The University of Texas System Administration System Audit Office
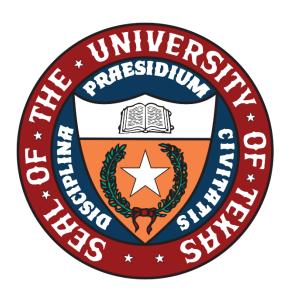
Annual Audit Report
Fiscal Year 2022

The University of Texas System
System Audit Office
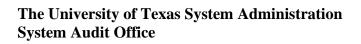210 West 7th Street
Austin, Texas 78701

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I. **Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit information on Internet Web site**

The System Audit Office FY 2022 Internal Audit Annual Report, which includes its approved FY 2023 Annual Audit Plan (see Section V) and a summary of weaknesses/concerns and related actions taken resulting from the FY 2022 Annual Audit Plan (see Section II), can be found on the UT System website (specifically, the "Reports to State" webpage https://www.utsystem.edu/documents/reports-state , choosing "Annual Audit Reports" from the "Report Type" drop down menu). The annual report can also be found at https://www.utsystem.edu/offices/system-audit/about-internal-audit.

II. Internal Audit Plan for Fiscal Year 2022

FY 2022 Audit Plan – Engagements	Status of Plan
Assurance Engagements	
Employee Onboarding and Offboarding Process Audit - FY21 Carryforward	11/10/2021
Oil and Gas Company Royalties Audit - FY21 Carryforward	11/10/2021
Oil and Gas Company Royalties Audit - FY22	Carryforward to FY23
System Administration Cybersecurity and Threat Response Audit	Carryforward to FY23
UTIMCO IT Asset Management Audit	8/3/2022
Group Purchasing Organization (GPO) Accreditation Applications Review	Complete – Report NA
System Administration Procard and Employee Reimbursement Audit	6/23/2022
UT Health Intelligence Platform Audit	Postponed
Chief Administrator Travel, Entertainment, and Housing Expenses Audit	8/3/2022
Advisory and Consulting Engagements	
Business Process Review (Phase II)	Complete – Report NA
System Administration Data Governance and Data Management Assessment	8/30/2022
University Lands (UL) Consulting	Postponed
GASB 87 Consulting	Canceled
Enterprise Risk Management	Ongoing – Report NA
Information Security Assessments Action Plans Monitoring	Ongoing – Report NA
COVID-19 and Federal Relief Funds Consulting Assistance	Canceled
Diversity, Equity, and Inclusion Consulting	Ongoing – Report NA
Consulting Request Project - UTMB	Complete – Report NA
General Audit Assistance to System Administration	Ongoing – Report NA
System Administration Committees and Councils	Ongoing – Report NA
UTIMCO Meetings and Oversight Activities	Ongoing – Report NA
Required Engagements	
UT System Administration & Consolidated Financial Audit Assistance	Deloitte Report
Benefits Proportionality Audit	6/10/2022
NCAA Agreed-Upon Procedures at UT Arlington	1/14/2022
NCAA Agreed-Upon Procedures at UT El Paso	1/14/2022
NCAA Agreed-Upon Procedures at UT Rio Grande Valley	1/14/2022
NCAA Agreed-Upon Procedures at UT San Antonio	1/14/2022
NCAA Agreed-Upon Procedures at UT Permian Basin	1/14/2022
Investigations	
Various Special Reviews	Internal Memos, as applicable

