The University of Texas System Administration System Audit Office

Annual Audit Report
Fiscal Year 2021

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 2021 Internal Audit Annual Report, which includes its approved FY 2022 Annual Audit Plan (see Section V) and a summary of weaknesses/concerns and related actions taken resulting from the FY 2021 Annual Audit Plan (see Section II), can be found on the UT System website (specifically, the "Reports to State" webpage http://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 http://www.utsystem.edu/offices/system-audit/about-internal-audit.

II. Internal Audit Plan for Fiscal Year 2021

FY 2021 Audit Plan – Engagements	Status of Plan
Assurance Engagements	
Oil and Gas Audit - FY20 Carryforward	11/3/2020
Oil and Gas Audit - FY21	Carryforward to FY22
Account Reconciliation Process Audit	Canceled
Microsoft Office 365 (O365) Audit	3/31/2021
UTIMCO Compliance Program Audit	6/8/2021
Group Purchasing Organization (GPO) Accreditation Applications Review	Complete – Report NA
Employee Onboarding and Offboarding Process Audit	Carryforward to FY22
Cybersecurity Training Compliance Audit	8/31/2021
Chief Administrator Travel, Entertainment & University Residence Maintenance Expense Audit	7/2/2021
UTT Cloud Security Audit Assistance	Complete – Report NA
Advisory and Consulting Engagements	
Business Process and Departmental Reviews	Complete – Report NA
Robotic Process Automation (RPA) Consulting	6/11/2021
Group Purchasing Organization (GPO) Accreditation Program Consulting	Complete – Report NA
University Lands Consulting	Complete – Report NA
Enterprise Risk Management (ERM) Consulting	Ongoing – Report NA
Security Assessments Action Plans Monitoring	Ongoing – Report NA
Shared Information Services Consulting	Complete – Report NA
Arlington Regional Data Center (ARDC) Compliance Framework Readiness Assessment	8/24/2021
COVID-19 and CARES Act Consulting	Ongoing – Report NA
Diversity & Inclusion Consulting	Ongoing – 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, including Guidance to Institutions	Deloitte Report
Joint Admission Medical Program (JAMP) Audit	12/15/2020
NCAA Agreed-Upon Procedures at UT Arlington	1/15/2021
NCAA Agreed-Upon Procedures at UT El Paso	1/15/2021
NCAA Agreed-Upon Procedures at UT Rio Grande Valley	1/15/2021
NCAA Agreed-Upon Procedures at UT San Antonio	1/15/2021

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 (ACRMC) 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
General Communications	Ongoing – Report NA
Systemwide TeamMate Administration	Ongoing – Report NA
Online Reporting	Ongoing – Report NA
Data Analytics 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	
Data Analytics Skill Development	Complete – Report NA
Auditor IT Skill Development	Complete – Report NA
Quality Program and Metrics Implementation	Ongoing – Report NA
Resource Capabilities and Knowledge/Resource Management	Ongoing – Report NA
Systemwide Initiative - Recruitment & Retention	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 2021 annual audit plan except for the deviations noted below. Two engagements for which reports had not yet been issued at the end of FY 2021 were carried forward for completion in FY 2022. Changes from the original FY 2021 annual audit plan were presented to and approved by the UT System Administration Internal Audit Committee throughout the fiscal year as follows.
- *Canceled:* Account Reconciliation Process Audit
- *Added:* Oil and Gas Audit – FY21, Cybersecurity Training Compliance Audit, UTT Cloud Security Audit Assistance

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 2021 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-48, of the General Appropriations Act (86th Legislature) required that an audit examine appropriation years (AY) 2017 through 2019. An audit of benefits proportionality for appropriation years 2018-2019 was completed as part of the FY 2020 Audit Plan, and an audit of appropriation year 2017 was performed as part of the FY 2018 Audit Plan. Because benefits proportionality was not identified as a high-risk area in the annual risk assessment, there was no audit conducted during FY 2021.

