University of Nebraska-Lincoln•University of Nebraska Medical Center•University of Nebraska at Omaha•University of Nebraska at Kearney

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President Carter and Members of the University of Nebraska Board of Regents Audit, Risk, and Compliance Committee (Audit Committee),

On behalf of Internal Audit and Advisory Services (Internal Audit), I am pleased to present the Annual Report for the Fiscal Year ended June 30, 2021.

The mission of Internal Audit is to provide independent, objective assurance and consulting services designed to add value and improve the University of Nebraska's (University's) operations. Internal Audit assists the Board of Regents, the Audit Committee, and the President by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. This Annual Report describes the scope and results of our activities, metrics, accomplishments, and other measures of our performance. Selected highlights include:

    x received the highest possible rating of "generally conforms" to standards of the Institute
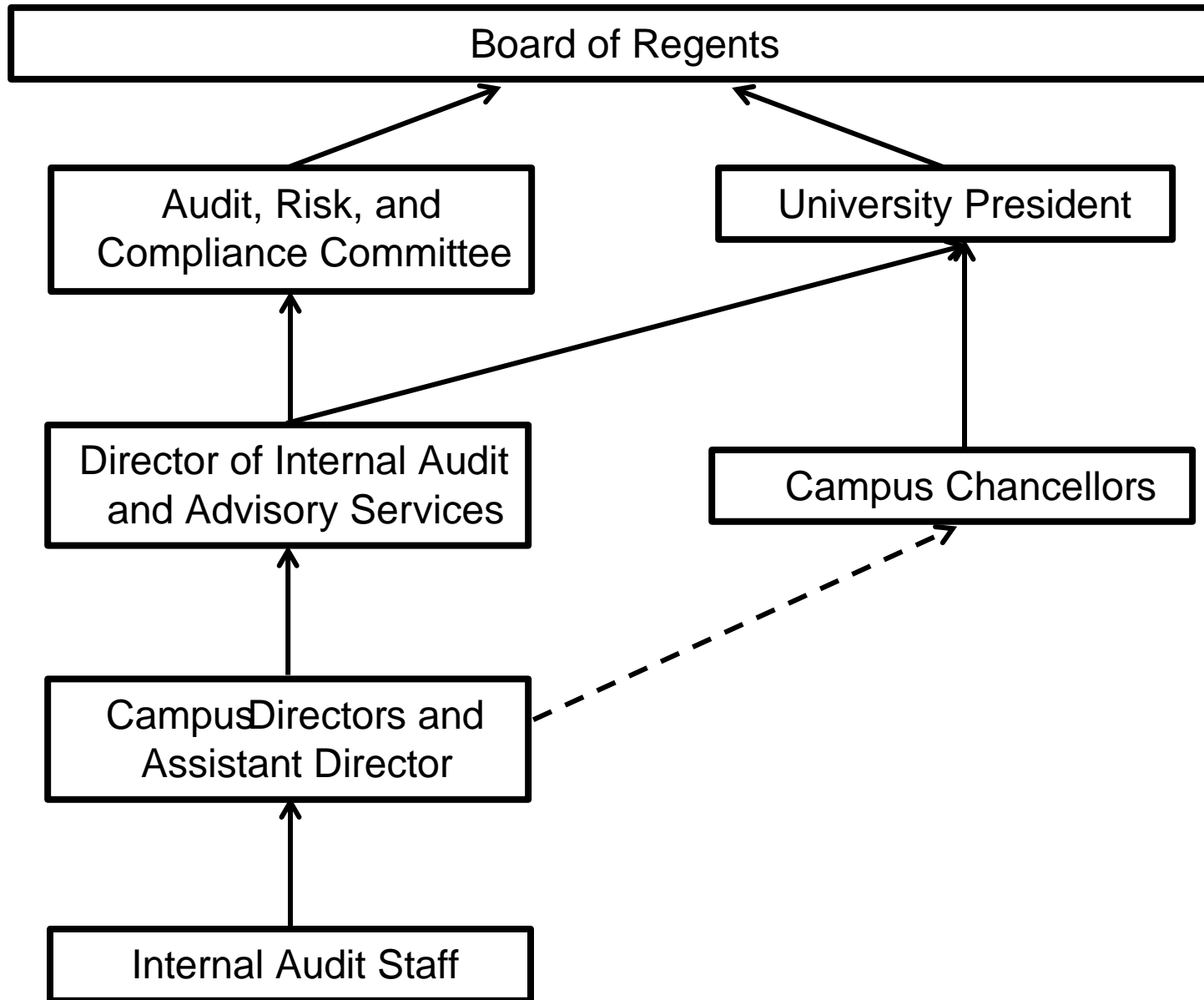
<u>Risk Assessment Process</u>

