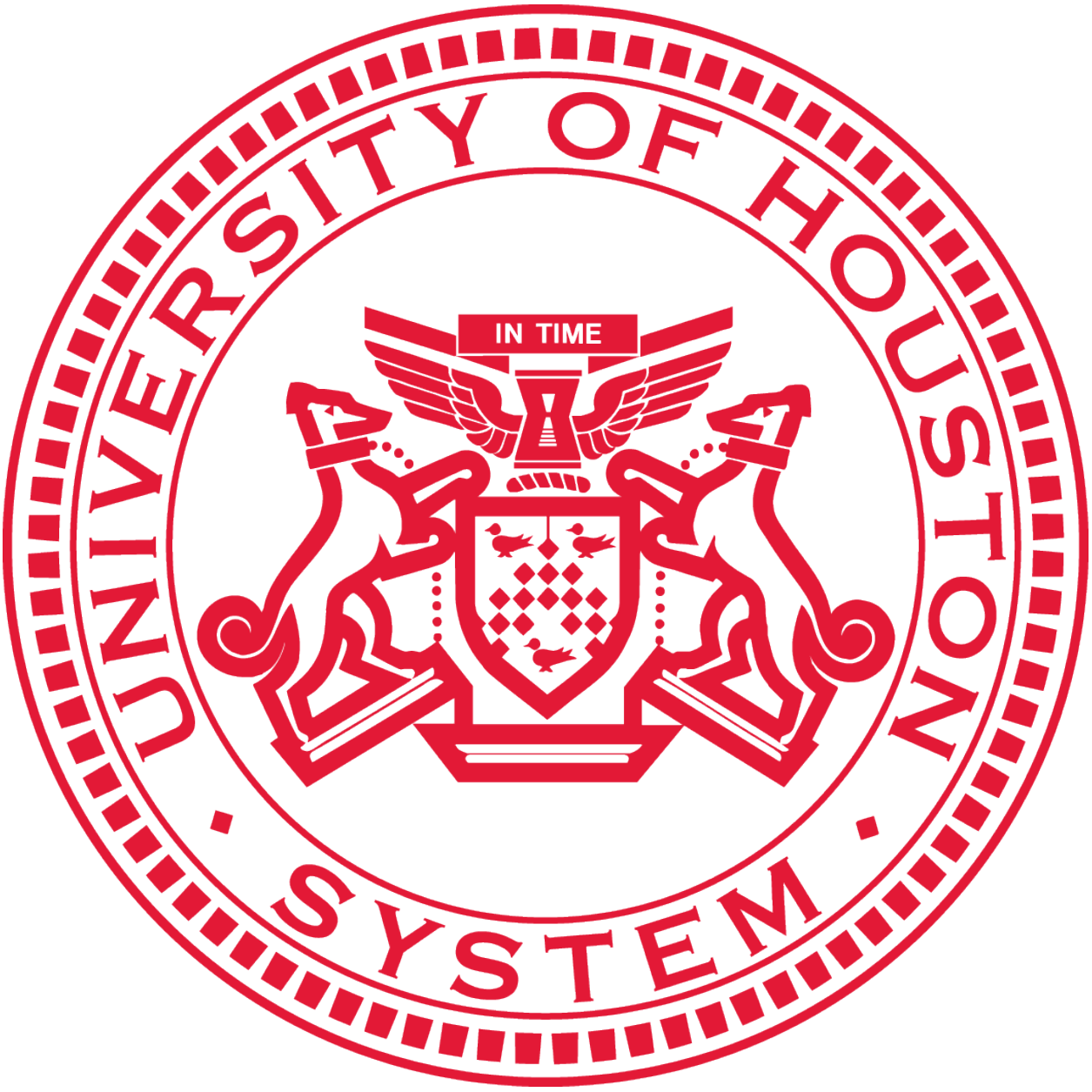
University of Houston System
Internal Auditing Department
Fiscal Year 2020 Annual Report



UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
Houston, Texas 77204-0930
(713) 743-8000

October 7, 2020

Sarah Hicks
Governor's Office

Internal Audit Coordinator
State Auditor's Office

Christopher Mattson
Legislative Budget Board

The Texas Internal Auditing Act (Act), Texas Government Code, Sec. 2102, as amended requires the Internal Auditor to submit to you the attached report of the activities of the Internal Auditing Department for fiscal year 2020. This report contains the information presented in the format prescribed by the State Auditor's Office, as required by the Act. During fiscal year 2020, Mr. Don Guyton, after serving as the Chief Audit Executive for 32 years retired The University of Houston System selected myself as his replacement and immediately tasked me, as the new Chief Audit and Compliance Executive with developing a risk assessment based on industry standard methodology to use in preparing the audit plan for fiscal year 2021.

Please do not hesitate to contact me should you have any questions about the contents of this report.

Sincerely,

Phillip W. Hurd
Chief Audit and Compliance Executive

Attachment

TABLE OF CONTENTS

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

II. Internal Audit Plan for Fiscal Years 2020

III. Consulting Services and Nonaudit Services Completed

IV. External Quality Assurance Review (Peer Review)

V. Internal Audit Plan for Fiscal Years 2021

VI. External Audit Services Procured in Fiscal Year 2020

VII. Reporting Suspected Fraud and Abuse

VIII. Contracting Audits at Select State Entities

I. Compliance with Texas Government Code, Section 2102.015: Posting the Internal Audit Plan, Internal Audit Annual Report, and Other Audit Information on the website.

In order to comply with Texas Government Code 2102.015 requirements for posting the Internal Audit Plan and Internal Audit Annual Report, and other information on the internet, the University of Houston System Internal Auditing Department posts its Annual Audit Plan and the Internal Audit Annual Report on the UHS Internal Auditing Department's website at https://uhsystem.edu/internal-audit/.

