UNIVERSITY OF HOUSTON SYSTEM
Internal Auditing Department
Houston, Texas 77204-0930
(713) 743-8000
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October 27, 2017

Governor's Office of Budget, Planning, and Policy
Legislative Budget Board
Sunset Advisory Commission
State Auditor's Office
Members of the Board of Regents,
University of Houston System
Dr. Renu Khator, Chancellor
University of Houston System

During fiscal year 2017, The University of Houston System Internal Auditing Department executed the annual audit plan approved by the University of Houston System Board of Regents on August 25, 2016. The work performed under this plan met the requirements of the Texas Internal Auditing Act (Act), Texas Government Code, Sec. 2102, as amended. The Long-Range Internal Audit Plan is flexible and is periodically adjusted to adapt to the changes in the existing operations or activity levels. Such changes to the plan are approved by the Board of Regents. There were no amendments to the Long-Range Internal Audit Plan during FY 2017. The Act requires the Internal Auditor to submit to you the attached report of the activities of the Internal Auditing Department for fiscal year 2017. This report contains the information presented in the format prescribed by the State Auditor's Office, as required by the Act. Please do not hesitate to contact me should you have any questions about the contents of this report.

Sincerely,

Don F. Guyton
Chief Audit Executive

Attachment

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

ANNUAL REPORT

FISCAL YEAR 2017

EXECUTIVE SUMMARY

Purpose of Report

This report satisfies the requirements of the Texas Internal Auditing Act (Act), which states that internal audit departments are to prepare an annual report. It contains information on our audit plan, audits completed, and recommendations made during the 2017 fiscal year. This report contains the information presented in the format provided by the State Auditor's Office, as required by the Act.

Significant Risk Exposures and Control Issues

The Institute of Internal Auditors *Standards for the Professional Practice of Internal Auditing, Practice Advisory 2060-1,* defines significant risk exposures and control issues as "...those conditions that, according to the CAE's judgment, could adversely affect the organization and its ability to achieve its strategic, financial reporting, operational, and compliance objectives. Significant issues may carry unacceptable exposure to internal and external risks, including conditions related to control weaknesses, fraud, irregularities, illegal acts, errors, inefficiency, waste, ineffectiveness, conflicts of interest, and financial viability."

During the 2017 fiscal year, we issued 34 audit reports. One report included a significant risk exposure and control issue. The significant risk exposure and control issue is summarized below:

- UHV School of Education, Health Professions, and Human Development, Departmental Review: The College did not have adequate oversight to help ensure that all business functions were adequately performed.

Other reports included recommendations to strengthen internal controls in the following areas: reconciliation of departmental records to the financial accounting reports to ensure that transactions recorded to the cost centers are authorized, accurate and complete (13 reports); training (7 reports); cash handling (6 reports); contract administration (4 reports); and modifying current University of Houston System, campus or departmental administrative policies (3 reports).

Management's Response

Management's responses to our findings and recommendations have been very positive. Management has responded that the audit recommendations have been implemented or will be implemented in the future.

Audit Plan

The Board of Regents approved the Long-Range Internal Audit Plan – Fiscal Years 2017-2019 on August 25, 2016. A copy of the Audit Plan for fiscal years 2017-2019 is included in Section 2. A list of audit reports issued during FY 2017 is included in Section 2. The Board of Regents approved the Long-Range Internal Audit Plan – Fiscal Years 2018-2020 on August 24, 2017. A copy of the Audit Plan for fiscal years 2018-2020 is included in Section 5.

The internal audit plan provides full-time internal audit coverage to the following entities:

University of Houston System Administration
University of Houston
University of Houston-Downtown
University of Houston-Clear Lake
University of Houston-Victoria

Deviations from the Audit Plan

During FY 2017, several departmental reviews and carryforward audits required additional hours to complete due to the complexity of the audit. As a result, several audits for FY 2017 were in progress at year-end. These deviations and other deviations from the Audit Plan are explained in Section 2.

Special Projects

The work of the Internal Auditing Department extends beyond planned audits. During the 2017 fiscal year, we also engaged in several special projects. A list of these special projects is included in Section 2.

Follow-up Work

The *Standards for the Professional Practice of Internal Auditing* require internal auditors to perform follow-up procedures to ascertain that appropriate action is taken on reported audit findings. At the beginning of FY 2017, there were 72 open management action items. During FY 2017, 42 additional management action items were identified and 62 were completely addressed. At the end of FY 2017, there were 52 open management action items.

Peer Review

The Internal Auditing Department received a peer review in August 2015 and its next peer review should be completed during 2018. See Section 4.

Performance Measures

The Internal Auditing Department monitored four key performance factors during fiscal year 2017.

PERFORMANCE FACTORS	TARGET	ACTUAL
1. Percent of audit recommendations implemented/in-progress.	90%	100%
2. Direct audit hours as a percent of total audit hours.	68%	64%
3. Average training hours per auditor.	40	62
4. Percent of auditees responding to feedback survey indicating that they were satisfied with audit.	100%	100%

An analysis of direct audit hours as a percent of total audit hours is included in

the Deviation Section, Section 2.

Contact Person For more information on this report, contact Don F. Guyton at (713) 743-8000.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

ANNUAL ACTIVITY REPORT
FISCAL YEAR 2017

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Section 1

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

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
COMPLIANCE WITH
TEXAS GOVERNMENT CODE 2102.015
FISCAL YEAR 2017

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 the information on its website as noted below:

Annual Internal Audit Plan

The Annual Internal Audit Plan for FY 2018-2020 that was approved at the August 24, 2017 Board of Regents meeting was posted to the Internal Auditing Department's website on September 25, 2017.

Internal Audit Annual Report

The Internal Audit Annual Report for FY 2017 will be posted to the Internal Auditing Department's website within 30 days of submitting the report to the Board of Regents.

Status of Action Items

A status of action items related to recommendations/audit observations for FY 2017 is attached for review. This status includes the report number, the name of the report, the entity, the action to be taken, and status (Fully Implemented or In Progress).

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-04	President's Office, Departmental Reviews	UHV	Ensure that the same employee is not responsible for cash receipts and monthly verifications.	Fully Implemented
AR2017-07	College of Education, Departmental Reviews	UH	Determine how the available funds can be used and/or deactivate the inactive cost centers.	Fully Implemented
AR2017-07	College of Education, Departmental Reviews	UH	Develop a process to help ensure scholarship cost centers do not have excessive year-end equity balances.	Fully Implemented
AR2017-08	Hotel and Restaurant Management, Departmental Review	UH	Work with Academic Affairs to prepare a written agreement for the Center.	Fully Implemented
AR2017-08	Hotel and Restaurant Management, Departmental Review	UH	Approve cost center verifications timely.	Fully Implemented
AR2017-08	Hotel and Restaurant Management, Departmental Review	UH	Submit requests to the appropriate office to deactivate inactive cost centers.	Fully Implemented
AR2017-09	Graduate College of Social Work, Departmental Review	UH	Submit a request to the appropriate office to deactivate the inactive cost center.	Fully Implemented
AR2017-09	Graduate College of Social Work, Departmental Review	UH	Restore deficit budgetary balances to a zero or positive amount.	Fully Implemented

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-09	Graduate College of Social Work, Departmental Review	UH	Submit requests to the appropriate office to deactivate expired grant cost centers.	Fully Implemented
AR2017-09	Graduate College of Social Work, Departmental Review	UH	Prepare and submit annual written and financial reports for the Graduate College of Social Work to the Office of the Vice Chancellor/Vice President for Research.	Fully Implemented
AR2017-11	University Advancement, Departmental Review	UH	Prepare and approve cost center verifications in a timely manner.	Fully Implemented
AR2017-11	University Advancement, Departmental Review	UH	Determine how the available funds can be used and/or deactivate the inactive cost centers.	Fully Implemented
AR2017-16	College of Liberal Arts and Social Sciences, Endowments	UH	Modify procedures to require that students awarded scholarships from the Lucia La Madrid Cain Endowment are first in family to attend college.	Fully Implemented
AR2017-16	College of Liberal Arts and Social Sciences, Endowments	UH	Review expenditures made from the Lucia La Madrid Cain Endowment and reimburse the income beneficiary cost center any expenses that do not adhere to the endowment agreement.	Fully Implemented
AR2017-16	College of Liberal Arts and Social Sciences, Endowments	UH	Work with the donor and University Advancement to modify the terms of the agreement.	Fully Implemented

