

Stephen F. Austin State University

Annual Audit Report For the Fiscal Year Ended

August 31, 2017

Audit Report 17-XX



Department of Audit Services

Gina Oglesbee, CPA, CFE, Chief Audit Executive

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**SFASU DEPARTMENT OF AUDIT SERVICES
FISCAL YEAR 2017 ANNUAL AUDIT REPORT
TABLE OF CONTENTS**

- I. Executive Summary
- II. Compliance with Government Code §2102.015
- III. Internal Audit Plan for FY 2017
- IV. FY 2017 List of Audits
- V. Non-Audit and Consulting Services
- VI. External Quality Assurance Review
- VII. Internal Quality Assessment
- VIII. Internal Audit Plan for FY 2018
- IX. Risk Assessment
- X. External Audit Services
- XI. Reporting Fraud
- XII. Audit Charter

I.

Executive Summary

SFASU DEPARTMENT OF AUDIT SERVICES EXECUTIVE SUMMARY

The purpose of this annual audit report is to provide information on the activities and the effectiveness of the internal audit function. In addition, the annual report assists central oversight agencies in work planning and coordination of efforts. This annual report is submitted in compliance with the Internal Auditing Act of the State of Texas (Government Code Chapter 2102) and the Rules and Regulations of the Board of Regents (BOR) of Stephen F. Austin State University. The report follows the recommended format by the State Auditor's Office (SAO).

The mission of the Department of Audit Services is to provide the BOR and President with an independent appraisal of the adequacy and effectiveness of the University's system of internal administrative and accounting controls and the quality of performance when compared with established standards. The primary objective is to assist the BOR, the President, and University management in the effective discharge of their responsibilities. The current audit charter is included in Tab XII and was approved by the BOR on April 25, 2017.

Fiscal year 2017 was a productive year for Audit Services as twenty-one audits were completed and another four audits were in process at fiscal year-end. Audit Services participated as an advisory member on various University committees; performed numerous special projects, including providing assistance to the SAO; and investigated reports made through the University's fraud and ethics reporting system.

Audit Services operated with a full staff for fiscal year 2017. In October 2017, a change in staff allowed for a reorganization that will further increase efficiency and effectiveness. The BOR approved the fiscal year 2018 audit plan as shown in Tab VIII on July 25, 2017, and the annual audit report is expected to be approved on October 23, 2017.

We appreciate the support received during the year from the BOR, President, Administration, Faculty, and Staff of the University. Upon approval by the BOR, this report will be distributed to the SAO, the Office of the Governor, the Legislative Budget Board, and the Sunset Advisory Commission.

Respectfully Submitted,

Gina Oglesbee, CPA, CFE
Chief Audit Executive

II.

Compliance with Government Code §2102.015

**SFASU DEPARTMENT OF AUDIT SERVICES
COMPLIANCE WITH TGC SECTION 2102.015**

In order to comply with Texas Government Code, Section 2102.015 regarding posting the Audit Plan, Audit Annual Report, and other audit information on the internet website, the Department of Audit Services will post the 2017 Audit Annual Report, which includes the required items, on its website at <http://www.sfasu.edu/audit/> after approval by the SFASU Board of Regents.

III.

Internal Audit Plan for FY 2017

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2017 University Budget All Funds: \$250,313,731

Total 2017 Budgeted Audit Positions: 5

FISCAL YEAR 2017 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Financial, Compliance, Efficiency & Effectiveness Audits		
National Collegiate Athletic Association Review	Provide assistance to external firm performing review of SFASU athletic financial statement as required by NCAA	45
SFASU Charter School Audit	Provide assistance to external firm performing financial audit of SFASU Charter School	45
Public Funds Investment Act (PFIA) Audit	Verify compliance with PFIA for operating investments	100
Departmental Audits	Review for compliance with various regulations and efficiency & effectiveness	1600
Contract Management and Purchasing Audit	Review compliance with Senate Bill 20 requirements	350
Benefits Proportional by Fund Audit	Review controls, verify compliance, and reporting	200
Payroll and Human Resources Audit	Review controls, compliance with policies and regulations, and fraud assessment	600
Grants	Review compliance with grant agreements, policies, and regulations for a sample of grants	450
Agency Accounts (carry forward)	Review procedures for agency accounts	40
Bond Audit	Review compliance with bond covenants and requirements	400
Information Technology Audits		
Texas Administrative Code Section 202 Audit	Review compliance with Information Security Standards	400
Learning Management System (carry forward)	Review general and application controls in D2L	40
Banner Student Information System	Review select general and application controls in Banner Student Information System	400
Follow-up Audits	Obtain representations from management regarding status and perform verification as necessary	309
Special Projects		
Fraud & Ethics Program	Facilitate university anonymous reporting system	16
Special Projects and Investigations	Special projects based on requests from the Board of Regents, Administration, anonymous reporting system, or others. Provide audit assistance to state and federal oversight agencies such as Texas State Auditor's Office, The Higher Education Coordinating Board, Texas State Comptroller's Office, and grant agencies.	300
Meetings & Committee Service		
Other University Meetings/Events	Attend other meetings and events as deemed necessary	80
Administrative Meetings, Regent Meetings, and events	Preparation and attendance of meetings and events	220
Compliance Committee & Activities	Serve as advisory member of committee	60
Department Activities		
Annual Audit Plan and Report	Prepare annual audit plan and report	50
Audit Manual Revision	Update audit manual and forms	40
Annual Risk Assessment	Facilitate annual university risk assessment	50
Quality Assurance	Perform internal assessment and coordinate external assessment of compliance with standards	60
Records Management	Maintain file system and records for department	40
Software Maintenance and Training	Teamware and ACL audit software	80
Continuous Auditing	Develop tools and techniques	350
Professional Development and Travel	Professional development, training, and travel	350
Staff Meetings	Weekly staff meetings	360
Audit Support	Audit and Legal Support Specialist time	1179
General & Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	550
General & Administrative GA	Graduate Assistant help with administrative work	250

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2017 University Budget All Funds: \$250,313,731

Total 2017 Budgeted Audit Positions: 5

FISCAL YEAR 2017 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Total Allocated Hours		9,014
Total Hours Per Year		10,588
Less estimated:		
Sick Leave		(350)
Vacation		(585)
Holidays		(564)
Wellness Release Time		(75)
Total Available Hours		9,014

IV.