TGC Section 2102.015:

A summary table of recommendations made to address observations identified from FY 2021 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 Off

Report Date	Report Name	Observations	Management Action Plans	Status
11/3/20	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.		
12/15/20	Joint Admission Medical Program (JAMP) Audit	**Observation 1 (Medium):** Coordination with the granting agency when funding will not be fully expended is necessary to ensure transparency and appropriate use or return of excess funds. As stewards of these appropriated funds, the JAMP Office and JAMP Council should seek guidance from the Texas Higher Education Coordinating Board on how these surplus funds are to be used.	**Management Action Plan 1:** In previous biennia, the Coordinating Board allowed any unspent funds to be carried forward. However, as noted in the audit the ending balance is expected to be far more significant this year than in prior years. Detailed analyses to describe the reasons for the surplus will be prepared for the Budget Committee of the JAMP Council, who will then make recommendations on budget changes for the current year and potential uses of surplus funds carried forward to the next biennium. Although we expect to request that remaining funds be carried forward in their entirety to cover anticipated cuts in future appropriations, recommendations of the Budget Committee will be provided to the Coordinating Board and will describe the impact on future JAMP services under various scenarios if some or all surplus funds are required to be returned.	Implemented
		Observation 2 (Medium): Periodic review of user accounts is a key control to ensure the risk of exposure of confidential records is minimized. Although access using an unneeded account would expose student records only for the user's institution rather than all records in the database, the JAMP Office is entrusted with protecting these records on their behalf.	**Management Action Plan 2:** Going forward, we will provide user access lists to each medical school coordinator at least twice each year, in February and July, to follow the close of the annual application review cycle and the summer program evaluations, respectively. The medical school coordinator will be asked to confirm whether each user for the institution still requires access. The JAMP Office will disable access immediately upon notification by a medical school coordinator that access is no longer needed.	Follow-up to be performed
		Observation 3 (Low): Accurate and timely financial statements provide a clear indication of financial stability and assist in JAMP program budgeting. Annual preparation of the financial statement, following formally documented procedures and with a separation of duties between preparation and review, would improve the accuracy and timeliness of financial statements.	**Management Action Plan 3:** We agree that annual preparation of the financial statement will be helpful for budgeting purposes and to provide needed financial information as program decisions are made. Before the next annual statement is prepared (in fall 2021), staff will request additional training on the use of PeopleSoft queries and draft procedures will be developed to guide staff through preparation of the financial statement. We may request assistance by the System Audit Office in developing these procedures and review of the FY 2021 financial statement.	Follow-up to be performed
3/31/21	UT System Microsoft Office 365 (O365) 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 §552.139. Specific results of the audit were provided to appropriate members of UT System management.		

