UNT | SYSTEM

Board Order

Title: Approval of the FY16 UNT System Internal Audit Plan

Board Order 2015-65

At an official meeting of the Board of Regents of the University of North Texas System properly posted and held on July 31, 2015, pursuant to a motion made by Regent Mitchell and seconded by Regent Whitley, the Board approved the motion presented below:

Whereas, Chapter 2102 of the Texas Government Code and Regent Rule 4.501.4.b requires the Board of Regents to review and approve the FY 2016 Annual Risk Assessment and Internal Audit Plan, and

Whereas, the Internal Audit department conducted the Annual Risk Assessment within professional standards and in concert with management and the Compliance Offices, and

Whereas, the Board of Regents has reviewed the Internal Audit Plan,

Now, Therefore, The Board of Regents authorizes and approves the following:

1. Fiscal Year 2016 UNT System Internal Audit Plan

VOTE: __6__ ayes __0__ nays _____ abstentions

BOARD ACTION:

Attested By:

Rosemary R. Haggett

Rosemary R. Haggett, Secretary
Board of Regents

Approved By:

Don Potts

Don Potts, Vice Chairman
Board of Regents

UNT|SYSTEM™

MINUTES

BOARD OF REGENTS
Audit Committee
July 31, 2015

The Audit Committee of the Board of Regents of the University of North Texas System convened on Friday, July 31, 2015 in Room 712 of the University of North Texas System Building. 1901 Main St, Dallas, Texas with the following members in attendance: Regents Steve Mitchell, Don Potts, Rusty Reid, and Al Silva.

There being a quorum present, the meeting was called to order by Committee Chairman Mitchell at 8:06 am.

The first briefing was given by Ben Kohnle of the accounting firm, Grant Thornton. Mr. Kohnle presented the **Audited FY 14 Consolidated Annual Financial Reports**. The audit provided an unmodified opinion, which is the best possible opinion.

Interim Chief Internal Auditor, Steve Goodson, presented the **Annual Risk Assessment and Internal Audit Plan Proposal – FY16**.

The Committee had two action items to consider. Both were presented by Steve Goodson.

1. UNT System   **Acceptance of the External Audit of UNT System FY14 Consolidated Annual Financial Statements**

Pursuant to a motion by Regent Don Potts and seconded by Regent Rusty Reid, the Committee approved the above item on a 4-0 vote.

2. UNT System   **Approval of the FY16 UNT System Internal Audit Plan**

Pursuant to a motion by Regent Rusty Reid and seconded by Regent Don Potts, the Committee approved the above item on a 4-0 vote.

There being no further business, the Committee meeting adjourned at 9:02 am.

Submitted By:

Rosemary R. Haggett

Rosemary R. Haggett
Board Secretary

Date: _Aug 20, 2015_

Audit Committee

UNT SYSTEM

INTERNAL AUDIT

Steve Goodson, Interim Chief Internal Auditor

Fiscal Year 2016 Annual Risk Assessment
and Proposed Audit Plan

Introduction

This document presents UNT System Internal Audit's proposed Fiscal Year 2016 audit projects and summarizes the risk assessment methodology used to prepare it, as required by the Texas Government Code Chapter 2102, also known as the Texas Internal Auditing Act, and professional auditing standards[1] .

The Texas Internal Auditing Act establishes requirements for internal auditing in state agencies, including UNT System. This law establishes the purpose of the internal audit function as assisting administrators and governing boards by furnishing independent analyses, appraisals, and recommendations about the adequacy and effectiveness of an agency's systems of internal control, policies and procedures, governance processes and the quality of performance in carrying out assigned responsibilities. These requirements are further outlined in the Internal Audit Charter, approved by the Board of Regents in February 2015.

This proposal is the blueprint by which the Internal Audit will provide assurance and advisory services that help the Board of Regents and executive management meet agency goals and objectives.

Methodology

This Audit Plan outlines the audits and other activities Internal Audit will conduct during Fiscal Year 2016. The risk assessment process was conducted in partnership with UNTS Office of Institutional Compliance, UNT HSC Institutional Compliance and the external auditing firm Deloitte & Touche LLP.

Audits included in this plan were primarily identified through a system-wide risk assessment process; however, some of the audits included are intended to assist the UNT System in complying with other external requirements.

During the risk assessment process we conducted 56 interviews, received 155 survey responses from a pool of 303 participants resulting in 65 potential audit projects. From this list of 65, using stakeholder input, a final risk ranking process took place to further identify projects that would provide the most benefit to UNTS. This effort yielded the projects listed on the attached Fiscal Year 2016 Audit Plan.

---

[1] Government Auditing Standards issued by the Government Accountability Office (GAO) and the International Standards for the Professional Practice of Internal Auditing issued by the Institute of Internal Auditors (IIA).

The six components evaluated during risk ranking were:

1. Regulatory, Compliance, Fraud Risk
2. Reputational Risk
3. Operational Risk
4. Financial Risks
5. Professional Input
6. Information Technology Risks

The specific scope of each audit in the Plan will be determined once the audit team has completed the audit planning process for each engagement. The audit planning process includes consideration of the risk management, control, and governance processes that provide reasonable assurance that:

- Risks are appropriately identified and managed;
- Information is accurate, reliable, and timely;
- Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- Operations are efficient and effective;
- Resources are acquired economically, used efficiently, and adequately protected; and
- Accountability systems are in place to ensure organizational and program missions, goals, plans, and objectives are achieved.