FY 2017 List of Audits

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

#	REPORT NAME
SP	TAC 202 Consulting Engagement
16-VIII	Learning Management System Audit
16-XVII	Agency Accounts Audit
16-XIX	Student Rights and Responsibilities Departmental Audit
16-XX	Vice President of Finance and Administration Departmental Audit
16-XXI	Provost and Vice President of Academic Affairs Departmental Audit
16-XXII	President Departmental Audit
17-I	Bond Compliance Audit
17-II	Library Departmental Audit
17-III	Benefits Proportional by Fund Audit
17-IV	Institutional Research Departmental Audit
17-V	Payroll Audit
17-VI	Follow-Up Audit
17-VII	School of Honors Departmental Audit
17-VIII	Multidisciplinary Programs Departmental Audit
17-IX	School of Accountancy Departmental Audit
17-X	Economics and Finance Departmental Audit
17-XI	TAC 202 Audit
17-XII	Grants Audit – Carried Forward
17-XIII	School of Art Departmental Audit – Carried Forward
17-XIV	School of Theatre Departmental Audit
17-XV	Public Funds Investment Act Audit
17-XVI	Mass Communication Departmental Audit
17-XVII	Contract Management and Purchasing Audit
17-XVIII	Controller Departmental Audit – Carried Forward
17-XIX	Elementary Education Departmental Audit – Carried Forward

For fiscal year 2017, 17-III Benefits Proportional by Fund Audit addresses the requirement in Rider 8, page 111-44, of the General Appropriations Act (85th Legislature, Conference Committee Report). In addition, 17-XVII Contract Management and Purchasing Audit addresses the requirement of Texas Education Code, Section 51.9337(h). The SAO also performed an audit and released SAO 17-042, an Audit Report on Selected Contracts at Stephen F. Austin State University.

The current status of findings/recommendations is based on the following definitions and dependent upon the target implementation date:

- **Implemented:** Successful development and use of a process, system, or policy to implement a recommendation.
- **Ongoing:** Ongoing development of a process, system, or policy to address a recommendation.
- **Not Implemented:** Lack of a formal process, system, or policy to address a recommendation.
- **No Action Required:** No findings/recommendations were made.

Detailed information is included in the schedule that follows.

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
SP	October 5, 2016	TAC 202 Consulting Engagement	The high-level objectives were to assess the qualifications of selected information technology management personnel and vulnerability assessment and risk management process at Stephen F. Austin State University.	The observations and recommendations are security sensitive.	Ongoing
16-VIII	April 30, 2016	Learning Management System Audit	Our audit objectives were to evaluate general and application controls of the learning management system to ensure that compliance with applicable University policies and State and federal regulations is achieved; University resources and activities are effectively and efficiently administered; identified risks are mitigated; information is accurate, complete and available; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	We noted some issues for D2L related to the overall information technology general controls. When the overall information technology general controls are enhanced, the areas for D2L should also be strengthened.	Ongoing
				While performing our audit, we noted access management policies and procedures need to be strengthened for D2L. ITS and CTL should formulate, document, and enforce access management policies and procedures for D2L.	Ongoing
				The information owner of D2L is not clearly defined in University documentation. With both CTL and ITS involved with D2L, roles have not been formally documented. In addition, only one University employee is currently on the D2L vendor's list as the authorized contact. ITS and CTL should develop written documentation that clearly identifies the information owner and roles and responsibilities for D2L.	Ongoing
				Contingency plan processes need to be strengthened. ITS and CTL should strengthen contingency plan processes.	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-VIII	April 30, 2016	Learning Management System Audit		<p>The risk assessment process needs to be strengthened.</p> <p>ITS and CTL should implement procedures to strengthen the risk assessment process.</p>	Ongoing
				<p>We found variances in course, student, and faculty information when comparing D2L and Banner data. A reconciliation process is not in place. In addition, failure logs are not utilized for D2L.</p> <p>ITS and CTL should establish, implement, and document a reconciliation process for D2L and Banner to ensure the integrity of data in the system. In addition, the use of failure logs should be established.</p>	Ongoing
				<p>Audit log management procedures need to be strengthened.</p> <p>ITS and CTL should implement additional audit log management procedures.</p>	Ongoing
				<p>The system use notification banner for D2L is outdated.</p> <p>ITS should update the D2L system use notification banner language.</p>	Implemented
				<p>D2L software management should be strengthened.</p> <p>ITS and CTL should strengthen D2L software management.</p>	Implemented
				<p>Since all University courses are not in D2L, a student does not have a centralized method to view all University course information and assignments in order to efficiently manage coursework. Reporting, Grades, and Attendance tools in D2L appear to be under-utilized by the University.</p> <p>In order to enhance the student learning experience, the University should evaluate D2L or some application for use for all course management. CTL should evaluate the D2L tools to enhance the effectiveness and efficiency of the system.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-VIII	April 30, 2016	Learning Management System Audit		<p>We noted that the CTL Student Policy Manual is outdated. In addition, detailed policies and procedures including configuration management, incident response, processing and interface of information do not exist.</p> <p>ITS and CTL should update and document D2L policies and procedures.</p>	Ongoing
				<p>We noted student employees with access to student records had not received FERPA training. Student employees currently cannot access FERPA training in the online student training system which causes a systemic issue for any student employees with access to student records.</p> <p>The University should strengthen procedures for ensuring student employees receive annual FERPA training.</p>	Ongoing
16-XVII	August 31, 2015	Agency Accounts Audit	<p>Our audit objectives were to ensure that the University has appropriate internal controls over Agency Accounts to safeguard funds; achieve compliance with applicable regulations; and minimize fraudulent opportunities.</p>	<p>We reviewed the supporting documentation to establish an Agency Account for fifty-five accounts. We found that thirty-seven accounts (67%) had documentation available, while eighteen accounts (33%) lacked documentation. Many organizations change officers each year, thus the authorized representatives also change. We attempted to independently confirm Agency Account balances with the authorized representatives, but the lack of current or no documentation prevented us from successfully completing our procedures. In addition, we reviewed a sample of accounts payable disbursements from Agency Accounts and were unable to determine if the disbursements were authorized by the appropriate representative due to the lack of current documentation.</p> <p>The Controller's Office should add or strengthen procedures to ensure that account information is available and current for each Agency Account. Consideration should be given to having a more permanent authorized Agency Account representative such as an affiliated University department head or employee.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-XIX	August 31, 2015	Student Rights and Responsibilities Departmental Audit	Our audit objectives were to determine that controls exist in the Office of Student Rights and Responsibilities to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	No observations and recommendations were made.	No Action Required
16-XX	April 30, 2016	Vice President of Finance and Administration Departmental Audit	Our audit objectives were to determine that controls exist in the Office of the Vice President of Finance and Administration to ensure compliance with various University policies and	In our procurement card testing, we noted that discretionary expenditures were posted to a Banner account that is not a University defined discretionary account in the Controller's guidelines. The Office should work with the Controller's Office to recode the expenses to a discretionary account.	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-XX	April 30, 2016	Vice President of Finance and Administration Departmental Audit	applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>We noted that two employees in the Office were not current on Security Basics training.</p> <p>The employees should complete the required training.</p>	Implemented
16-XXI	April 30, 2016	Provost and Vice President of Academic Affairs Departmental Audit	Our audit objectives were to determine that controls exist in the Office of the Provost and Vice President of Academic Affairs to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> • 11 of 16 (69%) procurement card transactions were reviewed with no exceptions. • 4 of 16 (31%) procurement card transactions were reviewed with one or more exceptions. <p>The Office should add or strengthen procedures related to procurement card purchases to ensure compliance with University policies and procedures.</p>	Implemented
				<p>During our review of time reporting, we found errors in one employee's time report.</p> <p>The Office should strengthen supervisory review of employee time reports.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES
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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
16-XXII	April 30, 2016	President Departmental Audit	Our audit objectives were to determine that controls exist in the Office of the President to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>In our procurement card testing, we noted that discretionary expenditures were posted to a Banner account that is not a University defined discretionary account in the Controller's guidelines. In addition, a monthly transaction detail did not include documentation for one expenditure.</p> <p>The Office should work with the Controller's Office to recode the expenditures to a University defined discretionary account and strengthen procedures for monthly procurement card documentation to ensure compliance with University policies and procedures.</p>	Implemented
17-I	August 31, 2016	Bond Compliance Audit	Our audit objective was to provide assurance that the University is in compliance with bond covenants and that appropriate internal controls exist for bond activities.	No observations or recommendations were made.	No Action Required