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-16	College of Liberal Arts and Social Sciences, Endowments	UH	Prepare and send annually a detailed report of projects funded by the endowment and financial accounting of expenditures.	Fully Implemented
AR2017-16	College of Liberal Arts and Social Sciences, Endowments	UH	Implement a process to ensure DBAs are communicating endowment restrictions to all personnel responsible for the endowments.	Fully Implemented
AR2017-16	College of Liberal Arts and Social Sciences, Endowments	UH	Modify SAM 03.F.02 to allow comingling of funds within income beneficiary cost centers for the endowments.	Fully Implemented
AR2017-18	Administration and Finance, Departmental Review	UHD	Implement oversight procedures to help ensure departments within the division are completing required financial and administration tasks, including requiring departments to complete the Monthly Checklist.	Fully Implemented
AR2017-18	Administration and Finance, Departmental Review	UHD	Prepare and approve cost center verifications in a timely manner.	Fully Implemented
AR2017-18	Administration and Finance, Departmental Review	UHD	Prepare and approve cost center verifications in a timely manner using the cost center verification worksheet.	Fully Implemented
AR2017-19	Academic and Student Affairs, Departmental Review	UHD	Prepare and approve cost center verifications timely.	Fully Implemented

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-19	Academic and Student Affairs, Departmental Review	UHD	Segregate cost center verifications and deposit responsibilities for the Division.	Fully Implemented
AR2017-19	Academic and Student Affairs, Departmental Review	UHD	Approve cost center verifications timely.	Fully Implemented
AR2017-19	Academic and Student Affairs, Departmental Review	UHD	Prepare and approve cost center verifications timely.	Fully Implemented
AR2017-19	Academic and Student Affairs, Departmental Review	UHD	Submit requests to the appropriate office to deactivate inactive cost centers.	In Progress
AR2017-20	University College, Departmental Review	UHD	Prepare and approve cost center verifications in a timely manner.	Fully Implemented
AR2017-20	University College, Departmental Review	UHD	Prepare and approve cost center verifications in a timely manner.	Fully Implemented
AR2017-21	Center for Advanced Computing and Data Systems, Follow-up	UH	Perform a review of CACDS activities to determine whether it is functioning as a multidisciplinary research organization or a core facility, and make organizational changes, as appropriate.	In Progress

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-21	Center for Advanced Computing and Data Systems, Follow-up	UH	Implement monitoring mechanisms to help ensure that CACDS processes new hire paperwork, classifies employees, and compensates employees in accordance with university policies and guidelines.	Fully Implemented
AR2017-21	Center for Advanced Computing and Data Systems, Follow-up	UH	Prepare and submit annual Center report.	Fully Implemented
AR2017-22	College of the Arts, Endowments	UH	Implement procedures to help ensure sufficient funding for anticipated scholarships.	Fully Implemented
AR2017-22	College of the Arts, Endowments	UH	Work with Academic Affairs to restore deficit fund balances for the Moores Fellowship and Winifred and Maurice Hirsch Scholarship endowments to a zero or positive amount.	Fully Implemented
AR2017-22	College of the Arts, Endowments	UH	Implement procedures to help ensure 1) income is allocated and expended, 2) the Executive Committee votes, 3) scholarships are awarded, and 4) annual reports are completed, in accordance with the endowment agreement.	In Progress
AR2017-22	College of the Arts, Endowments	UH	Appoint a Wortham Chair in the Performing Arts to expend the funds in accordance with endowment restrictions.	Fully Implemented

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-26	Office of the President and University Advancement, Departmental Review	UHD	Require employees to complete role-based training related to credit cards.	In Progress
AR2017-26	Office of the President and University Advancement, Departmental Review	UHD	Obtain a written delegation of authority for review and approval of cost center verifications.	Fully Implemented
AR2017-26	Office of the President and University Advancement, Departmental Review	UHD	Update procedures to help ensure credit card information is appropriately stored, processed, and transmitted.	In Progress
AR2017-28	Office of the President, Departmental Review	UHCL	Prepare written cash handling procedures for Theater activities.	Fully Implemented
AR2017-28	Office of the President, Departmental Review	UHCL	Prepare written procedures for the billing, accounting, collecting, and monitoring of accounts receivable.	Fully Implemented
AR2017-28	Office of the President, Departmental Review	UHCL	Prepare an aging schedule for accounts receivable.	In Progress
AR2017-28	Office of the President, Departmental Review	UHCL	Write-off accounts receivable, as appropriate.	In Progress

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-29	School of Business Administration, Departmental Review	UHV	Require supervisors to approve hours worked by Graduate Assistants.	In Progress
AR2017-29	School of Business Administration, Departmental Review	UHV	Document the review and approval of the monthly cost center verifications.	In Progress
AR2017-29	School of Business Administration, Departmental Review	UHV	Use the University approved verification worksheet when completing monthly cost center verifications.	In Progress
AR2017-29	School of Business Administration, Departmental Review	UHV	Work with the Payroll Department to clear the deficit compensatory time balance.	In Progress
AR2017-32	School of Arts and Sciences, Departmental Review	UHV	Prepare and approve cost center verifications in a timely manner.	In Progress
AR2017-33	School of Education, Health Professions, and Human Development Departmental Review	UHV	Implement monitoring procedures to help ensure all administrative and financial tasks are completed accurately and timely and staff receive the necessary training.	In Progress

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-33	School of Education, Health Professions, and Human Development Departmental Review	UHV	Monitor the Dean's performance to help ensure all administrative and financial tasks are completed accurately and timely.	In Progress
AR2017-33	School of Education, Health Professions, and Human Development Departmental Review	UHV	Implement a monitoring mechanism for all units at UHV to use to help ensure that university is performing administrative and financial tasks required by UHS/UHV policies and procedures.	In Progress
AR2017-33	School of Education, Health Professions, and Human Development Departmental Review	UHV	Prepare and approve cost center verifications in a timely manner.	In Progress
AR2017-33	School of Education, Health Professions, and Human Development Departmental Review	UHV	Determine how the available funds can be used and/or deactivate the inactive cost centers.	In Progress
AR2017-33	School of Education, Health Professions, and Human Development Departmental Review	UHV	Require supervisors to approve hours worked for non-exempt employees.	In Progress

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

SUMMARY OF FY 2017 AUDIT RECOMMENDATIONS AND STATUS
AS OF AUGUST 31, 2017

Report No.	Name of Report	Entity	Action to Be Taken	Status
AR2017-33	School of Education, Health Professions, and Human Development Departmental Review	UHV	Work with Financial Aid to develop written scholarship guidelines for departmental scholarships.	In Progress
AR2017-34	College of Education, Departmental Review	UHCL	Submit requests to the appropriate office to close inactive cost centers.	Fully Implemented
AR2017-34	College of Education, Departmental Review	UHCL	Report all financial aid provided through the CASA grant program to the Office of Student Financial Aid.	In Progress
SP2017-06	Katy Real Estate Purchase Negotiations	UH	Schedule a refresher training for the members of the Board of Regents in the fall of each year.	In Progress
SP2017-07	University Advancement / Real Estate Services, Policies and Procedures	UH	Develop a reconciliation process between the University Advancement Information System and the Financial System and reconcile the two systems.	In Progress
SP2017-07	University Advancement / Real Estate Services, Policies and Procedures	UH	Ensure that appropriate employees receive training on updated policies and procedures.	In Progress

An audit related to benefits proportionality prescribed in Rider 8, page II-41, the General Appropriations Act (84th Legislature), was scheduled and completed during FY 2016. The Audit Report, AR2016-31, UHS State Benefits Proportionality, was presented at the University of Houston System Board of Regents Audit and Compliance Committee meeting on August 25, 2016 and transmitted to the State Auditor's Office on August 26, 2016. An audit related to benefits proportionality prescribed in Rider 8, page III-44, the General Appropriations Act (85th Legislature, Conference Committee Report), was not scheduled during FY 2017; however, an audit is scheduled to be completed during FY 2018.

An audit related to the assessment required by the Texas Education Code, Section 51.9337(h), as added by Senate Bill 20 (84th Legislature), was scheduled and completed during FY 2016. The Audit Report, AR2016-32, UHS Compliance Review – Texas Education Code, Section 51.9337, was presented at the University of Houston System Board of Regents Audit and Compliance Committee meeting on August 25, 2016 and transmitted to the State Auditor's Office on August 26, 2016. An audit of the food service contract was scheduled in FY 2017 and is currently in progress and an audit of the bookstore contract is scheduled for FY 2018.