Internal Audit assisted management in conducting a risk assessment of the University in March through June of this year. The risk assessment process allows management to focus on key issues and enhance decision making, allows for a more effective use of University resources, and provides information to develop an internal audit plan.

The Audit Committee agreed to use the Committee of Sponsoring Organizations of the Treadway Commission (COSO) as the framework for the risk assessment discussion. The COSO standard has not been adopted as the internal control framework itself. Internal Audit performed the assessment by interviewing selected individuals from administration at each campus.

Internal Audit used COSO's risk definition: "The possibility that an event will occur and adversely affect the achievement of objectives." Internal Audit also emphasized the following COSO categories of risk: compliance, financial reporting, strategic, and operations. Several open-ended questions were asked of each interviewee that centered on objectives, key risks and initiatives, compliance, and controls. The questions not only related to the system-wide and campus levels, but also to the particular area which the interviewee manages. Internal Audit

Rank	Identified Risk	Risk Description

We look forward to Fiscal Years 2022 and 2023 and the positive impact we can make on the University. Our two-year audit plan, developed through the risk assessment process, is detailed below.

Fiscal Year 202_2

Carryforwards	Description	Hours
China/Foreign Travel	A review of faculty travel to China or other risky areas and tying back to research, CoI, and CoC.	101
Export Controls	A review of/for state -of-the-art policies. 300 hours to be outsourced to an outside firm.	80
Fraud Policy	Determine if there is a system-wide fraud policy and compare it to campus, industry, and Big 10 policies.	4
Governance: IT Governance	Review in accordance with IIA Practice Guide "Assessing Org Governance in the Public Sector"	149
Governance: Org Accountability		74
ITS Incident Management, Business Continuity, and Disaster Recovery	Compare ITS processes to industry standards.	11
ITS Penetration Testing	120 hours to be outsourced to SecureWorks.	10
ITS Policy Development	400 hours to be outsourced to Protiviti.	20
Non-ITS Endpoint Management	A review of the process to detect, provision, deploy, update, and troubleshoot non-ITS endpoint devices.	700
UNL NCAA Compliance	A review of 3 sections of the NCAA Guide.	6
UNL Food and Housing Refunds	Obtain and review payments to determine how refunds and CARES Act funding are calculated and distributed.	50
UNO Food and Housing Refunds		160
UNL G/L Revenue	A review of how revenue is collected and recorded.	705
UNO G/L Revenue		9
UNO Accounts Receivable	A review of policy/procedure, reconciliations, state regulations, account balances, and account write-offs.	405
Fraud Policy Follow-Up (FU)		11
Governance: BoR & Audit Committee FU		21
Hiring, Salary and Benefit Increases, and Personnel Files FU		63
IRS Tax Communications and Forms FU		11
ITS Change Control FU #2		5

Work to ensure that recommendations of the original projects have been accomplished.

UNL NCAA Compliance FU		98
UNL Psychology Student Hours FU		11
UNL Student Fees FU		74
UNL Weihe University Services FU #2		11
UNMC Munroe Meyer Institute FU	Work to ensure that recommendations of the original projects have been accomplished.	490
UNMC Student Fees FU #2		51
UNO Data Center FU #2		31
UNO NCAA Compliance FU		40
UNO Student Fees FU		49
UNO Ticketing FU		171
Risk-Based Audits	**Description**	**Hours**
Late Fees Assessed to Students	A review of fees for transparency and reasonableness. Obtain and review policies, compare by campus and by peers, and review effectiveness of billing process. *(Risks #2 Budget & #4 Enrollment)*	292
ITS Identity Management	A review of the entire process from provisioning to de-provisioning of IDs. *(Risk #1 Cybersecurity)*	474
ITS Two-Factor Authentication	150 hours to be outsourced to Campus Guard. *(Risk #1 Cybersecurity)*	28
UNK Diversity Implementation	A review of diversity strategies around hiring, climate surveys, monitoring, and training. *(Risk #8 Diversity)*	100

