

**The University of Texas System Administration
System Audit Office**

**Annual Audit Report
Fiscal Year 2023**



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



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

The System Audit Office FY 2023 Internal Audit Annual Report, which includes its approved FY 2024 Annual Audit Plan (see Section V) and a summary of weaknesses/concerns and related actions taken resulting from the FY 2023 Annual Audit Plan (see Section II), can be found on the UT System website (specifically, the “Reports to State” webpage <https://www.utsystem.edu/documents/reports-state> , choosing “Annual Audit Reports” from the “Report Type” drop down menu). The annual report can also be found at <https://www.utsystem.edu/offices/system-audit/about-internal-audit>.



II. Internal Audit Plan for Fiscal Year 2023

FY 2023 Audit Plan – Engagements	Status of Plan
Assurance Engagements	
Oil and Gas Royalties Audit - FY22 Carryforward	11/18/2022
Oil and Gas Royalties Audit - FY23	Postponed to FY24
System Administration Cybersecurity & Threat Response Audit	1/10/2023
Backup Operations and Recovery Planning for Shared Systems, Services, and Infrastructure Audit	8/31/2023
System Administration Privileged Access Audit	6/20/2023
UTIMCO Securities Lending	5/18/2023
Group Purchasing Organization (GPO) Accreditation Applications Review	Canceled
GPO Control Validation Review	Carryforward to FY24
System Administration Multi-Factor Authentication Audit	Carryforward to FY24
UTT Cybersecurity and Ransomware Protection Audit Assistance	Complete – Report NA
UTPB IT audit assistance	Complete – Report NA
UTEP Firewall Management Audit Assistance	Complete – Report NA
Chief Administrator Travel, Entertainment, and Housing Expenses Audit	8/17/2023
Advisory Engagements	
Business Process Review (Phase III)	Complete – Report NA
University Lands (UL) Consulting	Postponed to FY24
UT Health Intelligence Platform (UT-HIP) Consulting	Carryforward to FY24
System Administration Software Inventory & Licensing	Canceled
TX-RAMP Compliance Review	6/13/2023
Recruitment and Retention Consulting	Canceled
UT System Compliance Project	Complete – Report NA
Stephen F. Austin Transition to UT System	Ongoing
Other Postemployment Benefits (OPEB) Advisory	Carryforward to FY24
General Audit Assistance to System Administration	Ongoing
System Administration Committees and Councils	Ongoing
UTIMCO Meetings and Oversight Activities	Ongoing
Required Engagements	
UT System Administration & Consolidated Financial Audit Assistance	Deloitte Report
Joint Admission Medical Program (JAMP)	3/13/2023
NCAA Agreed-Upon Procedures at UT Arlington	1/15/2023
NCAA Agreed-Upon Procedures at UT El Paso	1/13/2023
NCAA Agreed-Upon Procedures at UT Rio Grande Valley	1/13/2023
NCAA Agreed-Upon Procedures at UT San Antonio	1/14/2023
Investigations	
Various Special Reviews	Internal Memos, as applicable
Follow-Up	
System Audit Follow Up Procedures	Various Memos



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

Deviations from Audit Plan Submitted:

The System Audit Office completed its FY 2023 annual audit plan except for the deviations noted below. Four engagements for which reports had not yet been issued at the end of FY 2023 were carried forward for completion in FY 2024. Minimal changes from the original FY 2023 annual audit plan were made as follows.

- *Canceled:* Group Purchasing Organization (GPO) Accreditation Applications Review, System Administration Software Inventory & Licensing, Recruitment and Retention Consulting
- *Postponed:* Oil and Gas Royalties Audit – FY23, University Lands (UL) Consulting
- *Added:* UT El Paso (UTEP) Firewall Management Audit Assistance, UT System Compliance Project, Stephen F. Austin Transition to UT System, Other Postemployment Benefits (OPEB) Advisory (Carryforward to FY 2024), Interim UT Permian Basin (UTPB) chief audit executive leadership



TEC Section 51.9337(h):

Senate Bill 20 (84th Legislative Session) made several modifications and additions to Texas Government Code (TGC) and Texas Education Code (TEC) related to purchasing and contracting. Effective September 1, 2015, TEC §51.9337 requires that, “The chief auditor of an institution of higher education shall annually assess whether the institution has adopted the rules and policies required by this section and shall submit a report of findings to the state auditor.” The System Audit Office conducted this required assessment for FY 2023 and found the following:

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

Compliance with the Benefits Proportionality Audit Requirements for Higher Education Institution:

Rider 8, page III-50, of the General Appropriations Act (87th Legislature) required that an audit examine appropriation years (AY) 2019 through 2021. An audit of benefits proportionality for appropriation years 2020-2021 was completed as part of the FY 2022 Audit Plan, and an audit of appropriation year 2019 was performed as part of the FY 2020 Audit Plan. Because benefits proportionality was not identified as a high-risk area in the annual risk assessment, there was no audit conducted during FY 2023.