II. Internal Audit Plan for Fiscal Year 2020

Mr. Phillip W. Hurd was chosen as the Chief Audit and Compliance Executive after Don F. Guyton retired as serving as the Chief Audit Executive of the University of Houston System's Internal Auditing Department for 32 years in January 2020. The Board immediately tasked Mr. Hurd with preparing a System-wide risk assessment based on industry standard methodology and prepare a risk based audit plan based on this risk assessment. In addition, in fiscal year 2020, the University of Houston System experienced an extreme budget shortfall due to the changing nature of student enrollment and services from the COVID-19 epidemic. Both circumstances led to the decision to continue some audits on the fiscal year 2020 audit plan and cancel others. This listing of audits scheduled from the fiscal year 2020 audit plan, indicating their corresponding audit report or status (cancelled or in progress) is represented on the next two pages.

UHS Internal Auditing Department
Audits and Audit Report Initiated in Prior Years but Carried Forward to FY20

Carryforward Audits from Prior Years	**Audit Report**
UHCL, UHD, and UHV Purchasing	AR2020-07
FY19 Carryforward Audits	
Board of Regents Travel & Entertainment, FY 2019	AR2020-04
Chancellor/President's Travel & Entertainment, FY 2019	AR2020-05
Contract Administration (System-wide)	Cancelled
UH College of Liberal Arts & Social Sciences Departmental Review	AR2020-19
UHD Business Departmental Review	AR2020-12
UHD Sciences & Technology Departmental Review	AR2020-06
Facilities Management (System-wide)	Cancelled
Financial Aid, Scholarships (System-wide)	Cancelled
External Vulnerability and Penetration Testing - Information Technology Co-Sourced	In progress
Information Technology Governance - Information Technology Co-Sourced	In progress
Third Party Risk Management - Information Technology Co-Sourced	Cancelled

UHS Internal Auditing Department
FY20 Scheduled Audits and Audit Reports

FY20 Scheduled Audits	
Annual Procurement Report	BOR 11-14-19
Athletics - Football Attendance Audit	AR2020-14
Athletics - NCAA Rules-Compliance	Cancelled
Board of Regents Travel & Entertainment, FY 2020	In progress
Chancellor/President's Travel & Entertainment, FY 2020	In progress
Construction and Other Contracts Requiring Board of Regents Approval	AR2020-02 AR2020-10 AR2020-15 AR2020-17
Contract Monitoring - Licensing/Trademarks	AR2020-02 AR2020-10 AR2020-16
Follow-up Reviews	AR2020-02 AR2020-10 AR2020-17
Joint Admission Medical Program (UHD)	AR2020-02 AR2020-10 AR2020-18
Special Projects/Police Investigations	Ongoing
State Benefits Proportionality, FY 2018-2019 (System-wide)	AR2020-18
THECB Facilities Development Project Review	AR2020-16
Accounts Payable (System-wide)	In progress
Enrollment Management (System-wide)	Cancelled
Executive Travel	Cancelled
Financial Aid, Designated Tuition Set Aside (System-wide)	Cancelled
UH Gerald D. Hines College of Architecture Departmental Review	Cancelled
UH Athletics Departmental Review	AR2020-13
UH Chancellor/President Departmental Review	Cancelled
UH College of Optometry Departmental Review	Cancelled
UH Texas Center for Superconductivity Departmental Review, Follow-up	Cancelled
UHCL Administration & Finance Departmental Review	Cancelled
UHCL Business Departmental Review	Cancelled
UHCL Human Sciences & Humanities Departmental Review	Cancelled
UHCL Science & Engineering Departmental Review	Cancelled
UHV Administration & Finance Departmental Review	AR2020-11
UHV Student Affairs Departmental Review	Cancelled
UHV Provost and Enrollment Management Departmental Review	Cancelled
Computer Assisted Auditing Techniques	Ongoing
IT - Review and Monitor of IT Systems (High Priority Projects)	Cancelled
Cybersecurity Follow-up/TAC 202 - Information Technology Co-Sourced	Cancelled
Education Resource Center - Information Technology Co-Sourced	IT2020-01
General Controls - Research - Information Technology - Co-Sourced	Cancelled

III. Consulting Services and Nonaudit Services Completed

There were no consulting or nonaudit services performed during FY 2020.

IV. External Quality Assurance Review (Peer Review)

The University of Houston Internal Auditing Department was judged to Generally Conform to IIA Standards. The June 2018 Report on the Results of the Independent Validation of the Quality Assessment Review (QAR) dated June 2018 may be found in Attachment A.

V. Internal Audit Plan for Fiscal Year 2021

The internal auditing department obtained input from various resources, including senior leadership, risk owners/stakeholders in various areas, and a completed compliance risk to create a risk inventory. Once the risk inventory was developed, we employed an industry standard methodology considering likelihood and velocity of occurrence; elevation of owner; reputational, financial, and operational impact; and indicators of emerging risk as scoring factors to develop an audit plan. The audit plan employs a near-term, mid-term, and long-term scheduling methodology for the plan, re-examining both risks and the plan on a bi-annual basis.

In addition to the specific audits scheduled, 20% of available talent hours are reserved for Management/Board requests and investigations. Improvements in efficiencies which result in additional talent hours will be applied to near-term audits first, then to mid-term audits. Internal auditing is currently undergoing skills upgrade processes to integrate additional analytics, computer assisted auditing techniques (CAAT), robotic process automation (RPA) and basic artificial intelligence (AI.).

Please see Attachment B for the Fiscal Year 2021 Audit Plan.