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																				
17-II	August 31, 2016	Library Departmental Audit	Our audit objectives were to determine that controls exist in the Library to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> Twenty employees have not completed security basics training. All employees involved in the receipts process have not completed receipts training. Nine employees having access to payment card information have not completed or are not up-to-date with payment card training. <p>The employees should completed the required trainings.</p>	Implemented																				
				<p>During our audit, we noted that ten student workers who no longer work for the Library were still active in the system.</p> <p>Termination Electronic Personnel Action Forms (EPAFs) should be completed for the inactive employees.</p>	Implemented																				
				<p>During our audit we noted the following:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th colspan="4" style="background-color: #4b0082; color: white;">Forms Not Completed</th> </tr> <tr> <th></th> <th>Nepotism</th> <th>Outside Employment</th> <th>Vendor Relation</th> </tr> </thead> <tbody> <tr> <td>Library Employees</td> <td style="text-align: center;">23</td> <td style="text-align: center;">22</td> <td style="text-align: center;">23</td> </tr> <tr> <td>Library Student Workers</td> <td style="text-align: center;">39</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">31</td> </tr> <tr> <td>AARC Employees</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> <td style="text-align: center;">4</td> </tr> <tr> <td>AARC Student Workers</td> <td style="text-align: center;">159</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">88</td> </tr> </tbody> </table> <p>The Library and AARC should strengthen controls to ensure conflict of interest forms are completed.</p>	Forms Not Completed					Nepotism	Outside Employment	Vendor Relation	Library Employees	23	22	23	Library Student Workers	39	N/A	31	AARC Employees	4	4	4	AARC Student Workers
Forms Not Completed																									
	Nepotism	Outside Employment	Vendor Relation																						
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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																																				
17-II	August 31, 2016	Library Departmental Audit		<p>The Library has three different offices that collect receipts. We noted the following during our review of receipts for these offices:</p> <table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 40%;">Receipt Control</th> <th style="width: 15%;">Access Services Circulation Desk</th> <th style="width: 15%;">Library Systems Information Network Center (LINC)</th> <th style="width: 15%;">East Texas Research Center</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Written Receipt Procedures</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Receipts Signage</td> <td style="text-align: center;">No</td> <td style="text-align: center;">No</td> <td style="text-align: center;">No</td> </tr> <tr> <td>Record Retention Requirement</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Job Description Language</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Timely Deposit</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> <td style="text-align: center;">Yes</td> </tr> <tr> <td>Fully Completed Receipts</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> <td style="text-align: center;">N/A</td> </tr> </tbody> </table> <p>The Department should post the required receipts signage where funds are collected.</p>	Receipt Control	Access Services Circulation Desk	Library Systems Information Network Center (LINC)	East Texas Research Center	Proper Segregation of Duties	Yes	Yes	Yes	Written Receipt Procedures	Yes	Yes	Yes	Receipts Signage	No	No	No	Record Retention Requirement	Yes	Yes	Yes	Job Description Language	Yes	Yes	Yes	Timely Deposit	Yes	Yes	Yes	Adding Machine Tape/Summary	Yes	Yes	Yes	Fully Completed Receipts	N/A	N/A	N/A	Implemented
Receipt Control	Access Services Circulation Desk	Library Systems Information Network Center (LINC)	East Texas Research Center																																						
Proper Segregation of Duties	Yes	Yes	Yes																																						
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**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-III	August 31, 2015	Benefits Proportional by Fund Audit	Our audit objective was to ensure that proportional benefits by fund are accurately calculated and applied according to the established guidelines set forth in Article IX, Section 6.08 of the General Appropriations Act.	<p>While documented procedures exist for significant portions of the complicated benefits proportionality process, the procedures related to benefit reconciliation from the source documents to the general ledger and ultimately to USAS and APS 11 reporting need to be strengthened. We noted benefit adjustments that were not captured in the normal course of monthly operations. The Controller's Office performed a reasonableness reconciliation of benefits reports to the general ledger as part of the APS11 preparation process that helped to ensure the accuracy of reporting.</p> <p>Human Resources and the Controller's Office should establish and formally document a periodic reconciliation process to help ensure timely analysis and resolution of differences in source documents and amounts recorded in the general ledger. Human Resources should strengthen and formally document procedures that include supervisory review and analysis of benefits reports.</p>	Ongoing
17-IV	August 31, 2016	Institutional Research Departmental Audit	Our audit objectives were to determine that controls exist in the Department of Institutional Research to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • One employee has not completed security basics training. <p>The employee should complete the required training.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																																								
17-V	December 31, 2016	Payroll Audit	Our audit objective was to ensure appropriate internal controls exist over University payroll and related activities to ensure the following: compliance with applicable University policies and state and federal regulations; accurate and authorized payroll amounts and withholdings; protection of confidential or critical information; timely termination of employment; and opportunities for fraudulent activities are minimized.	<p>We sampled 55 employees for testing which included 16 exempt employees, 25 faculty, 10 graduate assistants, and 4 payroll staff. We examined two payroll periods per employee in the sample; one payroll from fiscal year 2016 and one from fiscal year 2017 since our scope was calendar year 2016. We validated gross wages and net payment amounts. We found that wages, taxes, and benefit deductions generally recalculated appropriately and matched supporting documentation where applicable; however, some calculations, benefits, and payments had differences or lacked supporting documentation as summarized below:</p> <table border="1"> <thead> <tr> <th>Selected Criteria Tested</th> <th>Agrees with Criteria Tested</th> <th>Does Not Agree with Criteria Tested</th> <th>Comments</th> </tr> </thead> <tbody> <tr> <td colspan="4">Deductions</td> </tr> <tr> <td>W-4 Verification</td> <td>98.2%</td> <td>1.8%</td> <td>1 of 55 elections did not agree with W-4 form on file</td> </tr> <tr> <td>Tax Shelter Annuity</td> <td>90.0%</td> <td>10.0%</td> <td>1 of 10 deductions did not agree with authorization form on file</td> </tr> <tr> <td>Recreation Center Membership</td> <td>80.0%</td> <td>20.0%</td> <td>1 of 5 did not meet criteria for payroll deduction</td> </tr> <tr> <td>Optional Life Insurance and Imputed Tax</td> <td>94.1%</td> <td>5.9%</td> <td>3 of 51 deductions did not agree with ERS Summary and/or recalculations</td> </tr> <tr> <td>Parking Permits</td> <td>48.9%</td> <td>51.1%</td> <td>45 of 88 deductions were not properly supported</td> </tr> <tr> <td colspan="4">Supporting Documentation</td> </tr> <tr> <td>Identification</td> <td>96.4%</td> <td>3.6%</td> <td>2 of 55 were missing identification documentation</td> </tr> <tr> <td>Direct Deposit</td> <td>96.4%</td> <td>3.6%</td> <td>2 of 55 were missing supporting documentation</td> </tr> </tbody> </table>	Selected Criteria Tested	Agrees with Criteria Tested	Does Not Agree with Criteria Tested	Comments	Deductions				W-4 Verification	98.2%	1.8%	1 of 55 elections did not agree with W-4 form on file	Tax Shelter Annuity	90.0%	10.0%	1 of 10 deductions did not agree with authorization form on file	Recreation Center Membership	80.0%	20.0%	1 of 5 did not meet criteria for payroll deduction	Optional Life Insurance and Imputed Tax	94.1%	5.9%	3 of 51 deductions did not agree with ERS Summary and/or recalculations	Parking Permits	48.9%	51.1%	45 of 88 deductions were not properly supported	Supporting Documentation				Identification	96.4%	3.6%	2 of 55 were missing identification documentation	Direct Deposit	96.4%	3.6%	2 of 55 were missing supporting documentation	Ongoing
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W-4 Verification	98.2%	1.8%	1 of 55 elections did not agree with W-4 form on file																																										
Tax Shelter Annuity	90.0%	10.0%	1 of 10 deductions did not agree with authorization form on file																																										
Recreation Center Membership	80.0%	20.0%	1 of 5 did not meet criteria for payroll deduction																																										
Optional Life Insurance and Imputed Tax	94.1%	5.9%	3 of 51 deductions did not agree with ERS Summary and/or recalculations																																										
Parking Permits	48.9%	51.1%	45 of 88 deductions were not properly supported																																										
Supporting Documentation																																													
Identification	96.4%	3.6%	2 of 55 were missing identification documentation																																										
Direct Deposit	96.4%	3.6%	2 of 55 were missing supporting documentation																																										