Section 2

Internal Audit Plan for Fiscal Years 2017 – 2019
(Including Deviations from the Audit Plan)

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

LONG - RANGE INTERNAL AUDIT PLAN

and

RISK ANALYSIS

Fiscal Years 2017 - 2019

UNIVERSITY OF HOUSTON SYSTEM

Internal Auditing Department
Houston, Texas 77204-0930
(713)743-8000
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MEMORANDUM

TO: Mr. Roger Welder
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: August 8, 2016

SUBJ: Long-Range Internal Audit Plan - Fiscal Years 2017-2019

Attached for your review and approval is the UHS Internal Auditing Department Long-Range Internal Audit Plan for Fiscal Years 2017-2019 (Audit Plan). The Audit Plan has been prepared to meet the requirements of the Board of Regents directives and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), as amended. The Texas Internal Auditing Act requires the Board of Regents to approve the Audit Plan and periodically review the resources dedicated to the Internal Audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame. The Internal Audit resources are described in Section 2 of the Audit Plan, and the risk assessment is included in Section 8 of the Audit Plan. Risk assessment techniques were employed to identify auditable areas and to ensure that the accounting systems and controls, the administrative systems and controls, and other major systems and controls are reviewed on a periodic basis. Coverage of key departments and functions at planned intervals has been designed into the plan to assure that no significant auditable area has been overlooked.

Each auditable area has been evaluated as to its risks and other functions which might determine the urgency and frequency for performing an audit. In addition to an analytical review of all significant financial data for each campus, the risk evaluation and scheduling process included requests for input from all campus presidents, fiscal officers, and other key personnel. Once the risk assessment was completed, each auditable area was included in the audit schedule for the next three fiscal years or later.

Included in Section 5 of the Audit Plan is a listing of brief audit objectives for each auditable area. These objectives relate to overall internal controls, efficiency of operations and compliance with laws and regulations, and Board of Regents and/or management policies and procedures.

Recommendation:

The Audit Plan should be flexible and periodically adjusted to adapt to changes in the audit environment. These changes include new or revised laws or regulations and changes in existing operations or activity levels. The Audit and Compliance Committee should approve these periodic changes to the Audit Plan. I recommend that the Board of Regents approve the attached Audit Plan, including the Internal Audit Resources, and delegate approval for periodic changes to the Audit Plan to the Audit and Compliance Committee.

DFG:rh
Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LONG-RANGE INTERNAL AUDIT PLAN
FY 2017-2019

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University of Houston System
Internal Auditing Department

Long-Range Internal Audit Plan
Summary of Effort (Hours)

Activity	Fiscal Year		
	2017	2018	2019
Mandatory	5,900	6,400	6,200
High Priority	6,200	4,400	4,400
Other	3,153	4,453	4,653
Total Direct Audit Hours	15,253	15,253	15,253

University of Houston System
Internal Auditing Department

Long-Range Internal Audit Plan
Effort (Hour Assumptions)

Available Effort	Chief Audit Executive	Director	Manager	Senior Auditor	Information Technology Auditor	Staff
Vacations	120	120	96	96	120	96
Holidays (14 days)	112	112	112	112	112	112
Sick Leave	40	40	40	60	96	40
Professional Training	60	60	60	60	60	60
In-house Training	40	40	40	20	20	20
Professional Organizations	40	40	20	16	16	16
Indirect Audit Hours: Administrative	1,084	784	500	184	80	40
Direct Audit Hours	584	884	1,212	1,532	1,576	1,696
Total Hours Available	2,080	2,080	2,080	2,080	2,080	2,080
Allocable Direct Audit Hours						
Direct Audit Hours By Position	584	884	1,212	1,532	1,576	1,696
Staff Size By Position	1	1	1	3	1	5
Employee Turnover/Attrition	-	-	-	0.25	-	1.0
Available Staff Size	1.0	1.0	1.00	2.75	1.0	4.0
Subtotal	584	884	1,212	4,213	1,576	6,784
Total Direct Audit Hours						15,253

Three-Year Audit Schedule, FY 2017 - 2019

Section 6

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2017-2019
SCHEDULED AUDITS - FY 2017

AUDIT ACTIVITY	BUDGET HOURS
MANDATORY (5,600 hours)	
Annual External Audits - Liaison	100
Annual Procurement Report	100
Athletics - Football Attendance Audit	100
Board of Regents Travel & Entertainment, FY 2017	200
Chancellor/President's Travel & Entertainment, FY 2017	200
Construction and Other Contracts Requiring Board of Regents Approval	500
Contract Administration - Food Service (System-wide)	600
Follow-up Reviews	500
Joint Admission Medical Program, FY 2016 (UHD)	100
Special Projects/Police Investigations	3,000
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
HIGH PRIORITY (5,600 hours)	
Facilities Management (System-wide)	1,200
Financial Aid, Non-Title IV (System-wide)	1,200
Human Resources (System-wide)	1,200
Payroll (System-wide)	1,200
University Advancement (UH)	500
Information Technology (Co-Sourced)	300
PeopleSoft	
Information Technology General Controls - Research	
BSR Advance	
Single Sign-On Central Authentication	
Cyber Security Assessment	
OTHER (2,460 hours)	
Departmental Reviews (1,560 hours)	
UH University Advancement	100
UH University Marketing, Communications & Media Relations	100
UHCL Education	100
UHCL President's Office	100
UHD Administration & Finance	460
UHD Advancement & External Relations	100
UHD Employment Services & Operations	100
UHD President's Office	100
UHD Public Service	100
UHV Arts & Sciences	100
UHV Business Administration	100
UHV Education	100
Information Technology (900 hours)	
Computer Assisted Auditing Techniques	500
IT - Review and Monitor of IT Systems (High Priority Projects)	400
INITIATED DURING FY 2016 - TO BE COMPLETED/REPORTED IN FY 2017	1,593
Total Hours Scheduled for Fiscal Year 2017	**15,253**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2017-2019
FY 2016 AUDITS IN PROGESS AT YEAR-END

AUDIT ACTIVITY	Budget Hours
Projects Initiated During FY 2016, But Not Completed	1,593

- Board of Regents Travel & Entertainment, FY 2016
- Chancellor/President's Travel & Entertainment, FY 2016
- Center for Advanced Computing & Data Systems, Follow-up
- Departmental Reviews
  - UH College of Education
  - UH Graduate College of Social Work
  - UH Conrad N. Hilton College of Hotel and Restaurant Management
  - UHD Academic & Student Affairs
  - UHD University College
  - UHV President's Office
- Endowments - UH Liberal Arts and Social Sciences
- Endowments - UH University Advancement
- General Accounting (All Components)
- Information Technology (Co-Sourced)
  - Physical Access
- Student Housing (UH and UHV)
- TAC 202, Information Security Standards (UH)

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2017-2019
SCHEDULED AUDITS - FY 2018

AUDIT ACTIVITY	BUDGET HOURS
MANDATORY (6,100 hours)	
Annual External Audits - Liaison	100
Annual Procurement Report	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel & Entertainment, FY 2018	200
Chancellor/President's Travel & Entertainment, FY 2018	200
Construction and Other Contracts Requiring Board of Regents Approval	500
Contract Administration - Bookstore	600
Follow-up Reviews	500
Quality Assurance Reviews	
Internal Quality Assurance Review	100
External Quality Assurance Review	100
Special Projects/Police Investigations	3,000
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
HIGH PRIORITY (4,400 hours)	
Budgeting (System-wide)	1,200
Financial Aid, Title IV (UHCL, UHD, UHV)	1,200
Purchasing (System-wide)	1,200
TBD	500
Information Technology (Co-Sourced)	300
Malware and Anti-Virus	
Blackboard	
OTHER (3,740 hours)	
Departmental Reviews (2,840 hours)	
UH C.T. Bauer College of Business	680
UH Cullen College of Engineering	460
University of Houston Libraries	100
UH College of Natural Sciences & Mathematics	520
UH Research	520
UH College of Technology	220
UHD Humanities & Social Sciences	340
Information Technology (900 hours)	
Computer Assisted Auditing Techniques	500
IT - Review and Monitor of IT Systems (High Priority Projects)	400
INITIATED DURING FY 2017 - TO BE COMPLETED/REPORTED IN FY 2018	1,013
Total Hours Scheduled for Fiscal Year 2018	**15,253**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2017-2019
SCHEDULED AUDITS - FY 2019

