Internal Audit

University of North Texas

University of North Texas
Health Science Center at Fort Worth

University of North Texas
Dallas Campus

November 1, 2005

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 2005 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,

Susan Finch, CIA
Interim Chief Internal Auditor

Enclosure

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

UNIVERSITY OF NORTH★TEXAS™

SYSTEM

Internal Audit

**Annual Report
Fiscal Year 2005**

Submitted by: *Susan Finch*

**Susan Finch, CIA
Interim Chief Internal Auditor**

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I. Internal Audit Plan for Fiscal Year 2005

The attached annual audit plan for the University of North Texas System was approved by the Board of Regents on August 26, 2004.

RISK ASSESSMENT AND ANNUAL AUDIT PLAN
Audit No. 04-022

INTRODUCTION

The Internal Audit function for the University of North Texas System performs in accordance with the Texas Internal Auditing Act, Government Code Chapter 2102. The purpose of internal auditing is "to assist agency administrators 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. 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."

Furthermore, the Institute of Internal Auditors (IIA) is recognized as the authoritative body for a program of internal auditing. The internal audit program for the UNT System 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.

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

BACKGROUND

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

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

- Determine the auditable areas of an entity;
- Measure the risk of each unit and identify activities exposed to high risk;
- Rank the units by risk;

- Determine the time necessary to complete audits;
- Distribute available resources in the most efficient manner; and
- Develop annual and long-term audit plans.

SCOPE

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

Specific examples of risks facing the organization include the following:

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

METHODOLOGY

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

1. Identify and catalog auditable activities (the "audit universe") of the organization.

2. Select the criteria (risk factors) used to identify the significance of and likelihood that conditions and/or events may occur that would adversely affect the organization.

3. Weight the selection (risk) factors in terms of importance to management, external influences, and the auditor.

4. Prepare an audit selection schedule that includes the factors for each audit universe item.

5. Compute the weighted score for each universe item and the cumulative factor score.

6. Select and prioritize the audits to be conducted.

7. Examine available resources.

STAFFING/BUDGET

The System Internal Audit operating budget for fiscal year 2005 is $799,140. This level of support, in conjunction with previously approved staffing increases, is sufficient to accomplish the attached audit plan.

SUMMARY

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

The attached Internal Audit Plan for fiscal year 2005 was developed and is presented on a component basis based on risk assessment, materiality, existing controls, state, federal and other audit requirements, audit staff capabilities, results of prior audits, and knowledge of the UNT System and its personnel. Additionally, consideration was given to specific requests by University and Health Science Center management.

University of North Texas System
Internal Audit

Allocation of Hours by Position - UNT Denton
Fiscal Year 2005

	Chief IA		Asst Director		Auditor III		Auditor II	
Staff Size by Position	1		1		3		4	
Total Hours Available	2,080		2,080		6,240		8,320	
Less:								
Vacation*	132	6%	132	6%	420	6%	432	5%
Sick Leave	80	4%	80	4%	240	4%	320	4%
Holidays	96	5%	96	5%	288	5%	384	5%
Professional Development	40	2%	40	2%	120	2%	160	2%
Total Non-office Hours	348	17%	348	17%	1,068	17%	1,296	16%
Net Hours Available	1,732	83%	1,732	83%	5,172	83%	7,024	84%
Administrative Activities	500	24%	350	17%	750	12%	1,000	12%
Direct Audit Hours	1,232	59%	1,382	66%	4,422	71%	6,024	72%
Total Direct Audit Hours							13,060	70%

* Hours earned

University of North Texas System
Internal Audit

Schedule of Planned Audits & Detail of Direct Audit Hours - UNT Denton
Fiscal Year 2005

	Budget Hours	Percent of Direct Hours
Audits In Progress		
Follow-up Reviews - Prior Audit Recommendations FY04	250	
Health Insurance Portability and Accountability Act (HIPAA) Review	200	
College of Education Grant Analysis	200	
Student Development Loan Review	200	
Environmental Safety/EPA Compliance	125	
Annual Investments Audit FY04 Compliance	100	
Unrelated Business Income Tax (UBIT) Audit	75	
Total Audits In Progress	1,150	9%
Required Audits		
State Auditor's Office Assistance (incl A-133)	350	
Bonds Review - UNT System Compliance	300	
Annual Investments Audit FY05 Compliance	175	
Student Managed Investment Fund (SMIF) Review	125	
Total Required Audits	950	7%
Audits Based On Risk Assessment		
Departmental Financial Compliance Reviews	500	
Federal Programs Review (Trio Cluster, Gaining Early Awareness)	400	
Purchasing Card Departmental Reviews	400	
Sarbanes-Oxley Initiatives	400	
Federal Grant Reviews	400	
Contract Administration Process	300	
Compliance Function Review	300	
Intellectual Property Management	300	
UNT Dallas Expenditures Review	285	
Contract Administration - Sodexho	275	
Commercial Paper Compliance Review	250	
Tuition Increase - Financial Aid Review	225	
Parking Fees Financial Review	225	
Travel Reimbursement Reviews	200	
SAO Follow-up (FY04 Cash Controls Review)	200	
Dept ID Holder Accountability Reviews	200	
HR Hiring Practices	200	

	Budget Hours	Percent of Direct Hours
Audits Based On Risk Assessment (continued)		
Survey Research Center Departmental Review	150	
BCIS/ISRC Review	150	
Information Technology Reviews		
Enterprise Information System (EIS) Technical Reviews	1,000	
Enterprise Information System (EIS) Project Management Reviews	500	
Information Technology Security	350	
Credit Card Customer Information Security Program	300	
Wireless Technology Review	100	
Total Audits Based on Current Year Risk Assessment	7,610	59%
Other Direct Audit Activities		
Risk Assessment/Annual Audit Plan/Annual Report	400	
Consulting/Training	400	
Follow-up Reviews - Prior Audit Recommendations FY05	350	
Quality Assurance Activities	200	
Total Other Direct Audit Activities	1,350	10%
Contingency for Special Requests, Investigations, etc.	2,000	15%
TOTAL DIRECT AUDIT HOURS	**13,060**	**100%**

University of North Texas System
Internal Audit

Allocation of Hours by Position - UNT Health Science Center
Fiscal Year 2005

	Director		Asst Director		Auditor III		Auditor II	
Staff Size by Position	1		1		1		1	
Total Hours Available	2,080		2,080		2,080		2,080	
Less:								
Vacation*	156	8%	180	9%	120	6%	156	8%
Sick Leave	80	4%	80	4%	80	4%	80	4%
Holidays	96	5%	96	5%	96	5%	96	5%
Professional Development	40	2%	40	2%	40	2%	40	2%
Total Non-office Hours	372	19%	396	20%	336	17%	372	19%
Net Hours Available	1,708	81%	1,684	80%	1,744	83%	1,708	81%
Administrative Activities	512	24%	168	7%	174	7%	342	15%
Direct Audit Hours	1,196	57%	1,516	73%	1,570	76%	1,366	66%
Total Direct Audit Hours							5,648	68%

* Hours earned

University of North Texas System
Internal Audit

Schedule of Planned Audits & Detail of Direct Audit Hours - Health Science Center
Fiscal Year 2005

	Budget Hours	Percent of Direct Hours
Audits In Progress		
Facilities and Administrative Costs (Indirect Cost Recoveries)	200	
Total Audits In Progress	200	4%
Required Audits		
Family Medicine Residency Program	300	
Graduate Medical Education - Residency Program	250	
Joint Admission Medical Program (JAMP)	200	
Investment Compliance/Public Funds Act	150	
Federal Skiptracing Program	100	
Total Required Audits	1,000	18%
Management Requested Audits		
MSRDP Expenditure Review	200	
South Central Academic Medical Libraries (SCAMeL) Consortium	200	
Total Management Requested Audits	400	7%
Audits Based On Risk Assessment		
MSRDP - Billings or Coding - Medicare	500	
Health Insurance Portability and Accountability Act (Security Standards)	450	
Internal Accounting Controls Over Journal Vouchers (Internal Control)	250	
Texas Infrastructure Funds (TIFB)	250	
Information Technology Resources (Software License Review)	250	
Procurement Card (Internal Control)	250	
Federal Financial Aid (Internal Control)	200	
Substantive Testing of Financial Statements		
Liabilities	200	
Expenditures	200	
Trial Balance and General Ledger	100	
Net Assets	75	
Annual Financial Report	73	
Assets	50	
Revenues	50	
Total Audits Based on Current Year Risk Assessment	2,898	51%

	Budget Hours	Percent of Direct Hours
Other Direct Audit Activities		
Annual Internal Audit Report	250	
Follow-Up on Audit Recommendations	250	
Risk Assessment/Annual Audit Plan	150	
SAO Assistance	100	
Total Other Direct Audit Activities	750	13%
Contingency for Special Requests, Investigations, etc.	400	7%
TOTAL DIRECT AUDIT HOURS	**5,648**	**100%**

Internal Audit – UNT Denton
Status Report
(From Board of Regents Quarterly Report, August 2005)

