Fiscal Year 2023 - Internal Audit Plan

Presented by Ninette Caruso

August 11, 2022

Agenda

FY23 Risk Assessment

Methodology, Results, Heat Map

FY23 Audit Plan

Audit Plan Coverage, Budget and Resources

Background Materials

Appendix I: FY23 Audit Universe with 5 Yr. Coverage History
Appendix II: FY23 Internal Audit Plan Detail

Audit Plan Development

We have completed the Risk Assessment, developed the FY23 Audit Plan, and secured resources to execute the Audit Plan

Methodology

Internal Audit Universe

- ✓ Create a framework to assess all aspects of risk across UNTS Enterprise
- ✓ Comprehensive and inclusive of all risk management, governance and control processes across all campuses
- ✓ Used the Association of College University Auditors (ACUA) categories as baseline and adjust as appropriate

Risk Assessment

- ✓ Evaluate inherent risk (prior to considering controls) against Impact and Probability
- ✓ Impact considers: Financial Materiality, Strategic Alignment, Reputational, Regulatory and Operational risk
- ✓ Probability considers: Complexity, Volume, Issues and Changes

Audit Plan and Resources

- ✓ Aligned with highest risks
- ✓ Audit coverage assessed at the audit universe level, considering past 5-year coverage
- ✓ Assess staff capacity and capability to execute the plan
- ✓ Determine budget to fund resources needed

Results

- ✓ Added Student Services domain for a total of 17 domains
- ✓ Created 5 new sub-categories (auditable units) for a total of 69
- ✓ Domains and auditable units are created at the process, risk, and function level
- ✓ One auditable unit NOT equal to an audit

▪ *See Appendix I for Audit Universe*

- ✓ Considered UNTS Enterprise and campus strategies, emerging risks and obtained input from Management and External parties
- ✓ Distribution of risks across the auditable units - Critical to Low risk
- ✓ Determined overall risk score and adjusted to campus level

▪ *See slide 5 for Inherent Risk Assessment Heap Map*

- ✓ Audit Plan includes 20 audits
- ✓ 16% of resources dedicated to mandatory audits
- ✓ Full time FTE with assistance from outsource providers will execute the proposed audit plan
- ✓ A budget of ~$2.55M will provide resources to execute the proposed plan

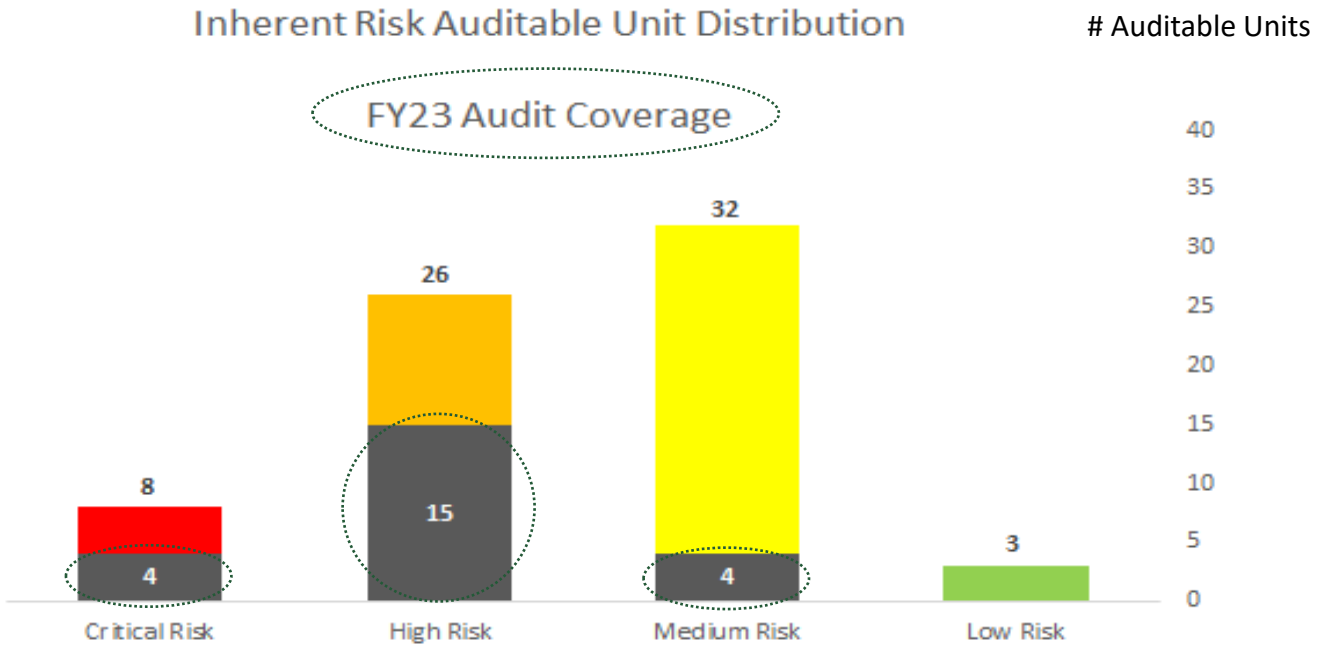
▪ *See Appendix II for Audit Plan Details*