Report Date	Report Name	Observations	Management Action Plans	Status
6/1/21 & 7/2/21	Chief Administrator Travel, Entertainment, & University Residence Maintenance Expenses Audit	UT El Paso (6/1/21): This audit resulted in no reportable observations. UT MD Anderson Cancer Center (7/2/21): This audit resulted in no reportable observations.		
6/8/21	The University of Texas/Texas A&M Investment Management Company (UTIMCO) Compliance Program Audit	**Observation 1 (Medium):** Employee uncertainty about protection from retaliation for reporting suspected compliance or ethics violations increases the risk that such incidents go unreported and unresolved and negatively impact UTIMCO's culture and reputation.	**Management Action Plan 1:** Management agrees and has already taken some steps to address this observation. Management is pleased that 85 out of 107 respondents feel protected from retaliation or retribution for filing a suspected compliance or ethics violation, and that only 13 feel "somewhat unprotected" or "not protected." UTIMCO has undertaken additional training and awareness campaigns on the hotline, both in annual training and in ad hoc discussions at All Hands meetings. Repeated discussions on UTIMCO's culture (RIGHT) occur throughout the organization and are measured annually in the firm's 360 peer review process. UTIMCO will continue to measure our employees' level of awareness on these topics at annual training and through additional compliance or employee engagement surveys to assess whether these efforts are proving effective.	Follow-up to be performed
		Observation 2 (Medium): Insufficient updating of UTIMCO's compliance risk assessment with input from stakeholders increases the risk that threats to the accomplishment of organizational objectives and misconduct are not effectively identified, monitored, and managed.	**Management Action Plan 2:** Management agrees and has already taken some steps to address this observation. HR-related issues are covered in the conflicts of interest section of the Institutional Compliance Program. New UTIMCO personnel have been and will continue to be assessing the compliance program with fresh eyes. UTIMCO hired a new General Counsel in August 2020 (who was subsequently named Interim Chief Compliance Officer in April 2021) and a new generalist attorney at the Senior Director level in April 2021. UTIMCO is seeking to hire a new compliance attorney at the Senior Director level in 2021. Collectively, we intend to review and develop new or additional frameworks for risk assessments and monitoring.	Follow-up to be performed
		Observation 3 (Medium): Without compliance testing, UTIMCO's compliance program cannot ensure that monitoring activities are effective. Ineffective or inefficient monitoring activities increase the risk that controls are not functioning as intended.	**Management Action Plan 3:** Management agrees and has already taken some steps to address this observation. New UTIMCO personnel have been and will continue to be assessing the compliance program with fresh eyes. UTIMCO hired a new General Counsel in August 2020 (who was subsequently named Interim Chief Compliance Officer in April 2021) and a new generalist attorney at the Senior Director level in April 2021. UTIMCO is seeking to hire a new compliance attorney at the Senior Director level in 2021. Collectively, we intend to review and develop new or additional frameworks for risk assessments and monitoring.	Follow-up to be performed

Report Date	Report Name	Observations	Management Action Plans	Status
6/8/21	UTIMCO Compliance Program Audit **(continued)**	**Observation 4 (Medium):** Insufficient compliance testing of operational due diligence follow-up activities increases the risk that external investment managers are not implementing corrective actions, resulting in potential investment loss and reputational damage.	**Management Action Plan 4:** Management agrees and has already taken significant steps to address this observation. In late 2020, Legal & Compliance (L&C) identified Operational Due Diligence (ODD) compliance as a major initiative in its 2021 Action Plan. Starting in January 2021, L&C and ODD teams began regularly collaborating to ensure ODD risks associated with any existing or potential external manager were properly identified and that recommended actions were included in UTIMCO's agreements as contractual obligations to the extent necessary and possible. In July 2021, the ODD team will launch a risk-based approach to ODD monitoring where those managers deemed "riskier" will be reviewed on a more frequent or set basis.	Follow-up to be performed
		Observation 5 (Medium): Lack of metrics with summarized qualitative information and too much detail provided to UTIMCO leadership and governance does not facilitate does not facilitate efficient and effective compliance oversight.	**Management Action Plan 5:** Management agrees and has already taken significant steps to address this observation. Certain Compliance dashboard reporting is currently in the process of being rolled out. Additional reporting is currently in development. Additionally, UTIMCO will recommend that the charters of the Audit & Ethics Committee, Risk Committee and Cyber Risk Committee be reviewed at the September 2021 UTIMCO Board and Committee meetings with the aim of eliminating duplicative or unnecessary reporting.	Follow-up to be performed
		Observation 6 (Low): Lack of a documented disciplinary procedure increases the risk that disciplinary actions are not consistently enforced and/or that they are not commensurate with the severity of the violation.	**Management Action Plan 6:** Management agrees with the observation and will prepare disciplinary action procedures to supplement UTIMCO's existing policies and procedures.	Follow-up to be performed
		Observation 7 (Low): Lack of a periodic compliance self-assessment increases the risk of operating an outdated compliance program, since the program will not have incorporated stakeholders' feedback, lessons learned, or opportunities to improve the efficiency of existing compliance processes.	**Management Action Plan 7:** Management agrees and has already taken some steps to address this observation. New UTIMCO personnel have been and will continue to be assessing the compliance program with fresh eyes. UTIMCO hired a new General Counsel in August 2020 (who was subsequently named Interim Chief Compliance Officer in April 2021), a new generalist attorney at the Senior Director level in April 2021 and is seeking to hire a new compliance attorney at the Senior Director level no later than August 2021. L&C's 2021 Action Plan identified compliance automation as a major initiative and has made some progress toward that goal. UTIMCO will explore leveraging existing resources, using off-the-shelf software or bespoke applications to streamline manual processes. We will also explore requiring self-assessments or peer assessments on a set and consistent basis.	Follow-up to be performed