Follow-Up	
System Audit Follow Up Procedures	Various Memos
Development – Operations	
Assistance to Institutions – Academic	Ongoing – Report NA
Assistance to Institutions – Health	Ongoing – Report NA
Assistance to Institutions – All	Ongoing – Report NA
Assistance to Institutions - IT Related	Ongoing – Report NA
Systemwide Annual Risk Assessment and Audit Plan	Complete – Report NA
Audit, Compliance, and Risk Management Committee and Board of Regents	Quarterly – Report NA
Systemwide Internal Audit Council	Ongoing – Report NA
Fraud and Investigation Tracking	Ongoing – Report NA
Systemwide Internal Audit Reporting	Complete – Report NA
IT Audit Collaboration, Skill, and Tool Development	Ongoing – Report NA
General Communications	Ongoing – Report NA
Systemwide TeamMate Administration	Ongoing – Report NA
Online Reporting	Ongoing – Report NA
Data Analytics Collaboration, Skill, and Tool Development	Ongoing – Report NA
UT System Administration Internal Audit Committee	Quarterly – Report NA
Management of the Internal Audit Activity	Ongoing – Report NA
System Audit Office Annual Risk Assessment and Audit Plan	Complete – Report NA
System Audit Quality Assurance Activities	Ongoing – Report NA
TeamMate and Website Maintenance and Management	Ongoing – Report NA
External Reporting and Requests	Ongoing – Report NA
Development - Initiatives and Education	
Audit Management Software Research & Implementation	Ongoing – Report NA
Risk Assessment Methodology Relook	Postponed
Quality Program and Metrics Implementation	Ongoing – Report NA
Resource Capabilities and Knowledge/Resource Management	Ongoing – Report NA
Other Systemwide Internal Audit Initiatives	Ongoing – Report NA
Internal Audit Staff Training	Ongoing – Report NA
Professional Organizations and Associations	Ongoing – Report NA

Deviations from Audit Plan Submitted:
The System Audit Office completed its FY 2022 annual audit plan except for the deviations noted below. Two engagements for which reports had not yet been issued at the end of FY 2022 were carried forward for completion in FY 2023. Minimal changes from the original FY 2022 annual audit plan were made as follows.
- *Canceled:* COVID-19 and Federal Relief Funds Consulting Assistance
- *Postponed:* UT Health Intelligence Platform Audit, UL Consulting, Risk Assessment Methodology Relook
- *Added:* GASB 87 Consulting (later cancelled by requesting client), Consulting Request Project - UTMB

TEC Section 51.9337(h):
Senate Bill 20 (84th Legislative Session) made several modifications and additions to Texas Government Code (TGC) and Texas Education Code (TEC) related to purchasing and contracting. Effective September 1, 2015, TEC §51.9337 requires that, "The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor." The System Audit Office conducted this required assessment for FY 2022 and found the following:

> Based on review of current institutional policy and the UT System Board of Regents' Rules and Regulations, UT System Administration has generally adopted all of the rules and policies required by TEC §51.9337. Review and revision of System policy is an ongoing process. These rules and policies will continue to be assessed annually to ensure continued compliance with TEC §51.9337.

Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institution:
Rider 8, page III-46, of the General Appropriations Act (87th Legislature) required that an audit examine appropriation years (AY) 2019 through 2021. An audit of benefits proportionality for appropriation years 2020-2021 was completed as part of the FY 2022 Audit Plan and issued on June 10, 2022 (and is included in Section II below). Because our prior audit of proportional benefits includes AY 2019, only 2020 and 2021 were included this year.

TGC Section 2102.015:
A summary table of recommendations made to address observations identified from FY 2022 engagements, the actions planned to be taken by management, and the current implementation status is included on the following pages to address web site posting requirements as required by Texas Government Code Section 2102.015. Audit results are included in each issued audit report, which are provided to the State Auditor's Office.