Risk Assessment Results and Coverage

Audit coverage for FY23 in line with highest risks (Critical and High Inherent risks). The audit plan considers audit coverage of the past 5 years as well as activities of the compliance and other oversight functions.

Results

- The results of our annual risk assessment are distributed across Inherent Risk level
- The Critical risk areas are approximately ~12% of the Audit Universe and FY23 audit coverage is 50%
- Critical and High Risks represent 83% of FY23 Audit Plan
- Overall, 33% (23/69) Auditable Units in scope. In scope does not mean full coverage
- "One to many/many to one" relationship between auditable unit and audits



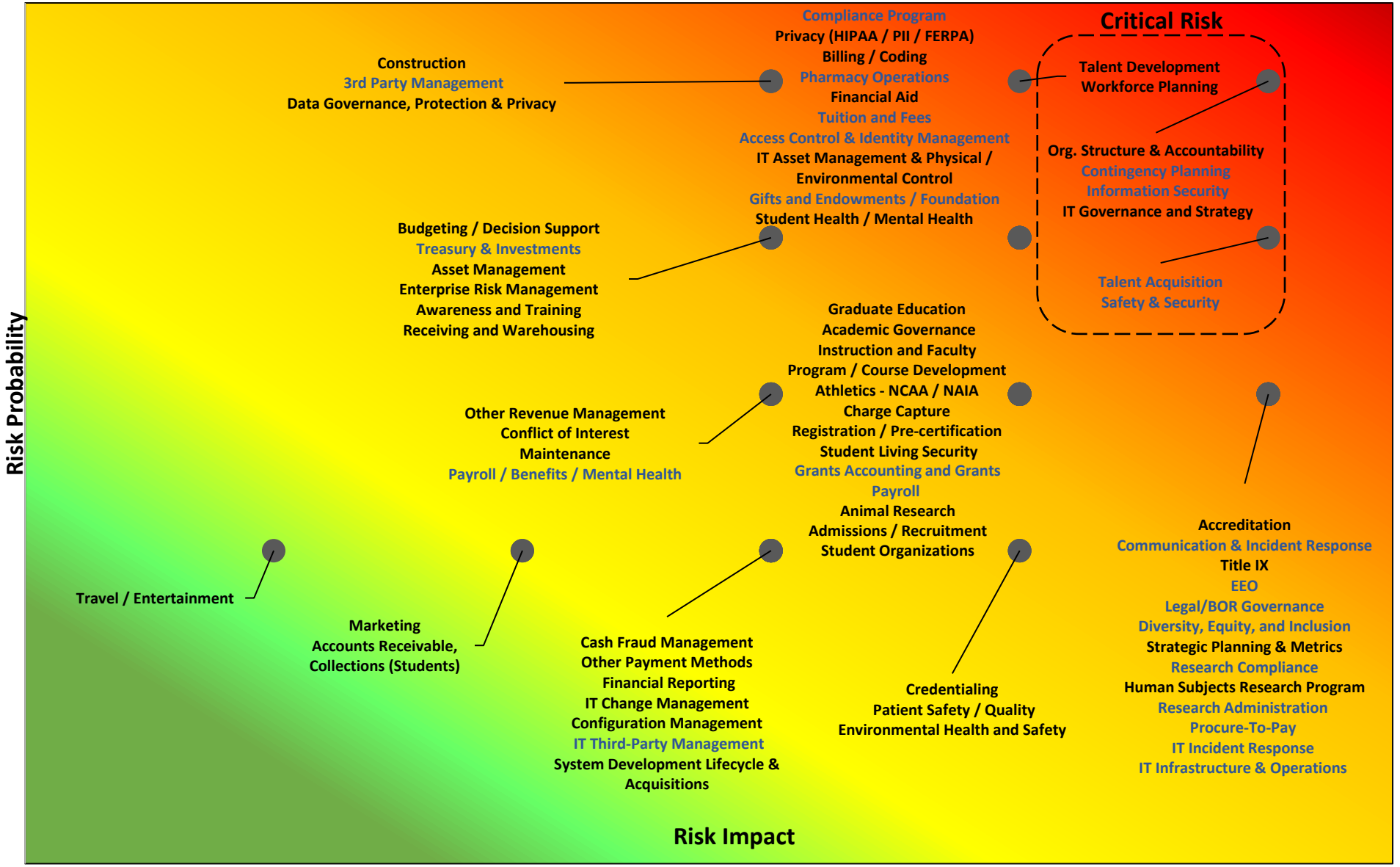
Advisory Services

- In FY23 our reviews are mostly centered around assurance activities to ensure coverage of critical and high-risk areas, given limited resources.
- Our strategy is to continue to engage in advisory services in FY23 through participation in committees and ongoing dialogue.

Inherent Risk Assessment Heat Map

- All 69 Auditable Units were risk assessed for both Impact and Probability on a scale of 1-5
- Each Auditable Unit has multiple topics that can be reviewed
- The results of the risk assessment is shown on the 5X5 heatmap
- Campus level risks that deviates from the overall UNTS Enterprise risk are considered when audit scoping is performed.

Bold Blue Font = Coverage in Audit Plan – does not imply comprehensive coverage



FY23 Internal Audit Plan

Key:
Inherent Risk Rating:
C – Critical Risk **H – High Risk**
M – Medium Risk **L- Low Risk**
AD – Advisory *** Mandatory**

Risk Theme and Focus Area

Financial Risk

- Recession fears
- Stock market volatility
- Federal Reserve policy and rates
- International student and out of state strategy development
- Student's ability to accumulate funds or acquire debt for tuition and fees

UNT System	UNT	UNT Dallas	UNTHSC
