT Policy 2.2.31, Accepting Credit Cards, and the Payment Card Industry Data Security Standard.	1. Ensure that all internal merchants complete a PCI Self Assessment Questionnaire annually, and independent scans are performed consistently on all systems in which credit card information is processed electronically.	Implementation will provide assurance that the potential for breach of security, compromised data, identity theft, and the risk of penalty will be minimized.	Follow-up currently in progress.
				2. Develop and enforce sanctions for non-compliance with PCI DSS including, but not limited to, denial of credit card acceptance.	Same as above.	Follow-up currently in progress.
				3. Conduct yearly follow-up assessments to determine if the service provider and payment application version being used is certified as compliant with the PCI DSS.	Implementation will provide assurance that the University will be compliant with the PCI DSS.	Follow-up currently in progress.
08-032 (a)	10/22/08	Annuity Payments Review (UNT)	Evaluate annuity payments to UNT staff for compliance with agreed annuity amounts.	1. Identify payments that are not used to purchase an annuity as supplemental pay, or include payments as part of monthly base income rather than separate annual payments.	Implementation will provide assurance that all payments made in addition to base pay are classified accordingly.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				2. Evaluate procedures for establishing supplemental payments.	Implementation will provide assurance that supporting documentation for payments is maintained, and that payment procedures are evaluated in accordance with best business practice. Adding an additional approval signature to the budget document will provide assurance of an additional reviewer and approver for UNT payment amounts.	Fully Implemented
				3. Establish a method for documenting supplemental payments and maintain documentation in a central location.	Same as above.	Fully Implemented
				4. Revise fiscal year budget document to include signature of the President and/or Associate Vice President of Human Resources.	Same as above.	Fully Implemented
08-032 (b)	10/3/08	Annuity Payments Review (System)	Evaluate annuity payments for UNT System staff for compliance with agreed annuity amounts.	1. Identify payments that are not used to purchase an annuity as supplemental pay, and include the identified supplemental compensation as part of monthly base income rather than separate annual payments.	Implementation will provide assurance that all payments made in addition to base pay are classified accordingly.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				2. Evaluate procedures for establishing annuity payments and establish a method for documenting annuity payments and maintain documentation in a central location.	Implementation will provide assurance that supporting documentation for payments is maintained, and employment agreements are reviewed and maintained in accordance with best business practice. Adding an additional approval signature to the budget document will provide assurance of an additional reviewer and approver for all UNT System payment amounts.	Fully Implemented
				3. Review procedures for evaluating employment agreements to verify that the agreement is current, and that an annuity amount was stipulated in the agreement.	Same as above.	Fully Implemented
				4. Revise fiscal year annuity budget documents to include signature of the Chancellor and/or Associate Vice President of Human Resources.	Same as above.	Fully Implemented

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08-038-D	9/16/08	UNT Dallas P-Card Review	Review p-card purchases for compliance with UNT P-Card Policy.	1. Provide refresher p-card training for all p-cardholders, reconcilers, and approvers at the UNT Dallas campus.	Implementation will improve the cardholders', reconciler's, and approver's understanding of p-card controls, restrictions on use, and guidelines governing the utilization of the p-card.	Fully Implemented
				2. Evaluate the need for additional p-card reconcilers at UNT Dallas.	Same as above.	Ongoing/Incomplete. UNT Dallas management has been in the process of reviewing the addition of staff that would assume these duties. Additional follow-up currently in progress.
				3. Reaffirm the importance of p-card holders, reconcilers, and approvers to direct questions concerning appropriateness of purchases to PPS.	Same as above.	Fully Implemented
08-039	8/18/08	Purchasing Card Review Follow-Up	Evaluate the actions taken in response to the recommendations reported in Audit No. 07-008, Purchasing Card Process Review.	Purchasing and Payment Services had addressed all of the 36 recommendations that were made in previous audit, 07-008. All but four recommendations had been successfully implemented and the remaining four were considered to be in progress and were scheduled for implementation in fiscal year 2009. Additional follow-up reported in February 2009 indicated all four were fully implemented.	N/A	N/A

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				1. Amend Purchasing Card Guidelines, Section 3.6, Purchasing Card Account Summary, Documentation, Reconciliation and Approval, paragraphs 6 and 8 of the Purchasing Card Guidelines to indicate that suspected fraud should be reported to the Office of Internal Audit.	Implementation will provide assurance that possible fraud is investigated and reviewed in accordance with policy by trained investigators, and reflects purchasing card industry best practice.	Fully Implemented
				2. Amend Purchasing Card Guidelines to include the designated contact person for fraud.	Same as above.	Fully Implemented
				3. Enforce all applicable p-card sanctions when failure to comply with purchasing card guidelines is documented via purchasing card audits	Implementation will provide assurance that the p-card guidelines are enforced, best practices are followed, and will strengthen overall compliance with the p-card guidelines.	Fully Implemented
				4. Document and include the tabulation of the dollar amount indicated with each finding in all Purchasing and Payment Services purchasing card audits.	Implementation will provide assurance that purchasing card monitoring processes are in place in operating units to assure proper use of cards and documentation of purchases and that management is aware of the extent of purchasing card non-compliance.	Fully Implemented

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				5. Modify purchasing card guidelines section 3.8, Review of Purchasing Cards, to indicate that PPS will conduct p-card audits.	Implementation will provide assurance that p-card audits are labeled accordingly.	Fully Implemented
08-040	3/25/09	Speech and Hearing Sciences Review	Perform an operational review of Speech and Hearing Sciences for compliance with UNT Policies. Additionally, review and evaluate the cash handling processes and procedures for compliance with UNT Policy 2.1.10.1, Cash Handling Controls.	1. Modify the cash handling process to include restrictive endorsements at the beginning of the collection process.	Implementation will provide assurance that the Speech and Hearing Sciences Center will be in compliance with UNT Policy 2.1.10.1 and the risk of loss of funds will be mitigated.	Follow-up currently in progress.
				2. Modify procedures to place payments in a securely locked desk drawer	Same as above.	Follow-up currently in progress.
				3. Implement a process of reconciling the payments to the receipts in the front desk receipt book.	Implementation will provide assurance that payments are properly accounted for when transferred between employees. Additionally, this mitigates the risk of loss of funds.	Follow-up currently in progress.
				Six assets purchased with the P-card did not have Controlled Item Code (CIC) Equipment form. 4. Complete CIC forms for all qualified purchases.	Implementation will provide assurance that the Speech and Hearing Sciences Department and Center will be in compliance with the UNT P-Card Guidelines.	Follow-up currently in progress.
				5. Contact PPS to have qualified equipment tagged.	Same as above.	Follow-up currently in progress.

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				<p>One P-Card infraction was noted (one transaction log was not signed by the department head).</p> <p>6. Review and adhere to the UNT P-Card Guidelines.</p>	Same as above.	Follow-up currently in progress.
				<p>Only one employee is trained to post payments to the X-Med billing system.</p> <p>7. Implement a process of cross training employees to back up other employees in case of illness, vacation, or change of position.</p>	Implementation will provide assurance that the risk of interrupted workflow would be mitigated.	Follow-up currently in progress.
				<p>The Administrative Assistant I may have the responsibilities and work activities commensurate with a higher position.</p> <p>8. Review the job description, work and pay grade of the Administrative Assistant I's position with comparable positions at other UNT Departments.</p>	Implementation will provide assurance that the Administrative Assistant I's position is reasonably compensated for the work and responsibilities performed. Additional staff will assist in alleviating the work load of the one employee.	Follow-up currently in progress.
				9. Initiate a discussion with the College of Arts and Sciences Dean's office for guidance in re-classification of position or promotion of the Administrative Assistant I if warranted.	Same as above.	Follow-up currently in progress.
				10. Evaluate the need for additional full time staff in the Department.	Same as above.	Follow-up currently in progress.

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08-041	10/6/08	Physics Timekeeping	Evaluate the Physics Department controls related to timekeeping/time reporting and compliance with University Policy 1.4.11, Time and Attendance Leave Records, state, and federal laws. The objective was expanded, during the audit to include reviewing fiscal year 2008 purchasing card (p-card) transactions for one cardholder.	1. Eliminate emails and use only timecards to document time worked.	Implementation will provide assurance that employees are paid for the correct hours worked. This would allow the Physics Department to reconcile leave balances for all salaried employees and identify and correct any leave balance discrepancies.	Fully Implemented
				2. Review and compare physics payroll emails with salaried timesheets for fiscal year 2008 to ensure that all time worked has been accurately recorded, and enter any needed corrections.	Same as above.	Fully Implemented
				3. Ensure that all UPO-15s are signed, dated, approved, and correspond with salaried timesheets monthly.	Implementation will provide management the ability to confirm that all time recorded on the UPO-15 is correct and leave is approved or disapproved and provide assurance that the department is in compliance with UNT Policy 1.4.11 Time and Attendance Records, Texas Government Code, and Fair Labor Standards Act.	Fully Implemented

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				4. Review and compare UPO-15s with salaried timesheets for fiscal year 2008 to ensure that all leave taken and/or compensatory time earned is accurately recorded, and enter any necessary corrections.	Same as above.	Fully Implemented
				5. Review and adhere to Purchasing Card Guidelines and applicable University policies.	Implementation will provide assurance that Purchasing Card Guidelines and University policies are being followed.	Fully Implemented
				6. Require cardholder to attend purchasing card refresher training.	Same as above.	Fully Implemented
				7. Require all University owned departmental items (e.g. assets, equipment, etc.) are used for University business only and maintain items in the department.	Implementation will provide assurance of compliance with University Ethics Policy, 1.2.9, section 8.4 and Texas Government Code.	Fully Implemented
				8. Re-emphasize to faculty and staff, that all items purchased with University funds are not to be used for personal use, and should be maintained in the department.	Same as above.	Fully Implemented

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08-043	4/7/09	College of Visual Arts and Design (CVAD) Fundraising and Purchasing Card Review	Evaluate the College of Visual Arts and Design fundraising process for compliance with University Policy, State, and Federal laws, and review fiscal year 2008 purchasing card (p-card) transactions for compliance with established guidelines.	The Office of Development should develop a fundraising/event process and procedures guide for use by all University colleges, schools, and/or departments.	Implementation will provide assurance that future University sponsored events are handled according to University policy and the Office of Development policies and procedures.	Follow-up currently in progress.
				CVAD: 1. Coordinate all future exhibits and/or fundraising events with the Office of Development.	Same as above.	Follow-up currently in progress.
				2. Develop departmental procedures for cash handling that follow University policy and State cash handling rules.	Implementation will provide assurance that cash is controlled and deposited in accordance with University policy and State rules.	Follow-up currently in progress.
				3. Re-emphasize to faculty and staff the importance of following UNT cash handling procedures and policies.	Same as above.	Follow-up currently in progress.
				4. Assign a new accountholder to the CVAD accounts with the deceased primary accountholder.	Implementation will provide assurance that all primary accountholders are active and are able to perform his/her accountholder responsibilities.	Follow-up currently in progress.
				5. Review CVAD's list of accountholders annually and identify and make any necessary corrections.	Same as above.	Follow-up currently in progress.