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-V	December 31, 2016	Payroll Audit		Audit Services has provided the details of testing to the Director of Human Resources and the Controller. The departments should review items from the audit and make corrections where necessary. In addition, a risk assessment to determine risk of further occurrences and root cause should be performed and action taken where necessary.	
				Physical access controls need to be strengthened. The Controller's Office should strengthen physical access controls. In addition, the University should strengthen processes to ensure that physical access is reviewed on a periodic basis.	Ongoing
				Audit log management procedures need to be strengthened. ITS should implement additional audit log management procedures.	Ongoing
				We noted an instance where controls need to be strengthened to provide a segregation of duties. Human Resources should request changes to Banner access and adopt procedures to ensure access is reviewed on a regular basis.	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-V	December 31, 2016	Payroll Audit		<p>As noted in <i>Observation 1: Calculations, Benefits, and Payments</i>, we found issues related to payroll deductions for parking permits in 45 of 88 (48.9%) parking transactions. Issue details are as follows (<i>some parking transactions had multiple issues</i>):</p> <ul style="list-style-type: none"> • 32 of 88 (34.4%) transactions - parking documentation from T2Flex does not agree with the type of deduction that was made (multiple deductions versus one-time payment). • 18 of 88 (20.5%) transactions - parking documentation from T2Flex does not agree with amount that was deducted. • 6 of 88 (6.8%) - parking documentation from T2Flex indicates that a parking permit was purchased via payroll deduction but there is not a payroll deduction in Banner. <p>The Parking and Traffic Office and the Public Safety Technology department should work with ITS to review the parking permit process and enact changes to ensure the integrity, accuracy, and effectiveness of the system.</p>	Ongoing
				<p>During our testing, we noted four graduate assistants in our sample did not work the required 20 hours per week.</p> <p>The University should review Policy 6.12, <i>Graduate Assistants</i>, and related procedures, including the TCP system, for departments with administrative graduate assistants and provide additional communication regarding the required hours and work schedule to facilitate compliance.</p>	Ongoing
17-VI	February 28, 2017	Follow-Up Audit	Our audit objective was to determine whether management action plans have been implemented in a timely and appropriate manner.	Significant progress has been made toward implementing the management action plans as evidenced by the thirty-four (34) management action plans that are either <i>Implemented</i> or <i>Verified</i> which results in an 92% overall implementation rate.	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status														
17-VII	August 31, 2016	School of Honors Departmental Audit	Our audit objectives were to determine that controls exist in the School of Honors to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> • One employee is past due for security basics training. • All employees involved in the receipts process have not completed receipts training. • Two employees have not completed FERPA training. <p>The employees should complete the required trainings.</p>	Implemented														
				<p>We noted the following during our review of receipts for the School:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Receipt Control</th> <th>School of Honors</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td>No</td> </tr> <tr> <td>Written Receipt Procedures</td> <td>Yes</td> </tr> <tr> <td>Receipts Signage</td> <td>No</td> </tr> <tr> <td>Record Retention Requirement</td> <td>Yes</td> </tr> <tr> <td>Job Description Language</td> <td>No</td> </tr> <tr> <td>Timely Deposit</td> <td>Yes</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td>Yes</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>Yes</td> </tr> </tbody> </table> <p>The School should strengthen receipt procedures to ensure a proper segregation of duties; update the posted receipts signage; and add receipts language to job descriptions for all employees who are involved in the receipts process.</p>	Receipt Control	School of Honors	Proper Segregation of Duties	No	Written Receipt Procedures	Yes	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	No	Timely Deposit	Yes	Adding Machine Tape/Summary
Receipt Control	School of Honors																		
Proper Segregation of Duties	No																		
Written Receipt Procedures	Yes																		
Receipts Signage	No																		
Record Retention Requirement	Yes																		
Job Description Language	No																		
Timely Deposit	Yes																		
Adding Machine Tape/Summary	Yes																		
Fully Completed Receipts	Yes																		