	Tuition and Fees - Ongoing UNT (H)	Tuition and Fees – Ongoing UNT Dallas (H)	Tuition and Fees - HSC (H)
Treasury Services (M)			
	Student Managed Investment Funds*		
	Federal Republic of Germany*		

Legal/Compliance Risk

- Heightened international tension
- Changes to Title IX guidelines
- Compliance functions maturing and focusing on consistency
- Accessibility of online resources

UNT System	UNT	UNT Dallas	UNTHSC
Compliance Program On-Going Monitoring (H)			
Equal Employment Opportunity Process Maturity Assessment (Carryover) (H)			
Board of Regents Governance (H)			
	International Compliance (H)		International Compliance (H)

FY23 Internal Audit Plan

Risk Theme and Focus Area

Key:
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Technology Risk

- Increased war on IT talent
- Continuous exposure to vulnerabilities and cyberattacks
- Ransomware increasing
- Significant Information Technology organizational changes
- Overall IT Governance, Accountability and Strategy
- Resiliency Model in development (cloud, on-premise)

UNT System	UNT	UNT Dallas	UNTHSC
Data Center Migration (H) (AD)			
Cybersecurity Program Audit - Phase 2 (C)			
Identity and Access Management (H)			

Operational Risk

- Supply-chain issues impacting availability and delivery of goods and services
- Price of construction / other asset increases
- Accounts Payable (AP) backlog causing reputational and relational damage
- Aging building and infrastructure, deferred maintenance

UNT System	UNT	UNT Dallas	UNTHSC
Incident Response and Crisis Management (C)			
Third Party Management (H)			
			HSC Clinic Pharmacy Operations (H)
Senate Bill 20 Contracting Compliance Assessment*			
			Faculty Development*
			Family Medicine*

FY23 Internal Audit Plan

Key:
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Risk Theme and Focus Area

People / Leadership Risk

- Attracting and retaining talent
- Low unemployment, demands on Remote work.
- Stress, political environment, mental health crisis.