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				6. Review and adhere to Purchasing Card Guidelines.	Implementation will provide assurance that Purchasing Card Guidelines and University policy are being followed.	Follow-up currently in progress.
				7. Require cardholders, reconcilers, and accountholders to attend purchasing card refresher training.	Same as above.	Follow-up currently in progress.
08-044	9/15/08	Faculty/Staff Scholarship Follow-Up Review	Review scholarship recipients for the period Summer 2007 to Summer 2008 to verify whether GPA requirements were met in accordance with UNT Policy 2.2.14.	Internal Audit identified three recipients that did not meet GPA requirements. Internal Audit notified SAUCS of the observations and the scholarships were removed.	N/A	N/A
09-001	1/12/09	Auditor's Report on the Application of Agreed Upon Procedures	Perform the agreed-upon procedures as prescribed by the National Collegiate Athletic Association Bylaws for the University of North Texas Athletics' statements of revenue and expenses for the year ended August 31, 2008.	Discrepancies identified in the financial statements were primarily category misclassifications, which were subsequently corrected. Internal Audit identified no variances for which University officials could not provide satisfactory explanations.	N/A	N/A
09-003	12/19/08	Facilities Certification Audit	Determine if projects and acquisitions of real property submitted to the THECB received required approvals, and were completed within the parameters specified in the project applications approved by the THECB.	No findings/recommendations.	N/A	N/A

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09-004	4/24/09	Student-Managed Investment Fund	Evaluate Student-Managed Investment Fund compliance with donor requirements.	Three reports were not prepared in a timely manner in accordance with best business practices. 1. Develop and implement a quarterly report completion timeline at the beginning of each calendar year.	Implementation will provide assurance that the quarterly reports are completed and disseminated in a timely manner.	Follow-up scheduled for FY 2010 as part of Internal Audit's annual review of the Student-Managed Investment Fund.
09-005	3/30/09	Chancellor's Expenditure Review	Review the UNT System Chancellor's business, travel, and entertainment expenses for which the Chancellor was reimbursed, or expenses that were paid on the Chancellor's behalf, for compliance with Regent's Rules, UNT Policy, and the Chancellor's employment agreement.	No findings/recommendations	N/A	N/A
09-006	3/25/09	North Texas Institute for Educators on the Visual Arts Grant Review	Determine if the North Texas Institute for Educators on the Visual Arts (NTIEVA) expended grant funds in accordance with terms and conditions outlined in the award agreement of the Robert and Ruby Priddy Charitable Trust.	No findings/recommendations	N/A	N/A
09-007	10/16/08	Joint Admission Medical Program Review	Determine compliance with the JAMP Expenditure Guidelines and Agreement for fiscal years 2007 and 2008.	No findings/recommendations.	N/A	N/A

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09-008	4/22/09	President's Expenditure Review	<p>Review the President's business, travel, and entertainment expenses for which the President was reimbursed, or expenses that were paid on the President's behalf, for compliance with UNT Policy and the President's employment agreement.</p> <p>Review payroll disbursements to verify compliance with compensation provisions of the President's employment agreement.</p>	No findings/recommendations.	N/A	N/A
09-011-D	5/5/09	UNT Dallas Scholarship Review	Review and evaluate existing controls in issuing scholarships, and ensure that only eligible students receive scholarships.	No findings/recommendations.	N/A	N/A
09-013	6/22/09	Financial Statement Review	<p>Determine if material line items from UNT financial statements for year ending August 31, 2008, match information in the general ledger and/or other supporting documentation.</p> <p>Verify that reasonable explanations exist for significant fluctuations between current and prior year amounts for the material line items selected.</p>	No findings/recommendations.	N/A	N/A
09-018	4/1/09	Emerald Eagle Scholars Review	<p>Evaluate the Emerald Eagle Scholars Program for:</p> <ul style="list-style-type: none"> • Compliance with eligibility requirements; • Process and procedures of funds disbursement; and • Retention of participants. 	No findings/recommendations.	N/A	N/A

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09-021	6/29/09	Automotive Services Review	<p>To evaluate the gasoline management process (receiving, storing, dispensing, inventorying, and recording) in Automotive Services to determine whether controls are in place to safeguard against gasoline loss, waste, and misuse.</p> <p>To review and evaluate the gasoline credit card process employed by University units (administrative, academic, auxiliary) to manage their departmental gasoline purchasing activity.</p> <p>To verify compliance with University and state guidelines.</p>	<p>The gasoline pump keys are not used as intended when gasoline is dispensed into gas cans.</p> <ol style="list-style-type: none"> Issue written instructions, as well as periodic reminders, to appropriate departments to emphasize that gasoline pump keys must be used solely for the vehicle or piece of equipment to which it is assigned. 	Implementation will provide assurance that gasoline pump keys are used as intended, and gasoline is used solely for University purposes. The potential for misuse or abuse of gasoline will be minimized, and gasoline will be accounted for appropriately. Departmental records will more accurately reflect gasoline usage for specific vehicles and equipment, and the accuracy of gasoline usage data reported to the State will be enhanced.	Follow-up scheduled for January 2010.
				<ol style="list-style-type: none"> Obtain a signed statement from the deptid holder (or designee) to indicate his/her understanding and agreement regarding the use of gasoline pump keys. 	Same as above.	Follow-up scheduled for January 2010.
				<ol style="list-style-type: none"> Program gas can pump keys with the maximum capacity of five gallons. 	Same as above.	Follow-up scheduled for January 2010.
				<ol style="list-style-type: none"> Perform periodic reviews of the fuel transactions module located on Facilities website to monitor compliance. 	Same as above.	Follow-up scheduled for January 2010.

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				<p>The fuel management process (receiving, storing, dispensing, inventorying, and recording) is not formally documented.</p> <p>5. Document the fuel management process to include the receiving, storing, dispensing, inventorying, and recording components of the operation.</p>	<p>Implementation will provide assurance of compliance with rules, regulations, laws, and statutes that may be mandated by regulatory or government authorities, and consistent performance among employees will be achieved. Capturing and communicating data and important information will be enhanced, and achievement of operational objectives will be strengthened.</p>	<p>Follow-up scheduled for January 2010.</p>

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				<p>Gasoline usage is not monitored on a per unit (vehicle) basis.</p> <p>6. Monitor gasoline usage on a per unit (vehicle) basis that includes, but is not limited to, the following activities:</p> <ul style="list-style-type: none"> • Compare miles per gallon data for each vehicle over a period of time to detect irregularities (highs or lows) in the data; • Review the frequency in which gasoline is purchased for each vehicle to determine whether miles driven and University business conducted supports such frequency. • Encourage departments to monitor gasoline usage for vehicles assigned to them through development, implementation, and sharing of gasoline monitoring techniques. 	<p>Implementation will provide assurance that Automotive Services' fuel management program is functioning as intended and that gasoline is used to conduct University business; thus, minimizing the potential for misuse or abuse of gasoline.</p>	<p>Follow-up scheduled for January 2010.</p>

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				<p>Limited guidance is provided to assist University units in managing gasoline credit card purchasing activity.</p> <p>7. Develop a documented gasoline credit card guide that provides direction to user departments regarding the appropriate use, security, and management of the gasoline credit card. The guide should address, but not be limited to, the following areas:</p> <ul style="list-style-type: none"> • The application process (what is required to obtain a GCard). • Responsibility of individuals or departments that are issued a card. • Security requirements and liability for loss, damage, and unauthorized use. • Departmental management and processing (reviewing, reconciling, document retention) requirements. • Reporting requirements for equipment (gas cans, boats, vehicles, etc) acquired outside the purview of Automotive Services for which the GCard will be used. • Training; sanctions; card termination. 	<p>Implementation will provide assurance that expectations required of user departments will be documented. User departments will receive consistent direction and guidance to manage GCard purchasing activities. GCard safeguards will be improved, departmental program performance will be enhanced, and the overall control environment will be strengthened.</p>	<p>Follow-up scheduled for January 2010.</p>

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				8. Perform routine, periodic reviews of departmental GCard purchasing documents.	Same as above.	Follow-up scheduled for January 2010.
				9. Perform continuous monitoring activities to assess risks to program objectives and to evaluate the effectiveness of the overall gasoline credit card program.	Same as above.	Follow-up scheduled for January 2010.
09-023	6/29/09	Student Money Management Center Review	Review the Memorial and NT Green Loan programs for compliance with eligibility requirements for the period September 1, 2007 through August 31, 2008.	<p>Promissory notes are not retained for five years following the repayment of the loan as required by UNT Policy 10.10, University Records Retention Schedule and the State of Texas Records Retention Schedule.</p> <p>1. Follow UNT Policy 10.10, University Records Retention Schedule and the State of Texas Records Retention Schedule which requires promissory notes to be retained for five years following repayment of the loan.</p> <p>2. Implement the use of a disposal log to record the final disposition of all loan documents with personally identifiable information, including but not limited to, promissory notes.</p>	<p>Implementation will provide assurance that the SMMC is in compliance with UNT Policy 10.10, the State of Texas Record Retention Schedule, and best practice for the final disposition of documents.</p> <p>Same as above.</p>	<p>Follow-up scheduled for January 2010.</p> <p>Follow-up scheduled for January 2010.</p>

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				<p>Memorial Loan fees must be manually transferred to the fee dept ID from the principal dept ID by request.</p> <p>3. Research possibilities for Memorial Loan fees to be automatically transferred to the appropriate dept ID when the loan/fees are repaid through EIS.</p>	Implementation will provide assurance that there is an accurate accounting of the principal and fees received from the repayment of Memorial Loans.	Follow-up scheduled for January 2010.
				<p>Cash that is received from the repayment of NT Green Loans is not deposited within five days of receipt.</p> <p>4. Deposit funds within five days of receipt as required by UNT Policy 2.2.1.</p>	Implementation will provide assurance that the SMMC is in compliance with UNT Policy 2.2.1 and the risk of theft or loss of funds is minimized.	Follow-up scheduled for January 2010.
09-024	6/12/09	Facilities Scrap Recycling Review	<p>Evaluate Facilities Scrap Recycling Services for</p> <ul style="list-style-type: none"> • Security over scrap material/property before a sale or transfer to a third party; and • Cash handling controls after the sale of scrap material/property to a third party. 	<p>Facilities Scrap Recycling receives cash for aluminum can recycling.</p> <p>1. Contact Fulton Supply to discuss receiving a monthly check and accompanying statement to reconcile with aluminum can recycling receipts rather than cash.</p>	Implementation will improve cash handling controls and reduce the risk of loss of recycling receipts.	Follow-up scheduled for December 2009.
				<p>Documents collected from the Radisson Hotel have been held for over one year.</p> <p>2. Shred/destroy the Radisson Hotel documents within 180 days.</p>	Implementation will provide assurance that the liability from the loss of sensitive information, whether accidental or intentional, would be mitigated.	Follow-up scheduled for December 2009.