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

		Budgeted Hours		Actual Hours	Variance	Comments
Audit Reports Issued Year to Date						
04-004	Investments Review Fiscal Year 2004	100		84	(16)	
04-015	Financial Modernization Act of 1999 Review	125	[2]	147	22	
04-018	Unrelated Business Income Tax Review	220		239	19	
04-023	Athletics Follow-up Review	100		104	4	
04-034	College of Education Grant Analysis	200		427	227	significant complexity
04-036	College of Business Administration Dean's Office Review	40	[2]	47	7	
05-001	Consulting - Student Financial Aid	40		40	0	
05-001	Consulting - Office of Research Services	40		40	0	
05-004	Student-Managed Investment Fund Review	200		318	118	ext. supr. req.
05-006	Purchasing Card Review	400		384	(16)	
05-012	Sodexho Contract Review	180		168	(12)	
05-019	ITDS/ISRC Review	150		188	38	increased audit scope
05-025	Annual Internal Audit Report (System)	80	[1]	78	(2)	
05-027	Internal Audit Quality Assurance Review (System)	50		48	(2)	
05-028	Consulting - College of Education Training	40	[3]	46	6	
05-029	Consulting - Orientation for Leaders Training	25	[3]	31	6	
05-030	Consulting - Grant Account Review	40		58	18	
05-031	College of Arts and Sciences Dean's Office Cash Handling Review	60		95	35	more extensive than budgeted
05-033	Consulting - College of Arts and Sciences Training	60	[3]	59	(1)	
05-034	Housing Department Cash Review	165	[2]	167	2	
05-036	Joint Admission Medical Program Review	125		141	16	
05-037	Consulting - College of Music	50	[2]	57	7	
05-038	Consulting - Physics Department	40	[2]	31	(9)	
Audit Reports Issued This Quarter						
04-006	Environmental Safety/EPA Compliance Review	175		200	25	
04-010	Health Insurance Portability and Accountability Act	200		274	74	re-assigned
04-034	College of Education Grant Analysis	100		96	(4)	
05-011	UNT Dallas Expenditures Review	160		239	79	extensive data acquisition

		Budgeted Hours	Actual Hours	Variance	Comments
Audit Reports Issued This Quarter (continued)					
05-015	Parking Fees Financial Review	500	446	(54)	
05-016	SAO Cash Controls Follow-up Review	200	158	(42)	
05-023	Risk Assessment and Annual Audit Plan	200 [1]	139	(61)	
Total Budget vs. Actual Hours For Completed Audits		**4065**	**4549**	**484**	

[1] Allocated from Annual Risk Assessment/Annual Audit Plan/Annual Report (217 used/400 budgeted).

[2] Allocated from Annual Audit Plan contingency hours (449 used/2000 budgeted).

[3] Allocated from Consulting/Training (136 used/400 budgeted).

Audits in Progress

		Budgeted Hours	Actual Hours	Variance	
04-023	Fiscal Year 2004 Follow-up Review	150	26	(124)	
05-003	Investments Review Fiscal Year 2005	250	80	(170)	
05-007	Sarbanes-Oxley Initiatives	250	211	(39)	
05-009	Compliance Function Review	275	283	8	
05-010	Intellectual Property Management	225	78	(147)	
05-014	Tuition Increase - Financial Aid Review	150	138	(12)	
05-017	Human Resources Hiring Practices	275	217	(58)	
05-018	Survey Research Center Review	150	113	(37)	
05-021	Credit Card Security Review	250	211	(39)	
05-026	Fiscal Year 2005 Follow-up Review	350	154	(196)	
05-035	Travel Reimbursement Review	100	42	(58)	
05-039	EIS Technical Reviews	200	172	(28)	
05-040	Center for Media Production	150	151	1	
05-041	EIS Project Management	220	92	(128)	

Time Allocation Among Budgeted Activities	Budgeted Percentage	Actual Percentage	Variance	Comments
Vacation	4.0	7.1	3.1	required time off
Sick Leave	4.0	3.6	(0.4)	
Holidays	5.0	4.8	(0.2)	
Continuing Education	2.0	2.0	0.0	
Administrative Activities	15.0	18.2	3.2	3 new staff
Direct Audit Hours	70.0	64.3	(5.7)	3 new staff

Status Report Summary

Internal Audit at the University issued thirty audit reports in fiscal year 2005. Approximately 88 percent of the Board approved "Annual Audit Plan" was completed. Direct audit hours account for approximately sixty-four percent of total available hours, administrative time eighteen percent, and continuing education, vacation, sick leave, and holidays eighteen percent.

Internal Audit – Health Science Center
Status Report

The following schedule is an analysis of budgeted hours vs. actual hours for September 1, 2004 – August 31, 2005.

Functional Areas	Budgeted Hours	Actual Hours Audited	Variance Over (Under)	Percent Over (Under)
Audits Based on Risk Assessment	3,098	3,195	97	3%
Statutory Audits	1,000	982	(18)	(2%)
Management Requested Audits	400	626	226	57%
Other Planned Projects	750	751	1	0%
Unplanned Audits	400	10	(390)	(97%)
Consulting Services	0	309	309	N/A
Total Direct Hours Charged	**5,648**	**5,873**	**225**	**4%**
Administrative Hours Charged	**1,196**	**1,175**	**(21)**	**(2%)**
Total Hours Charged	**6,844**	**7,048**	**204**	**3%**

Status Report Summary

Internal Audit at the Health Science Center issued fourteen audit reports in fiscal year 2005. Approximately 93 percent of the Board approved "Annual Audit Plan" was completed. Direct audit hours account for approximately seventy percent of total available hours, administrative time fourteen percent, and continuing education, vacation, sick leave, and holidays sixteen percent.

II.   External Quality Assurance Review (Peer Review)

A respected consultant in the field of internal auditing completed an evaluation of the UNT System Internal Audit function in June 2004. Performed in accordance with the Association of College and University Auditors (ACUA) quality assurance guide, the UNT System received a ***fully complies*** with *International Standards for the Professional Practice of Internal Auditing*. This rating represents the best possible evaluation. A copy of the Executive Summary/Overall Opinion is attached.

University of North Texas System
Quality Assurance Review
September 2004

Executive Summary

As required by the Texas Internal Auditing Act (article 6252-5d, V.A.C.S.), an external quality assurance review (QAR) was conducted of the internal audit activity at the University of North Texas System (UNTS).

Every three years, internal audit departments at state agencies and universities must conduct a comprehensive external peer review, also known as a quality assurance review. An external quality assurance review, as part of a quality assurance program, is intended to provide reasonable and objective assurance that the internal audit work being performed meets the requirements of appropriate professional standards.

The principal objectives of the review at UNTS were to assess whether the internal audit activity conforms to the Texas Internal Auditing Act and whether the audit work being performed complies with the Institute of Internal Auditor's (IIA) *International Standards for the Professional Practice of Internal Auditing,* and the United States General Accounting Office's (GAO) *Government Auditing Standards*, as required by the Texas Internal Auditing Act. Also, during the review an attempt was made to identify opportunities that would enhance the functionality of the audit process and improve the value of the internal auditing activity at UNTS.

The scope of the review included an evaluation of existing internal audit policies, procedures, and audit files, at both the University of North Texas (UNT) campus in Denton and the University of North Texas Health Science Center at Fort Worth (UNTHSC). Interviews were conducted with: the Chair of the Budget and Finance Committee of the UNTS Board of Regents; the UNTS Chancellor; the UNTS Vice Chancellor for Finance and Business

Affairs; the UNTS Vice Chancellor for Legal; the UNT President; the UNTS Chief Internal Auditor; and the audit staff.

At UNTHSC interviews were conducted with the President; the Senior Vice President of Finance and Administration; the Dean of the Texas College of Osteopathic Medicine; the UNTHSC Audit Director; and the audit staff. The Chief Internal Auditor's reporting relationships and communications with the Budget and Finance Committee, and the Chancellor, as well as each location's relationship to their President, and the objectivity of the audit work they performed were reviewed to determine their independence. The knowledge, skills, discipline and training of the staff were evaluated by examining examples of their workpapers and their administrative records. An inventory of current audit work and selected workpapers at each site was reviewed and the scope and performance of the planned and completed audit work was also evaluated. The annual internal audit planning process was examined, including a review of the policies and procedures for planning, documenting, and communicating audit results, and following-up on audit recommendations.

Overall Opinion

Based on the work outlined above, it is the opinion of the reviewer that the Internal Audit activity at the University of North Texas System **fully complies** with the Texas Internal Auditing Act, the IIA International Standards for the Professional Practice of Internal Auditing and the GAO Government Auditing Standards.

This opinion, representing the best possible evaluation, means that there are in place, at both the UNT campus at Denton and the UNTHSC in Fort Worth, relevant structures, policies, procedures and processes that comply with the requirements of the Texas Internal Auditing Act and the IIA and GAO standards in all material respects.