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-VII	August 31, 2016	School of Honors Departmental Audit		<p>During our audit procedures, we noted that both procurement cardholders in the School were due for their procurement card refresher training in March 2016. The procurement card refresher training has not yet been added to the Cornerstone training system; thus cardholders have not been able to take it.</p> <p>Human Resources and Procurement and Property Services should establish a method for delivering procurement card refresher training for the University community as required by Policy 17.11.</p>	Ongoing
17-VIII	August 31, 2016	Multidisciplinary Programs Departmental Audit	<p>Our audit objectives were to determine that controls exist in the Department of Multidisciplinary Programs to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.</p>	<p>During our audit procedures, we noted that three employees had not completed security basics refresher training.</p> <p>The employees should complete the required security basics training.</p>	Implemented
				<p>During our audit procedures, we noted one employee had not completed the required conflict of interest forms.</p> <p>The employee should complete the required disclosures.</p>	Implemented
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> • 5 of 10 (50%) procurement card transactions were reviewed with no exceptions. • 5 of 10 (50%) procurement card transactions were reviewed with one or more exceptions. <p>The Division should strengthen procurement card procedures to ensure compliance with the University regulations.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
17-VIII	August 31, 2016	Multidisciplinary Programs Departmental Audit		<p>We noted the following during our review of receipts for the Division:</p> <table border="1"> <thead> <tr> <th>Receipt Control</th> <th>Division</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td>No</td> </tr> <tr> <td>Written Receipt Procedures</td> <td>Yes</td> </tr> <tr> <td>Receipts Signage</td> <td>Yes</td> </tr> <tr> <td>Record Retention Requirement</td> <td>Yes</td> </tr> <tr> <td>Job Description Language</td> <td>Yes</td> </tr> <tr> <td>Timely Deposit</td> <td>Yes</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td>Yes</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>Yes</td> </tr> </tbody> </table> <p>The Division should strengthen receipts procedures to ensure a proper segregation of duties.</p>	Receipt Control	Division	Proper Segregation of Duties	No	Written Receipt Procedures	Yes	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	Yes	Adding Machine Tape/Summary	Yes	Fully Completed Receipts	Yes	Implemented
Receipt Control	Division																						
Proper Segregation of Duties	No																						
Written Receipt Procedures	Yes																						
Receipts Signage	Yes																						
Record Retention Requirement	Yes																						
Job Description Language	Yes																						
Timely Deposit	Yes																						
Adding Machine Tape/Summary	Yes																						
Fully Completed Receipts	Yes																						
17-IX	August 31, 2016	School of Accountancy Departmental Audit	Our audit objectives were to determine that controls exist in the School of Accountancy to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately;	<p>We noted the following balances in the designated course fee account during our review of budgets for the School:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Approximate Balance</th> </tr> </thead> <tbody> <tr> <td>April 21, 2017</td> <td>\$49,000</td> </tr> <tr> <td>August 31, 2016</td> <td>\$42,000</td> </tr> <tr> <td>August 31, 2015</td> <td>\$30,000</td> </tr> <tr> <td>August 31, 2014</td> <td>\$22,000</td> </tr> </tbody> </table> <p>The School should work with the Provost and Vice President of Academic Affairs to determine the appropriate manner to expend the balance in the course fee account.</p>	Date	Approximate Balance	April 21, 2017	\$49,000	August 31, 2016	\$42,000	August 31, 2015	\$30,000	August 31, 2014	\$22,000	Ongoing								
Date	Approximate Balance																						
April 21, 2017	\$49,000																						
August 31, 2016	\$42,000																						
August 31, 2015	\$30,000																						
August 31, 2014	\$22,000																						

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
17-IX	August 31, 2016	School of Accountancy Departmental Audit	confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>We noted the following during our review of receipts for the School:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Receipt Control</th> <th>School of Accountancy</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td>No</td> </tr> <tr> <td>Written Receipt Procedures</td> <td>Yes</td> </tr> <tr> <td>Receipts Signage</td> <td>Yes</td> </tr> <tr> <td>Record Retention Requirement</td> <td>Yes</td> </tr> <tr> <td>Job Description Language</td> <td>Yes</td> </tr> <tr> <td>Timely Deposit</td> <td>Yes</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td>Yes</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>Yes</td> </tr> </tbody> </table> <p>The School should strengthen receipt procedures to ensure a proper segregation of duties.</p>	Receipt Control	School of Accountancy	Proper Segregation of Duties	No	Written Receipt Procedures	Yes	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	Yes	Adding Machine Tape/Summary	Yes	Fully Completed Receipts	Yes	Implemented
				Receipt Control	School of Accountancy																		
				Proper Segregation of Duties	No																		
Written Receipt Procedures	Yes																						
Receipts Signage	Yes																						
Record Retention Requirement	Yes																						
Job Description Language	Yes																						
Timely Deposit	Yes																						
Adding Machine Tape/Summary	Yes																						
Fully Completed Receipts	Yes																						
<p>We noted local information technology procedures need to be strengthened for the College of Business.</p> <p>The College of Business should strengthen local information technology procedures.</p>	Implemented																						
<p>University Policy 3.8, <i>Course Fees</i>, establishes an annual review of all fees and requires new and changed fees to be submitted to the Board of Regents for approval; however, a mechanism to delete course fees on a timely basis outside of the annual review currently does not exist.</p> <p>The University should consider updating Policy 3.8 to include a mechanism for deletion of course fees when necessary with retroactive approval or notification to the Board of Regents.</p>	Ongoing																						

