



Office of Internal Audit

State Auditor's Office
Fiscal Year 2025
Annual Internal Audit Report

Ninette Caruso
Chief Audit Executive

October 31, 2025

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The Honorable Greg Abbott
Governor, State of Texas
State Capitol Extension, Room
E1.304 Austin, Texas 78701

Dear Governor Abbott:

We are pleased to present the State Auditor's Office Fiscal Year 2025 Annual Report for the University of North Texas System Internal Audit Department.

This report fulfills the requirements set out in the Texas Internal Auditing Act (Texas Government Code, Section 2102) and provides the information in the format prescribed by the State Auditor's Office.

For further information about the contents of this report or to request copies of audit reports, please call (940) 565-2153.

Respectfully,

Ninette Caruso
Chief Audit Executive

cc: UNT System Board of Regents
UNT System Chancellor Williams
Texas State Auditor's Office
Texas Legislative Budget Board

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I. Compliance with Texas Government Code, Section 2102.015

In accordance with the Texas Internal Auditing Act (Texas Government Code, Section 2102.015 – *Publication of Audit Plan and Annual Report on Internet*), the University of North Texas System (UNT System) Internal Audit Department ensures public access to its audit documents by posting both the approved annual audit plan and the annual internal audit report on the institution's website.

The Fiscal Year 2025 Annual Internal Audit Report and the approved Fiscal Year 2026 Audit Plan have been posted in compliance with this requirement and are available at: <https://www.untsystem.edu/reports/internal-audit-reference-documents.php>.

II. Internal Audit Plan for Fiscal Year 2025

The UNT System 2025 Audit Plan outlined the internal audit activities to be performed during the fiscal year in accordance with the responsibilities established by the UNT System Regent Rule, the Texas Internal Auditing Act, the Institute of Internal Auditors Global Internal Audit Standards, and Generally Accepted Government Auditing Standards (GAGAS), as defined in the UNT System Internal Audit Charter.

Audits that were deferred or canceled were reviewed by the UNT System Board of Regents and, when applicable, carried forward to the Fiscal Year 2026 Audit Plan. A summary of all changes to the Audit Plan is available on the Internal Audit webpage at:

<https://www.untsystem.edu/reports/internal-audit-reference-documents.php>

Report Number	Audit Name	Status	Report Date
25-002	IT Change Management	Issued	1/31/2025
25-003	UNT Health Joint Admission Medical Program (JAMP)	Issued	10/31/2025
25-004	UNTD Academic Development and Governance	Issued	4/17/2025
25-010	HR Talent Planning, Acquisition, Development and Retention	Issued	7/10/2025
25-013	Tuition and Fees - UNT	Issued	1/31/2025
25-015	Data Privacy (FERPA,HIPAA)	Issued	8/28/2025
25-016	UNT Research and Grants Management	Issued	7/17/2025
25-017	Tuition and Fees – UNT Health	Issued	7/15/2025
25-018	Data Center Migration and Readiness	Issued	4/25/2025
25-019	Tuition and Fees – UNT Dallas	Issued	5/29/2025
25-020	UNT - Health and Environmental Laboratory Safety	Issued	10/14/2025
25-020	UNT Health - Health and Environmental Laboratory Safety	Issued	10/14/2025
25-020	UNTD - Health and Environmental Laboratory Safety	Issued	10/31/2025
25-021	Annual Assessment of Compliance and Procurement Policies TEC 51.9337(h)	Issued	8/26/2025
25-025	UNT - Health Research and Grants Management	Issued	10/14/2025
Carryover to Fiscal Year 2026			
25-011	UNT Patient Access, Coding, and Billing Review	In Progress	
25-014	Student and Employee Mental Health Management	In Progress	

Canceled/Postponed and risk assessed for Fiscal Year 2026			
25-004	UNTS Compliance Program Maturity Assessment	Cancelled	
25-008	UNT Health Faculty Development	Cancelled	
25-009	UNT Health Family Medicine	Cancelled	
25-022	UNT Asset Management	Cancelled	
25-024	UNT Cash and Digital Payment Methods	Cancelled	

Texas Education Code 51.9337(h):

As required by TEC 51.9337(h), Internal Audit submitted the Annual Assessment of Compliance and Procurement Policies (report #25-021) to the State Auditor's Office on 8/26/2024.