Management at both UNT and UNTHSC are strongly supportive of the internal audit function. Management interviews indicated that the scope and type of work being performed by the departments is addressing where management believes there are risks. A review of selected workpapers at both locations showed that the staffs are proficient and knowledgeable in the areas they review. The workpapers are very professionally prepared and supported levels of professional care appropriate for the complexities of the work being performed. Audit projects are being well planned, and the work performed by the staffs is being appropriately documented in their workpapers. Audit programs were appropriately referenced to the audit steps. Tests performed during the audit and conclusions contained in audit reports were supported by the work performed. There was evidence that the workpapers are thoroughly reviewed before audit reports were issued.

While the internal audit activity at UNTS is in compliance with the Texas Internal Auditing Act and other applicable auditing standards, the following comments and recommendations are intended to build on the foundation that is already in place with the objective of further improving the value and the effectiveness of the audit work being performed.

The recommendations are divided into two groups:

Part I – Matters for the consideration of the Budget and Finance Committee of the UNTS Board of Regents. These recommendations concern the internal audit function at UNTS as whole and are actions that should be taken by the Committee. These recommendations impact the effectiveness and efficiency of the internal auditing activity overall and the value it adds to UNTS. The recommendations in this area include:

- The Budget and Finance Committee needs to develop and document in its bylaws the duties and responsibilities of the Committee, which are required by the Texas Internal Auditing Act in overseeing the internal auditing activities at UNTS.

  Management's Response: Discussions among the Chancellor, the Vice Chancellor and General Counsel, and the Chief Internal Auditor have been initiated to address the recommended additions to the bylaws. The recommendation will be brought to the attention of the Finance and Audit Committee at the November 2004 Board of Regents meeting.

- Change the title of the Budget and Finance Committee to the Finance and Audit Committee to underscore the importance of internal controls and internal auditing's role in insuring their effectiveness.

  Management's Response: The Budget and Finance Committee was re-named the "Finance and Audit Committee" at the August 2004 meeting of the Board of Regents.

Part II – **Improvement opportunities specific to the UNTS internal audit activity**. These recommendations relate to the internal auditing activity's structure, staffing, deployment of resources, and other matters that should be implemented by the Chief Internal Auditor, with the support of the Board. The recommendations in this area include:

- The audit staff at UNT needs to more fully incorporate the use of information technology into their audit work

  Management's Response: The use of computer assisted audit tools/techniques (CAAT's) is undeniably important in the

performance of internal audit's responsibilities, and this recommendation is fully accepted. Previous challenges with IDEA (or any other CAAT) have not been with the software itself, but rather in the methods necessary to acquire data from the legacy system in which to apply the CAAT. Differences in the computing environments within the UNT System have in prior years allowed greater use of IDEA at the HSC. One significant advantage to the EIS implementation will be an enhanced ability to access and analyze data. This will be accomplished through continued use of the IDEA software, as well as via PeopleSoft and Oracle query tools. Appropriate training from both internal and external sources is currently being evaluated and scheduled; initial training for all audit staff members should be completed during the current fiscal year.

- UNTS Internal Audit should consider acquiring outside resources to review the EIS System and to supplement their own staff skills and ability.

  Management's Response: During the process of hiring a staff IT Auditor, the UNTS Internal Audit function should consider acquiring outside resources to supplement their own staff skills and ability to review the EIS System.

  In the interim, as recommended, outside resources are being evaluated for their ability to supplement current Internal Audit staff skills. Current information from other universities indicates that a general controls review and post-implemtation review of PeopleSoft, comprised of 600-1800 consultant hours, may range in cost from $92,500 to $205,000. Significantly less sophisticated reviews covering only network and host security (for example)

> *might only range in cost from $10,000 to $25,000 for a three-week engagement, but will probably yield only marginal benefit. Alternative methods of addressing the risks identified in this report are continuing to be examined, and will be presented for management and Board input and approval as the best course of action is determined.*

The Implementation of these recommendations will enhance the internal audit activity at UNTS and improve the value, efficiency and effectiveness of the internal auditing work in the future.

Richard H. Tarr, CISA, CIA

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

University of North Texas – Denton

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
04-004	Nov 04	Investments Review Fiscal Year 2004	Based on University and System Policies, the Public Funds Investment Act, and State Auditor requirements, objectives of this review were as follows: • Perform a review of management controls over investing activities and adherence to established investment policies; • Verify investments are adequately and appropriately safeguarded; and • Verify investment transactions are recorded and reported in a manner consistent with state law and in accordance with methods prescribed by the Legislative Budget Board.	No findings/recommendations.	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
04-006	Aug 05	Environ-mental Safety/EPA Compliance Review	Evaluate the UNT environmental safety program to determine if it: • Identifies environmental risks to the University; • Complies with EPA regulations in addressing those risks; and • Contains elements that demonstrate the University's commitment to environmental stewardship.	UNT's environmental safety program as it existed in the past might not fully mitigate EPA fines and sanctions should noncompliance be identified. However, subsequent to completion of Internal Audit's fieldwork, Risk Management and Environmental Services (RMES) had made substantial progress toward addressing the EPA Sector program standards. The following comments reflect status of action taken to date, and additional actions that should be considered.		
				(1) A University-wide environmental policy statement has been drafted and is awaiting approval from executive management. Consideration should be given to prompt review, adoption, and communication of such policy.	In Progress Follow-up scheduled for FY 2006.	Serve as a foundation for developing an effective environmental safety program and demonstrating the University's commitment to environmental stewardship.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
				(2) RMES is developing an Environmental Compliance Management System (ECMS) that is designed to identify and minimize UNT's environmental risks. Utilizing departmental resources and a half-time employee, the project is very comprehensive and technical in nature. Currently in phase I of development, the project appears to have the potential to fully address Sector program standards. However, limited resources could jeopardize completion of the project. Management should evaluate project staff size and consider committing additional resources to assure timely completion of the ECMS development.	In Progress Follow-up scheduled for FY 2006.	Minimize exposure to liabilities should environmental deficiencies or nonconformance with EPA regulations be identified.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
04-010	Aug 05	Health Insurance Portability and Accountability Act	Determine that all UNT departments, clinics, centers, and other units subject to provisions of the Act have been identified. Review and evaluate University controls to reasonably assure compliance with provisions of the Act.	It appears that implementation of a comprehensive HIPAA compliance program has not been achieved. An extensive process to identify and verify UNT units subject to HIPAA must still be completed, as identification of all University departments/entities is integral to a successful program. Efforts to achieve program effectiveness and to promote compliance with HIPAA provisions should continue to be pursued through the Compliance Office.	In Progress Follow-up scheduled for FY2006.	Achieve program effectiveness and promote compliance with HIPAA provisions.
04-015	Nov 04	Financial Modernization Act of 1999 Review	Review University compliance with the Safeguards Rule provisions of the Gramm-Leach-Bliley Act. Determine the status of implementation of the Rule provisions and evaluate the effectiveness of the information security program.	Although initiatives have been taken and effort expended to meet safeguarding requirements of the Act, the following comments reflect action taken to date and additional action necessary to comply with the GLB Act and to achieve an effective information security program:		

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				(1) To-date, the vulnerability analysis survey, which includes GLB specific questions, has not been completed and therefore, additional risks have not been identified. Priority attention should be given to completing the risk assessment (identification of internal and external risks to the security, confidentiality, and integrity of customer information).	In Progress Follow-up scheduled for FY2006.	Essential to achieving an effective information security program.
				(2) Although certain actions related to development of the information security program have been performed, not all have been documented. Program development plans, including timelines and benchmarks, should be clearly established and fully documented in writing.	In Progress Follow-up scheduled for FY2006.	Reduce the possibility of duplication, errors or inconsistencies, and assure continuity of the development process.

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				(3) Policy changes to address identified risks to the security, confidentiality, and integrity of customer information have been drafted, but not approved. Drafting policy changes before completing a comprehensive, university-wide risk assessment consumes resources, but yields limited benefit. Priority attention should be given to completing the risk assessment before drafting changes to University policies.	In Progress Follow-up scheduled for FY2006.	Improve effectiveness of operations.
				(4) The Safeguards Rule requires financial institutions to designate an employee or employees to coordinate its information security program. The Compliance Office assumed responsibility for coordinating and implementing the Rule provisions, and therefore, serves as the single point of contact on behalf of the University. The University administration should formally designate an individual or an office to oversee development of the information security program.	In Progress Follow-up scheduled for FY2006.	Assign responsibility and to assure accountability for oversight of current and future provisions of the law.