UNT System	UNT	UNT Dallas	UNTHSC
Recruiting and Onboarding (C)			
	Benefits Proportional by Fund*		
NOT ON PLAN: Talent Development / Retention/ Performance Management and *Workforce Planning / Succession Planning* are additional **Critically** rated risk areas that had limited previous coverage. These areas will be planned for subsequent years as the Internal Audit Impact on Human Resources cannot be absorbed beyond the planned audit.			

Strategic Risk

- Chancellor transition - mission, strategy, and value development
- Culture of resistance to change/uncertainty to change
- Overall governance structure philosophy
- Leadership changes impacting organizational structures

UNT System	UNT	UNT Dallas	UNTHSC
Involvement in Strategy, Mission, Vision and Value development as part of Chancellor Cabinet. Risk mitigation activities through governance and control discussions in numerous forums. Our team consults and engages as needed.			
NOT ON PLAN: Organizational Structure & Accountability and *IT Governance and Strategy* are **Critically** rated risk areas that will not be covered due to ongoing organizational changes and IT strategy development. These areas will be planned for subsequent years as strategies and structures stabilizes.			

FY 23 Internal Audit Plan At A Glance

Key:
Inherent Risk Rating:
C – Critical Risk **H – High Risk** **M – Medium Risk**
L- Low Risk **AD – Advisory** *** Mandatory**

Risk Category	UNT System	UNT	UNT Dallas	UNTHSC
People / Leadership	Recruiting and Onboarding (C)			
		Benefits Proportional by Fund*		
Financial		Tuition and Fees - Ongoing UNT (H) (CM)	Tuition and Fees – Ongoing UNT Dallas (H) (CM)	Tuition and Fees - HSC (H)
	Treasury Services (M)			
		Student Managed Investment Funds*		
		Federal Republic of Germany*		
Legal / Compliance	Compliance Program On-Going Monitoring (H) (CM)			
	Equal Employment Opportunity Process Maturity Assessment (Carryover) (H)			
	Board of Regents Governance (H)			
		International Compliance (H)		International Compliance (H)
Technology	Data Center Migration (H) (AD)			
	Cybersecurity Program Audit - Phase 2 (C)			
	Identity and Access Management (H)			
Operations	Incident Response and Crisis Management (C)			
	Third Party Management (H)			
				HSC Clinic Pharmacy Operations (H)
	Senate Bill 20 Contracting Compliance Assessment*			
				Faculty Development*
				Family Medicine*

Internal Audit Resources

For FY23 the focus is primarily on assurance engagements and mandatory audits. However, there are many interactions outside of formal / informal engagements, where Internal Audit collaborates with management and the Institutions to advise or monitor changes in risks (e.g., Advisory, Continuous Monitoring).

Budget:

FY23 Plan (proposed) $2.55M

The budget includes a one-time expense of approximately $80K to accomplish an audit system upgrade (audit workpaper system nearing end of support) and $30K for an external Quality Assurance Review that is required every 3 years by Professional Standards

Our budget includes limited unallocated capacity. Additions will result in either a budget request or a replacement of a scheduled review.

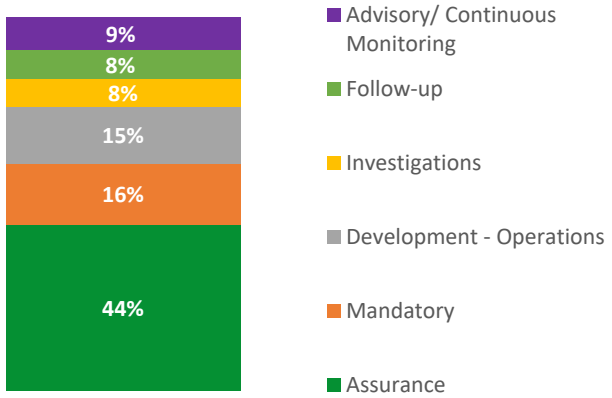
Resource Capacity

- Continue using Internal Audit full time employees in combination with co-sourced resources from audit consulting firms
- Co-sourcing used to augment staffing and internal expertise and provide industry best practices