TGC Section 2102.015:

A summary table of observations identified from FY 2023 engagements, the actions planned to be taken by management, and the current implementation status is included on the following pages to address web site posting requirements as required by Texas Government Code Section 2102.015. Audit results are included in each issued audit report, which are provided to the State Auditor’s Office.



Report Date	Report Name	Observations	Management Action Plans	Status
11/18/22	Oil and Gas Audit – FY22 Carryforward	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act, based on the Texas Education Code Section 66.81. Specific results of the audit were provided to University Lands and appropriate members of UT System management.		
1/10/23	System Administration Cybersecurity & Threat Response Audit	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act, based on the Texas Government Code Section 552.139. Specific results of the audit were provided to appropriate members of UT System management.		
3/13/23	Joint Admission Medical Program (JAMP) Audit	<p>Observation (Low): When checks are not properly stored in a secured area and deposited in a timely manner, the organization is at an increased risk of loss or theft. In addition, the funds are not available to the JAMP Office for immediate use.</p>	<p>Management Action Plan: The JAMP Office agrees and will comply with the requirements of UTS 166 for all future deposits, effective immediately. JAMP will revise invoice templates to include instructions to send returned funds checks to the UT System lockbox. Returned funds checks still sent to the administrative office will be stored in a locked safe prior to deposit and access limited to the JAMP Director and JAMP Administrative Associate. Additionally, checks will be deposited within one business day or a justification for any delays will be maintained.</p>	Implemented
5/18/23	UTIMCO Securities Lending Audit	This audit resulted in no reportable observations.		
6/20/23	System Administration Privileged Access Audit	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act, based on the Texas Government Code Section 552.139. Specific results of the audit were provided to appropriate members of UT System management.		
8/17/23	Presidential Travel and Entertainment Expenses Audit – UT Arlington	This audit resulted in no reportable observations.		
8/31/23	Backup Operations and Recovery Planning for Shared Systems, Services, and Infrastructure Audit (Co-sourced with EisnerAmper LLP)	The report contains confidential information and is not subject to the disclosure requirements of the Texas Public Information Act, based on the Texas Government Code Section 552.139. Specific results of the audit were provided to appropriate members of UT System management.		



III. Consulting Services & Non-audit Services Completed

Report Date	Report Name	Overall Objectives(s)	Observations/Results/Recommendations
1/13/23	UT El Paso NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' Statement of Revenues and Expenses (SRE).	No reportable observations
1/13/23	UT Rio Grande Valley NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
1/13/23	UT San Antonio NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
1/15/23	UT Arlington NCAA Agreed-Upon Procedures	Perform NCAA Agreed-Upon Procedures on Athletics' SRE.	No reportable observations
6/13/23	TX-RAMP Compliance Review	Assess newly implemented procedures intended to ensure compliance with Texas Government Code §2054.0593, requiring Texas Risk and Authorization Management Program (TX-RAMP) certification of cloud vendors.	No reportable observations
N/A	Business Process Review (Phase III)	Using results of questionnaire completed by System Administration offices in FY22, provide guidance in the development of a common methodology for use by departments to document and assess controls over their key business processes, providing facilitation, if requested.	No reportable observations
Various	Reviews	Investigative or special projects/reviews conducted at select UT institutions, UT System Administration, and/or UTIMCO.	Reports/memos issued, as appropriate