VI. Internal Audit Services Procured in Fiscal Year 2020

Procured External Audit Services in Fiscal Year 2020	
Audit Area	**Services Provided**
Athletics	Annual agreed-upon procedures engagement of Intercollegiate Athletics Department.
Cancer Prevention and Research Institute of Texas	Annual agreed-upon procedures engagement of the Cancer Prevention and Research Institute of Texas.
Charter School	Annual financial audit of the Charter School.
Endowment Fund	Annual financial audit of the University of Houston System Endowment Fund.
Houston Public Media	Annual financial audit of Houston Public Media.
Information Technology Audits	Co-sourced audits of UHS risk based information technology areas.

VII. Reporting Suspected Fraud and Abuse

Actions taken to implement the requirements of:

- *Section 7.09. Fraud Reporting, Page IX-37, the General Appropriations Act (86th Legislature).*
- *Texas Government Code, Section 321.022, Coordination of Investigations.*

.

1) In accordance with Section 7.09. Fraud Reporting, Page IX-37, the General Appropriations Act (86th Legislature):

a) The home page of each UHS university's website contains a link which directs the user to the State Auditor's fraud reporting hotline website.

b) The home page of each UHS university's website contains a "Fraud & Non-Compliance Hotline" link which directs the user to each institutions' vendor supported anonymous reporting hotline.

c) UHS Administrative Memorandum, 01.C.04., Reporting/Investigating Fraudulent Acts, contains instructions for employees to make anonymous reports of fraud to the State Auditor's office.

2) UHS Administrative Memorandum, 01.C.04., Reporting/Investigating Fraudulent Acts, requires the Chief Audit Executive to notify the State Auditor's office of suspected incidents of fraud in accordance with Texas Government Code, Section 321.022, Coordination of Investigations.

VIII. Contracting Audits at Select State Entities

Contracting Audits Completed in Last Five Years

Report Number	Report Title	Report Date
AR2016-02	Construction Award Status Report	11/19/2015
AR2016-14	Construction and Other Contracts Requiring BOR Approval	2/18/2016
AR2016-20	Construction and Other Contracts Requiring BOR Approval	5/19/2016
AR2016-27	Construction and Other Contracts Requiring BOR Approval	8/25/2016
AR2017-02	Construction and Other Contracts Requiring BOR Approval	12/1/2016
AR2017-15	Construction and Other Contracts Requiring BOR Approval	2/23/2017
AR2017-25	Construction and Other Contracts Requiring BOR Approval	5/18/2017
AR2017-31	Construction and Other Contracts Requiring BOR Approval	8/24/2017
AR2018-02	Construction and Other Contracts Requiring BOR Approval	11/16/2017
AR2018-10	Construction and Other Contracts Requiring BOR Approval	3/8/2018
AR2018-16	Construction and Other Contracts Requiring BOR Approval	5/24/2018
AR2018-21	Construction and Other Contracts Requiring BOR Approval	8/23/2018
AR2018-25	UHS Contract Administration - Food Services	8/23/2028
AR2018-26	UHS Contract Administration - Bookstore Services	8/23/2018
AR2019-02	Construction and Other Contracts Requiring BOR Approval	11/15/2018
AR2019-09	Construction and Other Contracts Requiring BOR Approval	2/28/2019
AR2019-12	UHS Contract Administration - Pouring Rights	2/28/2019
AR2019-17	Construction and Other Contracts Requiring BOR Approval	5/16/2019
AR2019-22	Construction and Other Contracts Requiring BOR Approval	8/22/2019
AR2020-02	Construction and Other Contracts Requiring BOR Approval	11/14/2019
AR2020-10	Construction and Other Contracts Requiring BOR Approval	2/27/2020
AR2020-15	Construction and Other Contracts Requiring BOR Approval	5/21/2020
AR2020-17	Construction and Other Contracts Requiring BOR Approval	8/20/2020

ATTACHMENT A

Report on the Results of the Independent Validation of the Quality Assessment Review (QAR) of University of Houston System Internal Audit Program June 2018

Reviewers:
Richard Cordova, CPA
Pamela Doran, CPA, CIA, CISA
Justin Noble, CIA

Submitted to: Mr. Don Guyton, CPA
Chief Audit Executive
The University of Houston System

ATTACHMENT A

INTERNAL AUDIT
UNIVERSITY of WASHINGTON

June 25, 2018

Mr. Don Guyton, Chief Audit Executive
The University of Houston System
Energy Research Park
5000 Gulf Freeway, Bldg. 3, Room 281
Houston, TX 77204-0930

Dear Mr. Guyton:

We have completed an Independent Validation of the Self-Assessment Quality Assessment Review (QAR) of the University of Houston System Internal Audit Program as required every three years by the Texas Internal Auditing Act (2102) and every five years by the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* (*Standards*). The objectives of the QAR were to:

1. Assess conformance with the IIA *Standards*;

2. Assess the effectiveness and efficiency of the Internal Audit activity in providing services to the Board of Regents and management of the University of Houston System; and

3. Identify opportunities for improving the Internal Audit Program at the University of Houston System.

Overall, it is our opinion that t**he University of Houston System Internal Audit Department generally conforms to the IIA *Standards***, the highest rating available. We noted two opportunities for improvement that could improve the efficiency and effectiveness of the Internal Audit program. These are described in this report.