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04-018	May 05	Unrelated Business Income Tax Review	Determine whether unrelated business income taxes are valued and reported in a manner to reasonably assure compliance with Internal Revenue Service regulations.	Although Internal Audit did not attempt to identify unreported income, the processes in use by the University cannot reasonably assure all UBI producing activities are identified and reported in accordance with IRS regulations. A level of diligence is currently devoted to the UBI process; however, the University should develop documented procedures to: • Identify UBI producing activities; • Evaluate activities to determine income tax applicability; • Monitor activities for changes which might create, modify, or eliminate applicability; and • Provide guidance to management regarding unrelated business income.	In Progress Follow-up scheduled for FY 2006.	Enhance current practices.
04-023	Feb 05	Athletics Follow-up Review	Evaluate actions taken to address recommendations remaining from the prior follow-up dated November 2002.	Of the seventeen recommendations, Athletics has fully implemented ten (59%), has partially implemented or is in the process of implementing four (24%), and has not implemented three (17%).	In Progress Follow-up scheduled for FY 2006.	Assist in strengthening Athletics compliance program.

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04-034	May 05 Aug 05	College of Education Grant Analysis	The objective was to verify the appropriateness of expenditures based on grant terms for the period September 2001 through November 2003.	Results indicated certain expenses related to registration fees and stipend payments were improperly paid from the grant. The Dean of the College of Education should work with all assistance needed from other University departments to seek restitution that will restore the grant to proper financial standing.	Implemented Internal Audit has confirmed that agreed-upon transfers had been initiated.	Assure compliance with grant conditions.
04-036	Feb 05	College of Business Administration Dean's Office Review	Provide reasonable assurance as to the College's fiscal transactions and integrity. Examine the overall control environment and evaluate possible enhancements to current processes and procedures.	(1) Purchase orders were approved by proxy by the Budget Officer; and in several instances the Budget Officer both prepared and approved the purchase order. Although no fiscal improprieties were noted, management should take action to separate incompatible purchasing functions (preparation/approval).	Implemented Follow-up scheduled for FY 2006.	Assure appropriate segregation of duties.

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				(2) Certain types of purchases prohibited from payment with the UNT purchasing card were noted. Examples were: • Staff retreat; • Membership dues; • Gifts/awards; and • Meals. Cardholders should obtain additional training from Purchasing and Payment Services related to appropriate purchasing methods for these types of transactions.	Implemented Follow-up scheduled for FY 2006.	Assure compliance with University policies.
				(3) There was an instance of a gift certificate being given to a staff member without the proper documentation/approval requirements. Management and cardholders should review policies regarding gift certificates.	Implemented Follow-up scheduled for FY 2006.	Assure compliance with University policies.

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				(4) Sympathy flowers were purchased for a student on a budgetary account. University policy requires gifts, including flowers, to be purchased only from unrestricted gift funds. Department personnel should review the policy regarding gifts and reimburse the charges from unrestricted gift funds.	Implemented Follow-up scheduled for FY 2006.	Assure compliance with University policies.
				(5) As required by University policy, *Requests for Approval to Travel* to Washington, D.C. were not submitted to PPS Travel Section before four trips were made. The assistant should contact PPS for further guidance in order to satisfy reporting requirements.	Implemented Follow-up scheduled for FY 2006.	Assure compliance with University policies.
05-004	Feb 05	Student-Managed Investment Fund Review	Determine if the program is managed in accordance with donor requirements.	Quarterly reports for the second and third quarters of calendar year 2004 were not prepared as required by the endowment agreement. SIG management should adopt procedures to ensure preparation and dissemination of quarterly reports to all concerned *on an ongoing basis.*	In Progress Annual audit scheduled for FY 2006.	Comply with reporting requirements.

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05-006	Nov 04	Purchasing Card Review	Reviewed purchasing card documentation for sixty-eight purchasing cards in six departments/units (UNT Police Department, School of Visual Arts, Dance and Theatre, University Union, Athletics, and Dining Services). The objective was to determine compliance with purchasing card guidelines.	Based on review of transaction logs and supporting documentation, multiple types of exceptions were noted. Cardholders should review and follow the University Purchasing Card Program Guide. Each unit should evaluate the need for additional purchasing card training.	Monitoring of purchasing cards is on-going. Departments with exceptions have agreed to take appropriate action. Follow-up scheduled for FY 2006.	Assist in assuring compliance with purchasing card requirements and guidelines.
05-011	Aug 05	UNT Dallas Expenditures Review	Review purchase orders and travel vouchers processed for the period September 1, 2004 through March 31, 2005 for compliance with policy and state law.	No findings/recommendations	N/A	N/A
05-012	May 05	Sodexho Contract Review	Evaluate commission payments, reimbursements, and insurance coverage.	(1) Sodexho should retain printed cash register reports in accordance with the contract.	Implemented Follow-up scheduled for FY 2006.	Assure appropriate accounting records are available.
				(2) Sodexho should consider mailing commission payments directly to the University Business Services office.	Implemented Follow-up scheduled for FY 2006.	Streamline the payment process.
				(3) Business Services should develop a tracking process for receipts of commission payments from Sodexho.	Implemented Follow-up scheduled for FY 2006.	Assure the University receives commission payments in a timely manner.

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				(4) Business Services should take action to: • Develop an effective method to determine billable expenses (including possible contract clarification/revision related to utilities); • Implement an appropriate process to bill Sodexho on a monthly basis; and • Establish and follow written procedures regarding reimbursements.	In Progress Follow-up scheduled for FY 2006.	Assure the University is reimbursed in accordance with the contract.

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				(5) At the request of Internal Audit, the UNT Risk Manager reviewed policy documentation provided by Sodexho and its insurance carrier. Coverage provided by Sodexho met contract requirements. However, Business Services had not previously requested a Certificate of Insurance from Sodexho to determine if contract requirements were met, and Business Services had not otherwise verified that insurance coverage was adequate. Business Services should request the UNT Risk Manager review insurance documentation on all contracts requiring such coverage.	Implemented Follow-up scheduled for FY 2006.	Better assure the University is protected.
				(6) Business Services plans to perform audits of Sodexho's cash receipts on a semi-annual basis; Business Services should proceed with this activity.	Implemented Follow-up scheduled for FY 2006.	Assure due diligence in administration of the contract.
				(7) University management should consider amending the contract to include a remedy for late payments; or if the current contract cannot be amended, management should include such a provision in future contract renewals.	In Progress Follow-up scheduled for FY 2006.	Improve effectiveness of operation.

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05-015	Aug 05	Parking Fees Financial Review	Evaluate cash handling processes related to collection and processing of parking fees. Determine the appropriateness of fee expenditures.	Several cash handling procedures are conveyed verbally to personnel. Cash handling procedures should be fully documented in writing.	In Progress Follow-up scheduled for FY 2006.	Assure continuity of operations and reduce the possibility of errors and inconsistencies.
				(2) Two expenditures (an insurance premium and a commercial paper interest payment) were reflected in the Detail Transactions Report of EIS. The expenditures were paid by other University units on behalf of Parking Services, and charged back to the departmental account. The department should perform periodic full reconciliations of the account. In addition, documentation should be requested and maintained to support any third party expenditures.	In Progress Follow-up scheduled for FY 2006.	Reduce the possibility of budget overspending, duplicate payments, and errors.
05-016	Aug 05	SAO Cash Controls Follow-up Review	Evaluate actions taken to address eleven recommendations from the State Auditor's Office (SAO) review *Cash Controls at the University of North Texas* (Report No. 04-049, August 2004) related to financial system access and security controls.	Of these recommendations, the Computing and Information Technology Center has taken action to fully address nine of the recommendations, and is in the process of addressing the remaining two items.	In Progress Follow-up scheduled for FY 2006.	Strengthen EIS FS security and access controls.

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05-019	Feb 05	Information Technology & Decision Sciences (ITDS)/ Information Systems Research Center (ISRC) Review	Evaluate the overall control environment of ITDS and the ISRC regarding financial administration. Determine if expenditures made during fiscal year 2004 were in compliance with UNT policy and state law.	(1) There were several exceptions to purchasing requirements. ISRC management and staff should review purchasing requirements for reimbursements regarding timely requests, itemized receipts for meals paid with credit cards, and appropriate documentation for guest meals.	Implemented Follow-up scheduled for FY 2006.	Ensure compliance with purchasing requirements.

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				(2) Purchases had been made with the purchasing card that reflect the following exceptions to the Purchasing Card Guidelines: • Restricted items were purchased; • Texas sales taxes were paid; • Food/Flower Purchase Justification Forms were not always prepared; • Appropriate purchase documentation was not always retained; and • Amount of invoice did not agree with the Account Statement. Purchasing cardholders should review the Purchasing Card Guide and obtain additional training as necessary from Purchasing and Payment Services.	Implemented Follow-up scheduled for FY 2006.	Ensure compliance with University policy.

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				(3) On two occasions the *Request for Approval to Travel* form for trips to Washington, D.C. were submitted after the completion of a trip. In addition, an itinerary was not submitted for one trip. Management should remind staff to submit these forms on a timely basis in order to satisfy reporting for Washington, D.C. trips.	Implemented Follow-up scheduled for FY 2006.	Assure compliance with University policies.
05-031	Feb 05	College of Arts and Sciences Dean's Office Cash Handling Review	Objectives were to: • Evaluate overall controls related to cash handling; and • Determine compliance with University policies and State law. The principal cash receipts handled are gifts from donors. The Dean's Office provides a "one stop" service to centralize efforts related to gifts received by the eighteen departments and the College. The Dean's Office collects cash receipts from the departments, mail, phone, and direct contacts.	(1) Receipts are not issued to departmental personnel transferring custody of cash receipts to the Dean's Office. The Dean's Office should document acceptance to department personnel presenting cash receipts.	Implemented Follow-up scheduled for FY 2006.	Ensure clear documentation of the collection and custody of cash receipts.