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-IX	August 31, 2016	School of Accountancy Departmental Audit		<p>The current course fee process is manual as printed course fee forms are routed through the academic channels for review and approval. While performing our departmental audits, we noted that some course fee forms did not make it through the channels for timely consideration of course fee changes.</p> <p>The University should consider developing an electronic course fee process or another method to ensure the integrity of the cycle of course fee approvals.</p>	Ongoing
				<p>During our audit, we noted the following regarding the University's training system:</p> <ul style="list-style-type: none"> • Procedures for oversight and administration including purpose, scope, roles and responsibilities, coordination, and compliance are not documented. • Employees have not been identified and assigned to complete some University required trainings. • Some trainings are not being tracked and logged in the training system in an efficient and effective manner causing the training transcripts to be unreliable. • A connection error existed with one of the trainings hosted by a third party vendor to the myTraining system causing the training transcripts to be unreliable. <p>Human Resources should develop documented policies and procedures for the training system that include purpose, scope, roles and responsibilities, coordination, and compliance; standard training records; and methods to ensure provision and recording of University training, including third party training.</p>	Ongoing
17-X	August 31, 2016	Economics and Finance Departmental Audit	Our audit objectives were to determine that controls exist in the Department of Economics and Finance to ensure compliance with	<p>During our audit procedures, we noted two employees have not completed the required conflict of interest forms.</p> <p>The employees should complete the required disclosures.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-X	August 31, 2016	Economics and Finance Departmental Audit	various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> • 15 of 20 (75%) procurement card transactions were reviewed with no exceptions. • 5 of 20 (25%) procurement card transactions were reviewed with one or more exceptions. <p>The Department should strengthen procurement card procedures to ensure compliance with the University regulations.</p>	Implemented
				<p>During our audit procedures, we noted that the Department has a generic credential for their student workers to access the front office computer.</p> <p>The Department should remove the generic credential and begin using unique credentials for logging into the front office computer.</p>	Implemented
17-XI	April 30, 2017	TAC 202 Audit	Our audit objective was to determine whether the University's information security program is in compliance with the TAC 202 information security control standards minimum requirements as detailed in the DIR Security Control Standards Catalog effective February 28, 2017; and perform follow-up procedures on security control standards from the	<p>The interim CIO asserted that twenty security controls in the information security program are partially in compliance with the DIR Security Control Standards Catalog; thus additional audit work was not performed to assess compliance. The twenty security controls need to be strengthened as noted by the interim CIO.</p> <p>ITS should evaluate and implement additional controls for the twenty security controls that are partially in compliance with the DIR Security Control Standards Catalog. Alternatively, ITS can accept and document the risk of partially in compliance by following the requirement of TAC 202.71 (c) which states, "The Information Security Officer with the approval of the state institution of higher education head may issue exceptions to information security requirements or controls in this chapter. Any such exceptions shall be justified, documented and communicated as part of the risk assessment process."</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-XI	April 30, 2017	TAC 202 Audit	February 29, 2016 audit that management asserts were generally in compliance to determine whether management action plans were implemented in a timely and appropriate manner.	<p>While performing our audit, we noted that controls for data classification need to be strengthened.</p> <p>The University should strengthen controls for data classification.</p>	Ongoing
				<p>The University lacks a Board of Regents approved policy for the information security program, which references the ITS Policy Handbook and ITS Security Control Standards Catalog, to provide governance, authority, roles, responsibilities, and applicability to the University as a whole.</p> <p>The University should develop a Board of Regents policy for the information security program that establishes and provides governance, authority, roles, responsibilities, and applicability to the University as a whole.</p>	Ongoing
				<p>We noted that the University's information security program needs to be strengthened for decentralized information technology resources.</p> <p>The University should strengthen the information security program for decentralized information technology resources.</p>	Ongoing
				<p>The DIR Security Control Standards Catalog has an additional 139 security controls that are currently not required and contain information security risks and controls beyond the minimum standards. These additional controls have not been formally evaluated by the University.</p> <p>ITS should perform a risk assessment of the 139 security controls to determine if further policies, procedures, or actions are necessary.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-XII	May 31, 2017	Grants Audit	Our audit objectives are to gain assurance that appropriate internal controls exist over grant management, including revenues and expenditures and related grant activities, to achieve the following: compliance with applicable grant award agreements, guidelines and regulations; mitigation of identified risks; accuracy of reporting and documentation; appropriateness of grant expenditures; and mitigation of fraud risks and opportunities.	This audit has been carried forward to our fiscal year 2018 audit plan.	Ongoing
17-XIII	June 30, 2017	School of Art Departmental Audit	Our audit objectives are to determine that controls exist in the School of Art to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	This audit has been carried forward to our fiscal year 2018 audit plan.	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-XIV	August 31, 2016	School of Theatre Departmental Audit	Our audit objectives were to determine that controls exist in the School of Theatre to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>During our audit procedures, we noted that six employees are past due for security basics training, and three employees are past due for property training.</p> <p>The employees should complete the required trainings.</p>	Ongoing
				<p>During our audit procedures, we noted three employees have not completed the required conflict of interest disclosures.</p> <p>The employees should complete the required disclosures.</p>	Ongoing
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> • 25 of 30 (83%) procurement card transactions were reviewed with no exceptions. • 5 of 30 (17%) procurement card transactions were reviewed with one or more exceptions. <p>The School should strengthen procurement card procedures to ensure compliance with the University regulations.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																				
17-XIV	August 31, 2016	School of Theatre Departmental Audit		<p>We noted the following during our review of receipts for the School:</p> <table border="1"> <thead> <tr> <th>Receipt Control</th> <th>School</th> </tr> </thead> <tbody> <tr> <td>Proper Segregation of Duties</td> <td>No</td> </tr> <tr> <td>Written Receipt Procedures</td> <td>No</td> </tr> <tr> <td>Receipts Signage</td> <td>No</td> </tr> <tr> <td>Record Retention Requirement</td> <td>Yes</td> </tr> <tr> <td>Job Description Language</td> <td>Yes</td> </tr> <tr> <td>Timely Deposit</td> <td>No</td> </tr> <tr> <td>Adding Machine Tape/Summary</td> <td>Yes</td> </tr> <tr> <td>Fully Completed Receipts</td> <td>No</td> </tr> <tr> <td>Receipts and Deposits Training</td> <td>No</td> </tr> </tbody> </table> <p>The School should strengthen receipts procedures to ensure compliance with University policy and procedures.</p>	Receipt Control	School	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	No	Adding Machine Tape/Summary	Yes	Fully Completed Receipts	No	Receipts and Deposits Training	No	Ongoing
				Receipt Control	School																				
Proper Segregation of Duties	No																								
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Receipts Signage	No																								
Record Retention Requirement	Yes																								
Job Description Language	Yes																								
Timely Deposit	No																								
Adding Machine Tape/Summary	Yes																								
Fully Completed Receipts	No																								
Receipts and Deposits Training	No																								
				<p>We noted the following balances in the designated course fee account during our review of budgets for the School:</p> <table border="1"> <thead> <tr> <th>Date</th> <th>Approximate Balance</th> </tr> </thead> <tbody> <tr> <td>June 19, 2017</td> <td>\$14,300</td> </tr> <tr> <td>August 31, 2016</td> <td>\$11,100</td> </tr> </tbody> </table> <p>The School should work with the Provost and Vice President of Academic Affairs to determine the appropriate manner to expend the balance in the course fee account.</p>	Date	Approximate Balance	June 19, 2017	\$14,300	August 31, 2016	\$11,100	Ongoing														
Date	Approximate Balance																								
June 19, 2017	\$14,300																								
August 31, 2016	\$11,100																								

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status										
17-XIV	August 31, 2016	School of Theatre Departmental Audit		<p>During our audit procedures, we noted that the School does not have documented leave request procedures.</p> <p>The School should develop leave request procedures to ensure compliance with University policy.</p>	Ongoing										
17-XV	February 28, 2017	Public Funds Investment Act Audit	Our audit objective was to ensure that the University is in compliance with the Public Funds Investment Act as of February 28, 2017.	No observations or recommendations were made.	No Action Required										
17-XVI	August 31, 2016	Mass Communication Departmental Audit	Our audit objectives were to determine that controls exist in the School of Theatre to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	<p>We noted the following balances in the designated course fee account during our review of budgets for the Department:</p> <table border="1" style="margin-left: auto; margin-right: auto;"> <thead> <tr> <th>Date</th> <th>Approximate Balance</th> </tr> </thead> <tbody> <tr> <td>May 5, 2017</td> <td>\$14,000</td> </tr> <tr> <td>August 31, 2016</td> <td>\$14,500</td> </tr> <tr> <td>August 31, 2015</td> <td>\$12,700</td> </tr> <tr> <td>August 31, 2014</td> <td>\$9,900</td> </tr> </tbody> </table> <p>The Department should work with the Provost and Vice President of Academic Affairs to determine the appropriate manner to expend the balance in the course fee account.</p>	Date	Approximate Balance	May 5, 2017	\$14,000	August 31, 2016	\$14,500	August 31, 2015	\$12,700	August 31, 2014	\$9,900	Ongoing
Date	Approximate Balance														
May 5, 2017	\$14,000														
August 31, 2016	\$14,500														
August 31, 2015	\$12,700														
August 31, 2014	\$9,900														