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09-025	5/26/09	Hourly Termination Process Review	Review and evaluate the UNT Human Resources department hourly termination processes and controls used for University employees including the timeliness of the posting of hourly termination information into EIS.	Supporting documentation: <ul style="list-style-type: none"> Documentation was not available for review to support eighteen of fifty-one hourly terminations (35% of the test sample). Documentation was not available to support timely processing of eleven of fifty-one hourly terminations reviewed (22% of the test sample). 	Implementation will provide assurance that each employee hourly termination that is recorded in EIS by HR personnel is supported by accurate and complete documentation.	Follow-up scheduled for November 2009.
				<ol style="list-style-type: none"> Review and update HR hourly termination process procedures and establish necessary internal controls to decrease the risk of generating paychecks for hourly terminated employees. 		
				<ol style="list-style-type: none"> Provide applicable staff training to ensure that accurate and complete support documentation (e.g. hourly termination information, email documentation, and/or HR date stamp receipt documentation) is retained to support all hourly terminations processed by HR into EIS. 		

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09-027	12/15/08	Murchison Ticketing Office Review	Review cash handling processes and procedures at the Murchison Ticket Office for compliance with UNT Policies: <ul style="list-style-type: none"> • 2.1.10.1 Cash Handling Controls; • 2.1.3 Petty Cash, Demand Deposits, Working Funds; and • 2.2.1 Sales and Receipt of Funds. 	No findings/recommendations.	N/A	N/A
09-030	3/25/09	Theatre Box Office Review	<ul style="list-style-type: none"> • Evaluate departmental policies and written procedures on ticket sales for effectiveness and compliance with UNT Policy 2.2.1 Sales and Receipt of Funds. • Determine if adequate controls are in place for theatre tickets; • Verify cash and check payments are collected, recorded, safeguarded, deposited, and reconciled according to UNT policy 2.1.10.1 Cash Handling Controls. • Verify credit card payments are collected, recorded, safeguarded, deposited, and reconciled according to UNT policy 2.2.31 Accepting Credit Cards and the Payment Card Industry Data Security Standards (PCI DSS). 	Improve cash and credit card handling practices as per UNT Policy 2.1.10.1 Cash Handling Controls and the PCI DSS, such that: <ol style="list-style-type: none"> a. Credit card numbers are destroyed at the point when the credit card transaction is complete; b. Procedures are updated to include the elements required by policy; c. Checks are endorsed at the time of receipt; d. Consideration is given to changing locks and combinations to box office area and safe; and e. Cashiering deposits are reconciled so that amount deposited is properly supported with documentation of sales. 	Implementation will provide assurance that cash and credit card handling practices are in compliance with UNT Policies and that the risk of cash losses or misappropriation of funds is minimized.	Follow-up currently in progress.

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09-035	4/21/09	Department of Philosophy and Religion Studies P-card Review	Determine if use of the purchasing card was in compliance with UNT Purchasing Card Program Guide.	1. Require deptID holders who are currently signing Account Summaries but have not yet fulfilled the p-card training requirement to attend PPS training.	Implementation will provide assurance that University staff is properly trained in the use and monitoring of p-cards.	Follow-up currently in progress.
				2. Instruct reconcilers to document on-line in Smart Data the completion of their review by checking-off the appropriate supervisor's reviewed-by box in Smart Data.	Implementation will provide assurance that on-line review of purchase transaction information in Smart Data for a cardholder has been performed by the reconciler.	Follow-up currently in progress.
				3. Require the deptID holder to sign applicable p-card Account Summaries to show evidence of review and approval for purchases, and retain a copy of signed Account Summaries in the departmental p-card Account Summary files.	Implementation will provide assurance that the UNT Purchasing Card Program Guide is being followed.	Follow-up currently in progress.
				4. Obtain refresher training (face-to-face or CBT) for all cardholders, reconcilers, and approvers in the department.	Implementation will provide assurance that all cardholders, reconcilers, and approvers are aware of their responsibilities for proper use, management, and monitoring of p-card purchases.	Follow-up currently in progress.

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09-039	4/8/09	Emergency/Administrative Leave Audit	Review and evaluate the usage of emergency/administrative leave for compliance with Texas Government Code 661.902 and related UNT policies.	No findings/recommendations.	N/A	N/A
09-041	4/22/09	Facilities Audit Certification – Health Science Center	Determine if projects and acquisitions of real property submitted to the Coordinating Board received required approvals and were completed within the parameters specified in the project applications approved by the Texas Higher Education Coordinating Board.	No findings/recommendations.	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	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
08-012	6/30/09	Controlled Substances	Assess the control environment, including the handling and safeguarding over controlled substances housed within the Health Science Center.	<p>A comprehensive program for controlled substance management has not been implemented.</p> <p>1. Document and implement a comprehensive program of controlled substance management including but not limited to:</p> <ul style="list-style-type: none"> • Develop a training and compliance monitoring program; • Establish procedures to ensure the safe containing controlled substances remains locked unless access is needed; • Establish and document procedures for disposing of outdated controlled substances; 	Implementation will create an environment to ensure adequate security and accounting of controlled substances.	Follow-up scheduled for January 2010.

¹ Definitions of implementation status are as follows:

- Fully Implemented: Successful development and use of a process, system, or policy to implement a prior recommendation.
- Substantially Implemented: Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.
- Incomplete/Ongoing: Ongoing development of a process, system, or policy to address a prior recommendation.
- Not Implemented: Lack of a formal process, system, or policy to address a prior recommendation.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
				<ul style="list-style-type: none"> Separate the duties of ordering, receiving, record keeping, and issuing of controlled substances. As an alternative, establish compensating controls to ensure substances received are accurately recorded and accounted for in inventory records; and Limit key access to the pharmacy. 		Follow-up scheduled for January 2010.
				<p>Access to controlled substances is not limited to individuals required to have custody of or handle controlled substances as part of their job duties.</p> <p>2. Implement measures to ensure that all orders are delivered in accordance with federal policy.</p>	Implementation will provide assurance that controlled substances are being ordered and delivered according to federal and HSC requirements.	Follow-up scheduled for January 2010.
				3. Establish practices to ensure all controlled substances are ordered through the pharmacy for inventory control as stated in the Purchasing Handbook.	Same as above	Follow-up scheduled for January 2010.
				4. Review the distribution process to eliminate any unnecessary steps in the handling of Controlled Substances.	Same as above.	Follow-up scheduled for January 2010.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
				<p>Complete and accurate records are not kept for each controlled substance to be tracked from the time it is received to the time it is dispensed to the end user as required by the DEA.</p> <p>5. Establish complete and accurate log book entries to track purchasing, receiving, distribution, dispensing and disposing.</p>	Implementation will provide assurances that all controlled substances are being tracked from receipt to end user to avoid unexplainable losses, and comply with federal requirements.	Follow-up scheduled for January 2010.
				6. Establish policies on acceptable/unacceptable amounts for drug loss and procedures to document.	Same as above.	Follow-up scheduled for January 2010.
08-014	10/22/08	Donated Body Program Compliance	Evaluate the procedures and methods for receiving, storing, using, and transporting bodies or anatomical specimens and disposing of remains at the Center as required by the Texas Administrative Code.	<p>The Department of Cell Biology and Genetics did not have a process in place to review card-key holders to ensure unauthorized individuals do not have access to the Anatomy Lab and Embalming Room.</p> <p>1. Review the lists of individuals with access to facilities holding anatomical parts, and remove access for unauthorized persons including former students and employees.</p>	Implementation will reduce the risk of unauthorized access of anatomy facilities and contents.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
				2. Implement a process to periodically, perhaps in conjunction with the annual procurement report and end of classes, review the list of persons with laboratory access. This process should be in addition to Center cardkey procedures already in place.	Same as above.	Fully Implemented
				State Anatomical Board forms were submitted several months after bodies were received. 3. Submit all outstanding State Anatomical Board forms.	Implementation will ensure the Center has the approval of the State Board when the Center receives and holds a body.	Fully Implemented
				4. Change the process for submitting State Anatomical Board Form A to make more frequent submissions, preferably at least monthly or quarterly.	Same as above.	Fully Implemented
				State Anatomical Board fees were not submitted for periods of one month to almost two years after bodies were received. 5. Submit all owed fees to the State Anatomical Board.	Implementation will provide assurance that the Center is current on fees owed to the State Anatomical Board.	Fully Implemented
				6. Implement a more frequent, systematic process for paying State Board fees. The procedure should be compatible with the practice developed for submitting SAB forms.	Same as above.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
				<p>The Yearly Report of Cadaver Procurement and Use for the periods ending July 31, 2007 and July 31, 2008 were not filed in the timeframe required.</p> <p>7. Prepare and submit the yearly report of cadaver procurement and use for the period ended July 31, 2008.</p>	Implementation will provide assurance that State Anatomical Board reporting compliance is met.	Fully Implemented
				8. Establish a procedure to ensure future reports are submitted by the due date.	Same as above.	Fully Implemented
				<p>Payments of \$18,147.50 for goods and services provided by the Center were deposited in a Foundation account.</p> <p>9. Transfer the balance in Foundation Account 97410, Cell Biology and Genetics Foundation Development Fund, to a Center account.</p>	Implementation will ensure revenues generated from Center expenditures are deposited in Center accounts	Fully Implemented
				10. Establish a practice to deposit revenues generated from Center funds to Center accounts from which related expenses were disbursed.	Same as above.	Fully Implemented
				<p>Payments for goods and services provided by the Center were paid directly to an employee.</p> <p>11. Discontinue the practice of having customer payments made directly to an employee.</p>	Implementation will ensure revenues generated from Center expenditures are deposited in Center accounts and salary matters are handled in accordance with Center policies.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹		
08-015	10/22/08	Advanced Research/ Advanced Technology Program	Determine if Advanced Research Program (ARP) awards were administered in accordance with THECB guidelines, Center policies, and to follow up on recommendations and actions taken in prior ARP/ATP Compliance Audit, Audit No. 06-06.	One progress report, two final progress reports, and one final financial report were submitted 12 to 52 days past the due dates set by THECB.	Implementation will provide assurance that THECB due dates for filing grant reports are met.	Fully Implemented		
				1. Evaluate and improve the process for reminding principal investigators of due dates, and improve the follow up procedures to determine whether reports have been submitted.				
				2. Develop a procedure that would notify the principal investigator and their supervisor when the due date has passed and a report has not been filed.			Same as above.	Fully Implemented
				Two grants had unexpended amounts totaling \$4,118.99 that has not been returned to THECB.			Implementation will provide assurance that all unexpended funds are returned and reports are filed in accordance with THECB requirements.	Fully Implemented
				3. Return unexpended funds to THECB.				
				4. Amend the final financial documents submitted to the THECB.	Same as above.	Fully Implemented		