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				(2) Two checks received in the Dean's Office were not recorded in the departmental cash receipt log, and a check received at an Advisory Board Meeting for a special event was not recorded in the log. All receipts should be documented.	N/A Human error – required no corrective action. Follow-up scheduled for FY 2006.	Ensure clear documentation of the collection and custody of cash receipts.
				(3) The Dean's Office should endorse checks upon receipt.	Implemented Follow-up scheduled for FY 2006.	Ensure safe-guarding of checks.
				(4) Cash receipts and credit card information are kept in unlocked drawers in offices that can be locked, but are accessible by all staff. Cash receipts and credit card information should be secured.	Implemented Follow-up scheduled for FY 2006.	Improve safe-guarding of cash receipts and credit card information.

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				(5) There is no list of donations forwarded to the Development Office, nor is there a reconciliation performed of logged cash receipts to the Development *Gift Reports*. The Dean's Office should develop procedures regarding the preparation and retention of an itemized list, as well as a reconciliation to the *Gift Reports*. Someone not involved in the handling of cash receipts should perform the reconciliation.	Implemented Follow-up scheduled for FY 2006.	Provide clear documentation of the transfer of custody.
				(6) Several cash receipts were not received by the Dean's Office from departments in a timely manner. The Dean's Office should review University policies and College procedures regarding cash receipts with department chairs and personnel involved with cash receipts.	Implemented Follow-up scheduled for FY 2006.	Assure that cash receipts are deposited in a timely manner.
				(7) Beginning cash and all cash receipts should be reconciled at the end of special events.	Implemented Follow-up scheduled for FY 2006.	Ensure all cash receipts collected during an event are on hand.
				(8) The Dean's Office should develop written cash handling procedures.	To be implemented by January 2005. Follow-up scheduled for FY 2006.	Assure continuity of the cash handling function.

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05-034	May 05	Housing Department Cash Review	Determine if controls are functioning as intended and in accordance with UNT policy.	(1) Since the Housing Assignments and Collections operation no longer accepts cash amounts over $100, Housing management should evaluate cash needs and consider reducing the amount of the change fund.	Implemented	Enhance efficiency of operations and safeguarding of assets.
				(2) On occasion, an individual employee can perform duties such as collecting cash, recording payment receipts, reconciling records, preparing deposits, and preparing reports. Additionally, someone other than the individual who prepares a deposit does not always review the deposit for accuracy and completeness. Procedures should be developed to restrict one person from collecting, recording, and depositing cash receipts.	Implemented Follow-up scheduled for FY 2006.	assure appropriate segregation of job duties.
				(3) Any cash over/short should be documented on the Cashier's Daily Report.	Implemented Follow-up scheduled for FY 2006.	Comply with University policy.

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				(4) Housing Assignments and Collections should develop written cash handling procedures.	To be implemented by September 1, 2005. Follow-up scheduled for FY 2006.	Assure continuity of controls and to reduce the possibility of errors and/or inconsistencies.
05-036	Feb 05	Joint Admission Medical Program (JAMP) Review	Provide assurance that UNT is in compliance with JAMP policies, procedures, laws, and regulations that could have a significant impact on operations and reports.	No findings/recommendations.	N/A	N/A

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04-018	Feb 05	Facilities and Administrative Cost Recoveries	Determine the adequacy of the management control system for F&A cost recoveries. Also to determine the propriety of budgeting, recording, capture, allocation, and distribution of F&A cost recoveries.	(1) The Center used the "simplified method" of developing its indirect cost proposal. This simplified method results in a lower rate than the actual costs to the Center. Utilize the "long form" methodology in developing the next indirect cost rate proposal.	In Progress The Center is preparing a new cost rate proposal.	Increase cost recoveries on federal grants.
				(2) The process for requesting or communicating waivers of the full negotiated rate was not followed. Project files did not contain sufficient documentation to support the F&A rate contracted and assessed. Adhere to the Center policy for F&A cost waivers and maintain documentation to support the F&A rate assessed.	In Progress The processes for F&A cost waivers and file documentation are being evaluated.	Reduce the risk of not obtaining the maximum cost recovery available.

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				(3) The current financial system does not readily allow for changes in F&A cost recovery budgets when actual expenditures deviate from original project budgets. Enhance the process for initiating budget adjustments when changes occur in the amount of estimated cost recoveries.	Implemented	Reduce the risk of miscalculating cost recoveries.
				(4) The F&A recovery calculated for sample projects did not agree with the amount recovered. Improve the process for calculating recoveries.	In Progress The queries used to capture F&A costs are being reviewed.	Reduce the risk of over/under capturing cost recoveries.
				(5) Cost recoveries were not made on a monthly basis as required by Center grant policy. Ensure policy is adhered to.	In Progress Procedures are being implemented to ensure compliance.	Ensure adherence to Center policy.

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				(6) Costs recovered were not distributed on a semi-annual basis as required by policy. Using the distribution policy formulas, only 13.6% of recoveries were eligible to be credited directly to the Dean, Chairpersons and Principal Investigators. Evaluate the process for distributing recoveries to ensure they are made per policy and revisit the distribution policy to determine whether the distributions to research departments are adequate.	Implemented	Ensure adherence to Center policy. Provide incentive to researchers to generate funding.
				(7) Current Center expenditure guidelines may not address all state restrictions on the use of cost recoveries. Determine whether expenditure guidelines are developed and approved in accordance with state law.	In Progress Grants and Contract Management is coordinating the development of formal expenditure guidelines.	Limit the risk of expending funds contrary to legislature intent.

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05-001	Nov 04	Federal Skip-tracing Audit	Ensure procedures are established to safeguard names and addresses of defaulted borrowers under the Federal Perkins Loan Program. Determine if confidential information is properly disposed of after serving its usefulness.	No findings/recommendations.	N/A	N/A
05-003	Feb 05	Graduate Medical Education Residency Program Review	Issue an audit statement to the Texas Higher Education Coordinating Board concerning the financial activities and certain program compliance matters related to the residency program as of and for the fiscal year ended August 31, 2003.	(1) Other Center funds were commingled with GME Program Funds. Other Center funds should not be transferred into the GME Program Funds awarded by the Coordinating Board.	Implemented	Limit the risk of these special purpose funds losing their identity.
				(2) Some GME accounts had deficit balances at fiscal year end. GME accounts need to be administered so that material deficit balances will not exist at fiscal year end.	Implemented	Reduce the risk of overspending of grant funds and having to use institutional funds to clear deficit balances.

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05-004	Nov 04	Joint Admission Medical Program Review	Certify the financial report was correct and that all outlays and unliquidated obligations were for the purposes set forth in the agreement with the JAMP council. Provide a list of all equipment purchases costing $250 or more. The certification was due to the oversight agency on or before October 31, 2004.	(1) Program obligations exceeded the program's available revenues. Unless supplemental funding has been identified in advance, JAMP administrators should prohibit allowing program obligations to exceed the program's available revenues.	Implemented	Center could possibly have to bear the burden of absorbing a deficit when budgeted funds are over-obligated.
				(2) Non-Health Science Center employees paid from internally generated invoices. When non-employees render services to the Center, they need to submit invoices for the services before they can be paid.	Implemented	Reduce the risk of payments for services not received.
				(3) Certain types of consumables were classified as equipment. JAMP administrator's need to periodically review financial reports to ensure that expenditures are properly classified.	Implemented	Improve the accuracy of financial data.

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05-005	Nov 04	Investments Review Fiscal Year 2004	Ensure the Center's funds are invested in accordance with the Public Funds Investment Act (Government Code 2256).	(1) A Board approved change to the investment policy was not updated on the Center's website. Update the policy to show the Board approved change.	Implemented	Reduces the risk of noncompliance with State guidelines.
				(2) Only the last two months of any fiscal quarter were presented in the quarterly investment reports. Center quarterly investment reports should include all required and essential investment information.	Implemented	Reduces the risk of full disclosure at the reporting date.
				(3) The investment reports posted to the web site do not note the applicable dates. The Center should date stamp quarterly investment reports.	Implemented	Reduces the risk of inconsistency with the UNT System Office and compliance with state policy.
05-006	Feb 05	Family Practice Residency Program Review	Attest to the material accuracy of the expenditures and revenues as reported on the Center's residency program Annual Financial Report for the fiscal year ended August 31, 2004.	(1) Program expenditures were charged to accounts other than those germane to the awards. Program account holders should ensure that all expenditures related to any of the funded Family Practice Residency Programs be charged to the programs' applicable, established accounts.	Implemented	Reduce the chance for improperly charged expenditures to distort the program's financial results at fiscal year end.