Report Date	Report Name	Observations	Management Action Plans	Status
6/8/21	UTIMCO Compliance Program Audit **(continued)**	**Observation 8 (Low):** Training that is perceived as being too lengthy and without any post-training assessment increases the risk of employees not fully retaining the content presented and understanding their responsibilities.	**Management Action Plan 8:** Management agrees and has already taken some steps to address this observation. New training was launched in April 2021, with 100% of UTIMCO employee completing the training within the required time frame. Some testing was included in the training this year. The presentation materials are posted on the internal L&C website to serve as an easy reference guide. UTIMCO will explore launching video training next year with additional testing to determine comprehension of key concepts. In addition, L&C's 2021 Action Plan contains a goal of providing targeted training on discrete topics in a "lunch and learn" type format on a quarterly basis, with the first such training anticipated for CY Q3 2021.	Follow-up to be performed
8/31/21	UT System Cybersecurity Training Compliance Audit	**Observation 1 (Medium):** Verification of the accuracy and completeness of information sources used for ongoing monitoring of employee training completion and annual compliance certification to the Texas Department of Information Resources (DIR) is necessary to ensure accurate reporting and full compliance with the provisions of TGC §2054.5191.	**Management Action Plan 1:** SkillSoft will transition to an upgraded product offering (late 2021), Precipio, which will offer more reliable reporting and data integration capabilities. Until implementation of the upgraded product occurs, the Office of Talent and Innovation (OTI) will manually review individual new hire assignments. By the end of the first quarter of fiscal year 2022, OTI and the Information Security Office (ISO) will partner with System Audit to transfer knowledge of a cross-reference data validation process to ensure accuracy and compliance. To ensure completion of compliance training, OTI has identified the following measures to be implemented immediately: • Transition of oversight to Talent Management Specialist; • Use of PeopleSoft "GRP-action" emails as initial identifier for compliance tracking; and • Implementation of an updated review schedule at 15 days and 30 days after hire.	Follow-up to be performed
		Observation 2 (Medium): Because not all contractor system access requires assignment of System Administration network credentials, monitoring of contractor training attestation based on contract expectations at execution and renewal is necessary to ensure accurate reporting and full compliance with the provisions of TGC §2054.5192.	**Management Action Plan 2:** Going forward, the Director or Assistant Director of Contracts and Procurement (CnP) will periodically attend the OTIS On/Offboarding Workgroup to ensure best practices are applied related to Cybersecurity Training for contractors. Currently, this group is working to update their Network Access Control Form. By close of fiscal year 2022, CnP will go-live with ASC Contract Management Software which will provide tracking, notifications and reporting that support accurate monitoring of contractor training attestations based on contract expectations and execution and renewal.	Follow-up to be performed

III. Consulting Services & Non-audit Services Completed

Report Date	Report Name	High-Level Objectives(s)	Observations/Results/ Recommendations
1/15/21	UT Arlington NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' Statement of Revenues and Expenses (SRE).	No reportable observations
1/15/21	UT El Paso NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
1/15/21	UT Rio Grande Valley NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
1/15/21	UT San Antonio NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
6/11/21	Robotic Process Automation (RPA) Consulting	Review controls implemented or planned for the RPA service offered to UT institutions.	Internal report issued
8/24/21	Arlington Regional Data Center (ARDC) Certification Framework Readiness Assessment	Evaluate existing controls as required to achieve data center and industry compliance frameworks and standards.	Internal report issued
N/A	COVID-19 and CARES Act Consulting	Assist institutional internal audit with data analytics and guidance related to reviewing compliance with the U.S. CARES Act expenditure and reporting requirements and other operational objectives impacted by COVID-19.	No reportable observations
N/A	Business Process and Departmental Reviews	Ensure processes and controls are adequate and in place for select departments impacted by the UT System Administration restructure and reduction in resources.	No reportable observations
Various	Special Reviews	Special investigative reviews conducted at select UT institutions, UT System Administration, and 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 2022