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
09-002	12/19/08	Family Practice Residency Program Review	Determine whether: <ul style="list-style-type: none"> • THECB program funds were expended in accordance with the terms and conditions of the contract; and • Annual Financial Report was prepared in accordance with THECB guides. 	No findings/recommendations	N/A	N/A
09-003	2/5/09	Annual Investment Review	<ul style="list-style-type: none"> • Determine whether investment transactions are managed in accordance with the Center Investment Policy, Public Funds Investment Act (PFIA), and with methods prescribed by the Legislative Budget Board (LBB); • Review management controls over investing activities; • Verify that investments are adequately and appropriately safeguarded; and • Verify the accuracy of quarterly and annual investment reports. 	A monthly review of pledged collateral to assure the market value of the pledged securities equals or exceeds the related bank balance is not being performed. <ol style="list-style-type: none"> 1. Implement a process to perform a monthly review of pledged collateral to assure that the market value of pledged securities equals or exceeds the related bank balance. 	Implementation will assure compliance with UNT Health Science Investment Policy.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
09-004	7/6/09	UNT Health Expenditure Review	<ul style="list-style-type: none"> • Evaluate requisition processes unique to UNT Health expenditures. • Determine whether expenditures were allowable per Plan policies. • Determine whether expenditures were made in accordance with State and Center guidelines including documentation requirements. • Determine whether expenditures were allowable per IRS guidelines. • Follow-up on prior year audit recommendations. 	<p>A comprehensive written policy for the processing of Plan travel expenses has not been developed.</p> <p>1. Develop consistent and coordinated policies for UNT Health travel expenses including, but not limited to, complying with all applicable IRS guidelines.</p>	Implementation will provide assurance that travel policies are documented, compliant with IRS regulations, made available for users, and consistently applied.	Follow-up scheduled for March 2010.
				<p>2. Distribute policy and train UNT Health travelers, preparers and reviewers on the new travel procedures.</p>	Same as above.	Follow-up scheduled for March 2010.
				<p>Travel vouchers were not submitted within seven working days of return to work as required by Center policy.</p> <p>3. Inform travelers requesting a travel advance of the seven day submission requirement.</p>	Implementation will provide assurance that advance funds are available when needed, advanced funds are properly accounted for, and UNTHSC policy is followed.	Follow-up scheduled for March 2010.
				<p>4. Sanction employees that have outstanding travel advances as permitted by Center policy.</p>	Same as above.	Follow-up scheduled for March 2010.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
				<p>An award given to an employee was not reported as income and withholdings were not made as required by IRS guidelines.</p> <p>5. Determine and report any taxable awards as required by IRS regulations.</p> <p>6. Develop a procedure to assure that future program awards are reported to payroll for proper processing.</p>	<p>Implementation of these actions will provide assurance of UNT Health's compliance with IRS regulations.</p> <p>Same as above.</p>	<p>Follow-up scheduled for March 2010.</p> <p>Follow-up scheduled for March 2010.</p>
09-005	11/17/08	Joint Admission Medical Program Review Audit	Provide reasonable assurance that the Center complies with the JAMP Agreement and the JAMP Expenditure Guidelines.	No findings/recommendations	N/A	N/A
09-006	1/16/09	President's Expenditure Review	<p>Determine whether:</p> <ul style="list-style-type: none"> • Travel, entertainment, and business expenses reimbursed to or paid on behalf of the President were reasonable and appropriate to Center business; • Elements of the President's compensation package (base salary, employee benefits, increases in compensation, housing and automobile allowances, and salary supplement) were accurately paid; and • The President's expenditures and employment compensation complied with Center policy, state law, and the employment agreement. 	<p>A payroll authorization form was not properly processed resulting in the President's gross pay to be underpaid by \$10,000.</p> <p>1. Review the first amendment to the President's employment agreement and take the necessary payroll measures to ensure the terms of the agreement are met.</p>	Implementation will provide assurance that terms of the employment agreement with the President are honored by the Center.	Fully Implemented

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
				<p>The process for billing personal or third party expenses did not ensure reimbursements were made during the vendor's next billing cycle.</p> <p>2. Establish or revise practices for personal or third party expenses to ensure reimbursements are made during the billing period following the period charges were made. As an alternative, the President could make personal payments directly to vendors eliminating the need for reimbursements to the Center.</p>	Implementation will provide assurance that reimbursements for expenses are not overlooked and are made in a reasonable time period.	Fully Implemented
09-011	4/21/09	Advancement Office Follow-Up Review	<ul style="list-style-type: none"> Evaluate the actions taken to implement recommendations made in Audit Report 07-012. Determine whether additional actions were necessary to address the issues noted. 	<p>Management has successfully implemented 13 recommendations and the remaining 8 are considered to be in progress and are scheduled for implementation by December 31, 2009. See detail below.</p> <p>Departmental policies, procedures, and processes are not all formalized and documented.</p> <p>1. Document the policies in place and procedures used routinely, beginning with the most complex and those that present the most risk exposure.</p>	N/A	<p>N/A</p> <p>Incomplete/Ongoing.</p> <p>A substantial Manual of Operations has been completed. Management indicates the remaining processes and practices will be developed and added to the manual by December 2009.</p> <p>Follow-up scheduled for January 2010.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
				<p>2. At least annually, review written policies and procedures to determine whether they are applicable and revise as necessary.</p>	Same as above.	<p>Incomplete/Ongoing</p> <p>The Vice President for Development stated that he will meet with the Director of Development and Director of Advancement Services formally at least three times a year so that they can proactively add procedures that address their risk exposure. In addition, he will continue to ask staff to document procedures and policy decisions that are part of daily business. Full implementation is expected upon completion of the Manual of Operations.</p> <p>Follow-up scheduled for January 2010.</p>
				<p>The Advancement Office does not have documented procedures or guidelines to provide guidance to assist schools, colleges, and department personnel in planning and conducting fundraiser activities.</p> <p>3. Prepare written guidelines and procedures that address, at a minimum, the best practices noted in the report.</p>	Implementation will provide general assistance and guidance to Center personnel in organizing fundraising activities.	<p>Incomplete/Ongoing</p> <p>The Manual of Operations includes best practices in the field. Recommendation will be fully implemented upon completion of the Manual of Operations.</p> <p>Follow-up scheduled for January 2010.</p>

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/Ongoing, or Not Implemented) (with brief description if not yet implemented) ¹
				4. Coordinate with UNT Denton, or refer to policies and procedures developed, and implement a Relationship Management Program and Advancement Development Network based on their experiences and as practical for the Center.	Same as above.	Incomplete/Ongoing Management indicates that UNT-Denton has offered to set up a series of meetings to review respective policies at the three campuses and coordinate consistent documentation. Follow-up scheduled for January 2010.
				Advancement has not implemented all features of PeopleSoft Contributor Relations or an effective alternate donor management system. 5. Identify the Contributor Relations modules providing the most benefit to Advancement and phase in implementation or pursue an alternate donor management system.	Implementation will enhance the efficiency and effectiveness of donor relations management.	Incomplete/Ongoing Management plans for EIS-Contributor Relations to be upgraded to 9.0 this year. The Vice President for Development will review the modules that may benefit them after the upgrade is complete. He also plans to explore with UNT-Denton other potential systems. Follow-up scheduled for January 2010.
				The written agreement between the Center and the UNTHSC Foundation has not been revised or reaffirmed since September 1994. 6. Review and update the agreement between the Center and the Foundation including a "right to audit clause." Refer to Legal Counsel and the AGB-CASE model agreement for guidance.	Implementation will provide assurance that the agreement meets legal, fiscal, and administrative requirements, and is distributed to those primarily responsible for contract compliance.	Incomplete/Ongoing The Vice President for Development states this item was discussed at the April 2009 Foundation Board meeting and will be completed by the June meeting. Follow-up scheduled for January 2010.

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				<p>7. Distribute or make available the reaffirmed agreement to stakeholders including Center administrators, Advancement Office employees, and the Foundation Board of Directors.</p>	Same as above.	<p>Incomplete/Ongoing</p> <p>The Vice President for Development states this item was discussed at the April 2009 Foundation Board meeting and will be completed by the June meeting. The updated agreement will be then be distributed upon approval of appropriate Center and Foundation administrators.</p> <p>Follow-up scheduled for January 2010.</p>
				<p>The process for handling gifts-in-kind does not assure the Advancement Office is notified of all gifts received.</p> <p>8. Develop written policies and procedures for the handling of gifts-in-kind including communications between Advancement and Property Control.</p>	Implementation will reduce the risk of gifts-in-kind being handled and reported inappropriately.	<p>In process.</p> <p>The Vice President for Development states that he will develop formal policies for in-kind giving consistent with UNT-Denton and UNT has offered to set up a series of meetings to review policies at the three System campuses to coordinate consistent practices.</p> <p>Follow-up scheduled for January 2010.</p>

IV. List of Consulting Engagements and Non-audit Services Completed Showing High-Level Objectives, Observations/ Results, Recommendations, and Status

University of North Texas – Denton

Internal Audit maintains 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. Additionally, provides independent reviews and/or clarification on certain control issues.

Project No.	Report/ Presentation Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
N/A Ongoing	N/A Ongoing	Follow-Up Reviews	Determined if previously agreed-upon actions have been taken and are functioning as intended.	N/A	N/A	N/A
N/A Ongoing	N/A Ongoing	Investigations	Reviewed allegations of possible improprieties. Types of Issues reviewed included purchasing expenditure processes, grant compliance, purchasing-card, sick leave, and independent contractor policies.	Provided independent verification of facts.	N/A	N/A
N/A Ongoing	N/A Ongoing	Consulting/ Training	Provided or assisted in training for operating units as requested.	N/A	Provide UNT departments and individuals with information regarding risks, controls, and enhanced fraud awareness.	N/A
N/A Ongoing	N/A Ongoing	SAO	SAO audit coordination and support as needed. Types of support include coordinating the A-133, State Funded Financial Aid, and Enrollment audits.	N/A	N/A	N/A

¹ Definitions of implementation status are as follows:

- Fully Implemented: Successful development and use of a process, system, or policy to implement a prior recommendation.
- Substantially Implemented: Successful development but inconsistent use of a process, system, or policy to implement a prior recommendation.
- Incomplete/Ongoing: Ongoing development of a process, system, or policy to address a prior recommendation.
- Not Implemented: Lack of a formal process, system, or policy to address a prior recommendation.