Resource Capability

- Leverage SMEs in IT/Cybersecurity, Higher Education and other specialized areas from audit consulting firms
- In addition, Audit consulting firms will provide advice for:
  - Audit system upgrade
  - Quality Assurance and Improvement Program (QAIP)
  - Compliance Program

Resource Allocation

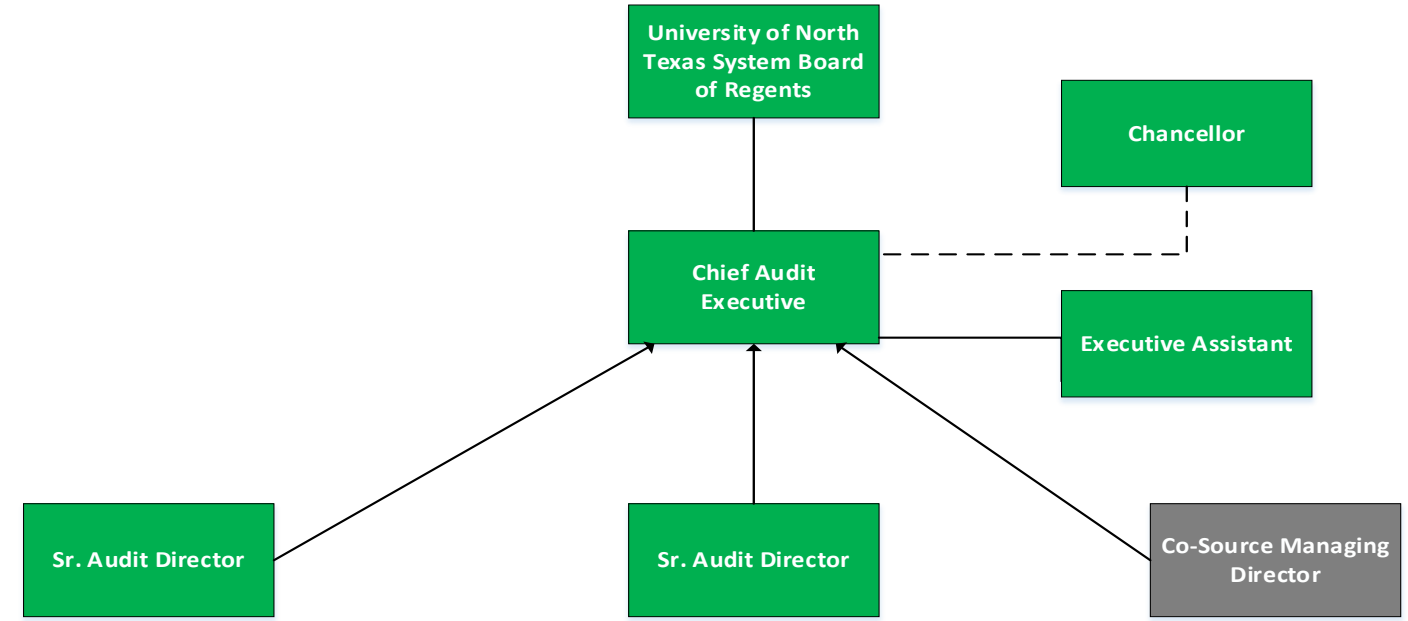


Allocation Category Definitions:

- **Assurance** – Risk-based independent audit
- **Mandatory** - Audits required by the State of Texas, Regent Rule, or grant awards
- **Development – Operations** – Non-audit activities to support internal audit function including QAIP and system upgrade
- **Investigations** - Reserved for investigations that may arise during the year
- **Follow-up** - Procedures to verify the status of corrective action plans
- **Advisory –** Consulting on strategic projects and improving process efficiency
- **Continuous Monitoring** - Monitoring events impacting the UNT World risk profile

