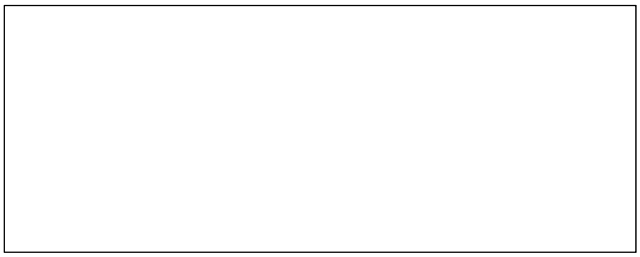

Summary: The Strategic Partnership audit of Hye Tech Network and Security Solutions was included in the Arizona State University (ASU) FY 2022 audit plan approved by the Arizona Board of Regents (ABOR) Audit Committee and ASU senior leadership. The audit focused on key operational and financial requirements of the agreement and the underlying business processes to ensure the intended objectives are met through the partnership. This audit is in support of ASU's mission of effective management of financial resources and efficient operations at all levels of the university.

Background: The University Technology Office (UTO) contracted with Hye Tech in 2019 for integrated technology collaborative managed services in support of upgrading and expanding the university connectivity infrastructure. Hye Tech is a Phoenix based company offering professional and managed services in the network and security fields. In 2021, Hye Tech had approximately 84 employees and contractors supporting ASU with half being fully dedicated staffing for ASU.

The contract consists of a Master Service Agreement (MSA) that contains general operational requirements such as specifications for statements of work and change orders, payment terms, provisions for personnel and contractors and other obligations, and the original statement of work that contains the specifics and pricing of the services to be provided and service level agreements (SLAs) for performance in multiple areas including incident and request management. The initial 3-yr term of the MSA and original statement of work is effective through June 2022. In addition to the MSA and original statement of work, seven existing statements of work with Hye Tech were incorporated under the MSA and two additional statements of work were subsequently signed between Hye Tech and ASU including one for services related to bond funded infrastructure projects. Each statement of work has requirements for deliverables and SLAs as applicable for the service to be provided; however, some contain the same SLAs for incident and request management as the original statement of work.

The leadership of UTO and Hye Tech have developed an integrated structure for the oversight and management of services under the MSA and various statements of work. Specifically, management of the relationship is owned by UTO's Chief Operating Officer and is supported by the Director of Network Operations who has primarily responsibility for oversight of the MSA with Hye Tech and the Director of Network Growth who is primarily responsible for the coordination of specific projects. Additional fiscal oversight is provided by the UTO Budget and Forecasting team.

Audit Objective: The objective of this engagement was to assess compliance with key requirements associated with the agreement, in addition to underlying business

processes to ensure the expected objectives and goals are met through the partnership. Specifically, the following areas were assessed:

Assess the adequacy of oversight by UTO leadership to ensure the overall objectives of the partnership are met

Verify fiscal controls are in place to ensure payments are authorized and made according to the agreement

Assess compliance to key requirements of the agreement related to service level agreements, personnel changes, personnel screenings, business continuity planning, and insurance

Identify opportunities for improvement

Scope: The scope of the audit focused on the processes and related controls in effect for managing the agreement primarily during FY2021. The effectiveness of IT control activities performed by Hye Tech was not in the scope of the audit.

There was a scope limitation related to the financial reporting to UTO leadership on bond fund activity. UTO used an internal financial application until October 2021, that contained inaccurate reporting. A comparison of the bond reporting at October 2021 to transactions directly from Workday indicated that encumbrances were overstated by $1,031,825 due to a combination of inaccurate encumbrance lines included in the reporting and encumbrance release lines missing from the reporting in addition to actual expenses being understated by $39,626. In November 2021, UTO began using financial reporting from the data warehouse for various reasons including the known issues with updates and inaccurate data with the internal application. Testing was limited to point in time procedures to validate the accuracy of the revised reporting.