AUDIT ACTIVITY	BUDGET HOURS
MANDATORY (5,900 hours)	
Annual External Audits - Liaison	100
Annual Procurement Report	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel & Entertainment, FY 2019	200
Chancellor/President's Travel & Entertainment, FY 2019	200
Construction and Other Contracts Requiring Board of Regents Approval	500
Contract Administration - TBD	600
Follow-up Reviews	500
Special Projects/Police Investigations	3,000
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
HIGH PRIORITY (4,400 hours)	
Accounts Payable (System-wide)	1,200
Financial Aid, Scholarships (System-wide)	1,200
Property Management (System-wide)	1,200
TBD	500
Information Technology (Co-Sourced)	300
Disaster Recovery and Availability	
Third Party Risk Management	
External Vulnerability and Penetration Testing	
OTHER (3,880 hours)	
Departmental Reviews (2,980 hours)	
UH College of the Arts	200
UH Administration & Finance	640
UH Honors College	100
UH Law Center	160
UH College of Liberal Arts & Social Sciences	880
UH College of Pharmacy	100
UH Student Affairs & Enrollment Services	340
UHD Business	220
UHD Sciences & Technology	340
Information Technology (900 hours)	
Computer Assisted Auditing Techniques	500
IT - Review and Monitor of IT Systems (High Priority Projects)	400
INITIATED DURING FY 2018 - TO BE COMPLETED/REPORTED IN FY 2019	1,073
Total Hours Scheduled for Fiscal Year 2019	**15,253**

Deviations from the Audit Plan

During FY 2017, several departmental reviews and carryforward audits required additional hours to complete due to the complexity of the audit. As a result, several audits for FY 2017 were in progress at year-end. These deviations and other deviations from the Audit Plan are explained in Section 2.

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

DEVIATIONS FROM THE AUDIT PLAN

ACTIVITY REPORT

FISCAL YEAR 2017

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
AUDIT REPORTS ISSUED

REPORT #	AUDIT REPORTS
AR2017-01	Follow-up Status Report - Actions Scheduled for Implementation from 7/1/16 to 9/30/16
AR2017-02	Construction and Other Contracts Requiring BOR Approval
AR2017-03	Annual Non-Compliance Report, FY 2016
AR2017-04	UHV President's Office, Departmental Reviews
AR2017-05	UHV University Advancement, Departmental Review
AR2017-06	UH University Advancement, Endowments
AR2017-07	UH College of Education, Departmental Reviews
AR2017-08	UH Conrad N. Hilton College of Hotel & Restaurant Management, Departmental Review
AR2017-09	UH Graduate College of Social Work, Departmental Review
AR2017-10	UHD Joint Admissions Medical Program, FY 2016
AR2017-11	UH University Advancement, Departmental Review
AR2017-12	UHS/UH Chancellor/President's Travel & Entertainment, FY 2016
AR2017-13	UHS Board of Regents' Travel & Entertainment, FY 2016
AR2017-14	Follow-up Status Report - Actions Scheduled for Implementation from 10/1/16 to 12/31/16
AR2017-15	Construction and Other Contracts Requiring BOR Approval
AR2017-16	UH College of Liberal Arts and Social Sciences, Endowments
AR2017-17	UH University Marketing, Communication and Media Relations, Departmental Review
AR2017-18	UHD Administration and Finance, Departmental Reviews
AR2017-19	UHD Academic and Student Affairs, Departmental Reviews
AR2017-20	UHD University College, Departmental Reviews
AR2017-21	UH Center for Advanced Computing and Data Systems, Follow-up
AR2017-22	UH College of the Arts, Endowments
AR2017-23	UH Athletics, Football Attendance - 2016 Season
AR2017-24	Follow-up Status Report - Actions Scheduled for Implementation from 1/1/17 to 3/31/17
AR2017-25	Construction and Other Contracts Requiring BOR Approval
AR2017-26	UHD Office of the President and University Advancement, Departmental Review
AR2017-27	UHD Employment Services and Operations, Departmental Review
AR2017-28	UHCL Office of the President, Departmental Review
AR2017-29	UHV School of Business Administration, Departmental Reviews
AR2017-30	Follow-up Status Report - Actions Scheduled for Implementation from 4/1/17 to 6/30/17
AR2017-31	Construction and Other Contracts Requiring BOR Approval
AR2017-32	UHV School of Arts and Sciences, Departmental Review
AR2017-33	UHV School of Education, Health Professions, and Human Development, Dept. Rev.
AR2017-34	UHCL College of Education, Departmental Review
IT2017-01	UH Review of the Electronic Access System (Confidential)

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
SUMMARY OF HOURS WORKED

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
Scheduled Audits	8,400	7,121	1,279
IT Reviews/Monitoring	1,300	1,841	(541)
Special Projects	3,000	1,791	1,209
Follow-up Reviews	500	214	286
Departmental Reviews	2,053	4,438	(2,385)
Direct Audit Hours	15,253	15,405	(152)
Departmental Administration	3,251	3,894	(643)
Professional Development & Departmental Leave	4,037	4,951	(914)
Indirect Audit Hours	7,288	8,845	(1,557)
Total Audit Hours	22,541	24,250	(1,709)
Net Lost Man Hours:			
Employee Turnover	2,600	904	1,696
Total	**25,141**	**25,154**	**(13)**
Direct Audit Hours as a Percent of Total Audit Hours	**68%**	**64%**	

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
SCHEDULED AUDITS

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	AUDIT REPORT NUMBER	REPORT DATE	COMMENTS OR EXPLANATIONS
FY 2017 Scheduled Audits						
Annual External Audits - Liaison	100	0	100			Ongoing activity.
Annual Procurement Report	100	36	65	BOR Agenda	12/1/16	Completed.
Athletics - Football Attendance Audit, 2017 Season	100	103	(3)	AR2017-23	2/23/17	Completed.
Board of Regents Travel, FY 2017	200	127	73			In progress.
Chancellor/President's Travel, FY 2017	200	126	74			In progress.
Construction and Other Contracts Requiring Board of Regents Approval	500	476	24	AR2017-02	12/1/16	Completed.
				AR2017-15	2/23/17	Completed.
				AR2017-25	5/18/17	Completed.
				AR2017-31	8/24/17	Completed.
Contract Administration - Food Service	600	138	463			In progress.
Facilities Management (UH)	300	18	283			In progress.
Facilities Management (UHCL)	300	5	295			In progress.
Facilities Management (UHD)	300	8	292			In progress.
Facilities Management (UHV)	300	5	296			In progress.
Financial Aid, Non-Title IV (UH)	300	530	(230)			In progress.
Financial Aid, Non-Title IV (UHCL)	300	573	(273)			In progress.
Financial Aid, Non-Title IV (UHD)	300	222	78			In progress.
Financial Aid, Non-Title IV (UHV)	300	313	(13)			In progress.
Human Resources (UH)	300	0	300			In progress.
Human Resources (UHCL)	300	0	300			In progress.
Human Resources (UHD)	300	0	300			In progress.
Human Recourese (UHV)	300	0	300			In progress.
Payroll (UH)	300	345	(45)			In progress.
Payroll (UHCL)	300	1	300			In progress.
Payroll (UHD)	300	1	300			In progress.
Payroll (UHV)	300	3	297			In progress.
UH University Advancement	500	0	500			Cancelled.
UHD JAMP	100	52	48	AR2017-10	12/1/16	Completed.
SAO - Audit Assistance - General	100	18	83			Assistance provided.
SAO - Office Follow-Up Reports	100	34	66			Assistance provided.
Engagement Planning	0	26	(26)			Ongoing activity.
General - Reports	0	403	(403)			Ongoing activity.

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	AUDIT REPORT NUMBER	REPORT DATE	COMMENTS OR EXPLANATIONS
Carryforward Audits	1,000		(2,563)			
Board of Regents Travel, FY 2016		54		AR2017-13	12/1/16	Completed.
Chancellor/President's Travel, FY 2016		58		AR2017-12	12/1/16	Completed.
Center for Advanced Computing & Data Systems, Follow-up		204		AR2017-21	2/23/17	Completed.
UH Liberal Arts and Social Sciences, Endowments		684		AR2017-16	2/23/17	Completed.
				AR2017-22	2/23/17	Completed.
UH University Advancement, Endowments		33		AR2017-06	12/1/16	Completed.
General Accounting (UH)		356				In progress.
General Accounting (UHCL)		279				In progress.
General Accounting (UHD)		239				In progress.
General Accounting (UHV)		352				In progress.
Student Housing (UH)		730				In progress.
Student Housing (UHV)		577				In progress.
Total Hours Scheduled for Fiscal Year 2017	**8,400**	**7,121**	**1,279**			