Report Date	Report Name	Observations	Management Action Plans	Status
11/10/21	Oil and Gas Audit	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act, based on the Texas Education Code Section 66.81. Specific results of the audit were provided to University Lands and appropriate members of UT System management.		
11/10/21	Employee Onboarding and Offboarding Process Audit	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act, based on the Texas Government Code Section 552.139. Specific results of the audit were provided to appropriate members of UT System management.		
6/10/22	Benefits Proportionality Audit	This audit resulted in no findings. Based on audit procedures performed, the Benefits Proportionality by Fund Report as submitted to the State Comptroller, was accurate.		
6/16/22 & 6/22/22 & 8/3/22	Chief Administrator Travel, Entertainment, & University Residence Maintenance Expenses Audit	UT Austin (6/16/22): This audit resulted in no reportable observations. UT Medical Branch (6/22/22): This audit resulted in no reportable observations. UT MD Anderson Cancer Center (8/3/22): This audit resulted in no reportable observations.		
6/23/22	Procard and Employee Reimbursements Audit	**Observation 1 (Medium):** Without initial and periodic refresher training, procard holders are less likely to be aware of program updates or changes in applicable rules, increasing the risk of inappropriate charges and decreased administrative or purchasing efficiency	**Management Action Plan 1:** Management agrees. To minimize or altogether eliminate the risk of inappropriate charges, Financial Shared Services (FSS) has created a project timeline for the Procard training and tracking plan with training dates tentatively set for November 8th and November 10th, 2:00-3:00 PM. This will help ensure consistency in the quality of the transactions as well as emphasize the accountability per cardholder. Training will be scheduled for the month of November 2022 for all cardholders and the departmental administrative coordinator, with notification to the department leaders. The training agenda will include Procard Program Updates, Rules, Risk Mitigation, and a review of software purchases. These will be one-hour training sessions for each cardholder that will also include a live walkthrough a transaction log, a check for financial sanctions, (vendor on hold), purchases over $500.00, tax, etc. Moving forward, FSS will host an annual refresher session and will require this training for subsequent, new cardholders effective September 1, 2023.	Follow-up to be performed
		Observation 2 (Medium): Without a procard policy statement and updated procard manual, cardholders may not be fully informed of all requirements and responsibilities regarding procards, increasing the risk of inappropriate procard management and usage.	**Management Action Plan 2:** Management agrees. To ensure all cardholders are fully informed of requirements and their respective responsibilities as cardholders, FSS will develop a Procard Policy and Update the Procard Manual (Manual). The Manual will include cardholder guidance, helpful tips, a frequently asked question section, the policy statement, account code guidance, and a more robust disallowed list, including what can be charged on the card and what will not be allowed, e.g., the sharing of cards. Documentation will ensure that consequences for procard misuse will be addressed, including possible revocation of procard privileges. A flowchart will also be created showing the procard process, from the beginning of the application approval to the final cancellation of the card.	Follow-up to be performed

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Report Date	Report Name	Observations	Management Action Plans	Status
6/23/22	Procard and Employee Reimbursements Audit **(continued)**	**Observation 3 (Medium):** Without retaining documented approval for opening new procards, there is no evidence of authorization for employees to use a procard. Untimely closing of procards assigned to separating or transferring cardholders increases the risk of unauthorized or fraudulent activity on those procards.	**Management Action Plan 3:** Management agrees. To ensure evidence of authorization for cardholders, FSS has created a process of documentation for the Procard and Onecard applications. This process includes the initial application request from the department to the departmental management approval to the final closing of the card. FSS will also create a process flow that demonstrates to stakeholders the process for the timely closing of the Procard and Onecard when cardholder separates. This process flow includes the department administrative coordinator and the Office of Talent & Innovation (OTI) business partner who work collaboratively during the offboarding process via the separation checklist.	Follow-up to be performed
		Observation 4 (Medium): Without prior review of software purchases via procard, UT System Administration may be exposed to higher risk of unauthorized access to sensitive and confidential information, use of unsanctioned cloud service providers, and auto-renewal payments of software no longer in use.	**Management Action Plan 4:** Management agrees. To minimize the potential risk of unauthorized access to sensitive and confidential information, use of an unsanctioned cloud service provider, and auto-renewal payments of software that is no longer in use, FSS will consult with the Information Security Office to discuss a process for software purchases. This consultation will include collaborating with the Office of Technology and Information Services (OTIS), to help develop criteria for when it is allowable to purchase via procard. Once the best practice has been established, cardholders will be notified of the practice regarding software purchases with a procard.	Follow-up to be performed
		Observation 5 (Low): Payments for goods or services without a contract, when required, increases the risk of non-compliance with State of Texas contracting requirements, opportunities to negotiate advantageous terms and conditions are missed, and total contract spend cannot be accurately monitored.	**Management Action Plan 5:** Management agrees. To ensure cardholders do not bypass procurement procedures and to help minimize the risk of non-compliance with Texas contracting requirements, FSS will consult with Contracts and Procurement and create a process for purchases of goods and/or services without a contract. The cardholder will be made aware of the risks, including missing potential advantageous terms to negotiate, and the potential risk of not monitoring contract expenditures.	Follow-up to be performed
8/3/22	The University of Texas/Texas A&M Investment Management Company (UTIMCO) IT Asset Management Audit	The report contains confidential information as specified in Texas Government Code Section 552.139 and is not subject to the disclosure requirements of the Texas Public Information Act. Specific results of the audit were provided to appropriate members of UTIMCO management.		