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				(2) Rural rotation funds were unexpended at year end. Program administrators need to expend as closely as possible all appropriated funds awarded to the program before the end of the fiscal year. Transfer $1,580 of other allowable rural rotation expenses into the account established for the Rural Rotation Program.	Implemented	Funds not expended jeopardizes the program to either return the unexpended funds to the CB or having the subsequent fiscal year's appropriation reduced by the amount of unexpended funds.
05-007	Feb 05	Medical Libraries Financial Review (SCAMeL)	Determine whether any material modifications should be made to the financial statements in order for the financial statements to be in conformity with generally accepted accounting principles.	(1) Interim reports are prepared on a cash basis. Incorporate a full accrual basis of accounting.	Implemented	Ensure compliance with Generally Accepted Accounting Principles.
				(2) Management's utilization of deficit budgeting has produced negative cash flows. Management should be vigilant regarding operating deficits.	Implemented	Ensure the SCAMeL continues to be a going concern.

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05-008	May 05	Physicians Group Disbursements Review	Determine whether disbursements were made in accordance with Center and state requirements for documentation; disbursements were allowable per IRS guidelines; disbursements were allowable per Group Plan policy and opportunities for cost savings existed.	Expenses for sponsorship and community relations lacked supporting documentation. Review the requirements for documenting public relations expenses.	Implemented	Reduce the risk of not complying with Center, state or IRS regulations for business expenses.
05-009	May 05	Software Inventory and Licensure Review	Determine whether the departments were maintaining computer software inventories and licensure documentation for currently installed software.	Noncompliance with software licensing laws and licensing documentation requirements. Obtain licenses where necessary and maintain evidence to support licensures held.	Implemented	Reduce the Center's exposure to liability in reference to the US Copyright Act, Title 17 of the US Code.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
05-010	May 05	Texas Infrastructure Fund Board (TIFB) Grant Review	Determine compliance with grant provisions established for TIFB funds as outlined in the TIFB Grant Management Handbook.	(1) The Center was not in compliance with Grant provisions: • A technical progress report was filed late; • Requests for funds were processed more than 90 days after the end of a grant period; • Expenditure reimbursements were not routinely submitted on a monthly basis; • Invoice copies were either missing or incomplete; • Financial status reports were not submitted within the established timeframe; • Changes in administrative officials not reported timely; and • One final inventory report could not be located and two did not agree with the financial status reports. The Center should establish processes to ensure compliance with external grantor requirements.	Implemented	Ensure compliance with grantor imposed requirements.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
				(2) A deficit balance of $77,183 caused by disallowed expenditures has not been cleared. Take the necessary action to eliminate the deficit balance.	Implemented	Clear deficits on a timely basis.
05-011	Aug 05	Procurement Card Program Review	Assess the control environment over credit card transactions between September 1, 2004 and March 31, 2005, determine whether purchases are being transacted in accordance with institutional policy, and determine if opportunities exist to enhance controls.	(1) Two cases were noted where the approver/reviewer processes were not followed. Update the Procurement Card Guide to include current policies regarding the approver/reviewer processes.	Planned The new purchasing card administrator will coordinate a review of the guide and the Cardholder Profile Sheet with stakeholders and the administration.	Reduce risk of processing improper transactions.
				(2) Original signatures not used on cardholder profile form, untimely cancellation of credit cards for terminated Card Holders and reimbursements for unauthorized purchases. Enhance internal controls by clarifying processes.	Implemented	Reduce risk of processing improper transactions.
				(3) Two procurement card transactions were considered split orders. Consider increasing the individual single purchase limits where justified to reduce instances of Card Holders splitting orders.	Implemented	Reduce violations of policies.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
				(4) Proper approval protocol including account specific considerations requiring additional approvals, proper coding, proper documentation was not followed. Ensure card holders adhere to proper approval protocol and that the Procurement Card Administrator is reviewing for such.	Planned The Purchasing Card Administrator will address these observations during a general review of transactions each month.	Reduce risk of processing improper transactions. Reduce violations of policies.
05-012	Aug 05	Follow-up Review	Satisfy the audit standard and provide a summary of the status of audit recommendations for senior management.	No findings/recommendations.	N/A	N/A
05-014	Aug 05	Review of Internal Controls Over Journal Entries	Gain an understanding of how the Center journal entry system operates. Determine the strengths and weaknesses of the system and if controls are being observed by management. Determine if the system is designed to prevent or detect material errors and irregularities in a timely fashion and whether the system is operating as designed by management.	(1) Unable to determine who posted particular journal entries on the system. Establish an audit trail within the automated processes of the system so individuals can be identified who approve and post general journal entries to the accounting records.	Planned Technicians working with the development of the new accounting system will work toward developing a way to easily identify the approver and poster of journal entries.	Reduce the risk of material errors or irregularities to be perpetrated and concealed.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
				(2) Journal entries posted as pending did not show who approved the entry for posting. If the problem is not technical in nature, management needs to research the system to determine if the journal entry approval process can be circumvented and take corrective control measures. If the problem is technical then a corrective remedy needs to be programmed into the automated processes.	Planned Technicians working with the development of the new accounting system will work toward correcting this problem.	Reduce the risk of material errors or irregularities to be perpetrated and concealed.

**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.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
05-001	Feb 05	Consulting - Student Financial Aid	The State Auditor's Office contracted with the accounting firm of KPMG to perform a review of federal student financial assistance programs for use in the statewide single audit (A-133). Internal Audit assisted in coordinating the work performed by KPMG and the UNT Student Financial Aid and Scholarships office. This is the fourth year that the University's federal student financial assistance programs have been selected for review.	No significant findings or recommendations were expressed by KPMG upon completion of the audit.	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
05-001	May 05	Consulting - Office of Research Services	The State Auditor's Office contracted with the accounting firm of KPMG to perform a review of federally funded research and development activities as part of the statewide single audit (A-133) for fiscal year 2004. Internal Audit assisted in coordinating the work performed by KPMG and the Office of Research Services. This is the first year that the University's federally funded research and development activities were selected for review.	No findings or recommendations were expressed by KPMG upon completion of the audit.	N/A	N/A
05-028	Nov 04	Consulting – College of Education Training	At the request of the Dean of the College of Education, Internal Audit facilitated a management controls training session for faculty and staff members. Those in attendance included the Dean, the Associate Dean, Faculty members, Department Chairs, Center Directors, Principal Investigators, and Administrative Service Officers.	N/A	N/A	Goals of the session were to identify risks facing the College of Education, discuss methods of mitigating the risks identified (controls), and answer specific questions raised by attendees.

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
05-029	Feb 05	Consulting - Orientation for Leaders Training	Internal Audit participated in *the Orientation for Leaders* program sponsored by the Human Resources Department. The program is a five-hour training session with presentations from several key areas on campus. Internal Audit gave an overview of the audit function, provided information on how departments are chosen for audit, explained the audit process, and discussed when departments should contact Internal Audit.	N/A	N/A	Provide UNT leadership with a basic overview of leadership principles, University policies, and legal issues; create a consistent foundation of knowledge on these issues; introduce the resource people on campus related to these issues.
05-030	Nov 04	Consulting - Grant Account Review	At the request of a faculty member, Internal Audit reviewed expenditures related to a UNT Biology Department grant. Internal Audit met with the principal investigator, discussed the results, and presented a spreadsheet comparing budget to actual expenditures incurred and invoiced, and the resulting account balance.	N/A	N/A	N/A

Report No.	Report Date	Name of Report	High-Level Audit Objective(s)	Observations/ Findings and Recommendations	Current Status (with brief description if not yet implemented) • **Implemented** • **Planned** • **In Progress** • **Factors Delay Implementation** • **Agency Does Not Plan to Implement Recommendation**	Fiscal Impact/ Other Impact
05-033	Feb 04	Consulting - College of Arts and Sciences Training	At the request of the Associate Dean of the College of Arts and Sciences, Internal Audit facilitated a cash handling training session. Those in attendance included staff members from the Dean's Office, the North Texas Daily, the Psychology Clinic, KNTU-FM, and many of the academic departments	NA	N/A	Goals of the session were to discuss University Policy 2.1.10.1, Cash Handling Controls, and answer specific questions raised by attendees.
05-037	May 05	Consulting - College of Music	At the request of an Associate Dean, Internal Audit reviewed circumstances related to concert ticket sales in the College of Music.	Although an attempt was made to circumvent controls related to centralized selling of concert tickets, Internal Audit concluded that this was an isolated incident and no diversion or misappropriation of funds occurred.	No recommendations. The College of Music took appropriate action to address the situation.	
05-038	May 05	Consulting - Physics Department	Internal Audit investigated a potential incident of nepotism involving a grant from the Texas Higher Education Coordinating Board.	Internal Audit determined that a Project Director and an employee are related. However, due to the fact that the employee did not report directly to the Project Director in question, Internal Audit requested a legal interpretation related to the situation.	No recommendations. System Legal Counsel was to provide an interpretation.	