University of North Texas Health Science Center

Internal Audit maintains an availability to consult with all Center entities. Topics range from policy and procedural issues, safeguarding of assets, and implementation of appropriate controls, to fraud and misappropriation. Additionally, provides independent reviews and/or clarification on certain control issues.

Project No.	Report/ Presentation Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
08-013	4/29/09	UNT Health Fund Balance Reconciliation	At the request of the Center's President, performed an agreed-upon procedures review of the reconciliation of the UNT Health Statement of Fund Balance to the fund balance reported in the Enterprise Information System (EIS) for the fiscal year ending August 2007, the first and second quarters of FY2008, the fiscal year ending August 2008, and the first quarter of FY2009.	Internal Audit, UNT Health, and UNT HSC accounting staff worked collaboratively to review and to improve the fund balance reconciliation process. Management has committed to transparency and consistency in financial compilation and an all funds approach to financial reporting.	N/A	N/A

¹ Definitions of implementation status are as follows:

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Project No.	Report/ Presentation Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
09-026	4/8/09	Performance Measure Review	<p>At the request of the Center's President, reviewed specific performance measures.</p> <p>The following performance measure computations were traced to their source and reconciled, and the calculations were reviewed for accuracy:</p> <ul style="list-style-type: none"> • Number of Enrolled Students – Headcount ; • Number of Enrolled Students – FTE; • Dollars of Extramural Research Award Funding • Days of Cash on Hand (UNT Health); • Number of Employee Donors/Gifts; • Total Amount of Gift Dollars; and • Number and Dollars of Alumni Donors/Gifts 	Internal Audit made suggestions to enhance the processes used to report performance measures:	These actions will provide assurance that performance metrics are reported accurately and in a consistent manner.	N/A
N/A	N/A	Purchasing Card Follow-Up Reviews	Met with the Purchasing Card Administrator for a post transaction review of randomly selected cardholders.	N/A	N/A	N/A
N/A	N/A	Cash Handling–UNT Health Clinics	Made surprise cash counts and observations of cash handling procedures at two UNT Health clinics and at the HSC cashiering window.	N/A	N/A	N/A
N/A/ On-going	N/A/ Ongoing	Follow-up Reviews	Determined if previously agreed-upon actions have been taken and are functioning as intended.	N/A	N/A	N/A

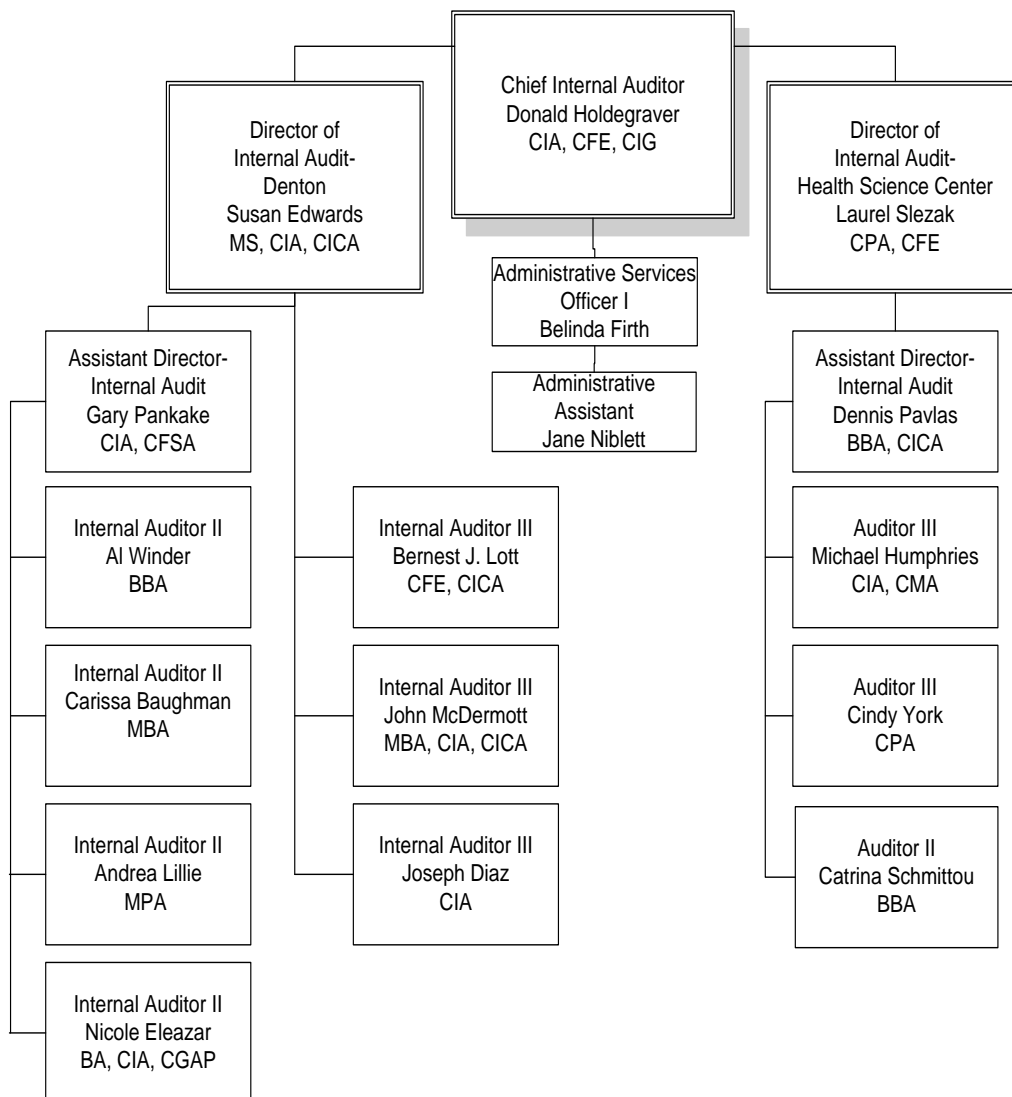
Project No.	Report/ Presentation Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Fiscal Impact/ Other Impact	Current Status (Fully Implemented, Substantially Implemented, Incomplete/ Ongoing, or Not Implemented) (with brief description if not yet implemented ¹)
N/A On-going	N/A On-going	Consulting	<p>Provided or assisted in training for operating units as requested.</p> <p>Provided other consulting support to operating units as requested.</p>	N/A	Provide UNT HSC departments and individuals with information regarding risks, controls, and enhanced fraud awareness.	N/A
N/A Ongoing	N/A Ongoing	Investigations	Reviewed allegations of possible improprieties. Types of Issues reviewed included misappropriation of funds, cash losses and potential conflict of interest.	Provided independent verification of facts.	N/A	N/A
N/A/ On-going	N/A/ On-going	SAO	SAO audit coordination and support. Type of support included follow up on SEFA, circular OMB-133 audit, and participation in discussions with SAO regarding proposals to modify the D-6 format	N/A	N/A	N/A

V. Organizational Chart

The UNT System Internal Audit Department reports directly to the UNT System Board of Regents with access to the Chancellor of the System. The Audit Committee of the UNT System Board of Regents is comprised of four Board members, and the Chief Internal Auditor meets quarterly with this committee.

Organizational charts included are the following:

- UNT System
- UNT System Internal Audit Department



VI. Report on Other Internal Audit Activities

University of North Texas System

Activity	Impact
<p>Automated Auditing Software – All modules of TeamMate have been implemented for risk assessment, time and expense, and report tracking. Hardware issues are being resolved as needed.</p>	<p>Automated auditing software provides for a more efficient and effective internal audit process.</p>
<p>Certifications – The Director for UNTHSC was issued a Texas Certified Public Accountant (CPA) license and also earned the Certified Fraud Examiner (CFE) designation; one auditor earned the Certified Internal Auditor (CIA) designation; and, one auditor received a Masters of Public Administration.</p>	<p>Certification designations and advanced degrees reflect competence in the principles and practices of the specific professional fields. The UNT System Internal Audit staff has certifications as follow:</p> <ul style="list-style-type: none"> 7 Certified Internal Auditors (CIA) 2 Certified Public Accountants (CPA) 3 Certified Fraud Examiners (CFE) 1 Certified Inspector General (CIG) 1 Certified Government Auditing Professional (CGAP) 1 Certified Financial Services Auditor (CFSA) 4 Certified Internal Controls Auditors (CICA)
<p>Committees/Staff Meetings – Participated in activities related to:</p> <p><i>UNT Denton</i> –</p> <ul style="list-style-type: none"> • Meets monthly with the President to discuss audit activities. • Attends monthly Policy Advisory Group meetings. • Attends meetings of the Process Work Group. • Attends weekly Finance and Business Administration staff meetings. • Attends weekly Student Development staff meetings. • Attends Committee on Student Conduct meetings. • Assisting with Fraud and Investigation Policy Development. <p><i>UNT Health Science Center</i> –</p> <ul style="list-style-type: none"> • Attends President’s Executive Team meetings as needed. • Meets monthly with the President to discuss audit activities. • Meets quarterly with fiscal administrators. • Attends meetings of the Institutional Compliance Council. • Member of the Fraud Response Team. • Conducted fraud awareness training. <p><i>Chief Internal Auditor</i> –</p> <ul style="list-style-type: none"> • Serves on the Compliance Council for the UNT Denton campus. 	<p>Assist the system and its components in addressing both short- and long-range issues.</p>

Activity	Impact
<p>Continuing Education (Professional Development) – Participated in training/workshops sponsored by the following organizations:</p> <ul style="list-style-type: none"> • Association of College and University Auditors. • Association of Healthcare Internal Auditors. • Association of Certified Fraud Examiners. • State Auditor’s Office. • Institute of Internal Auditors. • Institute of Internal Auditors, Fort Worth Chapter. • Institute of Internal Auditors, Dallas Chapter. • Texas Society of CPAs. • Jefferson Wells. • Deloitte, LLP. • Learnlive Technologies. • CCH TeamMate. 	<p>Assists staff to maintain and develop technical competencies and to keep informed about current developments in the internal auditing profession, and assures compliance with provisions of the Texas Internal Auditing Act.</p>
<p>Presentations to Other Organizations – The Chief Internal Auditor was an invited speaker for the following topics and organizations:</p> <ul style="list-style-type: none"> • Receivable Product and Package Risks, Association of Healthcare Internal Auditors annual meeting. • The Expectation of Accountability for Business Administrators and Risk Assessment Strategies for Business Administrators, Georgia College and State University administrators and faculty. 	<p>Strengthens professional commitments and knowledge base.</p>

VII. Risk Assessment and Internal Audit Plan for Fiscal Year 2010

The attached annual audit plan for the University of North Texas System was approved by the Board of Regents on August 20, 2009.



FY 2010 Risk Assessment and Audit Planning Process

Goal

Develop a comprehensive internal audit planning risk assessment process to define the internal audit work plan for FY 2010.