Methodology: The audit was conducted in accordance with the International Standards for the Professional Practice of Internal Auditing promulgated by the Institute of Internal Auditors and accordingly consisted of tests of procedures necessary to provide a reasonable basis for expressing our opinion. Specifically, audit work consisted of interviews with the leadership and staff of UTO and Hye Tech, observation of work processes, review of documented policies and procedures and substantive tests including the following areas:

Assessing the general oversight by UTO leadership through the following:

- Evaluating processes over management of the agreement
- Evaluating procedures for significant areas of the agreement

Reviewing the key requirements of the Master Service Agreement from 2019, subsequent amendments, and related proposals/statements of work

Creating a master schedule of the agreement, amendments, and proposal/statements of work including service level agreements to validate the completeness and reasonableness of the invoicing

Examining all invoices payments made to Hye Tech in FY2021, excluding payments related to network services for Sun Corridor, totaling approximately $14.3 million, verifying accuracy based on the statement of work and/or quote and appropriateness of funding from either the infrastructure bond or operations

Validating approvals in Service Now for a sample of 25 purchase requests for proper authorization

Verifying performance to the service level agreements for incident management and request management for soft MACDs for the calendar year 2021 through the following:

- Reviewing the performance results reported on NextGen Dashboards
- Assessing and recomputing the performance measurements by month from the Service Now data used for the NextGen Dashboards
- Comparing the performance results to the performance targets from the proposals/statements of work

Assessing the business continuity policies of Hye Tech to the requirements of the MSA and reviewing documentation of the last plan implemented in 2020

Determining whether Hye Tech obtained written approval for reassignments or replacements of employees supporting ASU

Confirming background checks/fingerprinting was completed by Hye Tech for a sample of 27 employees, and verifying separate fingerprinting was performed by UTO for Hye Tech employees where required based on level of access

Evaluating whether Hye Tech employees completed training for FERPA, HIPAA, Information Security and Driving on the Mall

Confirming network access was removed for the six Hye Tech employees/contractors that were terminated during the review period to verify access was removed timely

Confirming current insurance coverage of Hye Tech to the minimum requirements under the MSA

Conclusion: Overall, UTO has established sufficient oversight of the partnership with Hye Tech to ensure the various services from the statements of work and hardware purchase for network related projects are managed at a level that achieves the expectations of the MSA including accurate and complete invoicing. There is close coordination between UTO and Hye Tech leadership on key aspects of the agreement including network operations support and monitoring, network upgrades and expansion, issues with the network, and purchasing and invoicing. However, the collaborative approach and expertise provided by Hye Tech employees has resulted in a general reliance on the processes and controls of Hye Tech. As a result, UTO has not

implemented adequate controls and validation of some key aspects of the agreement including performance targets of the service level agreements, business continuity efforts, employee screenings (background checks/fingerprinting), and required training. This has been further compounded by turnover in key UTO leadership positions responsible for core oversight and interaction with Hye Tech increasing the overall reliance on Hye Tech for managed service functions.

Specifically, it was noted that Hye Tech has not consistently met the performance targets of the service level agreements, and while the NextGen Dashboards developed by UTO and Hye Tech provide useful information, there was not appropriate visibility to UTO leadership related to the missed targets. It was also noted that the existing tracking and measurement functionality on which the dashboards are based does not support the accurate calculation of the performance targets under the service level agreements. This is in part mitigated by the close coordination between UTO and Hye Tech including reviews and discussions of the more critical issues and ongoing project work.

Testing confirmed that Hye Tech meets the required business continuity provisions of the agreement; however, UTO has not implemented appropriate oversight of their plan and how it aligns and augments ASU's overall business continuity efforts. Improved oversight is necessary given the importance of their managed services, especially as it relates to the critical 1 applications and overall network support.