FY 2022 Audit Plan	Budget	% of Total	General Objective/Description
Assurance Engagements			
System Administration Cybersecurity and Threat Response Audit	500		Determine if cybersecurity protections and threat response activities intended to guard against both internal and external threats are in place, function effectively and are designed to evolve rapidly as emerging threats develop. This engagement includes compliance with applicable Texas Administrative Code §202.76 security control standards.
System Administration Data Governance and Data Management Audit	500		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 (will be co-sourced, ~350 hours).
UTIMCO IT Asset Management Audit	350		Determine if there are adequate processes/controls surrounding the management of UTIMCO information technology assets, including both hardware and software.
Oil and Gas Royalties Audit	500		Determine if a selected operator (TBD company) has accurately reported and paid oil and gas royalties to University Lands.
UT Health Intelligence Platform Audit	200		Assess UT-HIP's governance structure and determine if there are adequate budget and financial accountability practices in place to ensure objectives are being achieved and meeting institutional expectations.
System Administration Procard and Employee Reimbursement Audit	250		Determine if there are adequate processes/controls surrounding procurement card use and employee reimbursements (non-travel), including testing for appropriate business use.
Chief Administrator Travel, Entertainment, and Housing Expenses Audit	500		Determine if chief administrators' travel, entertainment, and university residence maintenance (as applicable) expenses are appropriate, accurate, and in compliance with applicable policies.
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.
FY21 Carryforward - Employee Onboarding and Offboarding Process Audit	200		Completion of FY2021 engagement: Determine if there are proper processes and controls around onboarding and offboarding of System Administration employees related to legal/policy requirements, system access, coverage of duties, etc.
FY21 Carryforward - Oil and Gas Royalties Audit	200		Completion of FY2021 engagement: Determine if operator has accurately reported and paid oil and gas royalties to University Lands.
General Carryforward	100		Completion of FY2021 engagements.
Assurance Engagements Subtotal	**3340**	**22.0%**	
Advisory and Consulting Engagements			
Information Security Assessments Action Plans Monitoring	40		Monitor the implementation of action plans resulting from the Security Assessments.
COVID-19 and Federal Relief Funds Consulting Assistance	200		Assist institutional internal audit with data analytics and guidance related to their engagements reviewing compliance with federal relief fund requirements.
Business Process Review (Phase II)	300		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.
University Lands (UL) Consulting	200		Perform a comprehensive risk assessment of UL through interviews and review of governance and operational matters and provide initial assessments of how key risks are being mitigated, for use by interim and future leadership.
Diversity, Equity, and Inclusion Consulting	200		Review and assess processes, areas, or actions that support active diversity, equity, and inclusion. Consider implementation and compliance with related polices and guidance to promote diverse candidates for leadership positions and equal opportunity for all businesses to supply goods and services.
Enterprise Risk Management (ERM)	100		Assist Compliance with development of an ERM process for UT System, including how this framework can assist in providing a foundation for operational resiliency.
System Administration Committees and Councils	200		Participate on System Administration Committees and Councils (e.g., 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	**1565**	**10.3%**	
Required Engagements			
UT System Administration & Consolidated Financial Audit Assistance	300		Assist the external auditor on the System Administration and Consolidated FY 2021 financial statements year-end & 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 2021 intercollegiate athletics program activity (Due Jan 15, 2022).
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		
NCAA Agreed-Upon Procedures at UT Permian Basin	300		
Benefits Proportionality Audit	100		Determine if Benefits Proportionality by Fund Reports (APS 011) for appropriation years 2020 and 2021, as submitted to the State Comptroller, were accurate, and the process in place to prepare the annual reports is sufficient to ensure benefits funding proportionality is applied according to the guidelines established in the General Appropriations Act (includes institutional internal audit guidance).
Required Engagements Subtotal	**1800**	**11.8%**	