University of North Texas Health Science Center

Internal Audit at the Health Science Center did not undertake any **formal** engagements specifically relating to consulting. However, Internal Audit did perform consulting services in the following two ways as defined in the Institute of Internal Auditor's Professional Practices Framework:

- As part of engagements that incorporate elements of both consulting and assurance activities into one consolidated approach. These "blended" engagements are listed in the audits in Section III.

- As part of informal engagements such as participation on standing committees, policy interpretations and limited-life projects.
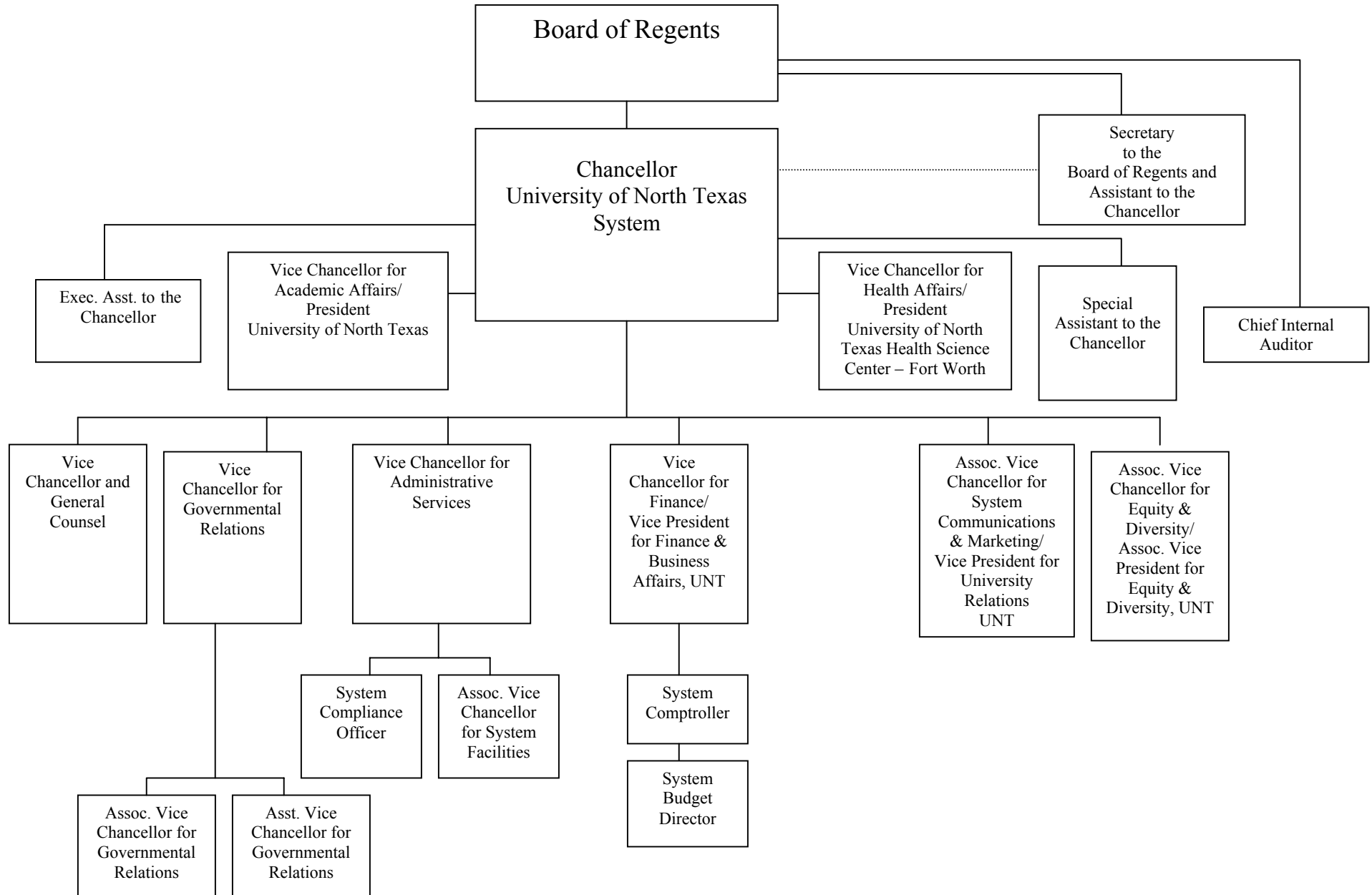
V. Organizational Chart

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

University of North Texas System
2003-2004 Organization Chart

Applicability: UNT System

Board of Regents

Secretary
to the
Board of Regents and
Assistant to the
Chancellor

Chancellor
University of North Texas
System

Exec. Asst. to the
Chancellor

Vice Chancellor for
Academic Affairs/
President
University of North Texas

Vice Chancellor for
Health Affairs/
President
University of North
Texas Health Science
Center – Fort Worth

Special
Assistant to the
Chancellor

Chief Internal
Auditor

Vice
Chancellor and
General
Counsel

Vice
Chancellor for
Governmental
Relations

Vice Chancellor for
Administrative
Services

Vice
Chancellor for
Finance/
Vice President
for Finance &
Business
Affairs, UNT

Assoc. Vice
Chancellor for
System
Communications
& Marketing/
Vice President for
University
Relations
UNT

Assoc. Vice
Chancellor for
Equity &
Diversity/
Assoc. Vice
President for
Equity &
Diversity, UNT

System
Compliance
Officer

Assoc. Vice
Chancellor
for System
Facilities

System
Comptroller

System
Budget
Director

Assoc. Vice
Chancellor for
Governmental
Relations

Asst. Vice
Chancellor for
Governmental
Relations

August 19, 2003

VI.   Report on Other Internal Audit Activities

University of North Texas – Denton

Activity	Impact
Committees/Staff Meetings – Participated in University activities related to: • Enterprise Information System (EIS). • Finance and Business Affairs. • Student Development. • Dean's Council. • Staff Council. • Committee on Student Conduct. • Hotline Implementation.	Assist the university in addressing both short- and long-range issues.
Electronic Work Papers –- Internal Audit is currently in the process of implementing TeamMate, an electronic work paper package developed by PriceWaterhouseCoopers. Two staff auditors received training from the State Auditor's Office and are currently customizing the application to fit the department's needs. Full functionality is expected in fiscal year 2006.	The package is designed to increase the efficiency and productivity of the audit process including risk assessment, scheduling, preparation, review, report generation, and issue tracking.
Performance Survey – Distribute customer surveys to departments upon completion of audits.	Assist in reviewing Internal Audit's image, the quality of its product, and management's need for information.
Continuing Education (Professional Development) – Department participated in the following training/workshops: • Forty-Eighth Annual Conference, sponsored by the Association of College and University Auditors (ACUA). • Legal Environments of Business, sponsored by Professional Publishing Group, Inc. • Twentieth Annual Conference, sponsored by the Texas Association of College and University Auditors. • Securing and Auditing PeopleSoft Applications, sponsored by the State Auditor's Office. • Service Connections Training Workshop, sponsored by UNT. • Supervision 101, sponsored by UNT.	Professional development assists staff to maintain and develop technical competencies and to keep informed about current developments in the internal auditing profession.
Quality Assurance Review – The Chief Internal Auditor served as the lead reviewer for a Quality Assurance Review of the University of Texas at El Paso.	Provides for a sharing of knowledge between peer institutions.

University of North Texas Health Science Center

Activity	Impact
Committees/Staff Meetings – Participated in Center activities related to the following: • President's Action Committee (PAC) • Facilitate the Office of Institutional Compliance • Serves as liaison on the Enterprise Information System (EIS) • Serves as liaison to Facilities and Administrative Cost Proposal Team	Assist the Center in addressing both short- and long-range issues. Evaluate and improve the effectiveness of the Center's risk management, control and governance processes.
Continuing Education (Professional Development) – Department participated in the following training/workshops: • Association of Healthcare Internal Auditors (AHIA) 2004 Conference, sponsored by the AHIA. • Accounting and Auditing Update, sponsored by the Texas Society of Certified Public Accountants (TSCPA) • Pre-Tax Season Income Tax Review: Individual Returns, sponsored by the TSCPA • Pre-Tax Season Income Tax Review: Fiduciary and Business, sponsored by the TSCPA. • Workpapers, Forms and Checklists: Avoid the Documentation Trap, sponsored by the TSCPA. • Interactive Data Extraction and Analysis (IDEA) 2004 Users Group, sponsored by Audimation Services. • Governmental Accounting and Auditing Update, sponsored by the TSCPA • International Conference 2005, sponsored by the Institute of Internal Auditors (IIA). • How to Maintain Your Professional Competency in an Ever-Changing World, sponsored by the Fort Worth Chapter, IIA. • Best Practices in Value-Added Auditing, sponsored by the Fort Worth Chapter, IIA • Make Your Message Count, sponsored by the Fort Worth Chapter, IIA. • Data Mining Fraud/Computer Fraud, sponsored by the Fort Worth Chapter, IIA. • How to Balance SOX Operational Needs with Operational Audit Needs, sponsored by the Fort Worth Chapter, IIA and Audit Advisory Services.	Professional development assists staff to maintain and develop technical competencies and to keep informed about current developments in the internal auditing profession.