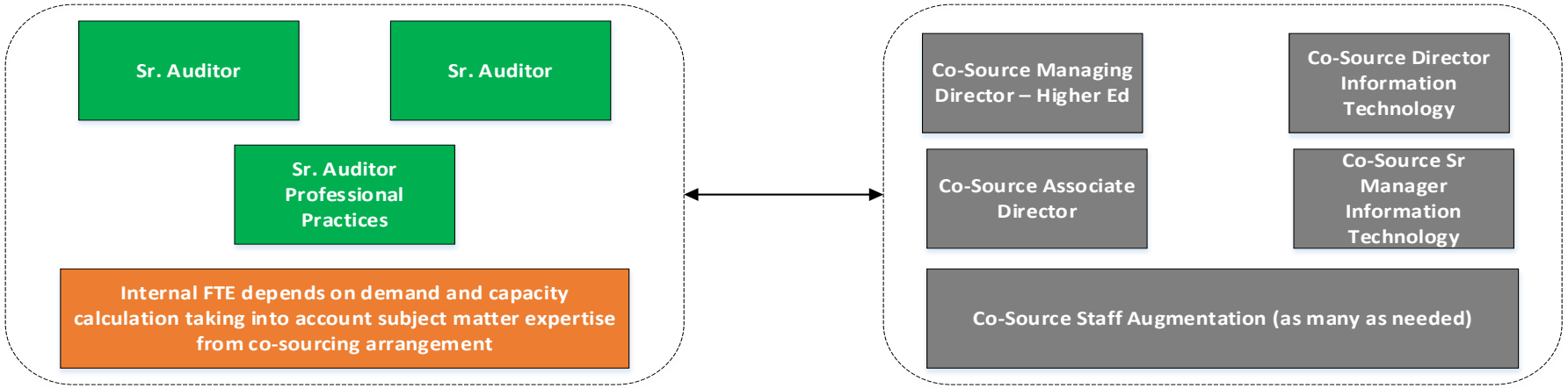
Internal Audit Organization

Internal Audit Resources ~ 7,000 hours capacity



Outsource Provider ~ 7,000 hours capacity

Matrix Organization



Appendix I

FY23 Audit Universe with 5 Yr. Coverage History

Appendix I – FY23 Audit Universe

Key:
✓ - Covered Entity
P – Partial Coverage
AD – Advisory
CM – Continuous Monitoring

Inherent Risk Rating:
C – Critical Risk
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L- Low Risk

Audit Universe Primary Category/Entity	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Academic Affairs / Experiential Medical Training						
Accreditation (H)						
Academic Governance (M)	P	P			P	
Instruction and Faculty (M)	P	P				
Program / Course Development (M)	✓					
Graduate Education (M)	✓					
Auxiliary Services						
Other Payment Methods (M)		✓	✓			
Other Revenue Management (M)		✓	✓	✓		
Cash Fraud Management (M)	P	✓	✓			
Brand & Reputation Management						
Communication, Strategy, Incident Response (H)						✓
Marketing (L)						
Campus Safety						
Safety & Security (C)					CM	P
Student Living Security (M)	✓		✓			
Environmental Health and Safety (M)		✓				

Audit Universe Primary Category/Entity	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Compliance						
Athletics - NCAA / NAIA (M)				✓	P	
Conflict of Interest (M)	✓	P	P	P		
Compliance Program (H)					✓	✓
Privacy (Medical Records / PII) (H)						
Title IX (H)						
Equal Employment Opportunity (H)			P		P	✓
Facilities Management						
Construction (H)	✓			✓		
Maintenance (M)	P					
Finance						
Budgeting / Decision Support (M)	✓		✓	✓		
Cash Management / Treasury & Investments / Debt Services (M)	✓	✓	✓	✓	✓	✓
Asset Management (M)					CM	
Accounts Receivable, Collections (Students and Medical) (L)						
Financial Reporting (M)			✓			
Travel / Entertainment (L)	✓	✓	✓	✓		

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Audit Universe Primary Category/Entity	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Governance						
Diversity, Equity, and Inclusion (H)						P
Organizational Structure & Accountability (C)						
Strategic Planning & Metrics (H)						
Enterprise Risk Management (M)						
Legal/BOR Governance (H)						CM
Human Resources						
Talent Acquisition / On-boarding / Off-boarding/ Remote Workforce (C)						✓
Talent Development / Retention (C)						
Workforce Planning / Succession Planning (C)				P		
Awareness and Training (M)				✓	✓	
Payroll / Benefits/Mental Health (M)	✓	✓	✓	✓	P	P
Medical Patient Revenue Cycle						
Billing / Coding (H)						
Charge Capture (M)					✓	
Registration / Pre-certification (M)					✓	