Sincerely,

Richard Cordova, CPA
Executive Director
Internal Audit
University of Washington
Seattle WA

Pamela Doran, CPA, CIA, CISA
Chief Audit Executive
Audit & Advisory Services
University of South Carolina
Columbia, SC

Justin Noble, CIA
Assistant Chief Audit Executive
Office of Audit Services
Texas Tech University System
Lubbock, TX

Table of Contents

Executive Summary 1

Background and Scope 2

Opinion of Independent Review Team 4

Observations, Opportunities for Improvement and Management Response 5

Appendices 8

Executive Summary

An Independent Review Team made up of professionals from the University of Washington, University of South Carolina and the Texas Tech University System conducted an independent validation of the Quality Assurance Review self-assessment of the University of Houston System (UHS) Internal Auditing Department. The work was conducted in accordance with the requirements of both the *International Standards for the Professional Practice of Internal Auditing* (the Standards), and the *Generally Accepted Government Auditing Standards* (GAGAS).

The UHS Internal Auditing Department utilized and the independent review team assessed the organization using the Institute of Internal Auditors (IIA) Quality Assessment Manual, 2017 Edition. The primary purpose of a Quality Assessment Review is to determine the internal audit function's conformance with the Standards and GAGAS.

The Texas Internal Auditing Act §2102.0011, Internal Audit Standards, requires the internal audit program to conform to the Standards and the IIA's Code of Ethics contained in the Professional Practices Framework, and GAGAS. GAGAS requires an external peer review, performed by reviewers independent of the audit organization, to occur at least once every three years. Our review meets the GAGAS requirement.

The UHS Internal Audit Program was determined to **Generally Conform** to IIA *Standards and GAGAS,* the highest rating available. We noted certain strengths within the Internal Auditing Department which we feel compelled to acknowledge:

- **Well-Established Governance Tone**
- **Board of Regents and Senior Management Support and Interaction**
- **Establishment of a Co-sourced IT Audit Function**

Additionally, during the course of our work, we identified a few opportunities for improvement within the UHS Internal Auditing Department:

- **Formalize Staff Development Processes**
- **Reduce the frequency of Departmental Reviews**

Both of these opportunities are further enumerated within this report along with UHS Internal Auditing's management response.

Overall, we want to thank the University of Houston System for their hospitality, professionalism and commitment to maintaining a quality and high performing Internal Audit function.

Background and Scope

Background

The University of Houston System (UHS) provides, through the complementary missions of its four universities, access to comprehensive higher education programs and services to the diverse community of students in the Houston metropolitan area and beyond. The Internal Auditing Department conducts independent and objective reviews of university operations and procedures and reports findings and recommendations to the UHS Board of Regents, Chancellor and other executive officers.

UHS Internal Auditing Department

Organizationally, the internal audit function reports directly to the Board of Regents which includes the chief audit executive (CAE) reporting directly to the chair of the Board of Regents Audit and Compliance Committee. The Internal Auditing Department (IAD) has grown from six to twelve professional staff since the employment of the current CAE, 31 years ago.

The UHS IAD is a respected internal audit operation among its higher education peers. Their communication with the Audit and Compliance Committee and UHS' executive management team is thorough and one to emulate. The IAD has also been a catalyst for the establishment and use of the departmental self-assessment tool, which is found on its website.

IIA Standards – Validation of a Self-Assessment

This Validation of the QAR Self-Assessment of the UHS IAD was performed in accordance with The Institute of Internal Auditors (IIA) *International Standards for the Professional Practice of Internal Auditing* (the Standards) utilizing the IIA's Quality Assessment Manual, 2017 Edition. The primary purpose of a Quality Assessment is to determine the internal audit function's conformance with the Standards. There are three possible outcomes of the QAR: the internal audit program generally conforms, partially conforms or does not conform with the Standards.

Conformance with IIA Standards

Generally Conforms means that IAD has a charter, policies and processes that are judged to meet the spirit and intent of the IIA *Standards* with some potential opportunities for improvement.

Partially Conforms means deficiencies in practice are noted that are judged to deviate from the spirit and intent of IIA *Standards*, but these deficiencies did not preclude IA from performing its responsibilities in an acceptable manner.

Does Not Conform means deficiencies in practice are judged to be so significant as to seriously impair or preclude IA from performing adequately in all or in significant areas of its responsibilities.

Additionally, the Texas Internal Auditing Act §2102.0011, Internal Audit Standards, requires the internal audit program to conform to the Standards and the IIA's Code of Ethics contained in the Professional Practices Framework, and Generally Accepted Government Auditing Standards (GAGAS). GAGAS requires an external peer review, performed by reviewers independent of the audit organization, to occur at least once every three years. Our review meets that GAGAS requirement.

Scope

We conducted the validation of the Self-Assessment during the month of May 2018. The UHS Internal Auditing Department supplied the review team with the materials noted below in early May and we then conducted on-site procedures from May 21- 24, 2018.

Engagement Methodology

Our procedures included review of the following documents:

- Audit Charter and other background/organizational materials regarding UHS and the internal audit program
- The charter for the UHS Board of Regents (BOR) Committee on Audit and Compliance
- UHS BOR Section V-Audit and Compliance, Policies 41.01-41.01.04
- Texas Government Code, Chapter 2101.001-*Texas Internal Auditing Act*
- System Administrative Memoranda (SAMs) 04.A.02-Audits by Internal Auditing
- QAR advanced preparation materials providing background on the internal auditing program and practices
- The annual audit plan and risk assessment process
- Selected internal audit project workpapers and reports
- Staff training histories
- Audit follow-up practices and reporting
- Results of a survey completed by audit clients

The on-site procedures included:

- Interview with the Chairperson of the UHS BOR Audit and Compliance Committee
- Interview with the UHS Chancellor
- Interviews with UHS Internal Auditing Department staff and UHS officials
- Analysis of the information reviewed and an assessment of compliance with the Standards