Testing also identified that Hye Tech has generally relied on the screenings (background checks/fingerprinting) completed by other clients to which the employees had been assigned previous to ASU without obtaining copies or retaining confirmations of completion. This practice coupled with UTO not consistently completing separate fingerprinting of Hye Tech employees increases the risk of bad actors having administrator level access to the network, systems and university dat

General Control Standard (The bulleted items are internal control objectives that apply to the general control standards, and will differ for each audit.)	**Control Environment**	**Finding No.**	**Page No.**
Reliability and Integrity of Financial and Operational Information			
Payments to Hye Tech are accurate, authorized and paid according to the agreement, statements of work or quote as applicable.	Reasonable to Strong Controls in Place	5	11
Payments to Hye Tech using bond funds are appropriate.	Reasonable to Strong Controls in Place	N/A	N/A
Effectiveness and Efficiency of Operations			
Hye Tech is generally meeting the required expectations based on the MSA and amendments.	Reasonable to Strong Controls in Place	N/A	N/A
Hye Tech is meeting the performance targets of the service level agreements for incident management and request management for soft MACDs.	Opportunity for Improvement	1	7
Hye Tech has a business continuity plan that meets the requirements of the agreement.	Opportunity for Improvement	2	8
Safeguarding of Assets			
Hye Tech obtains written approval from UTO for the reassignment or replacement of employees supporting ASU.	Opportunity for Improvement	3	9
Hye Tech completes screenings of employees 90 days prior to their performance of service.	Opportunity for Improvement	3	9
Training requirements of Hye Tech employees on ASU requirements, policies and procedures have been established and training completed.	Opportunity for Improvement	4	10
Deactivation of access is promptly requested by Hye Tech and removed by UTO for terminated employees.	Reasonable to Strong Controls in Place	NA	N/A
Hye Tech secured insurance as required by the agreement.	Reasonable to Strong Controls in Place	N/A	N/A
Compliance with Laws and Regulations	Not Applicable	N/A	N/A

We appreciate the assistance of EOSS representatives during the audit.

Lisa Grace, Executive Director, University Audit and Advisory Services
Sadie Petterson, CPA, Assistant Director, University Audit and Advisory Services

Audit Results, Recommendations, and Responses

1. Hye Tech has not consistently met the Service Level Agreements and the existing tracking and measureme

Arizona State University

employees, Hye Tech provided screenings completed in January 2022 for 25 employees, and the screening for one additional employee was pending. Of 47 Hye Tech employees with the highest level of access and an activation date in calendar years 2019 through 2021, 18 had separate fingerprinting completed by UTO.

Recommendation: UTO should clarify the expectations under the MSA for screenings of Hye Tech employees before they are assigned to ASU, including the required screenings (background checks, fingerprinting, etc.), retention of supporting documentation, and any related reporting to ASU. Requirements deemed necessary by UTO should be formalized and necessary training completed to ensure controls are performed consistently. UTO should implement monitoring procedures to confirm screenings by Hye Tech comply with ACD126 at a minimum, including retaining documentation.

Additionally, UTO and Hye Tech should formalize the process and documentation for the reassignment and replacement of Hye Tech employees who support ASU to ensure the changes are properly authorized.

Management Response:

UTO agrees with this finding and has taken the following steps to address this finding:

To be included in the pending April MSA review to be scheduled, a review of HyeTech's operational practices will be requested as well.
Together UTO leaders and HyeTech account teams will re-design the proper review of MSA requirements
To be completed by June 30th 2022, UTO and HyeTech will collectively agree to an updated process of on-boarding and off-boarding HyeTech staff and this will include having an opportunity to weigh in on new hires and staffing allocations to project work.

4. The expectations for non-technical training of Hye Tech employees related to ASU requirements, policies and procedures have not been established.

Condition: Training of Hye Tech employees on ASU requirements, policies and procedures, such as FERPA, HIPAA, Information Security, and/or Driving on the Mall has not been performed in a consistent manner but rather has been completed on an as-needed basis determined by Hye Tech or the specific circumstances of the service being provided.