III. Consulting and Other Services Completed

Report #	Name	Objective	Date	Comments
n/a	Gifts and Endowments - Foundations Operations	The project focused on creating process maps for gift-receipting at UNT and HSC, identifying needs, gaps, and differences between their institutions. Also proposed improvements and assessed shared services models to enhance gift-receipting efficiency.	March 2025	Management continues to evaluate organizational structures and opportunities to streamline back-office processes. Efforts are underway to enhance documentation and strengthen bank account structures to improve gift-receipting efficiency.
n/a	Third-Party Framework Development	Provide guidance on a comprehensive third-party risk management (TPRM) framework tailored to risk appetite and compliance requirements. Support the establishment of standard processes for identifying, assessing, monitoring, and mitigating risks for third-party relationships.	December 2024	A risk management framework and scorecard were established as foundations for the broader program. A formal roadmap is in place to implement supporting technologies and sustain both near- and long-term program objectives.
n/a	Vendor Spend and Supplemental Pay Evaluation (formerly Strategic Budget Expense Review)	The engagement goal was to evaluate how vendor spend, and supplemental pay is being managed, using data analytical procedures.	January 2025	Recommendations were provided to optimize vendor classification and identify consolidation opportunities. Management also evaluated supplemental pay structures for alignment with strategic budget priorities.

Report #	Name	Objective	Date	Comments
25-018	Data Center Migration and Readiness	Assesses the effectiveness of the migration strategy and implementation, ensuring alignment with business continuity goals. Focus on evaluating the performance, security enhancements, cost efficiencies, and new capabilities gained through the migration process.	April 25, 2025	The migration was completed successfully, resulting in enhanced IT performance and security. Management addressed all Internal Audit recommendations and will conduct a post-implementation review to confirm achievement of expected benefits.
n/a	IT Governance	Provide input and advice in the design of IT Governance processes to ensure changes align with best practices, enterprise strategies, value generation, accountability, and efficiency.	December 9, 2024 and June 2, 2025	Management implemented improvements to address Internal Audit's recommendations on meeting structure and content. Ongoing efforts continue to enhance governance frameworks, communication, and oversight.
n/a	Compliance Program Maturity Assessment	Review focused on previously identified observations, assessing progress made in implementing management action plans from the Compliance Maturity Assessment, originally completed in September 2022.	November 2024 and February 2025	Management made progress in completing prior recommendations. The current review concluded that UNT's compliance maturity is at a "defined" level, consistent with the organization's risk appetite.

IV. External Quality Assurance Review (Peer Review)

In compliance with the Texas Internal Auditing Act, the Institute of Internal Auditors Global Internal Audit Standards established by the Institute of Internal Auditors, and the Generally Accepted Government Auditing Standards, a quality assurance review was conducted for the UNT System Internal Audit Department in the fourth quarter of Fiscal Year 2023. Deloitte LLP, an independent auditing firm, conducted this audit to assess the department's adherence to the Standards and Code of Ethics mandated by Texas law. The review determined that the Internal Audit Program generally conforms with the prescribed standards and requirements. There were no issues or discrepancies identified. See **Appendix A** for the executive summary.

V. Internal Audit Plan for Fiscal Year 2026

The Fiscal Year 2026 Internal Audit Plan for the UNT System Internal Audit Department was approved by the Board of Regents on August 14, 2025.

The FY26 Audit Plan was developed through a structured, multi-step process designed to align audit coverage with the enterprise's most significant risks and strategic priorities. This process

included a formal risk assessment, a five-year lookback of audit coverage, leadership input, open audit observations, and continuous monitoring of emerging risks and institutional initiatives.

Risks were assessed using the nine enterprise risk categories—Operational, Compliance, People, Technology, Financial, Environmental/Social/Safety, Governance, Brand/Reputation, and Strategic/Mission—and evaluated across three dimensions: impact, likelihood, and velocity. Consistent with recent events, Internal Audit emphasized areas with heightened brand, reputation, and technology risks. Consideration was also given to information technology risks under Title 1, Texas Administrative Code, Chapter 202 (Information Security Standards), benefits proportionality, and contract compliance and monitoring in accordance with Texas Government Code, Section 2102.005(b).

The risk assessment results served as the foundation for audit plan development, prioritizing areas not audited in the past five years, those with significant open audit observations, and topics identified through stakeholder discussions. Resource availability, including internal staffing and co-sourced capacity, was also considered to ensure a balanced portfolio of assurance, advisory, and continuous monitoring projects that direct audit resources where they provide the greatest value.

A copy of the plan, including budgeted hours and audits addressing certain State requirements, is included at **Appendix B**. The audit requirement for TEC 51.9337(h), Annual Assessment of Compliance and Procurement Policies (TEC 51.9337(h)) is included in the Fiscal Year 2026 Internal Audit Plan.