The types of projects listed in this plan demonstrate the variety of approaches Internal Audit takes to address its mission of helping UNTS achieve its goals and objectives in an efficient and effective manner. To accomplish this, deliverables for projects may vary, including audit reports, technical assistance, data analysis, and other written and oral communications.

Acceptable Level of Risk and Available Resources

Internal Audit believes that completion of the projects proposed, or appropriate alternatives, will provide reasonable coverage regarding risks identified in the risk assessment process.

The Texas Internal Auditing Act requires the governing board to conclude whether resources available adequately address the identified risks. Specifically, Senate Bill 1694 of the 78th legislative session amended the Texas Internal Auditing Act to require the governing board periodically review the resources dedicated to the audit program and determine whether existing resources can ensure the coverage of identified risks within a reasonable time frame. The Interim Chief Internal Auditor asserts that the staffing and funding levels proposed for Fiscal Year 2016, if approved, will be adequate to accomplish the projects proposed in this plan. Audit coverage beyond what is proposed in this plan would require additional resources.

Revisions Subsequent to Approval

Changes in operations, priorities, workloads, and timing of initiatives, management requests, and staff availability may affect the risk assessment and suggest revisions to the approved Audit Plan. Internal Audit will assess emerging risks and monitor the Audit Plan throughout the year and consult with the Board of Regents' Audit Committee and executive management to adjust the Plan as needed. Material recommendations for change to the Audit Plan will be submitted to the Audit Committee for approval.

Closing

The UNT System Internal Audit Plan for Fiscal Year 2016 is attached for the Board of Regents consideration.

Internal Audit thanks its management partners and the Board of Regents for their contributions to this proposal. We look forward to helping the UNT System throughout the year as we accomplish the approved Audit Plan. For further information about Internal Audit or the Fiscal Year 2016 Audit Plan, please contact Interim Chief Internal Auditor Steve Goodson at (940) 565-2355 or by email at stephen.goodson@untsystem.edu.

INTERNAL AUDIT
Steve Goodson, Interim Chief Internal Auditor

Fiscal Year 2016 Audit Plan

Required Audits
UNT System
Chancellor's Expenditure Review
Benefits Proportionality Review

University of North Texas
President's Expenditure Review
Investment's Review
Student-Managed Investment Fund Review
Benefits Proportionality Review
Cancer Prevention and Research Institute of Texas Program Review

Health Science Center
President's Expenditure Review
Investments Review
Family Medicine Residency Program Review
Joint Admission Medical Program Review
Cancer Prevention and Research Institute of Texas Program Review
Benefits Proportionality Review

UNT Dallas
President's Expenditure Review
Benefits Proportionality Review

Component Risk Based Audits
University of North Texas
Unit Specific Management Control Review (1 of 2)
Unit Specific Management Control Review (2 of 2)
Unrelated Business Income Tax
Selected Scholarships Review
International Travel Process Review
Selected Student Fees Review

Health Science Center
Unit Specific Management Control Review
Financial Review of Reserves

UNT Dallas
Unit Specific Management Control Review
Enrollment Management and Planning
Federal Financial Aid Review

System-Wide Risk Based Audits
Investigations
Management Requests and Emerging Risks
Audit Recommendation Follow-up
Financial Transformation Implementation Assurance
Advisory: Fiscal Year 2015 External Audit Coordination and Assistance
Time & Labor Audit
Selected Contract Review (1 of 2)
Selected Contract Review (2 of 2)

Risk Based Continuous Audits
Accounts Payable
Payroll
Journal Entry
Task Payments

Information Technology Risk Based Audits
Security Governance
Privacy and Data Protection
Change Management
Advisory: PeopleSoft Implementation
Advisory: Hyperion Implementation
Affordable Care Act Implementation
Payment Card Industry Data Security Overview

Outsourced Risk Based Audits
Grants Management Process Review
Selected Policies Review
Endowments (UNT)
Endowments (UNT HSC)
Endowments (UNT Dallas)
Selected Grants Reviews (UNT)
Selected Grants Reviews (UNT HSC)

Other Types of Audits and Activities

Follow-up Audits

Conduct follow-up audits on management's implementation of prior audit recommendations to determine if management has adequately addressed the issues.

Change in Management Reviews

Conduct change in management reviews, on an as-needed basis, when there is a change in an executive management position within the UNT System.

Participation and/or Assistance

Internal audit staff may participate and/or assist UNT System members in developing and maintaining strong governance, risk management, and control processes and systems. Activities may include serving as a member of a work group, participating in the design of a major information system, or providing consultative advice on financial, operational, and compliance issues. The staff may also perform work to support external audit requirements.

Potential Fiscal Year 2017 Audits

Taking a longer term view, Internal Audit also identified potential projects that should be considered during the Fiscal Year 2017 Risk Assessment and planning process. These could include:

   Financial Control on Research Activities
   Training and Development
   Grants Management
   Procurement
   Legal and Regulatory Compliance
   Contract Management
   Financial Aid
   Tuition
   Scholarships
   Enrollment Growth
   Student Retention
   Colleges Oversight
   Records Management
   Security Awareness and Training
   Business Continuity Planning/Disaster Recovery
   Antivirus
   Cloud Services
   Laptop Encryption
   Access Provisioning and De-provisioning
   Anomaly Logging, Monitoring, Detection, and Alerting
   Vulnerability Scanning/System Patching
   Penetration Testing
   Firewalls – perimeter / internal
   Virtual Environment
   Mobile Technology