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
IT AUDIT ACTIVITY

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	AUDIT REPORT NUMBER	REPORT DATE	COMMENTS OR EXPLANATIONS
FY 2017 Scheduled IT Reviews/Monitoring	300					
PeopleSoft		3	(3)			In progress.
Information Technology General Controls - Research		0	0			Rescheduled to FY 2020
BSR Advance		19	(19)			In progress.
Single Sign-On Central Authentication		0	0			Rescheduled.
Cyber Security Assessment		108	(108)			In progress.
IT General		46	(46)			Ongoing activity.
Carryforward IT Reviews						
Carryforward - Misc	100					
Physical Access		56	(56)	IT2017-01	5/18/17	Completed.
TAC 202, Information Security Standards (UH)		0	0			In progress.
Other Information Technology Activities						
IT - Review and Monitor of IT Systems (High Priorit Projects)	400	0	400			Ongoing activity.
PC Maintenance	0	253	(253)			Ongoing activity.
IT Campus Meetings	0	8	(8)			Ongoing activity.
IDEA	500	145	355			Ongoing activity.
TeamMate Implementation	0	1,055	(1,055)			Ongoing activity.
General - Reports	0	150	(150)			Ongoing activity.
Total IT Audit Activity	1,300	1,841	(541)			

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
SPECIAL PROJECTS

SPECIAL PROJECTS	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	AUDIT REPORT NUMBER	REPORT DATE	COMMENTS OR EXPLANATIONS
Annual Audit Plan		213				Completed.
Annual Governor's Report		55				Completed.
Policies and Procedures		23				Ongoing activity.
Institutional Compliance		29				Ongoing activity.
Internal Audit Webpage		215				Ongoing activity.
Miscellaneous Management Requests		119				Ongoing activity.
Annual Non-compliance Report		9		AR2017-03	12/1/16	Completed.
MySafe Campus Reports		231				Ongoing activity.
School of Music -International Association for Jazz Educators		181				In progress.
Katy Land/Advancement		628		SP2017-06	8/24/17	Completed.
				SP2017-07	8/24/17	Completed.
SICSA II		90				Completed.
	3,000	**1,791**	**1,209**			

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
FOLLOW-UP AUDITS

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	AUDIT REPORT NUMBER	REPORT DATE	COMMENTS OR EXPLANATIONS
FOLLOW-UP REVIEWS	**500**	**214**	**286**	AR2017-01	12/1/16	Completed.
				AR2017-14	2/23/17	Completed.
				AR2017-24	5/18/17	Completed.
				AR2017-30	8/24/17	Completed.

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
DEPARTMENTAL REVIEWS

	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET	AUDIT REPORT NUMBER	REPORT DATE	COMMENTS OR EXPLANATIONS
FY 2017 Departmental Reviews						
UH University Advancement	100	196	(96)	AR2017-11	12/1/16	Completed.
UH University Marketing, Communications & Media Relations	100	155	(55)	AR2017-17	2/23/17	Completed.
UHCL Education	100	392	(292)	AR2017-34	8/24/17	Completed.
UHCL President's Office	100	335	(235)	AR2017-28	5/18/17	Completed.
UHD Administration & Finance	460	384	76	AR2017-18	2/23/17	Completed.
UHD Advancement & External Relations	100	0	100			Combined with AR2017-26.
UHD Employment Services & Operations	100	120	(20)	AR2017-27	5/18/17	Completed.
UHD President's Office	100	261	(161)	AR2017-26	5/18/17	Completed.
UHD Public Service	100	0	100			Rescheduled to FY 2018
UHV Arts & Sciences	100	201	(101)	AR2017-32	8/24/17	Completed.
UHV Business Administration	100	203	(103)	AR2017-29	5/18/17	Completed.
UHV Education	100	258	(158)	AR2017-33	8/24/17	Completed.
Administration/Reporting		182				Ongoing activity.
Engagement Planning		249				Ongoing activity.
Carryforward Audits	493		(1,007)			
UH College of Education		70		AR2017-07	12/1/16	Completed.
UH Graduate College of Social Work		180		AR2017-09	12/1/16	Completed.
UH Conrad N. Hilton College of Hotel and Restaurant Management		70		AR2017-08	12/1/16	Completed.
UHD Academic & Student Affairs		684		AR2017-19	2/23/17	Completed.
UHD University College		447		AR2017-20	2/23/17	Completed.
UHV University Advancement		4		AR2017-05	12/1/16	Completed.
UHV President's Office		51		AR2017-04	12/1/16	Completed.
Total Hours Scheduled for Fiscal Year 2017	**2,053**	**4,438**	**(2,385)**			

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
ADMINISTRATION

ADMINISTRATION	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
General Administration		1,245	
Internal Audit Staff Meetings		688	
Quality Assurance		279	
Activity Report/Timekeeping		524	
New Employee Orientation		204	
Staff Recruiting		97	
Meetings/Preparation - UH/UHS		338	
Meetings/Preparation - Other Components		7	
Meetings/Preparation - BOR		448	
Meetings/Preparation - Travel		65	
Liason - Other		1	
Total Administration	**3,251**	**3,894**	**(643)**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
FY 2017 ACTIVITY REPORT
PROFESSIONAL DEVELOPMENT AND LEAVE

PROFESSIONAL DEVELOPMENT & LEAVE	BUDGET HOURS	TOTAL ACTUAL HOURS	(OVER) /UNDER BUDGET
CPE and Professional Development	1,144	1,080	64
Holiday	1,204	1,176	28
Sick	585	931	(346)
Vacation	1,104	1,281	(177)
Emergency Leave - University Authorized	-	411	(411)
Other	-	73	(73)
Total Professional Development & Leave	**4,037**	**4,951**	**(914)**

Section 3

Consulting Services and Nonaudit Services Completed

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LIST OF CONSULTING ENGAGEMENTS AND NONAUDIT SERVICES COMPLETED
(INCLUDING HIGH-LEVEL OBJECTIVES, OBSERVATIONS/RESULTS, RECOMMENDATIONS, AND STATUS)
FY 2017

Report No.	Report Date	Name of Report	High-Level Consulting Engagement/Nonaudit Service Objectives	Observations/Results and Recommendations	Current Status	Fiscal Impact/Other Impact
No consulting and nonaudit services were performed during FY 2017.						

Section 4

External Quality Assurance Review (Peer Review)

Internal Audit

Independent Validation of Quality Assurance Self-Assessment

August 17-20, 2015

Reviewers:

Betsy Bowers, CIA, CFE, CGFM, CIG, CRMA

Tammy Birchett, CPA

Kevin Robinson, CIA, CFE, CCEP

University of Houston System – Internal Auditing Quality Assurance Review

This Validation of the Self- Assessment of the UHS Internal Audit Program was performed in accordance with The Institute of Internal Auditors (IIA) Quality Assessment Manual, 2013 Edition. The primary purpose of a Quality Assessment is to determine the internal audit function's conformance with the International Standards for the Professional Practice of Internal Auditing. There are three possible outcomes of the QA: the internal audit program ***generally conforms, partially conforms or does not conform*** *with the Standards.*

August 31, 2015

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

Greetings:

We have completed a Validation of the Self-Assessment Quality Assessment (QA) of the University of Houston System Internal Audit Program as required every three years by the TX 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 QA 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. To 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 one opportunity for improvement that could improve the efficiency and effectiveness of the Internal Audit program. This is described in this report.

Betsy Bowers, CIA, CRMA, CFE, CGF, CIG
Team Lead
Interim Vice President
Business, Finance & Facilities
University of West Florida
Pensacola, FL

Tammy Birchett, CPA
Chief Audit Executive
Systemwide Internal Audit
Tennessee Board of Regents
Nashville, TN

Kevin Robinson, CIA, CFE, CCEP
Executive Director
Internal Auditing
Auburn University
Auburn, AL

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University of Houston System – Internal Auditing Quality Assurance Review

Executive Summary

Organizationally, the internal auditing 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 has grown from six to eleven professional staff since the employment of the current CAE 28 years ago. Additionally, the Texas Internal Auditing Act §2102.0011, Internal Audit Standards, requires the internal audit program to conform to the *Standards for the Professional Practice of Internal Auditing*, the Code of Ethics contained in the Professional Practices Framework as promulgated by the Institute of Internal Auditors, 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.

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

****

Appendix III is a maturity model developed by the IIA that is designed for commercial enterprises. It is presented for informational purposes only. There are other models perhaps more suited to the University's circumstances that could be used as a basis for discussion with senior management and the Audit and Compliance Committee about the Internal Audit Program's current and desired future state.

Conformance with IIA *Standards*

Generally Conforms means that IA 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

Overall, **the UHS Internal Audit Program 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
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—Resolution of Senior Management's Acceptance of Risk

In our opinion, the following *Standard* is judged as Partially Conforms to the IIA *Standards*. See discussion under Opportunity for Continuous Improvement on page 6.