Challenge

Develop risk assessment and planning processes that fulfill the expectations of the UNT Board of Regents and UNT administration, while still meeting the requirements of the International Standards for the Professional Practice of Internal Auditing, Generally Accepted Government Auditing Standards, and Chapter 2102 of the Texas Government Code, the Texas Internal Auditing Act.

Internal Audit uses the control environment and risk assessment, and audit work plan development process, shown in the follow paragraphs.

1. Review higher education publications and websites, and consult with internal audit peers at other universities.
2. Develop, distribute, and tabulate an anonymous control environment and risk survey addressed to a comprehensive group of System and campus administrators and management staff. (300+ individual surveys).
3. Develop, distribute, and tabulate an anonymous control environment and risk survey addressed to members of the Board of Regents.
4. Perform risk assessment interviews with selected campus and System administrators, and Board members, to identify cross-functional, campus, and system risks.



5. Coordinate and communicate with Institutional Compliance about their risk assessment efforts and ERM risk assessment plans.
6. Update the risk matrix structure summarizing risks, budgetary impact, previous audit activity, and other risk factors.
7. Prioritize risks identified business on the risk matrix.
8. Develop the risk assessment risk map, one for each campus, and one for System/UCD.
9. Develop the internal audit work plan based on risk assessment results.
10. Present the risk assessment risk map and the internal audit work plan to the Board of Regents and System and campus administrators, and obtain Board approval.
11. Implement the approved work plan.

This process provides substantially more input about the prospective risks, and provides valuable information about the perceived control environment of the components of the UNT System. It allows graphic presentation of the trends of the survey as part of the materials presented to the Board.

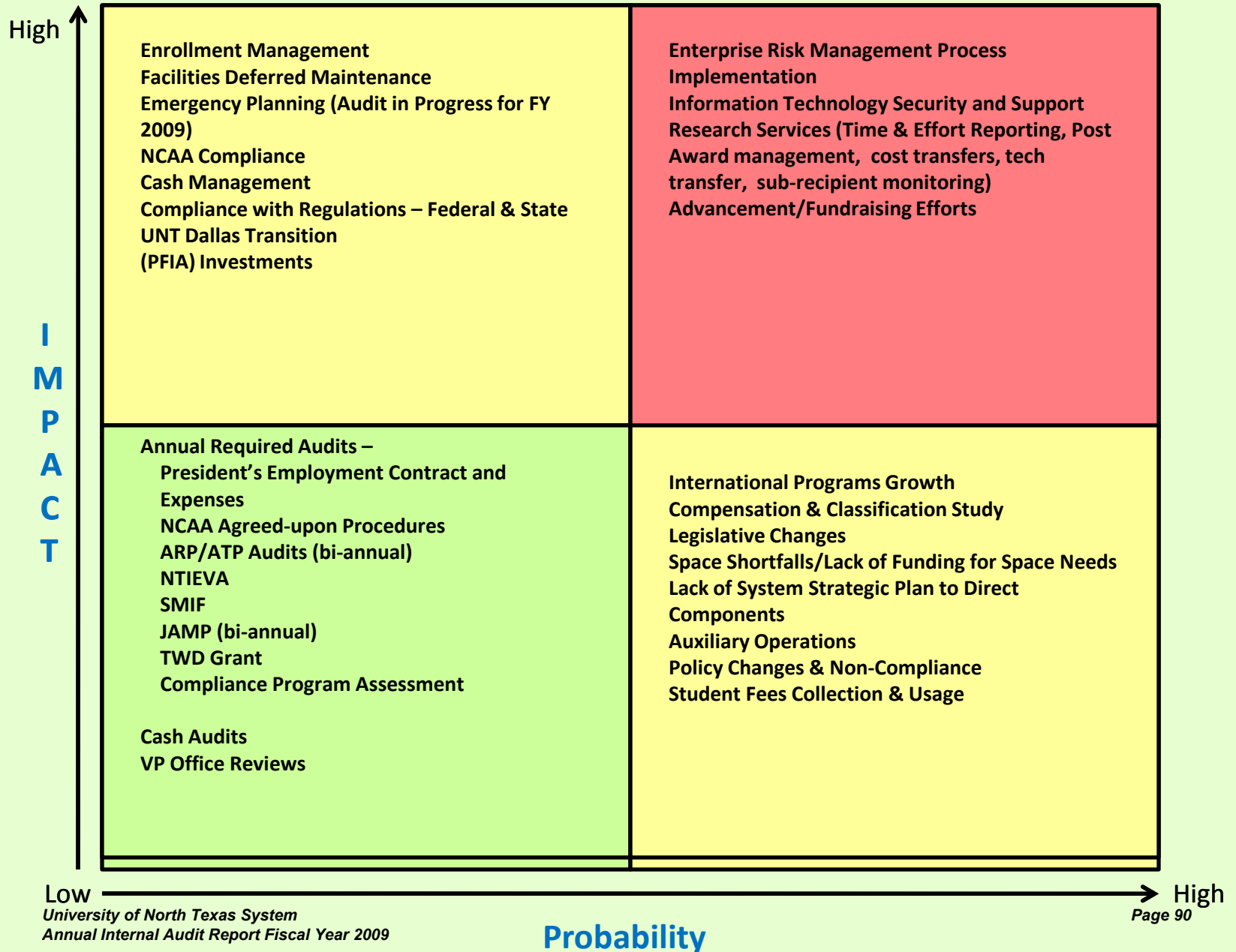
Exhibit 1 shows the presentation process that is used for categorizing risks. The format is based on a standard impact/probability scheme in a four-quadrant graph. The risk presentation highlights:

- 1) risks of low probability-low impact (green), which are low risk but regulatory-required audits in most cases for which no immediate management action is needed;
- 2) risks of low probability/high impact and high probability/low impact (yellow), for which management monitoring and possible corrective action may be needed; and
- 3) risks of high probability/high impact (red), for which immediate management corrective action is needed.

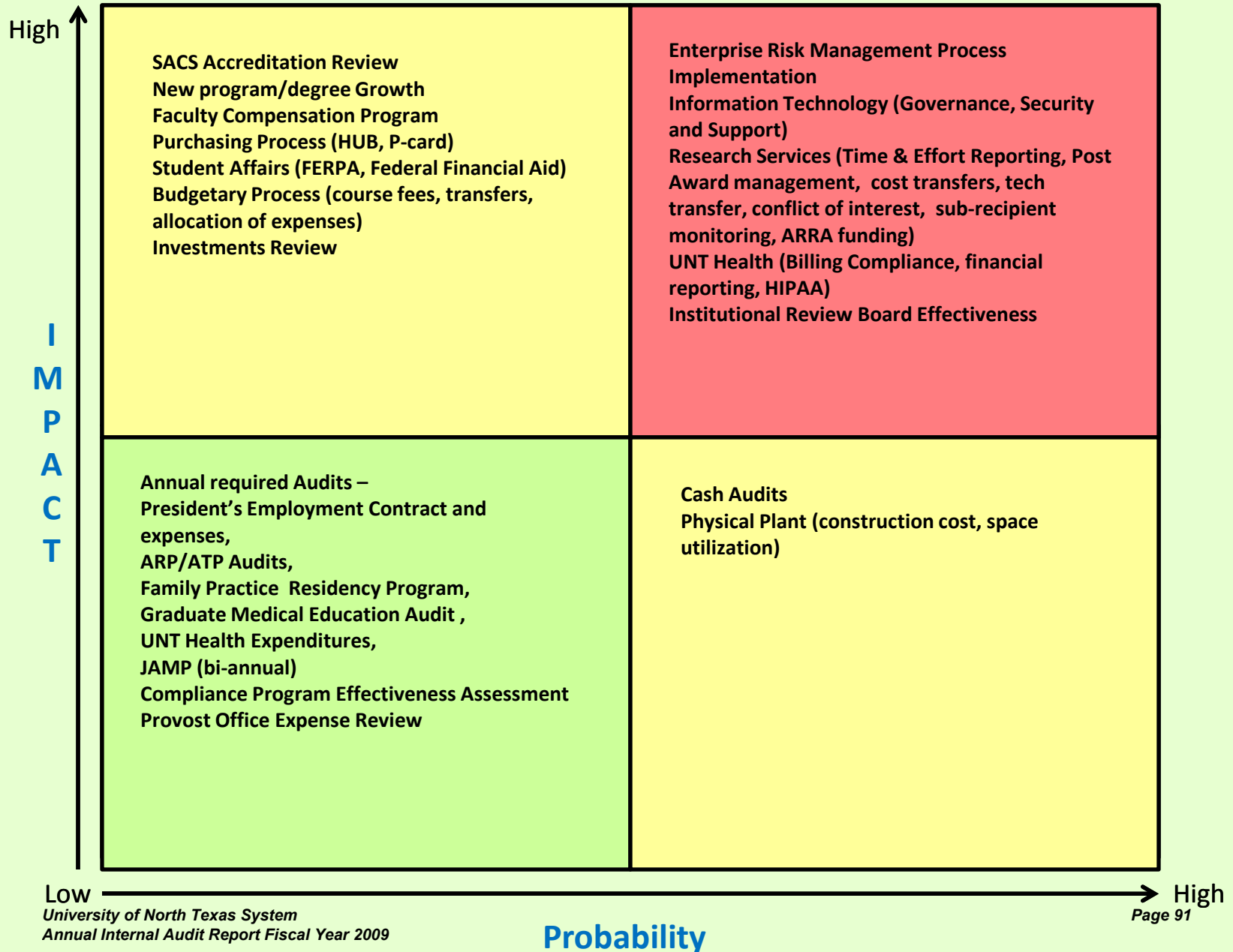
Internal Audit planning focuses by priority on red, then yellow, then green risks identified to the extent that resources are available. As noted, required audits in the green quadrant are completed at the time required, despite their relatively low risk overall.

Projects on the internal audit work plan are keyed to risks identified on the risk assessment quadrant graph. The four-quadrant graph replaces the narrative that has been prepared and distributed in prior years.