Review resource usage over a 3–4-

UNK Student Mental Health Resources

Fiscal Year 202_3_

Carryforwards	Description	Hours
ITS Identity Management	A review of the entire process from provisioning to de-provisioning of IDs.	142

<u>Beyond Two-Year Audit Plan</u>

Areas we identified as high risk to the campuses, but we are not able to audit within the next two years due to limited staffing, are as follows: ITS cell phone sales, UNK Parking, UNL Agriculture Research Division, UNMC Accounts Receivable, UNMC College of Pharmacy, and UNO Business and Finance. We identified these as areas as high risk based on ratings for recent leadership changes, federal award expenditures, sales/other revenue activity, and/or compliance requirements/regulation s.

In addition, below is a list of processes we are NOT able to include in the Audit Plan. Our intent is for you to be aware of the many areas of the University which are not subject to review by our team. These areas include:

Operating Revenues
- x Tuition and Fees
    - o Enrollment management (strategies, action plans, and budget), a

Assets and Deferred Outflows
- x Current Assets (outside bank accounts), Capital Assets (construction process– bidding to production) , Other Non-Current Assets (inventory, annual inventory process, fuel inventory, research animals, livestock, hazardous chemicals, vehicle inventory, utilities [generator inventory, UNK and UNL Steam and Chillers, UNMC Steam and Electrical, UNO Central Utility Plant] Deferred Outflows of Resources

Liabilities, Deferred Inflows, and Net Position
- x Current and Non-Current Liabilities, Deferred Inflows of Resources, Net Investment in Capital Assets, Permanent Endowment, Loan Funds, Externally Restricted Funds, Plant Construction, Debt Service, Unrestricted Funds

Other Processes and Risk Considerations
- x Artwork and Other Collections (not capitalized, charged to operations at time of purchase)
  - o Museums (i.e., Morrill Hall, Larsen Tractor Museum, Dental Museum), library collections, art collections (i.e., Sheldon Museum of Art, MONA, Cancer Center, Samuel Bak Collection), musical instruments, athletic awards, and memorabilia
- x Contractual Services
  - o IT, marketing expenses, legal expenses, external affairs (lobbying), business and finance/AP/P2P, travel and employee reimbursement (including Fox and Hotel.com), China/foreign travel, general liability trust fund/insurance programs, self- insurance fund (building and auto), other insurance (i.e., travel, student health, directors, and officers), leases, contract management (wire transfers and signature authority)
- x Reconciliations
  - o SAP and State system, bank transfers and payroll, CashNet and SAP, Foundation and University transfers, UTDC and University transfers, SAP and bond trustee transfers, student mental health operations, student health center operations, hospital and clinical revenues and joint ventures
- x Financial Management Issues
  - o Ability to Monitor and Track Employees and Students, Alignment of Finance with Board and U-wide Strategic Priorities, Budgeting and Forecasting, Capital r,Tj 0.52m0 Tigt0.003 Tw 0.554 0 Td [(t)

x Student Organizations/Alumni Organizations/Fraternities and Sororities (GASB 84 Implementation, Alcohol and Drug Use/Programs, Career Services, Alumni Relations, Finances)

x Public/Private Partnerships

> UNK - University Village; UNL – NICDC and NUCorp; UNMC - MCDC, UNeMed, UNeTech, and UNeHealth; UNO - PKIDC; UNCA - UTDC, NUTech Ventures, NSRI and NDRC; NeXT; NSWERS

x Institutes (Water for Food, Buffett Early Childhood, Rural Futures)

x Campus Safety

> o Active Threat/Shooter, Athletic Training (medical malpractice), Building Safety and Accessibility (master keys, ability to close down campus, small appliances, etc.), Campus Grounds Safety and Lighting (video cameras, blue light phones, etc.), Campus Security Structure (armed or unarmed police, safety employee vs. rent, etc.), Clery Act/Safety Reporting, Discrimination (gender, race, religion, political, etc.), Dorm and Fire Safety, Drug and Alcohol Issues, Emergency Preparedness, Employees and Student Training, Greek Housing, Health (COVID-19/return to campus), Medical/Clinical Operations (medical malpractice), Policy Creation and Review Process (pets, technology, etc.), Sexual Assault, Stadium/Large Event Security, Student Activism, Student Judiciary/Government, Suicide Prevention, Traffic Safety, UNMC Ice Rink, Youth on Campus