IV. External Quality Assurance Review



October 1, 2020

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

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

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

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

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

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

Very truly yours,

Baker Tilly Virchow Krause, LLP

Baker Tilly Virchow Krause, LLP



V. Internal Audit Plan for Fiscal Year 2024

FY 2024 Audit Plan	Budget	% of Total	General Objective/Description
Assurance Engagements			
Health Shared Data Programs - Data Classification and Security Audit (co-source)	550		Determine whether data classification procedures are in place and effective, and data security measures compliant with relevant laws, regulations, and stakeholder expectations are applied consistently (<i>co-source hours will be 400 of 550</i>).
Software Licensing and Management Audit	400		Determine whether controls for software licensing and management are in place and effective, and comply with applicable Texas Administration Code §202.76 security control standards.
UTIMCO Disaster Recovery and Business Continuity Planning Audit	300		Assess the effectiveness of disaster recovery and business continuity planning that enable response to and recovery from disruptive events.
Contract Monitoring Audit	500		Determine if decentralized contract monitoring processes/controls are adequate and functioning.
UTS 142 Account Reconciliations & Subcertifications Audit	200		Determine compliance with monitoring of account reconciliations and segregations of duties requirements per UTS142. <i>NOTE: While a Medium risk area, this engagement was last conducted in FY18 prior to full implementation of related process changes.</i>
Oil and Gas Royalties Audit	500		Determine if a selected operator (TBD company) has accurately reported and paid oil and gas royalties to University Lands. <i>NOTE: While a Medium risk area, this engagement is conducted as it regularly results in the collection of significant additional revenue.</i>
System Administration Travel and Entertainment Expenses Audit	300		Determine if System Administration travel and entertainment expenses are appropriate, accurate, and in compliance with applicable policies.
Chief Administrator Travel, Entertainment, and Housing Expenses Audit	300		Determine if chief administrators' travel, entertainment, and university residence maintenance (as applicable) expenses are appropriate, accurate, and in compliance with applicable policies. <i>NOTE: While a Medium risk area, this engagement is conducted to protect reputational risks. Chief Administrators are chosen for audit based on highest risk assesses annually.</i>
Group Purchasing Organization (GPO) Accreditation Applications Review	40		Determine if controls, as represented by the GPO accreditation applicant, meet the minimum standards of the UT System Accreditation Program.
Carryforward - System Administration Multi-Factor Authentication Audit	100		Completion of FY 2023 engagement: Determine if multi-factor authentication is in place for critical resources to reduce the risk of misuse of breached or stolen access credentials.
General Carryforward	50		Wrap-up/completion of FY 2023 engagements.
Assurance Engagements Subtotal	3240	19.7%	
Advisory Engagements			
Business Process Review (Phase IV)	300		Deployment of the tool that was developed and piloted during Phase III utilizing the results to provide advisory services on departmental controls over key business processes.
University Lands IT Risk Assessment	350		Conduct an IT risk assessment to advise management of potential risks and vulnerabilities in the University Lands IT control environment. Compliance with applicable TAC §202.76 security control standards will be assessed where applicable.
Stephen F. Austin (SFA) State University Transition	100		Provide advisory services and assistance as needed related to SFA State joining UT System.
Robotic Process Automation (RPA) Follow-Up Review (co-source)	450		Identify actions taken to address observations noted in the FY 2021 Robotic Process Automation advisory engagement, and whether actions have been effective in reducing risk (<i>co-source hours will be 300 of 450</i>).
Other Postemployment Benefits (OPEB) Advisory	100		Provide advisory services based on discussions to be held with the Controller's Office.
Benefitfocus Advisory	100		Provide advisory services based on discussions to be held with various parties involved with BenefitFocus.
System Administration Committees and Councils	200		Participate on System Administration Committees and Councils (e.g., ERM, SLC, InfoSec, UT Share, Executive and Endowment Compliance, etc.).
General Audit Assistance to System Administration	300		Provide general assistance and support to System Administration departments and response to management requests.
UTIMCO Meetings and Oversight Activities	25		Attend UTIMCO Board of Directors, Committee, and other oversight meetings.
Advisory Engagements Subtotal	1925	11.7%	
Required Engagements			
UT System Administration & Consolidated Financial Audit Assistance	300		Assist the external auditor on the System Administration and Consolidated financial statements FY 2023 year-end & FY 2024 interim audit work (includes institutional internal audit guidance and coordination).
NCAA Agreed-Upon Procedures at UT Arlington	300		Perform agreed-upon procedures regarding internal controls, revenues, and expenses of FY 2023 intercollegiate athletics program activity (<i>co-source hours will be 1700 of 2000</i>).
NCAA Agreed-Upon Procedures at UT El Paso	450		
NCAA Agreed-Upon Procedures at UT Rio Grande Valley	450		
NCAA Agreed-Upon Procedures at UT San Antonio	500		
NCAA Agreed-Upon Procedures at UT Tyler	300		
Required Engagements Subtotal	2300	14.0%	