1200—Proficiency and Due Professional Care

Positive Attributes of the UHS Internal Audit Program

- **Governance**—UHS Chief Audit Executive (CAE) reports to the Board of Regents Chair of the Audit and Compliance Committee. Executive sessions are held between the committee and the CAE, which evidences independence. Additionally, the CAE meets routinely with the Chair as well as the Chancellor/President and senior leaders throughout the System to discuss internal audit operations.

- **Board of Regents and Senior Management Support**—Our interviews conveyed a high level of support for the IAD from the Board of Regents 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.

- **Working Paper Documentation and Follow Up**—Audit documentation was very thorough and well written. Follow up of audit recommendations is reported quarterly to the Audit and Compliance Committee and it identifies the responsible person for taking action, anticipated completion date, and the action to be taken. We appreciate the visual focus related to risk by color coding the audit findings (red-high risk, yellow-moderate, and green-low risk); this color coding is used for the follow up reporting as well.

Opportunity for Continuous Improvement—Internal Auditing Department

- **Increased use of data analytics, a computer assisted audit tool.** The 2015 UHS IAD self-assessment report included a recommendation to incorporate data analytic tools into some audit engagements. We concur with this recommendation and have additional comments.

  IIA Standard 1200—Proficiency and Due Professional Care notes:

  - *1210.A3 – Internal Auditors must have sufficient knowledge of key information technology risks and controls and available technology-based audit techniques to perform their assigned work. However, not all internal auditors are expected to have the expertise of an internal auditor whose primary responsibility is information technology auditing.*
  - *1220.A3 - In exercising due professional care the internal auditor must consider the use of technology-based audit and other data analysis techniques.*

UHS IAD has two licenses to use IDEA software for data analytics; it is a powerful tool that allows for the evaluation of large data sets for anomalies. The use of these tools in fraud prevention and trend analysis is very powerful and increases audit coverage dramatically. We suggest the IAD consider a broader use of data analytics for reviewing large sets of data. Possible uses include: purchasing cards, vendor file analysis, payroll testing, grade analysis, financial aid, refunds, endowments etc. If the IAD expands this area, we suggest an assessment be performed and

one or two areas be added each year. Implementing data analytics can be overwhelming so it is important to implement data analytics in manageable blocks as the program is developed.

- **INTERNAL AUDITING DEPARTMENT'S RESPONSE:** We will expand the use of data analytics during FY 2016 by using IDEA for the analysis of anomalies of data sets of institutional populations, starting with procurement card data. We intend to expand on the use of data analytics in subsequent years, as suggested.

Appendices

Appendix I - Engagement Methodology

Review procedures included:

- Review of audit charter and other background/organizational materials regarding UHS and the internal audit program (IA)
- Review of the University of Houston System (UHS) Board of Regents (BOR) Committee on Audit and Compliance charter
- Review of UHS BOR Section V-Audit and Compliance, Policies 41.01-41.01.04
- Review of Texas Government Code, Chapter 2101.001-*Texas Internal Auditing Act*
- Review of System Administrative Memoranda (SAMs) 04.A.02-Audits by Internal Auditing
- Review of QA advance preparation materials providing background on the internal auditing program and practices
- Review of the annual audit plan and risk assessment process
- Review of selected internal audit project work papers and reports
- Review of training histories for staff
- Interview with UHS Board of Regents Audit and Compliance Committee chairperson
- Interview with chancellor of University of Houston System
- Interviews with UHS Internal Auditing Department staff and UHS officials
- Review of audit follow-up practices and reporting of follow-up activities
- Review of prior quality assessment reports

Appendix II – List of Stakeholders Interviewed

Board of Regents

Mr. Roger F. Welder, University of Houston System Board of Regents, 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, Interim Vice Chancellor of Administration and Finance/CFO
Ms. Dona Cornell, Vice Chancellor Legal Affairs/General Counsel
Dr. Richard Walker, Vice Chancellor for Student Affairs/Vice President Student Affairs
Dr. Dennis Fouty, Chief Information Officer
Mr. TJ Meagher, Associate Athletic Director

UHS Internal Auditing Department

Mr. Don Guyton, Chief Audit Executive
Mr. Russ Hoskens, Director
Ms. Lisa Berry, Senior Auditor
Mr. Tony Moreno, Senior Auditor
Ms. Brandee O'Neal, Senior Auditor
Ms. Isimeme Emafor, Senior Auditor
Mr. Ray Hale, Information Technology Auditor
Ms. Dia Martinez, Staff Auditor II
Mr. Eric Porter, Staff Auditor II

University of Houston System – Internal Auditing Quality Assurance Review

Appendix III – The IIA Research Foundation – Internal Audit Capability Model Matrix

	Services and Role of IA	People Management	Professional Practices	Performance Management and Accountability	Organizational Relationships and Culture	Governance Structures
Level 5 – Optimizing	IA Recognized as Key Agent of Change	Leadership Involvement with Professional Bodies Workforce Projection	Continuous Improvement in Professional Practices Strategic IA Planning	Public Reporting of IA Effectiveness	Effective and Ongoing Relationships	Independence, Power, and Authority of the IA Activity
Level 4 – Managed	Overall Assurance on Governance, Risk Management, and Control	IA Contributes to Management Development IA Activity Supports Professional Bodies Workforce Planning	Audit Strategy Leverages Organization's Management of Risk	Integration of Qualitative and Quantitative Performance Measures	CAE Advises and Influences Top-level Management	Independent Oversight of the IA Activity CAE Reports to Top-level Authority
Level 3 – Integrated	Advisory Services Performance/Value-for-Money Audits	Team Building and Competency Professionally Qualified Staff Workforce Coordination	Quality Management Framework Risk-based Audit Plans	Performance Measures Cost Information IA Management Reports	Coordination with Other Review Groups Integral Component of Management Team	Management Oversight of the IA Activity Funding Mechanisms
Level 2 – Infrastructure	Compliance Auditing	Individual Professional Development Skilled People Identified and Recruited	Professional Practices and Processes Framework Audit Plan Based on Management/ Stakeholder Priorities	IA Operating Budget IA Business Plan	Managing within the IA Activity	Full Access to the Organization's Information, Assets, and People Reporting Relationship Established
Level 1 – Initial	Ad hoc and unstructured; isolated single audits or reviews of documents and transactions for accuracy and compliance; outputs dependent upon the skills of specific individuals holding the position; no specific professional practices established other than those provided by professional associations; funding approved by management, as needed; absence of infrastructure; auditors likely part of a larger organizational unit; no established capabilities; therefore, no specific key process areas					

Appendix IV – Biography of Reviewers

Betsy Bowers is Interim Vice President, Business, Finance, and Facilities at the University of West Florida. She will return to Internal Auditing and Management Consulting as the Associate Vice President/Chief Audit Executive upon the arrival of the new Vice President in September 2015. Ms. Bowers is a Past President of the Association of College and University Auditors (ACUA). Ms. Bowers has been at UWF since 1993 and has served as the chief audit executive during the entire time. Previously, Betsy worked in Tennessee as the Internal Audit Director at Northeast State Technical Community College and Internal Auditor at East Tennessee State University resulting in a total higher education work experience exceeding twenty-nine years. She has performed Quality Assurance Reviews at numerous other universities across the nation. Ms. Bowers is a Certified Internal Auditor (CIA), Certified Fraud Examiner (CFE), Certified Government Financial Manager (CGFM), Certified Inspector General (CIG), and earned her BA and MBA from East Tennessee State University. She serves on the Board for the Northwest Florida Institute of Internal Auditors, the Board for the Northwest Florida Association of Certified Fraud Examiners, and as ACUA Faculty coordinator. She has published articles in ACUA's "College and University Auditor," the IIA's "Internal Auditor," and Association of Local Governmental Accounts (ALGA) "Local Government Auditing Quarterly." Ms. Bowers teaches a White Collar Crime course for UWF in the Justice Studies department and serves as an instructor for the Institute of Internal Auditors on the topics of new internal auditor and new audit manager.

Tammy Birchett is the Chief Audit Executive for the Tennessee Board of Regents (TBR) systemwide internal auditing function and is a Certified Public Accountant (CPA). The TBR system is a public higher education system consisting of 6 universities, 13 community colleges, and 27 colleges of applied technology with a combined annual enrollment of over 200,000 students and an annual budget of $2.2 billion. Ms. Birchett has led the Office of System-wide Internal Audit since 2004, initially establishing the office and the related procedures. She supervises four audit professionals in the system office and 32 audit professionals on the university and community college campuses as well as administrative support. Prior to the TBR, Ms. Birchett worked for the State of Tennessee in audit and finance positions for 23 years in progressive leadership positions. Ms. Birchett has a Bachelor of Science in Accounting from Western Kentucky University and is a Certified Public Accountant (CPA). She participates in various professional accounting and auditing associations, including the American Institute of Certified Public Accountants, the Association of Government Accountants, the Institute of Internal Auditors, and the Association of College and University Auditors.