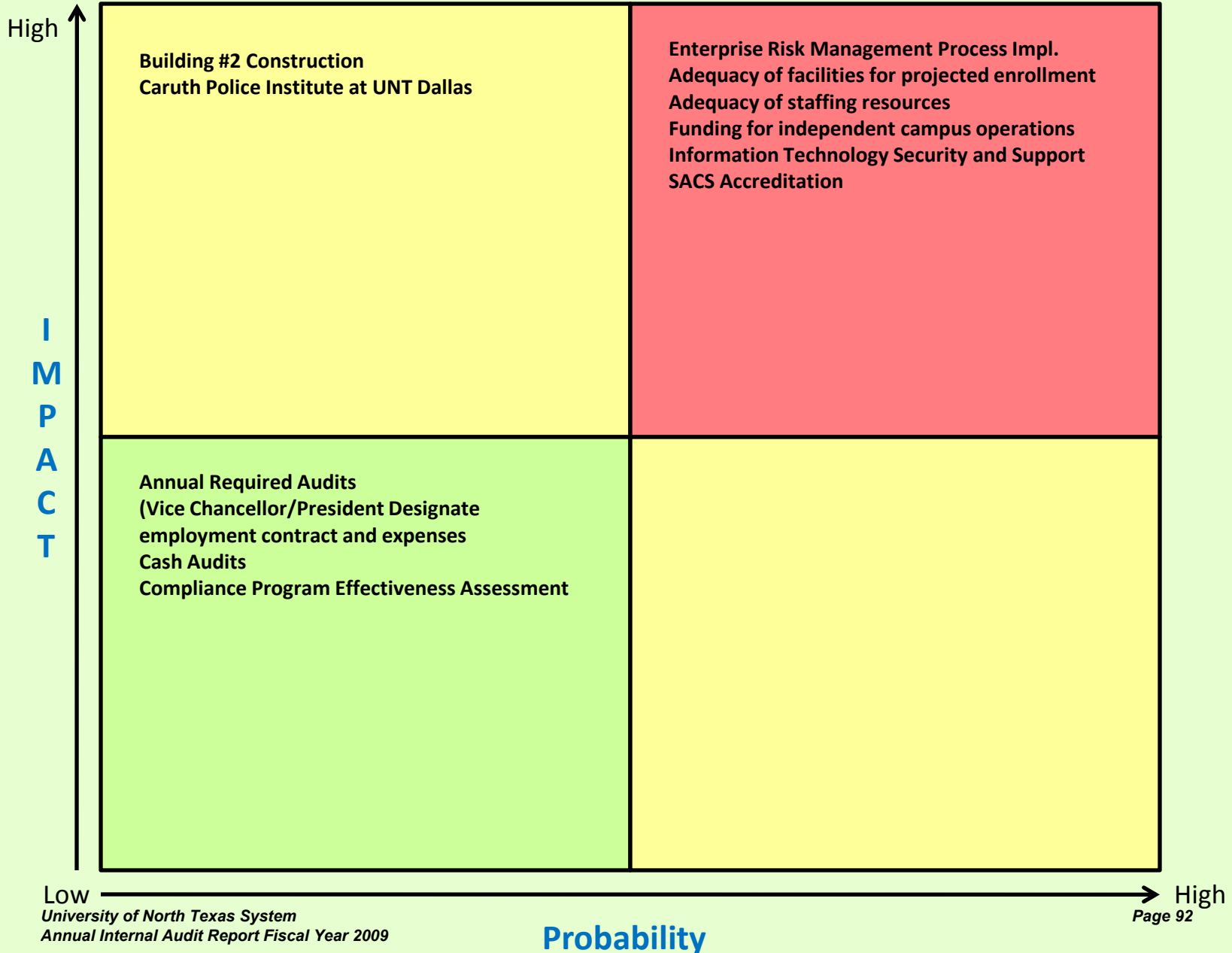
Denton Risk Graph – FY 2010 Internal Audit Plan Risk Assessment



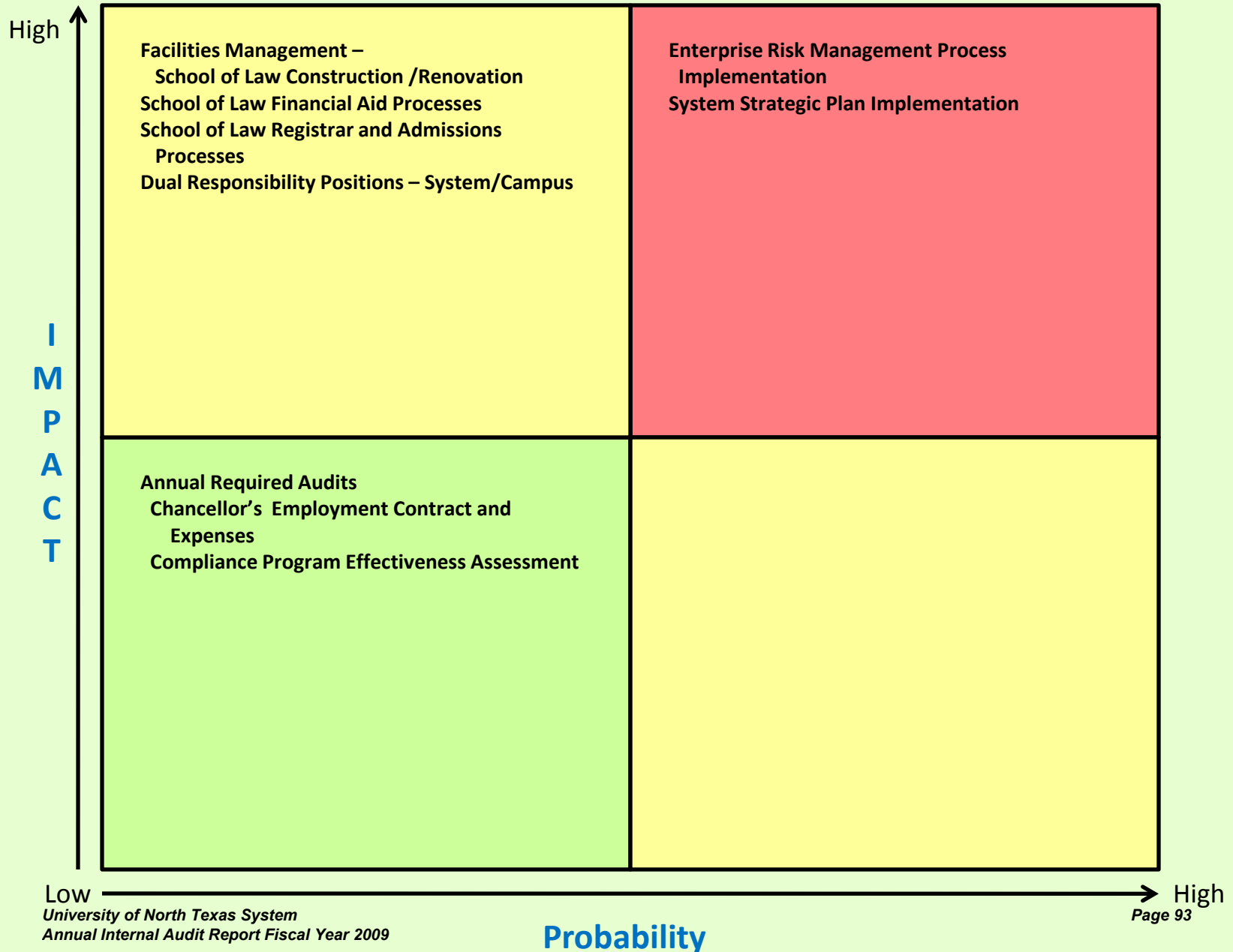
HSC Risk Graph – FY 2010 Internal Audit Plan Risk Assessment



Dallas Risk Graph— FY 2010 Internal Audit Plan Risk Assessment



System/UCD Risk Matrix – FY 2010 Internal Audit Plan Risk Assessment



University of North Texas System
Internal Audit Department
Allocation of Hours by Position -- UNT Denton
Fiscal Year Ending August 31, 2010

Staff Size by Position	<u>Director</u>		<u>Assistant Director</u>		<u>Auditor III</u>		<u>Auditor II</u>		<u>Total</u>
	(1)		(1)		(3)		(4)		(9)
Total Hours Available	<u>2,080</u>		2080		<u>6,240</u>		<u>8,320</u>		<u>18,720</u>
Less:									
Vacation**	156		96		456		474		
Sick leave	96		96		288		384		
Holidays	112		112		336		448		
Professional Development	<u>40</u>		<u>40</u>		<u>120</u>		<u>160</u>		
Total Non-audit Hours	404	19.4%	344	16.5%	1200	19.2%	1466	17.6%	<u>3,414</u>
Net Hours Available	<u>1,676</u>	80.6%	<u>1,736</u>	83.5%	<u>5,040</u>	80.8%	<u>6,854</u>	82.4%	<u>15,306</u>
Administrative Activities	624	30.0%	312	15.0%	360	5.8%	480	5.8%	<u>1,776</u>
Direct Audit Hours	<u>1,052</u>	50.6%	<u>1,424</u>	68.5%	<u>4,680</u>	75.0%	<u>6,374</u>	76.6%	<u>13,530</u>
Total Hours - Denton									<u>18,720</u>

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years. Vacation and Sick leave for the Director include an additional 280 hours for maternity leave.

University of North Texas System
Internal Audit Department
Allocation of Hours by Position -- UNT Health Science Center
Fiscal Year Ending August 31, 2010

Staff Size by Position	<u>Director</u>		<u>Assistant Director</u>		<u>Auditor III</u>		<u>Auditor II</u>		<u>Total</u>
	(1)		(1)		(2)		(1)		(5)
Total Hours Available	<u>2,080</u>		<u>2080</u>		<u>4,160</u>		<u>2,080</u>		<u>10,400</u>
Less:									
Vacation**	108		204		192		96		
Sick leave	96		96		192		96		
Holidays	112		112		224		112		
Professional Development	<u>40</u>		<u>40</u>		<u>80</u>		<u>40</u>		
Total Non-audit Hours	<u>356</u>	17.1%	<u>452</u>	21.7%	<u>688</u>	16.5%	<u>344</u>	16.5%	<u>1,840</u>
Net Hours Available	<u>1,724</u>	82.9%	<u>1,628</u>	78.3%	<u>3,472</u>	83.5%	<u>1,736</u>	83.5%	<u>8,560</u>
Administrative Activities	<u>416</u>	20.0%	<u>200</u>	9.6%	<u>240</u>	5.8%	<u>120</u>	5.8%	<u>976</u>
Direct Audit Hours	<u>1,308</u>	62.9%	<u>1,428</u>	68.7%	<u>3,232</u>	77.7%	<u>1,616</u>	77.7%	<u>7,584</u>
Total Hours HSC									<u>10,400</u>

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years.

University of North Texas System Internal Audit Department Allocation of Hours by Position -- Chief Internal Auditor Fiscal Year Ending August 31, 2010
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Staff Size by Position	<u>Chief IA</u>	
	(1)	
Total Hours Available	<u>2,080</u>	
Less:		
Vacation**	108	
Sick leave	96	
Holidays	112	
Professional Development	40	
	<u>0</u>	
Total Non-audit Hours	356	17.1%
Net Hours Available	<u>1,724</u>	82.9%
Administrative Activities	832	40.0%
Direct Audit Hours	<u>892</u>	42.9%
Total Hours - CIA	<u>2,080</u>	<u>100.0%</u>

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years.