Opinion of Independent Review Team

Overall, **the UHS Internal Auditing Department was judged to Generally Conform to IIA *Standards*, the highest rating available.** While improvement opportunities remain in various areas, they did not preclude this assessment. We concluded the following individual standards Generally Conform to the IIA *Standards*:

1000—Purpose, Authority and Responsibility
1100—Independence and Objectivity
1200—Proficiency and Due Professional Care
1300—Quality Assurance and Improvement Program
2000—Managing the Internal Audit Activity
2100—Nature of Work
2200—Engagement Planning
2300—Performing the Engagement
2400—Communicating Results
2500—Monitoring Progress
2600—Communicating the Acceptance of Risks

Strengths, Opportunities for Improvement and Management Response

UHS Internal Audit Program Strengths

➢ **Governance**—UHS CAE reports to the BOR Chair of the Audit and Compliance Committee. Executive sessions are held between the committee and the CAE, which evidences independence. Additionally, the CAE meets monthly with the Chair as well as the Chancellor/President and senior leaders throughout the System to discuss internal audit operations. These activities definitely demonstrate a best practice which all peer reviewers would recommend to their own institutions!

➢**Board of Regents and Senior Management Support and Interaction**—Our interviews conveyed a high level of support for the IAD from the BOR of the UHS and senior management. The Internal Audit program is well respected and seen as collaborative; management feels comfortable seeking their opinion of problematic situations. The Internal Auditing Department at UHS is truly seen as a "trusted advisor".

➢**Establishment of a Co-sourced IT Audit Function**—Our work identified that the Internal Auditing Program had established since the last QAR, the use of a co-source partner to provide certain IT Audit skills. In a time when maintaining extensive and ever changing IT skill sets is a challenge for internal audit departments, UHS has moved to leverage outside experience and by all accounts the experience has been a positive one.

Opportunities for Improvement—Internal Auditing Department

➢ **Formalize Staff Development**

During interviews with Internal Auditing Management and Staff, we learned that even though the management team supports the team's growth and training to maintain minimum standards required by the IIA, a more formal Staff Development Plan at all levels will improve the opportunities provided and employee satisfaction. This would include:

- ❖ Plans for the CAE to provide senior level staff with more exposure to the BOR and continue to provide greater opportunities for them to demonstrate their skills to senior management;
- ❖ Plans for development of the audit staff and seniors in a manner which will provide them with the opportunity to be recognized as Subject Matter Experts and Principal Auditors, which could include encouraging and supporting certifications; and,
- ❖ Plans to provide staff members at all levels the opportunity to participate in Management Development Training Programs, which will prepare high performing individuals with opportunities to move into management both within the Internal Auditing Department or elsewhere on campus.

❖ **INTERNAL AUDITING DEPARTMENT'S RESPONSE:**

We have already included the Executive Director in the meetings with the Chair of the Audit and Compliance Committee and the Chancellor. The Executive Director will also begin making presentations at the Audit and Compliance Committee meeting. Audit staff will be invited to the Audit and Compliance Committee meeting when their projects are discussed.

In order to further develop audit staff, we will identify skills/competencies required for each audit staff position. We will begin assessing audit staff against these skills/competencies and provide cross-training opportunities and formal training, as appropriate. As audit staff obtain the required skills/competencies, they will have opportunities to become recognized as Subject Matter Experts in various areas, including departmental reviews, information technology, and data analytics. In addition, we will encourage audit staff to pursue professional certifications and will stress the importance of professional certifications in performance evaluations.

In addition, we will work with the Human Resources Department to identify training opportunities for audit staff at all levels, including Management Development Training Programs for high performing audit staff.

We expect to have all of these areas addressed by September 1, 2019.

- **Consider Reducing Departmental Reviews**

Review of the Internal Auditing program and the Internal Audit Annual Planning Documents provided to Senior Management and the BOR highlighted that a substantial amount of time has been devoted over the last five years to Departmental Reviews. While these reviews have provided valuable information on the operating challenges faced within many departments, the reviews have appeared to lose a risk-based approach and have evolved to become somewhat rotational in nature.

We believe there is an opportunity to move to a more "risk based approach" to conduct these Departmental Reviews and use the gained time to focus on audits that evaluate the controls in UHS Strategic Priorities (such as the coming Medical School) and key higher risk programs and initiatives. This would include operational reviews related to major activities at each of the institutions. This gained time could also allow the department to participate in more activities of an "advisory" nature, when requested.

❖ INTERNAL AUDITING DEPARTMENT'S RESPONSE:

We are in the process of streamlining departmental reviews to be more risk based. We expect to reduce the amount of hours expended on these reviews by increasing the use of data analytics and by eliminating audit procedures associated with low risk areas. The time gained by reducing effort on departmental reviews will be used to perform higher risk based audits, such as UHS Strategic Priorities and operational reviews of system-wide functional areas. We expect to streamline our departmental review process by January 31, 2019.

Appendices

Appendix I

As we conducted our interviews of the executive management team, we kept note of key words and phrases used to describe the Internal Auditing Department. Below is a word map which captures the major themes and frequency of those words heard during these interviews. Additionally, the word map demonstrates respect and professionalism that the department provides to all campuses.