x Compliance

> o Accreditation, ADA, Animal Research Subjects, Anti-Corruption and FCPA, Building and Fire Codes, Clery Act, Compliance Charter, Compliance with NIST (FISMA or others as applicable), Conflict of Commitment and Interest, Consensual Relationships Policy, Effort Reporting, Environmental Health and Safety/Lab Safety, Export Controls, FERPA, Financial Aid Compliance (part of Uniform Guidance work), Foreign Influence, Graham Leach Bliley, Hazardous Materials Handling, Higher Education Opportunity Act, HIPAA (including medical/clinical operations and athletic training), Intellectual Property/Tech Transfer Process, IRB, Leadership Travel, Minority/Women Business Enterprises, Minors on Campus, Radiation and Laser Safety, Research Integrity and Academic Misconduct Processes, Safety and Wellness Abroad, Student and Visiting Scholars, Student Code of Conduct and Judicial Process, Tax Laws, Tax Reporting by non-University Entities and Daycares, Title IX – Sexual harassment, Tracking/Monitoring Funding from Foreign Governments and Entities, Uniform Guidance Changes, Whistleblower Policy

<u>Strategic Plan   Update</u>

Below are the strategic plan tasks we plan to complete in Fiscal Year 2022, listed in chronological order. Most tasks relate to recommendations given to us during our external Quality Assessment Review (QAR).

Task   Description

4b)

3b)   By January 31, 2022, IT Auditor, Deputy Director,   and UNO Senior Auditor   will consider Big 10 scripts and other external resources to identify risk areas during preliminary planning using data analytics. (QAR 19 and 38)

3c)   By January 31, 2022, the IT Auditor   will develop an IT specific risk assessment plan and tool which considers the ITS and NE Med IT strategic plans. (QAR 48 and 50)

1i)   By March 1, 2022, the Director and Campus Directors   will provide the pre-risk assessment questionnaire to the auditable entities with a March 31, 2022, response date for use in the Auditable Entities Risk Assessment. (QAR 49)

7c)   By March 31, 2022, and every year thereafter, the Campus Directors   will identify a topic for group training in addition to IIA Code of Ethics training. The Campus Directors will also identify a trainer(s) (internal or external) as well as a date/agenda for the training for subsequent review by the Director. (QAR 6, 32, and 47)

7a)   By June 30, 2022, and each year thereafter, for IAAS Director succession planning purposes, the Campus Directors will identify significant processes that have not been documented that will ensure continuity of the function. (QAR 2)

7d)   By June 30, 2022, and each year thereafter, the UNMC Director   will schedule a semi-annual team building activity. Additionally, by September 30, 2022, and each year thereafter, the UNMC Director will conduct the semi-annual team building activity. (IAA S Created)

8c)   By June 30, 2022, the Campus Directors   will develop a job description for an intern and a set of tasks that the intern can accomplish annually. (IAAS Created)

Appendix A: Staff Listing and Credentials

MICHAEL JUSTUS, Director of Internal Audit and Advisory Services
Bachelor of Arts in Business Administration
Emphasis in Accounting
Certified Public Accountant
37 Years Audit Experience* 20 Years with the University

KAYLA JAMES, Deputy Director
Bachelor of Science in Business Administration
Emphases in Accounting and Business Management
Certified Public Accountant and Certified Internal Auditor
15 Years Audit Experience* 26 Years with the University

BARBARA BREY, Director
Bachelor of Science in Business Administration
Emphasis in Accounting
Certified Public Accountant and Certified Internal Auditor
27 Years Audit Experience* 6.5 Years with the University

RACHEL POWELL, Assistant Director
Master of Professional Accountancy
Bachelor of Science in Business Administration

Td [(M)-3.8 Emphases in Accounting, Finance, Financecou0.6 (t)-365 (ana11.1 (7.410r0067Tw70F6 (e)1.3 (4)

Appendix   B: Internal Audit Charter

Mission/Scope of Work

The mission of Internal Audit and Advisory Services (IAAS) is to enhance and protect the University of Nebraska's (University) value by providing risk-based and objective assurance, advice, and insight. The purpose of IAAS is to provide independent, objective assurance and consulting services designed to add value and improve the University's operations. IAAS helps the University accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of the University's risk management, control, and governance processes.