III. Consulting Services & Non-audit Services Completed

Report Date	Report Name	High-Level Objectives(s)	Observations/Results/ Recommendations
1/14/22	UT Arlington NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' Statement of Revenues and Expenses (SRE).	No reportable observations
1/14/22	UT El Paso NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
1/14/22	UT Permian Basin NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
1/14/22	UT Rio Grande Valley NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
1/14/22	UT San Antonio NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
8/30/22	System Administration Data Governance and Data Management Assessment (Co-sourced with Postlethwaite & Netterville)	Determine if governance structures, processes and controls for data governance and data management are adequate and effective to support the identification, classification and protection of data created, managed and/or collected by System Administration, and comply with applicable State rules, including sections of Texas Government Code §2054 and Texas Administrative Code §202.76 security control standards.	Internal report issued
N/A	Business Process Review (Phase II)	Develop and deploy a self-assessment tool for System Administration offices' use to identify key processes and controls, accountability, and any gaps in the continuously changing environment to ensure those processes are documented and supported by appropriate procedures and/or job aids; to facilitate succession planning; and to identify opportunities to improve operational efficiency.	No reportable observations
Various	Reviews	Investigative or special reviews conducted at select UT institutions, UT System Administration, and/or UTIMCO.	Reports/memos issued, as appropriate

IV. External Quality Assurance Review

bakertilly

October 1, 2020

Mr. J. Michael Peppers, Chief Audit Executive
The University of Texas System

In August 2020, The University of Texas (UT) System Administration Audit Office (System Audit or IA) completed a self-assessment of internal audit activities in accordance with guidelines published by the Institute of Internal Auditors (IIA) for the performance of a quality assessment review (QAR). System Audit engaged an independent review team consisting of internal audit professionals with extensive higher education and healthcare experience to perform an independent validation of System Audit's QAR self-assessment. The primary objective of the validation was to verify the assertions made in the QAR report concerning IA's conformity to the IIA's *International Standards for the Professional Practice of Internal Auditing* (the IIA *Standards*) and Code of Ethics, Generally Accepted Government Auditing Standards (GAGAS), and the relevant requirements of the Texas Internal Auditing Act (TIAA).

The IIA's *Quality Assessment Manual* suggests a scale of three ratings, "generally conforms," "partially conforms," and "does not conform." "Generally conforms" is the top rating and means that an internal audit activity has a charter, policies, and processes that are judged to be in conformance with the *Standards*. "Partially conforms" means deficiencies in practice are noted that are judged to deviate from the *Standards*, but these deficiencies did not preclude the IA activity from performing its responsibilities in an acceptable manner. "Does not conform" means deficiencies are judged to be so significant as to seriously impair or preclude the IA activity from performing adequately in all or in significant areas of its responsibilities.

Based on our independent validation of the QAR performed by System Audit, we agree with System Audit's overall conclusion that the internal audit function **"Generally Conforms"** with the Institute of Internal Auditors' *International Standards for the Professional Practice of Internal Auditing* and Code of Ethics, as well as with IA's conclusions regarding GAGAS and TIAA requirements. Our review noted strengths as well as opportunities for enhancing the internal audit function.

This information has been prepared pursuant to a client relationship exclusively with, and solely for the use and benefit of, The University of Texas System Administration and System Audit and is subject to the terms and conditions of our related contract. Baker Tilly disclaims any contractual or other responsibility to others based on its use and, accordingly, this information may not be relied upon by anyone other than UT System Administration and System Audit.

The review team appreciates the cooperation, time, and candid feedback of executive leadership, stakeholders, and System Audit personnel.