Appendix II

Interviews Conducted:

Board of Regents
Mr. Roger F. Welder, Outgoing Audit and Compliance Committee, chair
Peter Taaffe, Audit and Compliance Committee, chair

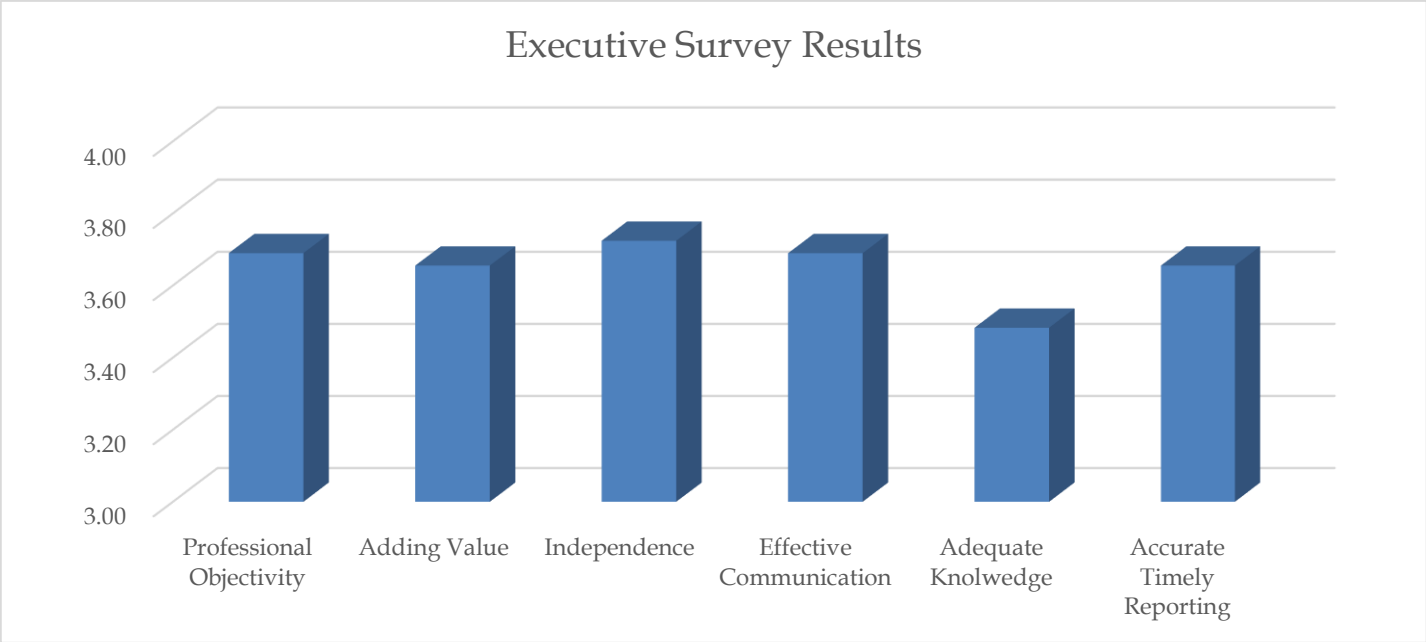
Senior UHS Management
Dr. Renu Khator, Chancellor/ President
Dr. Paula Short, Senior Vice Chancellor/Senior Vice President
Mr. Jim McShan, Senior Vice Chancellor/ Vice President of Administration and Finance
Ms. Dona Cornell, Vice Chancellor/ Vice President Legal Affairs/General Counsel
Dr. Richard Walker, Vice Chancellor for Student Affairs/Vice President Student Affairs
Dr. Dennis Fouty, Associate Vice Chancellor and Chief Information Officer
Ms. Joan Nelson, Assistant Vice Chancellor / Vice President Human Resources
Ms. Cris Milligan, Assistant Vice President Research Administration
Ms. Lauren DuBois, Senior Associate Athletic Director

UHS Internal Auditing Department
Mr. Don Guyton, Chief Audit Executive
Mr. Russ Hoskens, Executive Director
Mr. Randy Wong, Manager
Mr. Jeff Collier, Senior Auditor
Ms. Dia Mobe, Senior Auditor
Mr. Tony Moreno, Senior Auditor
Ms. Brandee O'Neal, Senior Auditor
Ms. Connie Applebach, Staff Auditor II
Ms. Tamara Davis, Staff Auditor II
Mr. Eric Porter, Staff Auditor II
Mr. Emily Tran, Staff Auditor II
Mr. Eric Wright, Schneider Downs & Co. Inc. Partner – Co-Source Service Provider IT Audit

Appendix III

Results of Surveys

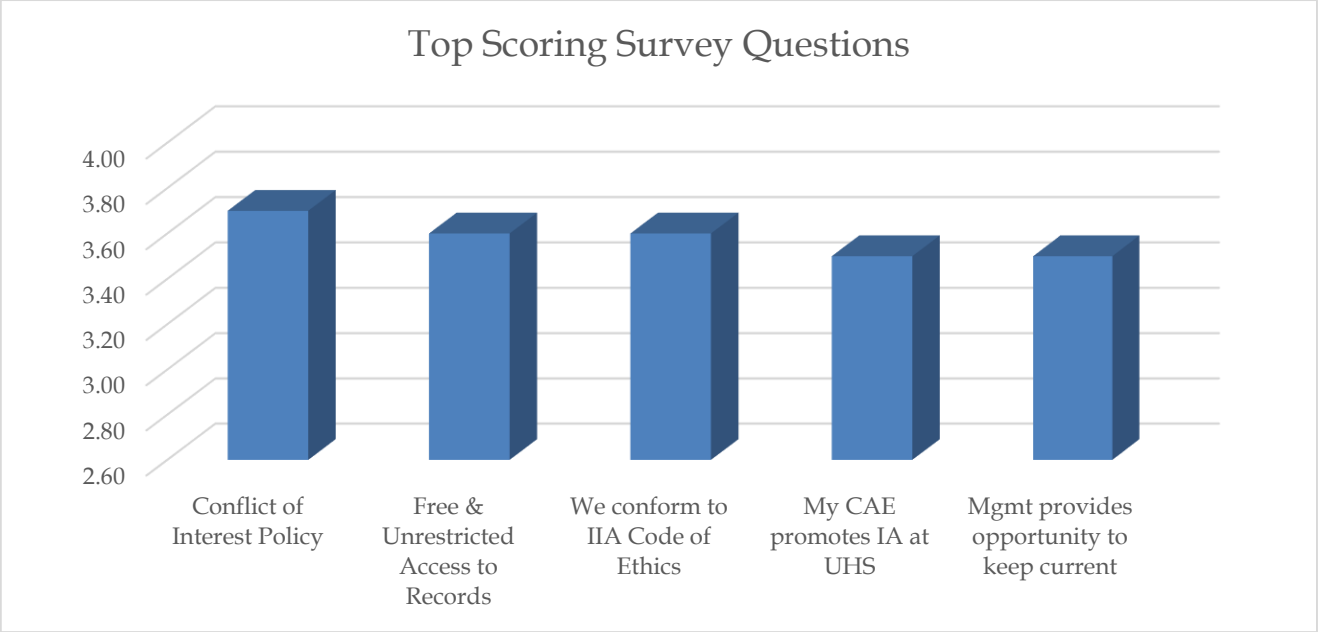
Survey of UHS Executives evaluating the Internal Auditing Program