Kevin Robinson is the Executive Director for Internal Auditing at Auburn University. Mr. Robinson has been with Auburn University for more than 25 years and has served as the chief audit executive since 2001. He is a Certified Internal Auditor (CIA), a Certified Fraud Examiner (CFE), Certified Compliance and Ethics Professional (CCEP) and trained facilitator for Kouzes and Posner's "The Leadership Challenge." He holds a BS and Master's degree in Accounting and has taught various accounting courses at Auburn University's Harbert College of Business. He developed and continues to teach AU's first (and only) course specifically on the topic of internal auditing each summer. Mr. Robinson has performed Quality Assurance Reviews at numerous other universities. Mr. Robinson teaches a course on Internal Auditing at Auburn University. He is a frequent speaker on the topic of occupational fraud, fraud prevention, internal controls, risk management, and leadership. Mr. Robinson is the primary author of the monthly electronic newsletter "Case-in-Point: Lessons for the Proactive Manager" which discusses emerging risks in higher education. He has also published also published articles in ACUA's "College and University Auditor" and has been quoted in "The Business Officer" magazine, "USA Today," and other newspapers.

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The members of the Review Team appreciate the opportunity to be of service to the University of Houston System and the courtesies and cooperation extended to us during this review.

All risks ranked as "high" have been scheduled for audits in this audit plan. An audit related to benefits proportionality prescribed in Rider 8, page III-41, the General Appropriations Act (85th Legislature), is scheduled to be completed during FY 2018. There were no projects in the audit plan that relate to expenditure transfers, capital budget controls, or any other limitation or restriction in the General Appropriations Act. An annual system-wide audit of contract administration is scheduled in the audit plan. In addition, contract administration is included in all departmental reviews.

We engaged an external audit firm to conduct an Information Technology Audit Risk Assessment during FY 2016. An audit universe was identified and the audits were prioritized. In addition, a five-year audit coverage matrix was included in the audit plan.

Section 5

Internal Audit Plan for Fiscal Years 2018 – 2020

UNIVERSITY OF HOUSTON SYSTEM

INTERNAL AUDITING DEPARTMENT

LONG - RANGE INTERNAL AUDIT PLAN

and

RISK ANALYSIS

Fiscal Years 2018 - 2020

UNIVERSITY OF HOUSTON SYSTEM

Internal Auditing Department
Houston, Texas 77204-0930
(713)743-8000
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MEMORANDUM

TO: Mr. Roger Welder
Chair, Audit and Compliance Committee

Dr. Renu Khator
Chancellor/President, UHS/UH

FROM: Don F. Guyton
Chief Audit Executive

DATE: August 8, 2017

SUBJ: Long-Range Internal Audit Plan - Fiscal Years 2018-2020

Attached for your review and approval is the UHS Internal Auditing Department Long-Range Internal Audit Plan for Fiscal Years 2018-2020 (Audit Plan). The Audit Plan has been prepared to meet the requirements of the Board of Regents directives and the Texas Internal Auditing Act (Texas Government Code, Chapter 2102), as amended. The Texas Internal Auditing Act requires the Board of Regents to approve the Audit Plan and periodically review the resources dedicated to the Internal Audit program and determine if adequate resources exist to ensure that risks identified in the annual risk assessment are adequately covered within a reasonable time frame. The Internal Audit resources are described in Section 2 of the Audit Plan, and the risk assessment is included in Section 8 of the Audit Plan. Risk assessment techniques were employed to identify auditable areas and to ensure that the accounting systems and controls, the administrative systems and controls, and other major systems and controls are reviewed on a periodic basis. Coverage of key departments and functions at planned intervals has been designed into the plan to assure that no significant auditable area has been overlooked.

Each auditable area has been evaluated as to its risks and other functions which might determine the urgency and frequency for performing an audit. In addition to an analytical review of all significant financial data for each campus, the risk evaluation and scheduling process included requests for input from all campus presidents, fiscal officers, and other key personnel. Once the risk assessment was completed, each auditable area was included in the audit schedule for the next three fiscal years or later.

Included in Section 5 of the Audit Plan is a listing of brief audit objectives for each auditable area. These objectives relate to overall internal controls, efficiency of operations and compliance with laws and regulations, and Board of Regents and/or management policies and procedures.

Recommendation:

The Audit Plan should be flexible and periodically adjusted to adapt to changes in the audit environment. These changes include new or revised laws or regulations and changes in existing operations or activity levels. The Audit and Compliance Committee should approve these periodic changes to the Audit Plan. I recommend that the Board of Regents approve the attached Audit Plan, including the Internal Audit Resources, and delegate approval for periodic changes to the Audit Plan to the Audit and Compliance Committee.

DFG:rh
Attachment

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

LONG-RANGE INTERNAL AUDIT PLAN
FY 2018-2020

Table of Contents

Description	Section
Executive Summary	1
Summary of Man-Hours / Man-Hour Assumptions	2
Audit Team	3
Auditable Areas	4
Audit Objectives	5
Three-Year Audit Schedule	6
Frequency of Audit Activity	7
Risk Analysis	8

University of Houston System
Internal Auditing Department

Long-Range Internal Audit Plan
Summary of Effort (Hours)

Activity	Fiscal Year		
	2018	2019	2020
Mandatory	6,200	6,000	6,000
High Priority	5,313	4,700	5,600
Other	3,740	4,553	3,653
Total Direct Audit Hours	15,253	15,253	15,253

University of Houston System
Internal Auditing Department

Long-Range Internal Audit Plan
Effort (Hour Assumptions)

Available Effort	Chief Audit Executive	Director	Manager	Senior Auditor	Information Technology Auditor	Staff
Vacations	120	120	96	96	120	96
Holidays (14 days)	112	112	112	112	112	112
Sick Leave	40	40	40	60	96	40
Professional Training	60	60	60	60	60	60
In-house Training	40	40	40	20	20	20
Professional Organizations	40	40	20	16	16	16
Indirect Audit Hours: Administrative	1,084	784	500	184	80	40
Direct Audit Hours	584	884	1,212	1,532	1,576	1,696
Total Hours Available	2,080	2,080	2,080	2,080	2,080	2,080
Allocable Direct Audit Hours						
Direct Audit Hours By Position	584	884	1,212	1,532	1,576	1,696
Staff Size By Position	1	1	1	3	1	5
Employee Turnover/Attrition	-	-	-	0.25	-	1.0
Available Staff Size	1.0	1.0	1.00	2.75	1.0	4.0
Subtotal	584	884	1,212	4,213	1,576	6,784
Total Direct Audit Hours						15,253

Three-Year Audit Schedule, FY 2018 - 2020

Section 6

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2018-2020
SCHEDULED AUDITS - FY 2018

AUDIT ACTIVITY	BUDGET HOURS
MANDATORY (6,100 hours)	
Annual External Audits - Liaison	100
Annual Procurement Report	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Benefits Proportionality, FY 2015 - 2017 (System-wide)	500
Board of Regents Travel & Entertainment, FY 2018	200
Chancellor/President's Travel & Entertainment, FY 2018	200
Construction and Other Contracts Requiring Board of Regents Approval	500
Contract Administration - Bookstore	600
Follow-up Reviews	500
Quality Assurance Reviews	
Internal Quality Assurance Review	100
External Quality Assurance Review	100
Special Projects/Police Investigations	2,500
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
HIGH PRIORITY (3,900 hours)	
Budgeting (System-wide)	1,200
Financial Aid, Title IV (UHCL, UHD, UHV)	1,200
Purchasing (System-wide)	1,200
Information Technology (Co-Sourced)	300
Effort Reporting	
External Vulnerability and Penetration Testing	
PCI-DSS Compliance	
OTHER (3,840 hours)	
Departmental Reviews (2,940 hours)	
UH C.T. Bauer College of Business	680
UH Cullen College of Engineering	460
University of Houston Libraries	100
UH College of Natural Sciences & Mathematics	520
UH Research	520
UH College of Technology	220
UHD Humanities & Social Sciences	340
UHD Public Service	100
Information Technology (900 hours)	
Computer Assisted Auditing Techniques	500
IT - Review and Monitor of IT Systems (High Priority Projects)	400
INITIATED DURING FY 2017 - TO BE COMPLETED/REPORTED IN FY 2018	1,413
Total Hours Scheduled for Fiscal Year 2018	**15,253**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2018-2020
FY 2017 AUDITS IN PROGESS AT YEAR-END