Very truly yours,

Baker Tilly Virchow Krause, LLP

Baker Tilly Virchow Krause, LLP

V. Internal Audit Plan for Fiscal Year 2023

FY 2023 Audit Plan	Budget	% of Total	General Objective/Description
Assurance Engagements			
Shared Systems Disaster Recovery Audit	500		Determine if backup and recovery procedures are in place and effective to facilitate timely and complete recovery in response to an intentional attack (e.g., ransomware) or natural disaster event, including compliance with applicable Texas Administrative Code §202.76 security control standards (will be co-sourced, ~350 hours).
System Administration Privileged Access Audit	350		Determine if practices in place to grant, manage and monitor highly privileged access are in place and effective, and comply with applicable Texas Administrative Code §202.76 security control standards.
System Administration Multi-Factor Authentication Audit	300		Determine if multi-factor authentication is in place for critical resources to reduce the risk of misuse of breached or stolen access credentials.
UTT Cybersecurity and Ransomware Protection Audit Assistance	50		Assist UT Tyler Internal Audit in determining if cybersecurity protections and threat response activities are in place and function effectively. This engagement includes compliance with applicable Texas Administrative Code §202.76 security control standards.
UTPB IT audit assistance	50		Assist UT Permian Basin Internal Audit in two IT audits selected based on risk. These engagements will include compliance with applicable Texas Administrative Code §202.76 security control standards.
Oil and Gas Royalties Audit - TBD Company	500		Determine if a selected operator (TBD company) has accurately reported and paid oil and gas royalties to University Lands. *NOTE:* While a Medium risk area, this engagement is conducted as it regularly results in the collection of significant
UTIMCO Securities Lending	300		Determine if securities lending policies, processes and procedures are adequate and operating effectively.
Chief Administrator Travel, Entertainment, and Housing Expenses Audit	400		Determine if chief administrators' travel, entertainment, and university residence maintenance (as applicable) expenses are appropriate, accurate, and in compliance with applicable policies. *NOTE:* While a Medium risk area, this engagement is conducted to protect reputational risks. Chief Administrators are chosen for audit based on highest risk assesses annually.
Group Purchasing Organization (GPO) Accreditation Applications Review	40		Determine if controls, as represented by the GPO accreditation applicant, meet the minimum standards of the UT System Accreditation Program.
GPO Control Validation Review	150		Determine if contracting controls, reported by an accredited GPO, are in place and functioning as represented during the accreditation process.
Carryforward - FY22 Oil and Gas Royalties Audit	200		Completion of FY2022 engagement: Determine if operator has accurately reported and paid oil and gas royalties to University Lands.
Carryforward - System Administration Cybersecurity & Threat Response Audit	100		Completion of FY2022 engagement: Determine if cybersecurity protections and threat response activities are in place, function effectively and are designed to evolve
General Carryforward	50		Wrap-up/completion of FY2022 engagements.
Assurance Engagements Subtotal	**2990**	**18.8%**	
Advisory and Consulting Engagements			
Business Process Review (Phase III)	300		Using results of questionnaire completed by System Administration offices in FY22, provide guidance in the development of a common methodology for use by departments to document and assess controls over their key business processes, providing facilitation, if requested.
University Lands (UL) Consulting	200		Provide consulting services based on discussions to be held with UL CEO and management team.
UT Health Intelligence Platform (UT-HIP) Consulting	200		Provide consulting services based on discussions to be held with various parties involved with UT-HIP.
System Administration Software Inventory & Licensing	300		Provide assistance in assessing the completeness of the current software inventory and assess procedures intended to monitor software use and maintain an accurate and complete inventory.
TX-RAMP Compliance Review	200		Assess newly implemented procedures intended to ensure compliance with Texas Government Code §2054.0593, requiring Texas Risk and Authorization Management Program (TX-RAMP) certification of cloud vendors.
Recruitment and Retention Consulting	200		Provide consulting services based on discussions to be held with human resources and other management members.
System Administration Committees and Councils	200		Participate on System Administration Committees and Councils (e.g., ERM, DEI, UT Share Committees, Executive and Endowment Compliance Committees, etc.).
General Audit Assistance to System Administration	300		Provide general assistance and support to System Administration departments and response to management requests.
UTIMCO Meetings and Oversight Activities	25		Attend UTIMCO Board of Directors, Committee, and other oversight meetings.
Advisory and Consulting Engagements Subtotal	**1925**	**12.1%**	
Required Engagements			
UT System Administration & Consolidated Financial Audit Assistance	300		Assist the external auditor on the System Administration and Consolidated financial statements FY 2022 year-end & FY 2023 interim audit work (includes institutional internal audit guidance and coordination).
NCAA Agreed-Upon Procedures at UT Arlington	250		Perform agreed-upon procedures regarding internal controls, revenues, and expenses of FY 2022 intercollegiate athletics program activity (Due Jan 15, 2023).
NCAA Agreed-Upon Procedures at UT El Paso	400		
NCAA Agreed-Upon Procedures at UT Rio Grande Valley	150		
NCAA Agreed-Upon Procedures at UT San Antonio	300		
Joint Admission Medical Program (JAMP)	200		Provide audit opinion on JAMP financial statements and perform limited transaction/control testing (Due Dec 15, 2022).
Required Engagements Subtotal	**1600**	**10.1%**	