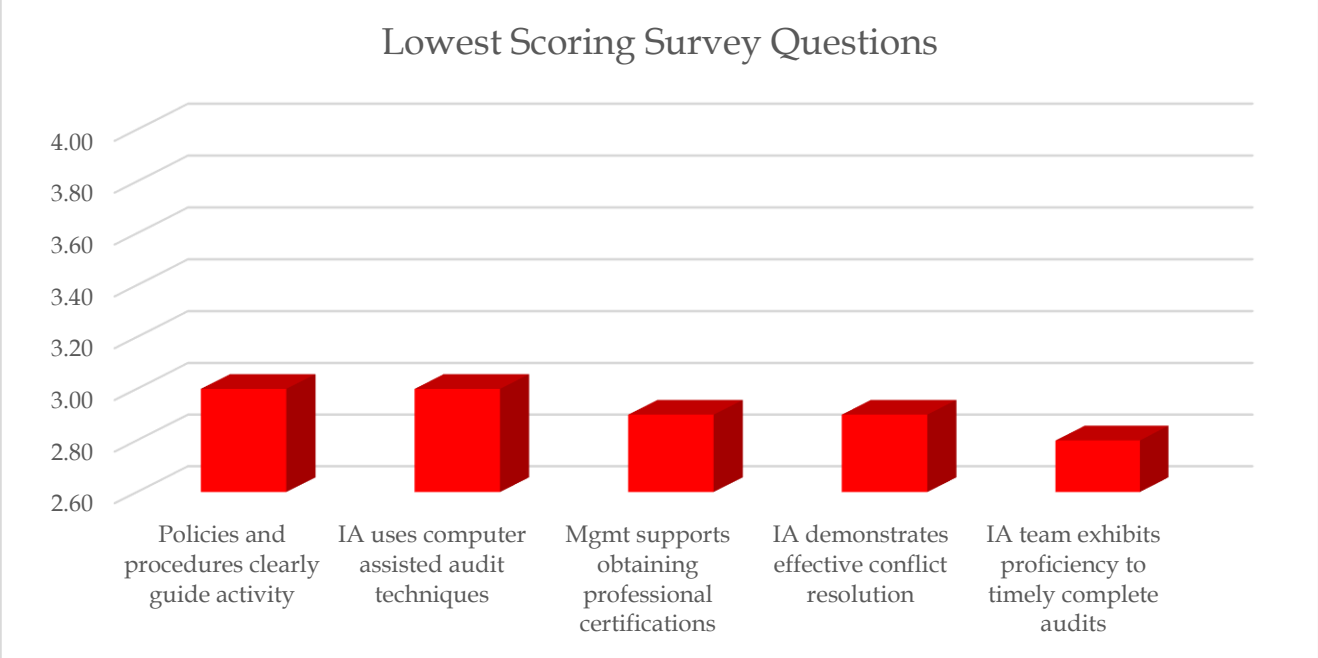


The Executive Survey asked questions related to the professionalism and conduct of the UHS Internal Auditing Program. The scale of the survey was 1 – 4 and all scores averaged from 3.48 to 3.72. Please note that a total of 29 executives responded to the Survey out of the 30+ surveys sent out – an excellent response rate of 97%.

Appendix III (cont.)

Survey of the Internal Auditing Team





The Survey of the Internal Auditing Management and Staff included over 30 questions. We have included the top five scoring questions and lowest five scoring questions. We received responses on the Staff survey from all Internal Auditing Management and Staff with the exception of the CAE (as planned).

ATTACHMENT B

Existing Year Projects that are in Progress		
TITLE	**STATUS** (select from drop-down list)	**COMMENTS**
Accounts Payable with Cost Recovery Component	Project Currently In Progress	**Scheduled to be finished early September 2020**
Accounts Receivable	Project Currently In Progress	**Started August 2020**
IT Governance - Schneider Downs	Project Currently In Progress	**Scheduled to be finished early September 2020**
Travel & Entertainment Expenditures - Board	Project Currently In Progress	**Board Requested - Continual - Report in November 2020**
Travel & Entertainment Expenditures - Chancellor/President	Project Currently In Progress	**Board Requested - Continual - Report in November 2020**
Real Estate Services	Project Currently In Progress	**Scheduled to be finished in September 2020**
Internal Audit (IA) Data Analytics and Value Enhancements	Project Currently In Progress	**This is on ongoing skills enhancement project to integrate data analytics and increase sample size through integration of artificial intelligence (AI) and robotic process automation (RPA) into the audit process.**