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-XVII	April 30, 2017	Contract Management and Purchasing	Our audit objectives were to assess whether the University has adopted rules and policies required by SB 20, including TEC §51.9337, and to evaluate the University's risk management, control and governance processes related to contracts using risk-based testing.	<p>The University added language regarding employee restriction to the Exclusive Acquisition Justification form that is used for certain types of purchases; however, the form is not applicable for all purchases.</p> <p>The University should research the requirement further and determine a method to ensure compliance for all University purchases.</p>	Ongoing
				<p>The University reports contracting and purchasing information through USAS but has not determined if additional reporting is required.</p> <p>The University should seek clarification from the State Comptroller's Office for additional requirements.</p>	Ongoing
				<p>The University posts a contract list on the website but contractual documents are not available as required by TGC §2261.253(a).</p> <p>The University should seek clarification on the requirement to post contractual documents on its website.</p>	Ongoing
				<p>The University provides Purchasing 101 training for employees involved in the procurement process; however, ethics training is not provided for all employees.</p> <p>The University should develop Ethics training for University employees.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES
LIST OF AUDITS FOR FISCAL YEAR 2016-2017**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
17-XVIII	June 30, 2017	Controller Departmental Audit	Our audit objectives are to determine that controls exist in the Controller's Office to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	This audit has been carried forward to our fiscal year 2018 audit plan.	Ongoing
17-XIX	June 30, 2017	Elementary Education Departmental Audit	Our audit objectives are to determine that controls exist in the Department of Elementary Education to ensure compliance with various University policies and applicable state and federal regulations; University resources and activities are effectively and efficiently administered; identified risks are mitigated; departmental information is documented correctly and reported accurately; confidential or critical information is protected; and opportunities for fraudulent activities are minimized.	This audit has been carried forward to our fiscal year 2018 audit plan.	Ongoing

V.

Non-Audit and Consulting Services

**SFASU DEPARTMENT OF AUDIT SERVICES
NON-AUDIT AND CONSULTING SERVICES**

ACTIVITY	IMPACT
Facilitate anonymous internet and hotline reporting system	Promote awareness of fraud and ethics issues across the university
Co-facilitate university wide risk assessment	Identification and awareness of university risks
Serve as advisor to departments for various issues	Provide guidance and strengthen department controls
Serve as an advisor for information technology issues	Increase awareness of controls and security
Provide assistance on NCAA agreed upon procedures review	Coordinate and assist with external review
Provide assistance on Charter School financial audit	Coordinate and assist with external audit
Provide assistance to SAO for audits and other projects	Coordinate and assist to aid in efficiency and provide expertise
Provide assistance to other agencies such as State Comptroller's Office, federal agencies, etc. for audits or reviews	Coordinate and assist to aid in efficiency and provide expertise
Review policies	Review new or updated policies for internal control purposes
Investigate Fraud and Ethics Reports	Investigate alleged claims relating to fraud and ethics issues
TAC 202 consulting engagement	Provide recommendations to enhance information technology security
Other Special Projects	Provide information and analysis

VI.

External Quality Assurance Review

Stephen F. Austin State University

Quality Assurance Review

June 23, 2016



Department of Audit Services

Gina Oglesbee, CPA, CFE, Chief Audit Executive

**Box 6121, SFA Station
Nacogdoches, Texas 75962
Phone 936-468-5204
Fax 936-468-7698**

**Email oglesbeegs@sfasu.edu
www.sfasu.edu/audit**



OFFICE OF INTERNAL AUDITS

3801 Campus Drive
Waco, Texas 76705
Phone (254) 867-3999

June 23, 2016

Ken Schaefer
Chair, Board of Regents Finance and Audit Committee
Stephen F. Austin State University
P.O. Box 13026
Nacogdoches, Texas 75962-6121

Mr. Schaefer,

We conducted an independent validation of the assertions and conclusions made in the Quality Assurance Review Self-Assessment Report issued by Gina Oglesbee on April 12, 2016. The primary objective of our engagement was to offer an independent opinion on whether the program of internal auditing overseen by Ms. Oglesbee at Stephen F. Austin State University achieved the basic requirements expected of internal audit activities at all institutions of higher education supported by the State of Texas, as asserted by the report previously mentioned. Those requirements are set forth by the Texas Internal Auditing Act (Tex. Gov't Code Chapter 2102), the Institute of Internal Auditors' (IIA's) *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*, and the U.S. Government Accountability Office's *Generally Accepted Government Auditing Standards*. For purposes of this review, we collectively refer to these as the *Standards*.

The validation was conducted by Jason D. Mallory, Director of Audits for Texas State Technical College, and Tahlia Pena, Manager of Internal Audits for Texas State Technical College. We attest that we are independent from all internal audit activities at Stephen F. Austin State University, and have the requisite skills and knowledge to undertake the engagement.

The validation was conducted in accordance to the State Agency Internal Audit Forum Peer Review Guidelines using the Master Peer Review Program. It included all internal audit activities performed from June 2013 through May 2016, and consisted of reviews of select documentation, as well as interviews with you, the President, and other senior managers. We also interviewed all internal audit staff. All interviews were conducted on your campus. Finally, we surveyed a sample of managers who recently participated in internal audits. The results of our documentation review confirmed compliance and did not yield any significant

recommendations, with both interview and survey results indicating the Internal Audit Department and its methods are very well received.

We concur fully with the assertions and conclusions stated in the Quality Assurance Review Self-Assessment Report dated April 12, 2016. We also agree that implementation of the goals contained in that same report will not only improve the effectiveness of the program of internal auditing at Stephen F. Austin State University, but enhance its value and support conformity to the *Standards* going forward.

We would like to formally recognize Ms. Oglesbee's efforts to achieve compliance to the *Standards*, and the professional care she has taken to implement an effective and efficient program of internal auditing. We would also like to express our appreciation for the time and assistance given by you, Dr. Baker Pattillo and his staff, and Ms. Oglesbee and her staff.