Investigations			
Investigations Reserve	200		Reserve for investigations that may arise.
Investigations Subtotal	**200**	**1.3%**	
Reserve			
TBD Special Requests	200		Assist executive management in addressing unexpected issues.
Reserve Subtotal	**200**	**1.3%**	
Follow-Up			
System Audit Follow Up Procedures	250		Follow-up on open recommendations from previous audits conducted by System Audit.
Follow-Up Subtotal	**250**	**1.6%**	
Development - Operations			
Audit, Compliance, and Risk Management Committee (ACRMC) and Board of Regents	250		Prepare for and attend ACRMC and Board of Regents meetings. May also include other reports for and requests from Regents.
UT System Administration Internal Audit Committee	250		Prepare for and attend System Administration Internal Audit Committee meetings.
Systemwide Annual Risk Assessment and Audit Plan	200		Coordinate and conduct institutional audit plan presentations to provide feedback on draft annual audit plans, prepare the Systemwide annual audit plan for approval by the ACRMC and analyze Systemwide risk, audit, and issue trends.
System Audit Office Annual Risk Assessment and Audit Plan	300		Facilitate risk assessments used to develop the risk-based System Audit Office's annual audit plan.
Systemwide Internal Audit Council	400		Prepare for and attend Internal Audit Council meetings, including efforts on Internal Audit strategic activities, communication and education among the Chief Audit Executives.
Assistance to Institutions - Academic			
Assistance to Institutions - Health	1500		Provide oversight, guidance, and assistance to the institutional internal audit in various audit areas (e.g., NCAA SRE, IT, etc.) and other topics. Includes attendance at institutional audit committee and other meetings.
Assistance to Institutions - All			
Assistance to Institutions - IT Related			
Data Analytics Collaboration, Skill, and Tool Development	600		Provide data analytics technical guidance, tool development and support, and educational and collaboration opportunities to assist and enhance capabilities of institutional audit teams.
IT Audit Collaboration, Skill, and Tool Development	300		Provide IT audit guidance, tool development and support, and educational and collaboration opportunities to assist and enhance IT audit capabilities of institutional audit teams.
Systemwide TeamMate Administration	300		Support the Systemwide administration of the audit management software (TeamMate) used by institutional internal audit. Develop the structure and processes, including job aids, forms, etc.
General Communications	50		Develop and deliver communications to institutional internal audit.
Online Reporting	100		Collect, track, sort, and post audit reports online.
Fraud and Investigation Tracking	50		Track, monitor, and report on fraud and investigation activities.
Systemwide Internal Audit Reporting	350		Collect and summarize information for Systemwide annual internal audit reporting, including tracking plan status and reportable findings.
System Audit Quality Assurance Activities	150		Conduct internal quality assurance activities, including quality related enhancements to System Audit Office's policies/processes/procedures and implementation of recommendations from External Quality Assessment (EQA).
External Reporting and Requests	100		Prepare State Auditor's Office (SAO) annual report and other SAO reporting requests. May also include reports or requests from other external agencies. Includes TEC section 51.9337(h) compliance work.
TeamMate and Website Maintenance and Management	100		Update System Audit's TeamMate software and keep Systemwide Internal Audit and System Audit Office websites current.
Management of the Internal Audit Activity	500		Manage the System Audit Office's internal audit activities such as prioritization and status updates of engagements.
Development - Operations Subtotal	**5500**	**34.7%**	
Development - Initiatives and Education			
Audit Management Software (AMS) Implementation	1600		Implementation of Systemwide audit management software upon end-of-life of current TeamMate technology.
Risk Assessment Methodology Relook	300		Re-assessment of annual risk assessment methodology (coordinate with AMS Implementation).
Other Systemwide Internal Audit Initiatives	100		Follow up on execution of various initiatives.
Quality Program and Metrics Implementation	100		Strengthen leading practice and standards use with quality program implementation (includes coordination/guidance for triennial QAR).
Resource Capabilities and Knowledge/Resource Management	100		Provide guidance, tools, educational opportunities to enhance capabilities and development of auditors Systemwide.
Internal Audit Staff Training	800		Attend Continued Professional Education training.
Professional Organizations and Associations	200		Participate in professional organizations.
Development - Initiatives and Education Subtotal	**3200**	**20.2%**	
Total Budgeted Hours	**15865**	**100.0%**	