IAAS's scope of work is to determine whether the University's network of risk management, control, and governance processes, as designed and represented by management, is adequate and functioningin a manner to ensure that:

- x   Risks are appropriately identified and managed;
- x   Interaction with the various governance groups occurs as needed;
- x   Significant financial, managerial, and operating information is accurate, reliable, and timely;
- x   Employee actions are in compliance with policies, standards, procedures, and applicable laws and regulations;
- x   Resources are acquired economically, used efficiently, and protected adequately;
- x   Programs, plans, and objectives are achieved;
- x   QeTT3 1 Tf [96 -0 0 9.96 54 45 ( )0.8 (ac)1.5 (h)(p)-4.3 (l)-2.3 (64 ,7 (e)1.2 ((h)(p)-4.3 (u)0.6 (r),01.5p)-4.3 u)0.6

activity to the Audit Committee and will include a section on the IAAS personnel's credentials in the Annual Report to the Audit Committee.

IAAS staff will maintain an unbiased mental attitude that allows them to perform engagements objectively and in such a manner that they believe in their work product, that no quality compromises are made, and that they do not subordinate their j udgment on audit matters to others.

The Campus Directors (or Assistant Directors) will be the primary point of contact for his/her Campus Chancellors. Where there is no campus director, the Director of IAAS will be the point of contact.

Responsibility

The Director has the responsibility to:

- x Develop a flexible annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submit that plan to the Audit Committee for review and approval;
- x Implement the annual audit plan, as approved, including special tasks or projects requested by management and the Audit Committee;
- x Update the Audit Committee on the status and results of the annual audit plan periodically;
- x Maintain a professional staff with sufficient knowledge, skills, experience, and professional certifications to meet the requirements of this Charter;
- x Evaluate and assess significant merging or consolidating functions and new or changing services, processes, operations, and control processes coincident with their development, implementation, and/or expansion;
- x Issue reports to the Audit Committee and management summarizing the results of audit activities, including any instances of fraud;
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Standards of Audit Practice

IAAS will govern itself by adherence to the mandatory elements of the IIA's International Professional Practices Framework (IPPF) including its *Standards*, Core Principles for the Professional Practice of Internal Auditing

Risk - Based Audits (Continued)	Description (Including U-

Risk-Based Audits (Continued)	Description (Including U-Wide Risk Assessment category)

Consulting	Description	Plan Hours	Actual Hours	Status
Various Requests	Time budgeted without specific projects, including Committee participation and general discussions with management.	80	213	See Projects Below
Regents Policy 3.2.8 (10)	Feedback on how to address Institutional Conflict of Interest.	-	3	Report Issued July 3, 2020
IRS Tax Communications and Forms	Recommendation that all IRS communications be maintained and reviewed in/from a central repository.	-	8	Report Issued Feb. 15, 2021
RBE Segregation of Duties (SoD) Reports	Feedback on monitoring actual and potential SoD conflicts within SAP via review of RBE SoD reports.	-	38	Report Issued May 24, 2021
NeBIS and NeSIS Configurations	Feedback on NeBIS and NeSIS configuration considerations.	-	3	Planning
Other Projects	Description	Plan Hours	Actual Hours	Status
QAR Self Assessment	Preparation for an external Quality Assessment Review (August 2020).	160	17	See Page 2
IAAS Strategic Plan	Revisions based on QAR results.	70	130	See Pages 14-16
Audit Universe	Annual review of University processes and risk coverage for Audit Plan.	-	81	See Pages 11-13
Risk Assurance Map		-	40	
Total Project Hours	N/A	8,667	6,228	N/A

Administrative Hours

	FY 2020	Per Quarter FY 2020	% of Total FY 20	FY 2021	Per Quarter FY 2021	% of Total FY 21	$ Variance (FY 21 vs. 20)	% Var
SALARIES & BENEFITS								
Salaries	es							