Audit Universe Primary Category/Entity	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Patient Care Operations						
Credentialing (M)						
Pharmacy Operations (H)						✓
Patient Safety / Quality (M)						
Research						
Animal Research Program (M)						
Human Subjects Research Program (H)						
Research Administration (H)		✓	✓	✓	✓	✓
Grants Accounting and Grants Payroll (M)		✓	✓	✓	✓	✓
Research Compliance (H)					✓	✓

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Audit Universe Primary Category/Entity	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Student Enrollment and Financial Management						
Tuition and Fees (H)	✓	P		✓	✓	✓
Financial Aid (H)	✓	✓	✓	✓		
Admissions / Recruitment (M)	✓	✓	✓		P	
Student Services						
Student Health / Mental Health (H)				✓		
Student Organizations (M)	✓	✓	✓			
Supply Chain						
Procure-To-Pay (H)	✓	✓	✓	✓	✓	✓
Third-Party Management (H)					P	✓
Receiving and Warehousing (M)			✓			
Technology						
Contingency Planning, Business Continuity, & Disaster Recovery (C)		✓		✓	✓	P
Information, System, and Communication Security (C)	P				✓	✓
IT Governance and Strategy (C)						
Access Control & Identity Management(H)	P		✓		P	✓

Audit Universe Primary Category/Entity	2018 Plan	2019 Plan	2020 Plan	2021 Plan	2022 Plan	2023 Plan
Technology (Cont.)						
Data Governance, Protection & Privacy (H)	✓			✓	✓	
IT Incident Response (H)				P	✓	P
IT Asset Management & Physical / Environmental Control (H)	✓	✓	✓		P	
IT Infrastructure, Operations, and Maintenance (H)			✓			✓
Configuration Management (M)					✓	
IT Third-Party Management (M)					P	✓
IT Change Management (M)					✓	
System Development Lifecycle & Acquisitions (M)					P	
University Relations						
Gifts and Endowments / Foundation (H)		✓				✓

Appendix II

FY23 Internal Audit Plan Detail

Appendix II –FY23 Audit Plan

Entity	Audit Name	Business Outcome	Rationale	Auditable Unit
		Brand & Reputation Management		
UNTS, UNT, UNTD, HSC	Incident Response / Crisis Management (integrated IT Audit) (C)	Incidents are detected, escalated and resolved timely by Crisis Management Teams to restore normal operations and minimize impact to business operations, and/or loss exposure and to mitigate damage to reputation.	Increased risk of cyberattacks /ransomware; political environment manifesting in campus activities	Communication, Strategy, Incident Response (H) Safety & Security (C) IT Incident Response (H)
		Governance		
UNTS	Legal/BOR Governance (Advisory) (H)	The Board of Regents are discharging their fiduciary responsibilities effectively as is outlined in the applicable Board of Regents Rules in line with Texas State Legislation.	High reputational risk area with no previous audit coverage	Legal/BOR Governance (H)
		Patient Care Operations		
UNT, HSC	HSC Clinic Pharmacy Operations (H)	Pharmacy operations are effective surrounding financial management and the inventory, safeguarding, and dispensing of drugs.	High risk area without recent audit coverage. Heightened press surrounding drug safety.	Pharmacy Operations (H)

Inherent Risk Rating:
C – Critical Risk H – High Risk M – Medium Risk L – Low Risk

Appendix II – FY23 Audit Plan

Entity	Audit Name	Business Outcome	Rationale	Auditable Unit
		Finance		
UNTS	Treasury Services (M)	Management of UNT System's cash, debt, and investments is effective; including oversight of related third parties.	Significant finance leadership turnover and limited review of Treasury function	Cash Management / Treasury & Investments / Debt Services (M)
		Human Resources		
UNTS, UNT, UNTD, HSC	Recruiting and Onboarding (C)	Management identifies and targets exceptional talent that support and enable key goals. Frictionless transition and assimilation of new hires into the organization.	Increased difficulty and challenges in attracting top talent in the current employment environment	Talent Acquisition / On-boarding / Off-boarding/ Remote Workforce (C) Diversity, Equity and Inclusion (H)
UNT, UNTD, HSC	Benefits Proportional by Fund	The Form APS 011 as required by the *General Appropriations Act, Article IX, Section 6.08, Benefits Paid Proportional by Fund*, was completed accurately and submitted timely for each institution.	Mandatory audit	Payroll / Benefits / Mental Health (M)