Risk Assessment/Methodology Used to Develop FY 2023 Annual Audit Plan & High Risks Not Included
The Audit Plan outlines the internal audit activities that will be performed by the System Audit Office during FY 2023 in accordance with responsibilities established by UT System, the TIAA, the IIA *Standards*, and GAGAS. The plan is prepared using a risk-based approach to ensure that areas and activities with the greatest risk are identified for consideration to be audited. The Audit Plan includes audit work, which is included in the Assurance, Advisory and Consulting, Required, Investigations, and Follow-up sections; Development – Operations (ongoing System Administration and oversight activities); and Development – Initiatives & Education (developmental initiatives that may be employed over multiple years). The Audit Plan was approved by the UT System Administration Internal Audit Committee on 6/27/22 and by the UT System Board of Regents' Audit, Compliance, and Risk Management Committee on 8/24/22 as part of the Systemwide Audit Plan.

The System Audit Office's risk assessment approach was accomplished by evaluating important strategic initiatives and operational objectives that were previously defined for each of the System Administration offices. Meetings were held with department heads, members of executive management, and other risk collaborators to review the activities, associated risks, and potential audits and consulting projects. Risks were ranked, based on probability and impact ratings, as well as past audit coverage and other interrelated risks. Engagements were identified to address the highest risks. In addition, the FY 2023 Audit Plan includes other required engagements and reserve time for unanticipated items.

As in past years, additional focus was placed on IT risk through collaboration with IT and Information Security leadership to identify and agree upon critical services and functions that could have a significant impact on business objectives. IT risks related to Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards) are considered in the framework used to assess risk and required information security control standards are included as criteria for all audits in which they apply. Additional focus continues to be placed on emerging and rapidly changing cybersecurity threats and controls in place to prevent and detect potential exposures.

An audit of benefits proportionality for appropriation years 2020-2021 was completed as part of the FY 2022 Audit Plan, as required under Rider 8, page III-46, of the General Appropriations Act (87th Legislature). Because benefits proportionality was not identified as a high-risk area in the annual risk assessment, there are no plans to conduct an audit during FY 2023. An audit of the contract monitoring process at System Administration was completed in FY 2019, and follow-up procedures conducted in FY 2020-2022, which found four of the six recommendations were implemented. Follow-up on the remaining partially implemented recommendations will be performed in FY 2023. The FY 2023 audit plan includes an engagement to review procurement controls of GPOs applying to become accredited for use by UT System Administration and UT institutions, as well as an engagement to determine if contracting controls, reported by an accredited GPO, are in place and functioning as represented during the accreditation process. The FY 2023 Audit Plan does not include an internal audit related to expenditure transfers, capital budget controls, or other limitation or restriction in the General Appropriations Act; however, these areas may be reviewed as part of the external financial audit.

Additional high risks were identified in the general areas of information technology, auxiliary services, facilities, finance, and university relations. While related engagements are not part of the FY 2023 Annual Audit Plan, there are other mitigating activities and follow-up engagements that address these risks.