AUDIT ACTIVITY	Budget Hours
Projects Initiated During FY 2017, But Not Completed	1,413
Board of Regents Travel & Entertainment, FY 2017	
Chancellor/President's Travel & Entertainment, FY 2017	
Contract Administration - Food Services	
Facilities Management	
Financial Aid, Non-Title IV	
General Accounting	
Human Resources	
Payroll	
Student Housing (UH and UHV)	

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2018-2020
SCHEDULED AUDITS - FY 2019

AUDIT ACTIVITY	BUDGET HOURS
MANDATORY (5,900 hours)	
Annual External Audits - Liaison	100
Annual Procurement Report	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel & Entertainment, FY 2019	200
Chancellor/President's Travel & Entertainment, FY 2019	200
Construction and Other Contracts Requiring Board of Regents Approval	500
Contract Administration - Pouring Rights	600
Follow-up Reviews	500
Special Projects/Police Investigations	3,000
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
HIGH PRIORITY (3,900 hours)	
Accounts Payable (System-wide)	1,200
Financial Aid, Scholarships (System-wide)	1,200
Property Management (System-wide)	1,200
Real Estate Services	400
Information Technology (Co-Sourced)	300
Information Technology Governance	
Third Party Risk Management	
Disaster Recovery and Availability	
OTHER (3,880 hours)	
Departmental Reviews (2,980 hours)	
UH College of the Arts	200
UH Administration & Finance	640
UH Honors College	100
UH Law Center	160
UH College of Liberal Arts & Social Sciences	880
UH College of Pharmacy	100
UH Student Affairs & Enrollment Services	340
UHD Business	220
UHD Sciences & Technology	340
Information Technology (900 hours)	
Computer Assisted Auditing Techniques	500
IT - Review and Monitor of IT Systems (High Priority Projects)	400
INITIATED DURING FY 2018 - TO BE COMPLETED/REPORTED IN FY 2019	1,173
Total Hours Scheduled for Fiscal Year 2019	**15,253**

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
INTERNAL AUDIT PLAN, FY 2018-2020
SCHEDULED AUDITS - FY 2020

AUDIT ACTIVITY	BUDGET HOURS
MANDATORY (5,900 hours)	
Annual External Audits - Liaison	100
Annual Procurement Report	100
Athletics - Football Attendance Audit	100
Athletics - NCAA Rules-Compliance	400
Board of Regents Travel & Entertainment, FY 2020	200
Chancellor/President's Travel & Entertainment, FY 2020	200
Construction and Other Contracts Requiring Board of Regents Approval	500
Contract Administration - Licensing/Trademarks	600
Follow-up Reviews	500
Special Projects/Police Investigations	3,000
State Auditor's Office Liaison	
Audit Assistance - General	100
Follow-up Reports	100
HIGH PRIORITY (5,100 hours)	
Enrollment Management (System-wide)	1,200
Financial Aid, Designated Tuition Set Aside (System-wide)	1,200
Campus Card (System-wide)	1,200
Police Departments (System-wide)	1,200
Information Technology (Co-Sourced)	300
Information Technology General Controls - Research	
System Development Life Cycle	
Malware and Antivirus	
Learning Management System	
OTHER (2,960 hours)	
Departmental Reviews (2,060 hours)	
UH Gerald D. Hines College of Architecture	100
UH Athletics	100
UH Chancellor/President	100
UH College of Optometry	100
UHCL Administration & Finance	460
UHCL Business	100
UHCL Human Sciences & Humanities	100
UHCL Science & Engineering	100
UHV Administration & Finance	340
UHV Student Affairs	340
UHV Provost and Enrollment Management	220
Information Technology (900 hours)	
Computer Assisted Auditing Techniques	500
IT - Review and Monitor of IT Systems (High Priority Projects)	400
INITIATED DURING FY 2019 - TO BE COMPLETED/REPORTED IN FY 2020	1,293
Total Hours Scheduled for Fiscal Year 2020	**15,253**

RISK ANALYSIS METHODOLOGY

Section 8-1

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

RISK ANALYSIS METHODOLOGY

Each year, the Internal Auditing Department prepares a risk analysis, as required by The International Standards for the Professional Practice of Internal Auditing which states that its plan of engagements should be based on a risk assessment, undertaken at least annually, and that the input of senior management and the board should be considered in this process. Risk is defined as the probability that an event or action may adversely affect the organization or activity under audit.

The purpose of our risk analysis is to develop an audit plan for performing audit projects in risk areas over a specified time to minimize the risk of losses to the University; to prioritize audit projects by the level of risk; to use our audit staff and time in an effective and efficient manner; and to determine the nature, timing, and extent of audit steps and procedures in direct relation to the amount and nature of the risk.

The risk methodology we use consists of three phases: (1) identification of auditable areas; (2) input from management; and (3) a risk analysis. We also considered an auditable area's impact on the accomplishment of the University's goals and objectives during our risk analysis. Matters that we consider in establishing audit work schedule priorities include: (a) the date and results of the last audit; (b) financial exposure; (c) potential loss and risk; (d) requests by management; (e) major changes in operations, programs, systems, and controls and (f) opportunities to achieve operating benefits.

The auditable areas audit cycle is as follows: SACS Accreditation Reviews every 10 years (see 8-3-1); and NCAA Rules-Compliance (see 8-3-2), Financial Aid (see 8-3-3 and 8-3-4), College/Division, Departmental Reviews (see 8-3-5), Endowments (see 8-3-6), and Information Technology (see 8-3-7) receive an annual audit for a portion of the coverage areas .

The College/Division, Departmental Reviews are scheduled at least once every 5 years. These reviews test compliance with the universities' policies and procedures for the following 12 areas noted below.

- management oversight
- policies, procedures, required training, and reporting
- cost center management
- payroll
- human resources
- change funds and cash receipts
- procurement and travel cards
- departmental expenses
- contract administration
- property management
- scholarships
- research

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT

RISK ANALYSIS METHODOLOGY

RISK ANALYSIS:

In the attached Risk Analysis, we assigned levels of risk by use of a number rating system. The first step was to define the risk factors. We decided on the following risk factors: (1) reason for the audit, (2) administrative oversight, and (3) date last audited. These risk factors were assessed as follows:

(1) Reason for the Audit: Each auditable area was assigned a value of 5 for one of the following reasons: auditor preference (the complexity of information systems, the impact of compliance issues, knowledge of management practices, results of last audit, and public relations exposure) or management request.

(2) Administrative Oversight: We decided on the following factors to assess oversight risk: (1) budgeted sources of funds, (2) budgeted uses of funds, (3) total expenditures, (4) total income, and (5) total asset values. Values were assigned from 0 to 10 (0 - < $10,000,000; 1 to 9 – increments of $10,000,000; 10 - > $100,000,000).

(3) Date Last Audited: Values assigned for date last audited were from 0 to 10. A value of 10 was assigned for an auditable area that has not been audited or was audited 10 or more years ago. Values below 10 were assigned based on how many years since the last audit.

All risk factors for each auditable area were combined resulting in a total risk factor.

After performing the preliminary risk assessment, the following areas received the highest risk rank (25-20). All of these areas are scheduled for review during FY 2018-2020.

Scheduled	Unscheduled
Accounts Payable (FY 2019) Budgeting (FY 2018) Enrollment Management (FY 2020) Property Management (FY 2019) Purchasing (FY 2018)	

Section 6

External Audit Services Procured in Fiscal Year 2017

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
ANNUAL ACTIVITY REPORT
PROCURED EXTERNAL AUDIT SERVICES
FISCAL YEAR 2017

Audit Area	Service Provided
Athletics	Annual agreed-upon procedures engagement of Intercollegiate Athletic 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.

Section 7

Reporting Suspected Fraud and Abuse

UNIVERSITY OF HOUSTON SYSTEM
INTERNAL AUDITING DEPARTMENT
ANNUAL ACTIVITY REPORT
REPORTING SUSPECTED FRAUD AND ABUSE
FISCAL YEAR 2017

Actions taken to implement the requirements of:

- *Section 7.09. Fraud Reporting, Page IX-38, the General Appropriations Act (85th Legislature).*
    - *Texas Government Code, Section 321.022, Coordination of Investigations.*

1) In accordance with Section 7.09. Fraud Reporting, Page IX-38, the General Appropriations Act (85th Legislature):

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

    b) The home page of each UHS component'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.