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Investigations			
Investigations Reserve	200		Reserve for investigations that may arise.
Investigations Subtotal	200	1.2%	
Reserve			
TBD Special Requests	350		Assist executive management in addressing unexpected issues.
Reserve Subtotal	350	2.1%	
Follow-Up			
System Audit Follow Up Procedures	250		Follow-up on open recommendations from previous audits conducted by System Audit.
Follow-Up Subtotal	250	1.5%	
Operations			
Audit, Compliance, and Risk Management Committee (ACRMC) and Board of Regents	250		Prepare for and attend ACRMC and Board of Regents meetings. May also include other reports for and requests from Regents.
UT System Administration Internal Audit Committee	250		Prepare for and attend System Administration Internal Audit Committee meetings.
Systemwide Annual Risk Assessment and Audit Plan	200		Coordinate and conduct institutional audit plan presentations to provide feedback on draft annual audit plans, prepare the Systemwide annual audit plan for approval by the ACRMC and analyze Systemwide risk, audit, and issue trends.
System Audit Office Annual Risk Assessment and Audit Plan	300		Facilitate risk assessments used to develop the risk-based System Audit Office's annual audit plan.
Systemwide Internal Audit Council	500		Prepare for and attend Internal Audit Council meetings, including efforts on Internal Audit strategic activities, communication and education among the Chief Audit Executives.
Assistance to Institutions - Academic	1500		Provide oversight, guidance, and assistance to the institutional internal audit in various audit areas (e.g., NCAA SRE, IT, etc.) and other topics. Includes attendance at institutional audit committee and other meetings.
Assistance to Institutions - Health			
Assistance to Institutions - All			
Data Analytics Collaboration, Skill, and Tool Development	500		Provide data analytics technical guidance, tool development and support, and educational and collaboration opportunities to assist and enhance capabilities of institutional audit teams.
IT Audit Collaboration, Skill, and Tool Development	300		Provide IT audit guidance, tool development and support, and educational and collaboration opportunities to assist and enhance IT audit capabilities of institutional audit teams.
Systemwide TeamMate Administration	300		Support the Systemwide administration of the audit management software (TeamMate) used by institutional internal audit. Develop the structure and processes, including job aids, forms, etc.
General Communications	50		Develop and deliver communications to institutional internal audit.
Online Reporting	100		Collect, track, sort, and post audit reports online.
Investigation Triage, Tracking & Assistance	100		Track, monitor, and report on fraud and investigation activities.
Systemwide Internal Audit Reporting	300		Collect/summarize information for Systemwide internal audit reporting.
System Audit Quality Assurance Activities	150		Conduct internal quality assurance activities, including quality related enhancements to System Audit Office's policies/processes/procedures and implementation of recommendations from External Quality Assessment.
External Reporting and Requests	100		Prepare State Auditor's Office (SAO) annual report and other SAO reporting requests. May also include reports or requests from other external agencies. Includes TEC section 51.9337(h) compliance work.
TeamMate and Website Maintenance and Management	100		Update System Audit's TeamMate software and keep Systemwide Internal Audit and System Audit Office websites current.
Management of the Internal Audit Activity	600		Manage the System Audit Office's internal audit activities such as prioritization and status updates of engagements.
Operations Subtotal	5600	34.0%	
Initiatives and Education			
Audit Management Software (AMS) Implementation	1000		Implementation of Systemwide audit management software upon end-of-life of current TeamMate technology.
Risk Assessment Methodology Relook	300		Re-assessment of annual risk assessment methodology (coordinate with AMS Implementation).
Other Systemwide Internal Audit Initiatives	100		Follow up on execution of various initiatives.
Quality Program and Metrics Implementation	100		Strengthen leading practice and standards use with quality program implementation (includes coordination/guidance for triennial QAR).
Resource Capabilities and Knowledge/Resource Management	100		Provide guidance, tools, educational opportunities to enhance capabilities and development of auditors Systemwide.
Internal Audit Staff Training	800		Attend Continued Professional Education training.
Professional Organizations and Associations	200		Participate in professional organizations.
Initiatives and Education Subtotal	2600	15.8%	
Total Budgeted Hours	16465	100.0%	



Risk Assessment/Methodology Used to Develop FY 2024 Annual Audit Plan & High Risks Not Included

The Audit Plan outlines the internal audit activities that will be performed by the System Audit Office during FY 2024 in accordance with responsibilities established by UT System, the TIAA, the IIA *Standards*, and GAGAS. The plan is prepared using a risk-based approach to ensure that areas and activities with the greatest risk are identified for consideration to be audited. The Audit Plan includes audit work, which is included in the Assurance, Advisory, Required, Investigations, and Follow-up sections; Operations (ongoing System Administration and oversight activities); and Initiatives & Education (developmental initiatives that may be employed over multiple years). The Audit Plan was approved by the UT System Administration Internal Audit Committee on 6/20/23 and by the UT System Board of Regents' Audit, Compliance, and Risk Management Committee on 8/23/23 as part of the Systemwide Audit Plan.