Additionally, Internal Audit is co-sourcing with external auditing firms to provide staff augmentation and subject matter expertise, as necessary.

VI. External Audit Services Procured in Fiscal Year 2025

- External Audit of the System's Financial Statements - FORVIS Mazars LLP
- Title IV Program Performance Audit - FORVIS Mazars LLP
- Cancer Prevention and Research Institute of Texas Grants (CPRIT) Program Audit - FORVIS Mazars LLP
- NCAA Agreed-Upon Procedures - James Moore Certified Public Accountants and Consultants
- Internal Audit Co-Sourcing Engagement - Protiviti Inc. and Deloitte LLP

VII. Reporting Suspected Fraud and Abuse

To comply with the requirements of Section 7.09, page IX-41, the General Appropriations Act (89th Legislature), each entity in UNT System Enterprise provides a reporting mechanism on its public website for suspected instances of fraud, waste, and abuse of state resources. The UNT System entities' websites include information on how to report suspected fraud and abuse.

The UNT System Internal Audit Department is responsible for compliance with Texas Government Code, Section 321.022, Coordination of Investigations. The State Auditor's Office is notified of all instances where we have reasonable cause to believe fraud, waste or abuse may have occurred.

Appendix A: External Quality Assurance Review Executive Summary

Executive summary



Executive summary



Objectives and Approach

Deloitte & Touche LLP (Deloitte¹) assessed the University of North Texas System Internal Audit's ("Internal Audit") conformance with the International Standards for the Professional Practice of Internal Auditing (the "IIA Standards") issued by the Institute of Internal Auditors ("IIA"), the relevant requirements of the Generally Accepted Government Auditing Standards, and the relevant requirements of the Texas Internal Auditing Act; including the effectiveness of the Internal Audit methodology, technology and tools, stakeholder feedback through interviews and value add recommendations. The objectives included:

Conformance with the IIA Standards

Assessed Internal Audit for level of conformance with the IIA Standards and the elements of the professional practice framework.

Stakeholder feedback

Obtained stakeholder and team member feedback through interviews and discussions.



Conclusion

The Internal Audit function is an experienced and well- respected function that has established effective practices overall to **"Generally Conform"** with the IIA Standards the relevant requirements of the Generally Accepted Government Auditing Standards, and the relevant requirements of the Texas Internal Auditing Act. We have concluded that the relevant structures, policies, and procedures of the function, as well as the processes by which they are applied, comply with the requirements of the individual *Standards*

"Generally Conforms" is the highest conclusion which can be given.

Throughout our assessment, Internal Audit's knowledge and understanding of risk, as well as collaborative nature, were assessed as a crucial aspect of the quality of the department.

Internal Audit has established a foundation to further mature and modernize its future strategy for delivering added value and insights to the UNT System Enterprise.

Overall Conformity with the IIA Standards



● Generally Conforms



● Partially Conforms



○ Does Not Conform

¹As used in this document, "Deloitte" means Deloitte & Touche LLP, a subsidiary of Deloitte LLP. Please see www.deloitte.com/us/about for a detailed description of our legal structure. Certain services may not be available to attest clients under the rules and regulations of public accounting. Our services will be performed in accordance with the Statement on Standards for Consulting Services issued by the American Institute of Certified Public Accountants (AICPA).

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Appendix B: Fiscal Year 2026 Internal Audit Plan