Inherent Risk Rating:
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Appendix II – FY23 Audit Plan

Entity	Audit Name	Business Outcome	Rationale	Auditable Unit
		Research		
UNT, HSC	International Compliance (H)	International compliance plans are effectively designed (e.g., study abroad, group travel, research, sponsored programs) to mitigate reputational damage and/or loss exposure due to heightened international scrutiny.	High risk area with no previous audit coverage. Increased tensions in International Environment	Research Compliance (H)
HSC	Family Medicine	Texas Higher Education Coordinating Board (THECB) program funds are expended according to the program contract. The Annual Financial Report was prepared according to THECB guidelines.	Mandatory audit	Research Administration (H) Grants Accounting and Grants Payroll (M)
HSC	Faculty Development	THECB program funds are expended according to the Faculty Development Center Support Grant contract. The Annual Financial Report was prepared in accordance with THECB guidelines.	Mandatory audit	
		University Relations		
UNT	Student Managed Investment Funds (SMIF Audit)	UNT manages donated funds in compliance with the donor agreement.	Mandatory audit	Gifts and Endowments / Foundation (H)
UNT	Federal Republic of Germany	Income and expenditures related to the project are reported in accordance with the grant agreement.	Mandatory audit	

Inherent Risk Rating:
C – Critical Risk H – High Risk M – Medium Risk L – Low Risk

Appendix II – FY23 Audit Plan

Entity	Audit Name	Business Outcome	Rationale	Auditable Unit
		Compliance		
UNTS, UNT, UNTD, HSC	Compliance Program Framework On-going Monitoring (H) (CM)	Compliance Programs are adequately designed in accordance with the Federal Sentencing Guidelines.	Follow-up on results of recent Compliance Maturity Assessment	Compliance Program (H)
UNT, HSC,UNTD	Equal Opportunity (H)	Equal Opportunity concerns are resolved appropriately and timely, in compliance with policies, procedures, Federal/State regulations.	Ongoing from previous year	Equal Employment Opportunity (H)
		Student Enrollment and Financial Management		
UNT	Tuition and Fees - Ongoing UNT - Continuous Monitoring (H) (CM)	Resident and non-resident tuition rates for undergraduate and graduate students are calculated accurately and billed timely	Focus on area of highest revenue	Tuition and Fees (H)
UNTD	Tuition and Fees - UNT Dallas – Continuous Monitoring (H) (CM)	Resident and non-resident tuition rates for undergraduate and graduate students are calculated accurately and billed timely	Focus on area of highest revenue	
HSC	Tuition and Fees – HSC (H)	Resident and non-resident tuition rates for undergraduate and graduate students are calculated accurately and billed timely	Focus on area of highest revenue	

Inherent Risk Rating:
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Appendix II-FY23 Audit Plan

Entity	Audit Name	Business Outcome	Rationale	Auditable Unit
		Supply Chain		
UNTS	Senate Bill 20 Contracting Compliance Assessment	The University of North Texas System has adopted the rules and policies required by SB 20 as part of the annual Texas Education Code § 51.9337 (h) requirement.	Mandatory audit	Procure-To-Pay (H)
UNTS, UNT, UNTD, HSC	Third Party Management (H)	Oversight and management of third-parties is effective to control and mitigate risks.	Dependency on third-parties and partnerships	Third-Party Management (H) IT Third-Party Management (M)
		Technology		
UNTS, UNT, UNTD, HSC	Identity and Access Management (H)	Security and access management processes facilitate a secure, efficient, and effective end-user experience with technology resources.	Common area of weakness where system breaches occur, and malicious actors gain inappropriate access	Access Control & Identity Management (H)
UNTS, UNT, UNTD, HSC	Cybersecurity Program Audit- Phase 2 (C)	Systems and data are protected to ensure confidentiality, integrity, and availability of information.	Cybersecurity is a broad risk area that requires multiple audits to effectively cover the full scope	Information, System, and Communication Security (C)
UNTS, UNT, UNTD, HSC	Data Center Migration (H) (AD)	UNT System appropriately maintains the technical infrastructure and supports the technology solutions to ensure successful business operations.	Migration to co-location provider to increase the maturity of the hosting solution	IT Infrastructure, Operations, and Maintenance (H) Contingency Planning, Business Continuity & Disaster Recovery (C)

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