The System Audit Office's risk assessment approach was accomplished by evaluating important strategic initiatives and operational objectives that were previously defined for each of the System Administration offices. Meetings were held with department heads, members of executive management, and other risk collaborators to review the activities, associated risks, and potential audits and consulting projects. Risks were ranked, based on probability and impact ratings, as well as past audit coverage and other interrelated risks. Engagements were identified to address the highest risks. In addition, the FY 2024 Audit Plan includes other required engagements and reserve time for unanticipated items.

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

An audit of benefits proportionality for appropriation years 2020-2021 was completed as part of the FY 2022 Audit Plan, as required under Rider 8, page III-50, of the General Appropriations Act (87th Legislature). Because benefits proportionality was not identified as a high-risk area in the annual risk assessment, and is no longer required under Rider 8, page III-52, of the General Appropriations Act (88th Legislature), there are no plans to conduct an audit during FY 2024. An audit of the contract monitoring process at System Administration was completed in FY 2019, and follow-up procedures conducted in FY 2020-2023, which found five of the six recommendations were implemented. Follow-up on the remaining recommendation will be performed in FY 2024. The FY 2024 audit plan includes an engagement to review procurement controls of GPOs applying to become accredited for use by UT System Administration and UT institutions, as well as an audit to evaluate contract monitoring processes/controls at UT System Administration. The FY 2024 Audit Plan does not include an internal audit related to expenditure transfers, capital budget controls, or other limitation or restriction in the General Appropriations Act; however, these areas may be reviewed as part of the external financial audit.

Additional critical/high risks were identified in the general areas of information technology, governance, human resources, purchasing/supply chain, facilities management, and university relations. While related engagements are not part of the FY 2024 Annual Audit Plan, there are other mitigating activities and follow-up engagements that address these risks.

VI. External Audit Services Procured in FY 2023

The University of Texas System contracted with Deloitte & Touche, LLP (Deloitte) to perform an independent audit of the FY 2022 UT System financial statements (including stand-alone audits at some of the institutions) and an independent audit of the FY 2022 financial statements of The University of Texas/Texas A&M Investment Management Company (UTIMCO) Corporation, the Permanent University Fund, the General Endowment Fund, the Permanent Health Fund, the Long Term Fund, and the Intermediate Term Fund (collectively, the Funds). Also, Deloitte performed interim work for the audit of the UT System and Funds' FY 2023 financial statements.



In addition, UT System contracted with Deloitte to complete audits of Cancer Prevention Research Institute of Texas (CPRIT) grants at select UT institutions to conclude on the Schedule of Expenditures of State Awards for the CPRIT program and compliance over CPRIT programs (scope of FY 2022 grant activity). Other UT institutions may separately contract with other vendors to perform agreed-upon procedures.

The University of Texas System Administration contracted with Wolcott and Associates to perform benefit audits for the Office of Employee Benefits of employee and retiree medical and prescription insurance claims and contracted with R.L. Townsend and Associates to perform ongoing construction billing and final contract review audits for the Office of Capital Projects. The System Audit Office co-sourced with EisnerAmper LLP to complete the Backup Operations and Recovery Planning for Shared Systems, Services, and Infrastructure Audit.

VII. Reporting Suspected Fraud and Abuse

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

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

VIII. Contracting Audits

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

UT System Administration was one of the 25 designated state agencies for FY 2023. To assist the SAO in performing this function, audit reports related to contracts and contract processes and controls completed by UT System Administration in the last five years (fiscal years 2019 to current) are included below.

Report Title	Report Date	Follow-Up
Compliance Review - TEC 51.9337	10/31/2018	Not applicable
Contract Monitoring Process Audit	07/11/2019	Partially implemented (5 of 6 recommendations)
GPO Control Validation Review - Premier Inc.	07/31/2019	Not applicable
GPO Accreditation Application Reviews	08/19/2019	Not applicable
Compliance Review - TEC 51.9337	11/01/2019	Not applicable
GPO Accreditation Application Reviews	08/24/2020	Not applicable
GPO Control Validation Review - DIR	08/28/2020	Not applicable



Report Title	Report Date	Follow-Up
Compliance Review - TEC 51.9337	11/01/2020	Not applicable
Compliance Review - TEC 51.9337	11/01/2021	Not applicable
Compliance Review - TEC 51.9337	11/01/2022	Not applicable
GPO Control Validation Review – Vizient Inc.	10/27/2023	Not applicable
Compliance Review - TEC 51.9337	11/01/2023	Not applicable

In its fiscal year 2023 Contract Monitoring Assessment at Certain State Agencies, the SAO determined that UT System Administration contracting processes and controls during contract solicitation and development, formation/award and contract management/termination are sufficient to warrant no additional monitoring beyond the minimum required under Texas law.