VI. External Audit Services Procured in FY 2022

The University of Texas System contracted with Deloitte & Touche, LLP (Deloitte) to perform an independent audit of the FY 2021 UT System financial statements (including stand-alone audits at some of the institutions) and an independent audit of the FY 2021 financial statements of The University of Texas/Texas A&M Investment Management Company (UTIMCO) Corporation, the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund (collectively, the Funds). Also, Deloitte performed interim work for the audit of the UT System and Funds' FY 2022 financial statements.

In addition, UT System contracted with Deloitte to complete audits of Cancer Prevention Research Institute of Texas (CPRIT) grants at select UT institutions to conclude on the Schedule of Expenditures of State Awards for the CPRIT program and compliance over CPRIT programs (scope of FY 2021 grant activity). Other UT institutions may separately contract with other vendors to perform agreed-upon procedures.

The University of Texas System Administration contracted with Wolcott and Associates to perform benefit audits for the Office of Employee Benefits of employee and retiree medical and prescription insurance claims and contracted with R.L. Townsend and Associates to perform ongoing construction billing and final contract review audits for the Office of Capital Projects.

VII. Reporting Suspected Fraud and Abuse

Actions taken to implement the requirements of General Appropriations Act (87th Legislature), Article IX, Section 7.09, Fraud Reporting and Texas Government Code, Section 321.022 include:

- SAO fraud reporting link on the bottom right of UT System homepage (https://www.utsystem.edu/)
- UT System policy UTS 118 pertaining to fraudulent activities, including coordination of investigations and reporting of suspected fraud (https://www.utsystem.edu/sites/policy-library/policies/uts-118-dishonest-or-fraudulent-activities)
- UT System Hotline, which provides employees a way to report instances of suspected wrongdoing (https://www.utsystem.edu/offices/systemwide-compliance/hotline), including a link to report suspected fraud, waste, and abuse involving state funds to the SAO (https://sao.fraud.texas.gov/)
- The System Audit Office continues coordination with the Offices of Systemwide Compliance and General Counsel regarding a Systemwide fraud reporting protocol and tool to help ensure consistent and timely communication.

VIII. Contracting Audits

Senate Bill 65 (86th Legislature, Regular Session) requires the SAO to assign a level of contract monitoring to each of the 25 largest state agencies in a state fiscal year as determined by total contract value recorded by the Legislative Budget Board (LBB). The rating is based on a variety of factors, including the results of any audit of an applicable agency's contracts and contract processes and controls conducted by the agency's internal auditors.

UT System Administration was one of the 25 designated state agencies for FY 2022. To assist the SAO in performing this function, audit reports related to contracts and contract processes and controls completed by UT System Administration in the last five years (fiscal years 2018 to current) are included below.

Report Title	Report Date	Follow-Up
Compliance Review - TEC 51.9337	10/24/2017	Not applicable
GPO Control Validation Review - E&I	08/20/2018	Not applicable
GPO Accreditation Application Reviews	08/27/2018	Not applicable
Compliance Review - TEC 51.9337	10/31/2018	Not applicable
Contract Monitoring Process Audit	07/11/2019	Partially implemented (4 of 6 recommendations)
GPO Control Validation Review - Premier Inc.	07/31/2019	Not applicable
GPO Accreditation Application Reviews	08/19/2019	Not applicable
Compliance Review - TEC 51.9337	11/01/2019	Not applicable
GPO Accreditation Application Reviews	08/24/2020	Not applicable

Report Title	Report Date	Follow-Up
GPO Control Validation Review - DIR	08/28/2020	Not applicable
Compliance Review - TEC 51.9337	11/01/2020	Not applicable
Compliance Review - TEC 51.9337	11/01/2021	Not applicable
Compliance Review - TEC 51.9337	11/01/2022	Not applicable

In its fiscal year 2022 Contract Monitoring Assessment at Certain State Agencies, the SAO determined that UT System Administration contracting processes and controls during contract solicitation and development, formation/award and contract management/termination are sufficient to warrant no additional monitoring beyond the minimum required under Texas law.