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	1250		Provide oversight, guidance, and assistance to the institutional internal audit in various audit areas, data analytics, etc. 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	**5250**	**34.5%**	
Development - Initiatives and Education			
Audit Management Software Research & Implementation	1000		Identification and evaluation of audit management software options to implement Systemwide upon end-of-life of current TeamMate technology.
Others Systemwide Internal Audit Initiatives	100		Follow up on execution of past initiatives.
Risk Assessment Methodology Relook	300		Re-assessment of current annual risk assessment methodology (potentially contract with consultant).
Quality Program and Metrics Implementation	100		Strengthen leading practice and standards use with quality program implementation (Post TeamMate Implementation/EQA metrics).
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	**2600**	**17.1%**	
Total Budgeted Hours	**15205**	**100.0%**	

Risk Assessment/Methodology Used to Develop FY 2022 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 2022 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 7/8/21 and by the UT System Board of Regents' Audit, Compliance, and Risk Management Committee on 8/18/21 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 2022 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 the FY 2022 Audit Plan includes an audit of cybersecurity and threat response. In addition, the FY 2022 plan includes hours to continue to monitor actions planned to address results from previous network assessment and cybersecurity incident response projects commissioned by the Information Security Office in prior years.

An audit of benefits proportionality for appropriation years 2019-2021 is required under Rider 8, page III-46, of the General Appropriations Act (87th Legislature), and is included in the FY 2022 Audit Plan. Because our prior audit of proportional benefits included AY 2019, only 2020 and 2021 are included this year. An audit of the contract monitoring process at System Administration was completed in FY 2019, and follow-up procedures conducted in FY 2020, which found four of the six recommendations were implemented. Follow-up on the remaining partially implemented recommendations will be performed in FY 2022. As in prior years, the FY 2022 audit plan includes an engagement to review procurement controls of group purchasing organizations applying to become accredited for use by UT System Administration and UT institutions. The FY 2022 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, and facilities. While related engagements are not part of the FY 2022 Annual Audit Plan, there are other mitigating activities and follow-up engagements that address these risks.

VI. External Audit Services Procured in FY 2021

The University of Texas System contracted with Deloitte & Touche, LLP (Deloitte) to perform an independent audit of the FY 2020 UT System financial statements (including stand-alone audits at some of the institutions) and an independent audit of the FY 2020 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 2021 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 2020 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 (http://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 the Legislative Budget Board (LBB). The rating is based on a variety of factors, including the results of an audit of an applicable agency's contracts and contract processes and controls conducted by the agency's internal auditors.

UT System Administration is one of the 25 designated state agencies. 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 2017 to current) are included below.

Report Title	Report Date	Follow-Up
Compliance Review - TEC 51.9337	11/01/2016	Not applicable
UTMDACC Procurement Special Review	01/31/2017	Not applicable
Contracting and Procurement Process Audit	01/27/2017	Not applicable. Improvements were planned and in process when the audit was conducted; therefore, no management action plans were required.
GPO Accreditation Application Reviews	05/19/2017	Not applicable
UTSW Procurement Special Review	05/30/2017	Not applicable
UTMDACC Procurement Special Review	07/18/2017	Not applicable
GPO Control Validation Review - UT Supply Chain Alliance	08/18/2017	Not applicable
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

Report Title	Report Date	Follow-Up
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
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

In its fiscal year 2021 Contract Monitoring Assessment at Certain State Agencies, the SAO determined that UT System Administration contracting processes and controls for solicitation and development are strong such that reduced monitoring is warranted, and processes and controls during contract formation/award and contract management/termination are sufficient to warrant no additional monitoring beyond the minimum required under Texas law.