Activity	Impact
• 2005 Not for Profit Accounting and Auditing Update, sponsored by the TSCPA. • Lone Star Network Security Forum, sponsored by the Information Resources Asset Protection .Council. • Negotiations and Communications, sponsored by Skill Path Seminars.	

VII.   Risk Assessment and Internal Audit Plan for Fiscal Year 2006

The attached annual audit plan for the University of North Texas System was approved
by the Board of Regents on August 19, 20045

RISK ASSESSMENT AND ANNUAL AUDIT PLAN
Audit No. 05-023

INTRODUCTION

The Internal Audit function for the University of North Texas System performs in accordance with the Texas Internal Auditing Act, Government Code Chapter 2102. The purpose of internal auditing is "to assist agency administrators 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. 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."

Furthermore, the Institute of Internal Auditors (IIA) is recognized as the authoritative body for a program of internal auditing. The internal audit program for the UNT System 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.

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

BACKGROUND

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

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

- Determine the auditable areas of an entity;
- Measure the risk of each unit and identify activities exposed to high risk;
- Rank the units by risk;

- Determine the time necessary to complete audits;
- Distribute available resources in the most efficient manner; and
- Develop annual and long-term audit plans.

SCOPE

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

Specific examples of risks facing the organization include the following:

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

METHODOLOGY

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

1. Identify and catalog auditable activities (the "audit universe") of the organization.

2. Select the criteria (risk factors) used to identify the significance of and likelihood that conditions and/or events may occur that would adversely affect the organization.

3. Weight the selection (risk) factors in terms of importance to management, external influences, and the auditor.

4. Prepare an audit selection schedule that includes the factors for each audit universe item.

5. Compute the weighted score for each universe item and the cumulative factor score.

6. Select and prioritize the audits to be conducted.

7. Examine available resources.

STAFFING/BUDGET

The System Internal Audit operating budget for fiscal year 2006 is $812,668. This level of support is sufficient to accomplish the attached audit plan.

SUMMARY

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

The attached Internal Audit Plan for fiscal year 2006 was developed and is presented on a component basis based on risk assessment, materiality, existing controls, state, federal and other audit requirements, audit staff capabilities, results of prior audits, and knowledge of the UNT System and its personnel. Additionally, consideration was given to specific requests by University and Health Science Center management.

University of North Texas System
Internal Audit

Allocation of Hours by Position - UNT Denton
Fiscal Year 2006

	Chief IA		Asst Director		Auditor III		Auditor II	
Staff Size by Position	1		1		3		4	
Total Hours Available	2,080		2,080		6,240		8,320	
Less:								
Vacation*	156	8%	132	6%	456	6%	432	5%
Sick Leave	80	4%	80	4%	240	4%	320	4%
Holidays	104	5%	104	5%	312	5%	416	5%
Professional Development	40	2%	40	2%	120	2%	160	2%
Total Non-office Hours	380	19%	356	17%	1,128	18%	1,328	16%
Net Hours Available	1,700	81%	1,724	83%	5,112	82%	6,992	84%
Administrative Activities	500	24%	500	24%	750	12%	1,000	12%
Direct Audit Hours	1,200	57%	1,224	59%	4,362	70%	5,992	72%
Total Direct Audit Hours							12,778	68%

* Hours earned

University of North Texas System
Internal Audit

Schedule of Planned Audits & Detail of Direct Audit Hours - UNT Denton
Fiscal Year 2006

	Budget Hours	Percent of Direct Hours
Audits In Progress		
Follow-up Reviews - Prior Audit Recommendations FY05	250	
Intellectual Property Management	200	
Annual Investments Audit FY05 Compliance	125	
Survey Research Center Departmental Review	100	
Travel Reimbursements Review	100	
Wireless Technology Review	75	
HR Hiring Practices	50	
Total Audits In Progress	900	7%
Required Audits		
State Auditor's Office Assistance (SACS)	400	
State Auditor's Office Assistance (A-133)	350	
Bonds Review - UNT System Compliance	300	
Annual Investments/Commercial Paper Audit FY06 Compliance	250	
Compliance Follow-Up	200	
NCAA Agreed-upon Procedures	200	
Advanced Technology Program Review	175	
Student Managed Investment Fund (SMIF) Review	150	
Joint Admissions Medical Program	100	
Total Required Audits	2,125	17%
Audits Based On Risk Assessment		
Departmental Financial Compliance Reviews	500	
Federal Programs Review (Trio Cluster, Gaining Early Awareness)	400	
Federal/State/Private Grant Reviews	400	
Purchasing Card Departmental Reviews	400	
Sarbanes-Oxley Initiatives	400	
Academic Pre-Employment Review	300	
Contract Administration Process	300	
International Student Reporting (SEVIS) Review	300	
Cooperative Education Review	250	
Credit Card Acceptance Review	250	
Dept ID Accountability Reviews	250	
Student Academic Assistant Hourly Payroll Review	250	
Research Park Lease/Contracts Review	200	
Dean Of Students Program Reviews	175	

Audits Based On Risk Assessment (continued)	**Budget Hours**	**Percent of Direct Hours**
Information Technology		
Enterprise Information System (EIS) Technical Review (E-Pro)	500	
Enterprise Information System (EIS) Management Report Reviews	500	
Information Technology Security	350	
EIS Student Grade Reporting/Grade Change Process Review	250	
Total Audits Based on Current Year Risk Assessment	5,975	47%
Other Direct Audit Activities		
Consulting/Training	400	
Risk Assessment/Annual Audit Plan/Annual Report	400	
Follow-up Reviews - Prior Audit Recommendations FY06	350	
Quality Assurance Activities	350	
Automated Workpaper Implementation	278	
Total Other Direct Audit Activities	1,778	14%
Contingency for Special Requests, Investigations, etc.	2,000	15%
TOTAL DIRECT AUDIT HOURS	**12,778**	**100%**

University of North Texas System
Internal Audit

Allocation of Hours by Position - UNT Health Science Center
Fiscal Year 2006

	Director		Asst Director		Auditor III		Auditor II	
Staff Size by Position	1		1		1		1	
Total Hours Available	2,080		2,080		1,040		2,080	
Less:								
Vacation*	172	8%	202	9%	42	4%	156	7%
Sick Leave	80	4%	80	4%	40	4%	80	4%
Holidays	104	5%	104	5%	32	3%	104	5%
Professional Development	40	2%	40	2%	40	4%	40	2%
Total Non-office Hours	396	19%	426	20%	154	15%	380	18%
Net Hours Available	1,684	81%	1,654	80%	886	85%	1,700	82%
Administrative Activities	337	16%	83	4%	222	21%	340	17%
Direct Audit Hours	1,347	65%	1,571	76%	664	64%	1,360	65%
Total Direct Audit Hours							4,942	68%

* Hours earned

University of North Texas System
Internal Audit

Schedule of Planned Audits & Detail of Direct Audit Hours - Health Science Center
Fiscal Year 2006

	Budget Hours	Percent of Direct Hours
Required Audits		
Advanced Technology Programs	250	
Family Medicine Residency Program	250	
Graduate Medical Education - Residency Program	200	
Joint Admission Medical Program (JAMP)	150	
Investment Compliance/Public Funds Act	150	
Federal Skiptracing Program	100	
Total Required Audits	1,100	22%
Management Requested Audits		
MSRDP Expenditure Review	200	
Total Management Requested Audits	200	4%
Audits Based On Risk Assessment		
Advancement/Foundation Financial Review	350	
Clinical Research Trials	350	
Cash Receipts (Internal Control)	300	
Fixed Assets (Internal Control)	300	
Biomedical Communications	212	
Substantive Testing of Financial Statements		
Assets	250	
Revenues	200	
Trial Balance and General Ledger	100	
Annual Financial Report	50	
Expenditures	50	
Liabilities	50	
Net Assets	50	
Ratio Analysis	50	
Total Audits Based on Current Year Risk Assessment	2,312	47%
Other Direct Audit Activities		
Annual Internal Audit Report	250	
Follow-Up on Audit Recommendations	250	
Risk Assessment/Annual Audit Plan	150	
SAO Assistance	100	
Total Other Direct Audit Activities	750	15%
Consulting and Advisory Services	350	7%
Contingency for Special Requests, Investigations, etc.	230	5%
TOTAL DIRECT AUDIT HOURS	**4,942**	**100%**

VIII. External Audit Services

University of North Texas – Denton

1. Audit services for UNT's Athletic Programs financial records for NCAA.

University of North Texas Health Science Center

1. Consulting services to facilitate the Center in preparing its federal grant facilities and administrative cost proposal.

2. Actuarial services for self- insurance plan.

3. Professional services for formation of 501 (a) corporation for physicians.