Institution	Rating	Engagement Name	Business Outcome	Total Hours
ASSURANCE ENGAGEMENTS				
UNT Health	Medium	Correctional Medicine	UNT Health performs operations for the Correctional Medicine Facilities completely, accurately, supporting revenue cycle compliance.	600
UNT Health, UNT Dallas	Medium	Medical Coding Review	Assign appropriate healthcare codes to patient accounts based on provider documentation.	300
UNT	High	Revenue Contract Governance and Accounting	Revenue contracts are appropriately authorized and executed and funds are accounted and used in compliance with policies.	800
Enterprise	Medium	Backup, Restoration & Data Recovery	Restoration of systems and data to support continuity of critical operations following outages, cyber incidents, or disasters.	450
Enterprise	High	Research Security	Safeguard sensitive research data and infrastructure to maintain eligibility for funding and comply with federal and state regulations.	500
Enterprise	Medium	Expense/P-Card System Implementation	Implementation of the new expense system, ensures controls against fraud, waste, and abuse, and ensures compliance with updated state and federal regulations.	500
UNT, UNTD	High	Student Living Security, Minors on Campus	Institutions provide a safe living environment through security infrastructure, emergency preparedness, and safety programs; minors can safely engage in campus activities.	450
UNT, UNT Health	Medium	Animal Research	Animal Research provides appropriate animal care; record keeping and comply with animal research regulations.	500
UNT	Critical	Financial Aid, Disclosures and Regulatory Readiness	Provides appropriate financial aid assistance in compliance with financial aid rules and regulations and is prepared for financial value reporting and upcoming regulatory requirements.	800
Enterprise	High	Digital Accessibility Compliance	Digital platforms, learning tools, and online content are fully accessible to individuals with disabilities, in compliance with regulations.	600
UNT Health	Medium	Willed Body Program	The willed body program operates with dignity to human specimens in compliance with regulatory requirements.	500
System	Medium	Electronic Payments	Electronic payments for payroll, accounts payable, state funds, and construction are accurate and secure, to uphold financial integrity.	500
UNT Health	Medium	Asset Management	Assets are appropriately procured, tracked, received, maintained, and protected until appropriate disposition. Assets are accurately captured within tracking and financial systems.	500
UNT	Medium	Tuition and Fees - UNT	Resident and non-resident tuition rates and fees for Undergraduate and Graduate students are accurate and timely billed.	200
UNT Health	Medium	Tuition and Fees - UNT Health	Resident and non-resident tuition rates and fees for Undergraduate and Graduate students are accurate and timely billed.	200
UNTD	Medium	Tuition and Fees - Dallas	Resident and non-resident tuition rates and fees for Undergraduate and Graduate students are accurate and timely billed.	200
UNT Health	High	FY25 Carryover - Research and Grants Management	Grants are managed in compliance with regulations and laws, ensuring thorough and timely reporting, and accurate pre-/post-award administration.	200

Institution	Rating	Engagement Name	Business Outcome	Total Hours
ASSURANCE ENGAGEMENTS (CONT.)				
Enterprise	High	FY25 Carryover - Student and Employee Mental Health Management	UNT's Enterprise provides appropriate and timely mental health support to students and employees. Providers are appropriately trained and compliance reporting (e.g., Clery) is submitted accurately and timely.	275
UNT	High	FY25 Carryover - Patient Access, Coding, and Billing Review	Healthcare billings are performed completely, accurately and timely, and support reimbursement requirements, while complying with federal regulations.	250
UNT	Mandatory	Student-Managed Investment Fund (SMIF)	The Institution complies with stipulations in the Grant Agreement requirements and expenditure guidelines.	150
Enterprise	Mandatory	Purchasing Authority Assessment	The University of North Texas System has adopted the rules and policies required by Texas Education Code § 51.9337.	82
UNT	Mandatory	Joint Admission Medical Program (JAMP)	The Institution complies with stipulations in the Grant Agreement requirements and expenditure guidelines.	250
CONSULTING AND OTHER SERVICES				
Enterprise	High	AI Governance Readiness	Facilitate responsible adoption of AI in teaching, research, and operations, aligning with ethical standards and legal obligations.	100
Enterprise	Critical	Continuity of Operations	Institutions manage disruptions, ensuring business stability and recovery of service for students, faculty and staff.	250
Enterprise	High	Third Party Risk Management Implementation	Develop and implement an effective framework for the risk management, monitoring, and reporting of third-party providers.	50
Enterprise	High	Deferred Maintenance	The deferred maintenance program develops a governance structure and framework addressing; a system of record to monitor asset conditions, and a methodology for project prioritization.	50
UNT	Medium	UNT Institutional and Program Accreditation	Accreditation process fosters continuous improvement through support of teaching and learning.	250

**The overall rating is an assessment of inherent risk prior to taking control mitigation into account.*

Higher Inherent Risks Not on Fiscal Year 2026 Audit Plan:

Organizational Structure and Accountability (C)	Strategic Planning and Metrics (C)
Employee Lifecycle (C)	Information Security (C)
Physical Safety and Security (C)	BOR Governance (H)
Incident/Crisis Response and Communication (C)	Enterprise Risk Management (H)
Talent Development and Retention (H)	Research Compliance (H)
Access Control and Identity Management (H)	Admissions/ Recruitment (H)
Student Health/Mental Health (H)	Advancement/Foundation (H)

Many of the high and critical risk areas identified above have been addressed in recent audits and/or open management actions still exist. Internal Audit is actively monitoring open audit findings and will continue to assess these areas in the future, ensuring that all identified risks are effectively managed and that necessary improvements are implemented. Going forward, Internal Audit will perform ongoing evaluations and address emerging risks as they arise.