ATTACHMENT B

Additions to Audit Plan Based on Risk Assessment and Risk Register										
ENGAGEMENT TITLE	**GROUPING**	**TYPE**	**SCOPE**	**TIME FRAME**	**INCLUSION RATIONAL**	**Entity to be Audited**				
Provide the title of the audit engagement.	**Assurance Blended Consulting Special Project**	**Compliance Financial Information Technology Investigation Operational**	**Controls Review Full Review Limited Review**	**Near Term - 1-6 Months Medium Term - 7-12 Months Long Term - 13-18 Months**	**Information describing why this project is included on the audit plan.**	**UHS**	**UH**	**UHCL**	**UHD**	**UHV**
Research Governance and Process Overview	Blended	Operational	Full Review	Near Term - 1-6 Months	Research is a fundamental element to the growth objective, as outlined by the Chancellor. In addition, on the risk assessment, this area (Research Risks had a disproportionate amount of high-risk processes).		x	x		
Export Controls	Assurance	Compliance	Controls Review	Near Term - 1-6 Months	Risk assessment and recent events and audits have shown that this is an area that UHS must ensure is well managed and compliant.		x	x		
Grants Management	Assurance	Operational	Controls Review	Medium Term - 7-12 Months	High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.		x	x		
Conflict of Interest	Blended	Operational	Full Review	Medium Term - 7-12 Months	High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.		x	x	x	x
Effort Reporting	Assurance	Compliance	Controls Review	Long Term - 13-18 Months	High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.		x	x		
Intellectual Property Oversight and Protection	Blended	Operational	Controls Review	Near Term - 1-6 Months	High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.		x			
Compliance with Federal Sentencing Guidelines	Assurance	Compliance	Full Review	Near Term - 1-6 Months	In 2018 the Federal Government released a guide to compliance. This audit will provide assurance to meeting the new and existing criteria laid out in it.	x	x	x	x	x
Research Center Management	Assurance	Financial	Controls Review	Medium Term - 7-12 Months	Research centers often have multiple sources of income and often have different rules for expenses. High rating on the risk assessment and recent audit issues show this is an area that UHS must ensure is well managed and compliant.		x			
Procurement Card Management	Assurance	Operational	Full Review	Near Term - 1-6 Months	Recent audit issues show this is an area that UHS must ensure is well managed and compliant. Procurement cards are one of the easiest ways to misappropriate funds.		x	x	x	x
Minors on Campus (Camps, Charter School, Other MOC Activities)	Blended	Compliance	Controls Review	Medium Term - 7-12 Months	Because of recent legislation, no recent audits and a commitment to protection of future members of the UHS community this is an area the a need assurance provided.		x	x	x	x
Construction Auditing	Assurance	Financial	Controls Review	Long Term - 13-18 Months	Construction is a complex process that offers multiple areas for misappropriation of funds. Large projects like the medical school offer opportunity, pressure and rationalities for the misuse of funds.		x			
Campus-wide Management of Small Electronics	Assurance	Information Technology	Controls Review	Medium Term - 7-12 Months	Small electronics are the most common type of assets misappropriation. No recent audits in this are a high-risk rating.		x	x	x	x
Redundant Systems	Blended	Information Technology	Limited Review	Near Term - 1-6 Months	Recent audit issues show this is an area where UHS may be able to improve operations and reduce operations cost by consolidations, automations, and shared use.	x	x	x	x	x
Vendor Validation	Consulting	Compliance	Limited Review	Near Term - 1-6 Months	Internal Auditing will be consulting on the control structure of the upgrade of software surrounding the master vendor list and vendor validation.	x	x	x	x	x
Travel Expense	Assurance	Multiple Aspect	Controls Review	Near Term - 1-6 Months	Recent audit issues show this is an area that UHS must ensure is well managed and compliant. Travel is one of the easiest ways to misappropriate funds.		x	x	x	x

ATTACHMENT B

Additions to Audit Plan Based on Risk Assessment and Risk Register										
ENGAGEMENT TITLE	**GROUPING**	**TYPE**	**SCOPE**	**TIME FRAME**	**INCLUSION RATIONAL**	**Entity to be Audited**				
Provide the title of the audit engagement.	**Assurance Blended Consulting Special Project**	**Compliance Financial Information Technology Investigation Operational**	**Controls Review Full Review Limited Review**	**Near Term - 1-6 Months Medium Term - 7-12 Months Long Term - 13-18 Months**	**Information describing why this project is included on the audit plan.**	**UHS**	**UH**	**UHCL**	**UHD**	**UHV**
Endowment/Foundation Expense Review	Assurance	Compliance	Limited Review	Long Term - 13-18 Months	UHS has a reputation for integrity, transparency, and professionalism. UHS demonstrates a commitment to transparency and accountability as well as appropriate spend by auditing those expenses that may have different or less generic spend.		x			
Annual Procurement Report	Assurance	Compliance	Limited Review	Near Term - 1-6 Months	Mandatory Audit		x			
Athletics - Football Attendance	Assurance	Compliance	Limited Review	Near Term - 1-6 Months	Mandatory Audit		x			
Board of Regents Travel & Entertainment, FY 2021	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			
Chancellor/President's Travel & Entertainment, FY 2021	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			
Construction and Other Contracts Requiring Board of Regents Approval	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			
Compliance with Edcuation Code 51.9337	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			
NCAA-Rules Compliance	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			
Quality Assurance Reviews - Internal/External	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit		x			
State Benefits Proportionality	Assurance	Compliance	Limited Review	Medium Term - 7-12 Months	Mandatory Audit	x				