University of North Texas System Internal Audit Department Allocation of Hours by Position -- System Summary Fiscal Year Ending August 31, 2010
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Staff Size by Position	<u>Chief IA</u>		<u>Director</u>		<u>Assistant Director</u>		<u>Auditor III</u>		<u>Auditor II</u>
	(1)		(2)		(2)		(5)		(5)
Total Hours Available	<u>2080</u>		<u>4,160</u>		<u>4160</u>		<u>10,400</u>		<u>10,400</u>
Less:									
Vacation**	108		264		300		648		570
Sick leave	96		192		192		480		480
Holidays	112		224		224		560		560
Professional Development	40		<u>80</u>		<u>80</u>		<u>200</u>		<u>200</u>
	<u>0</u>								
Total Non-audit Hours	<u>356</u>	17.1%	<u>760</u>	18.3%	<u>796</u>	19.1%	<u>1888</u>	18.2%	<u>1810</u>
Net Hours Available	<u>1,724</u>	82.9%	<u>3,400</u>	81.7%	<u>3,364</u>	80.9%	<u>8,512</u>	81.8%	<u>8,590</u>
Administrative Activities	<u>832</u>	40.0%	<u>1040</u>	25.0%	<u>512</u>	12.3%	<u>600</u>	5.8%	<u>600</u>
Direct Audit Hours -- System	<u>892</u>	42.9%	<u>2,360</u>	56.7%	<u>2,852</u>	68.6%	<u>7,912</u>	76.1%	<u>7,990</u>
Total Hours - System									

** Hours Earned for FY 2009-does not include leave accrued but not taken from prior years.

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 UNT - Denton
 Fiscal Year Ending August 31, 2010

<u>Projects in Progress</u>	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Fiscal Year 2009 Investments/Commercial Paper Review	260	
Facilities Rehab/Renovation Review	200	
Insurance Coverage Review - Art/Collections	180	
Liability Insurance Review - CALL Events	125	
COCI Scholarship Review	125	
Effort Reporting Review	100	
Endowment Review	100	
<u>Total Projects In Progress</u>	<u>1,090</u>	<u>8.18%</u>
<u>Required Projects</u>		
NCAA Agreed-Upon Procedures Review	750	
Fiscal Year 2010 Investments/Commercial Paper Review	300	
ARP Grant Review	240	
Student Managed Investment Fund Review	200	
President's Expenditure Review	200	
TWD Grant Review		
NTIEVA Grant Review	150	
Facilities Audit Protcols		
Joint Admission Medical Program (JAMP) Review		
Compliance Office Review		
<u>Total Required Projects</u>	<u>1,840</u>	<u>13.80%</u>
<u>System Assigned Projects</u>		
Criminal Justice Grant Review	300	
UNT Dallas Bldg. 2 Construction Review	300	
UNT Dallas SACS Accreditation	300	
Chancellor's Expenditure Review	200	
President Designate Expenditure Review	200	
<u>Total System Assigned Projects</u>	<u>1,300</u>	<u>9.75%</u>

Projects Based on Risk Assessment

Course Fees Review	300	
Compensation & Classification Study Review	300	
Facilities and Administrative Costs Review	260	
Enterprise Risk Management Progress Review	240	
University Union Review	240	
Dining Services Inventory Review	240	
Human Resources New Service Delivery Model Evaluation	240	
COBA India Venture	240	
Coliseum/Gateway Facilities Rental	240	
TBD - Pending hiring of new VP Advancement	240	
UNT Reserves Assessment	220	
New Position Process Evaluation	220	
Selected Academic Departmental Reviews	220	
Enrollment Management Evaluation	200	
Housing Review	200	
VP Office Review - Student Development	200	
VP Office Review - URCM	200	
Provost's Office Review	200	
Dining Services Cash Handling Review	150	
Follow-up - Sunbelt Conference Review	150	
<u>Total Projects Based on Risk Assessment</u>	<u>4,500</u>	<u>33.76%</u>
Quality Assurance Review Self Study	400	3.00%
<u>Co-sourced IT Projects</u>	<u>400</u>	<u>3.00%</u>
<u>Follow-Up Activities</u>	<u>600</u>	<u>4.50%</u>
<u>Other Direct Audit Activity</u>	<u>1,200</u>	<u>9.00%</u>
<u>Internal Audit Training Activities</u>	<u>200</u>	<u>1.50%</u>
<u>Contingency for Special Requests, Investigations, etc.</u>	<u>1,800</u>	<u>13.50%</u>
<u>Total Direct Project Hours -- Denton</u>	<u>13,330</u>	<u>68.27%</u>

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 Health Science Center
 Fiscal Year Ending August 31, 2010

<u>Projects in Progress</u>	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Biomedical Stores & Pharmacy Lab	80	
UNT Health Patient Care Clinic - Front Office Operations Review	240	
UNT Health Business Office Review	300	
	<hr/>	
<u>Total Projects In Progress</u>	<u>620</u>	<u>8.92%</u>
<u>Required Projects</u>		
Graduate Medical Education	100	
Family Practice Residency Program	150	
Advanced Research /Advanced Technology Programs - ARP/ATP	150	
Public Funds Investment Act (Investments)	220	
UNT Health Expenditure Review	200	
Joint Admissions Medical Program (JAMP)	120	
President's Contract Compliance Review	150	
UMA Contract - Agreed Upon Procedures Review		
Anatomical Lab Review	0	
Compliance Program Effectiveness Review	200	
	<hr/>	
<u>Total Required Projects</u>	<u>1,290</u>	<u>18.56%</u>
<u>System Assigned Projects</u>		
HSC Building #2 - Construction Progress Payment Audit	300	
	<hr/>	
<u>Total System Assigned Projects</u>	<u>300</u>	<u>4.32%</u>

Projects Based on Risk Assessment

Admissions Process Review (TCOM & School of Biomedical Sciences)	300	
UNT Health Federal Bureau of Prisons Contract Compliance Review	240	
UNT Health Medical Malpractice Self Insurance Review	180	
UNT Health Revenue Cycle Review	530	
UNT Health Allocation of Expense	240	
Clinical Research Compliance and Process review	180	
Professional and Continuing Education (PACE)	170	
Private Grants Compliance Review	180	
Technology Transfers and Commercialization	200	
Information Technology Services	240	
Human Resource Services Process Review	<u>200</u>	
 (Total UNT Health Projects = 2,160 hours (28.13% of Total Direct Hours, 35.6% of Risk Based hours))		
<u>Total Projects Based on Risk Assessment</u>	<u>2,660</u>	<u>38.27%</u>
<u>Co-sourced IT Projects</u>	<u>0</u>	<u>0.00%</u>
<u>Follow-Up Activities</u>	<u>0</u>	<u>0.00%</u>
<u>Other Direct Audit Activity</u>	<u>900</u>	<u>12.95%</u>
<u>Internal Audit Training Activities</u>	<u>30</u>	<u>0.43%</u>
<u>Contingency for Special Requests, Investigations, etc.</u>	<u>1,150</u>	<u>16.55%</u>
<u>Total Direct Project Hours -- Health Science Center</u>	<u>6,950</u>	<u>100.00%</u>

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 Chief Internal Auditor
 Fiscal Year Ending August 31, 2010

<u>Projects in Progress</u>	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
<u>Total Projects In Progress</u>	0	0.00%
<u>Required Projects</u>		
<u>Total Required Projects</u>	0	0.00%
<u>System Assigned Projects</u>		0.00%
<u>Total System Assigned Projects</u>	0	0.00%
<u>Projects Based on Risk Assessment</u>		
UNT Dallas - Bldg. #2 Construction Contract Review	200	
<u>Total Projects Based on Risk Assessment</u>	<u>200</u>	37.17%
<u>Co-sourced IT Projects</u>	0	0.00%
<u>Follow-Up Activities</u>	0	0.00%
<u>Other Direct Audit Activity</u>	<u>100</u>	18.59%
Internal Control Training Activities	<u>100</u>	18.59%
<u>Contingency for Special Requests, Investigations, etc.</u>	<u>138</u>	<u>25.65%</u>
<u>Total Direct Project Hours -- Chief Internal Auditor</u>	<u>538</u>	<u>100.00%</u>

University of North Texas System
 Internal Audit Department
 Schedule of Planned Projects and
 Detail of Direct Audit Hours --
 UNT System Summary
 Fiscal Year Ending August 31, 2010

	<u>Budget Hours</u>	<u>Percent of Direct Hours</u>
Total Projects In Progress	1,710	8.37%
Total Required Projects	3,130	15.33%
Total System Assigned Projects	1,600	7.84%
Total Projects Based on Risk Assessment	7,360	36.05%
CO-sourced IT Projects	400	1.96%
<u>Follow-Up Activities</u>	600	2.94%
Other Direct Audit Activity	2,200	10.77%
Internal Audit Training Activities	330	1.62%
Contingency for Special Requests, Investigations, etc.	<u>3,088</u>	<u>15.12%</u>
<u>Total Direct Project Hours -- System Summary</u>	<u>20,418</u>	<u>100.00%</u>

VIII. External Audit Services

University of North Texas – Denton

- FY 2008 Billing & Accounting Servicing-Federal Perkins Student Loan Program, Campus Partners. FY 2008
- Outsourced refunding system, HigherOne Inc., 2008.
- University of North Texas Compliance Review, First Southwest Management Inc, 2009.
- Accounting Services-Tabulation of points for individuals and teams during preliminary rounds of moot court, Jim Perry.

University of North Texas Health Science Center

- Actuarial Services (plan solvency and rate analysis) for the UNTHHealth Self-Insurance Plan, Fred A. White Company Inc.
- TRS UNTHSC Portfolio Compliance Review, First Southwest Asset Management Inc.
- Preparation of Form 1023 Hispanic Wellness Coalition, Hartman, Leito & Bolt LLP
- Review of F&A Accounting Support, Jim Vitale & Associates Inc.

University of North Texas System

- Commercial paper fee and quarterly fee, Moody's Investors Service, FY 2007.
- Rating of UNT's commercial paper program, Fitch Inc., 2008.
- Rating of UNT's commercial paper program, Standard & Poor's, 2008.
- Financial advisor fees and expenses in connection with the increase in the UNTS Commercial Paper program, First Southwest Company, 2008.
- Annual commercial paper monitoring fee, Moody's Investors Service.
- Remarketing fees for commercial paper program, Barclays Capital Inc, 2008.

IX. Reporting Suspected Fraud and Abuse

Each entity under UNT System presently references Fraud Reporting under Article IX, Section 17.05 of the General Appropriations Act, (81st Legislature). The System is currently working to standardize the location and format of the required reporting, including referring to the SAO fraud hotline and link to the SAO web page for fraud reporting. These references correspond to the general fraud reporting requirements, as well as, ARRA reporting requirements.