Sincerely,



Jason D. Mallory, CPA, CIA, CCSA
Texas State Technical College
Director, Internal Audit
jdmallory@tstc.edu
254-867-3999



Tahlia Pena
Texas State Technical College
Manager, Internal Audit
tahlia.pena@tstc.edu
956-364-4257

cc: Dr. Baker Pattillo, President
Mr. David R. Alders, Regent
Mrs. Nelda L. Blair, Regent
Dr. Scott H. Coleman, Regent, Chair
Mr. Alton L. Frailey, Regent
Mr. John R. "Bob" Garrett, Regent
Mrs. Brigettee C. Henderson, Regent
Mr. Barry E. Nelson, Regent
Mr. Ralph C. Todd, Regent
Mr. Chad Huckaby, Student Regent
Ms. Gina Oglesbee, Chief Audit Executive

Stephen F. Austin State University

**Quality Assurance Review
Self-Assessment Report**

April 12, 2016



Department of Audit Services

Gina Oglesbee, CPA, CFE, Chief Audit Executive

**Box 6121, SFA Station
Nacogdoches, Texas 75962
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STEPHEN F. AUSTIN STATE UNIVERSITY

Department of Audit Services

P.O. Box 6121, SFA Station • Nacogdoches, Texas 75962-6121
Phone (936) 468-5204 • Fax (936) 468-7698

April 12, 2016

Mr. Ken Schaefer
Chair, Board of Regents Finance and Audit Committee
Stephen F. Austin State University
P.O. Box 13026
Nacogdoches, TX 75962-3026

RE: Quality Assurance Review Self-Assessment

Dear Regent Schaefer:

The Stephen F. Austin State University Department of Audit Services has completed a Self-Assessment for its 2016 Quality Assurance Review and is pleased to present the results in this report.

Executive Summary

The Department of Audit Services conducted a quality assessment (QA) of the internal audit activity in preparation for validation by an independent reviewer. The principal objective of the QA was to assess the Department of Audit Services' compliance with The *Texas Internal Auditing Act* (Tex. Gov't. Code Chapter 2102), the Institute of Internal Auditors *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing*, and U.S. General Accounting Office *Generally Accepted Government Auditing Standards* (collectively the "*Standards*") in effect at the time the audits were conducted.

There are three levels of conformity with the *Standards*: generally conforms, partially conforms, and does not conform. It is our overall opinion that the Department of Audit Services generally conforms to the *Standards* and *Code of Ethics*. A detailed list of conformance to individual standards is contained herein.

Scope and Methodology

The scope of the QA includes activities and audits performed and issued from June 2013 through May 2016. As part of the preparation for the QA, the Department of Audit Services prepared a self-study document with detailed information including the internal audit charter, audit manual and other organizational materials along with this Self-Assessment Report. The independent reviewers will review this information along with the Department of Audit Services' risk assessment and audit planning processes, audit tools and methodologies, engagement and staff management processes, and a sample of the Department of Audit Services' workpapers and reports. The independent reviewers will survey or interview the audit staff and a sample of University employees involved in the audit process. Interviews may also be conducted with



Board of Regent members, the President, and other senior managers.

Opinion as to Conformity with the Standards

The internal audit charter approved by the Board of Regents requires the Department of Audit Services to maintain auditing standards consistent with those established by the Institute of Internal Auditors (IIA), *Generally Accepted Governmental Auditing Standards* (GAGAS) and *The Texas Internal Auditing Act*. An external assessment is required to be performed at least once every three years by a qualified, independent reviewer or review team from outside the organization. This report represents the results of a Self-Assessment with the independent external validation to follow at a later date.

The rating system used for expressing an opinion for this review provides for three levels of conformance: generally conforms, partially conforms, and does not conform.

- *Generally conforms* means that the Department of Audit Services has policies, procedures, and a charter that were judged to be in accordance with applicable standards; however, opportunities for improvement may exist.
- *Partially conforms* means deficiencies, while they might impair, did not prohibit the Department of Audit Services from carrying out its responsibilities.
- *Does not conform* means deficiencies in practice were found that were considered so significant as to seriously impair or prohibit the Department of Audit Services in carrying out its responsibilities.

It is our overall opinion that the Department of Audit Services generally conforms to *The Texas Internal Auditing Act* (Tex. Gov't. Code Chapter 2102), the Institute of Internal Auditors *Code of Ethics* and *International Standards for the Professional Practice of Internal Auditing*, and U.S. General Accounting Office *Generally Accepted Government Auditing Standards* in effect at the time the audits were conducted.

The following table contains our analysis of how the Department of Audit Services conforms to each section of the Institute of Internal Auditors *International Standards for the Professional Practice of Internal Auditing* and *Code of Ethics*; *Generally Accepted Government Auditing Standards*; and *The Texas Internal Auditing Act*.

Standard Type and Description	Opinion
<i>Texas Internal Auditing Act</i>	Generally Conforms
<i>Generally Accepted Government Auditing Standards</i>	Generally Conforms



Standard Type and Description	Opinion
<i>IIA International Attribute Standards:</i>	
1000 – Purpose, Authority and Responsibility	Generally Conforms
1100 – Independence and Objectivity	Generally Conforms
1200 – Proficiency and Due Professional Care	Generally Conforms
1300 – Quality Assurance and Improvement Program	Generally Conforms
<i>IIA International Performance Standards:</i>	
2000 – Managing the Internal Audit Activity	Generally Conforms
2100 – Nature of Work	Generally Conforms
2200 – Engagement Planning	Generally Conforms
2300 – Performing the Engagement	Generally Conforms
2400 – Communicating Results	Generally Conforms
2500 – Monitoring Progress	Generally Conforms
2600 – Communicating the Acceptance of Risks	Generally Conforms
<i>IIA Code of Ethics</i>	
	Generally Conforms

Detailed Conclusions for Institute of Internal Auditors International Standards

I. 1000 Purpose, Authority, and Responsibility

The purpose, authority and responsibility of the Department of Audit Services are specified in the Internal Audit Charter. The Internal Audit Charter defines the nature of assurance and consulting services. It was approved by the Board of Regents. Additional guidance is provided in the Board of Regents Rules and Regulations.

II. 1100 Independence and Objectivity

Based on the Self-Assessment, our conclusion is that the Department of Audit Services is independent and free from impairments, and the auditors are objective in performing their work. The Chief Audit Executive reports to the Board of Regents who approves the Internal Audit Charter. The Board of Regents reviews and approves the Annual Audit Plan and significant deviations to it. The Board of Regents reviews and accepts all audit reports before they are issued. The Department of Audit Services has not experienced any scope limitations and has been able to report all findings and conclusions objectively. The Department of Audit Services has a process for addressing conflicts of interest situations.



III. 1200 Proficiency and Due Professional Care

Our conclusion is that audit work is performed with proficiency and due care; professional judgment is used in planning, performing, and reporting; and the staff collectively possesses adequate professional competence. The Chief Audit Executive is licensed as a Certified Public Accountant (CPA) and Certified Fraud Examiner (CFE) and has 29 years of experience in auditing and accounting, including eleven years as the Director of Audit Services/Chief Audit Executive at SFA. The Assistant Director has three certifications including CPA, Certified Information Systems Auditor (CISA), and Certified in Risk and Information Systems Control (CRISC). The audit staff has sufficient knowledge to identify indicators of fraud and information technology risks. The budget provides funding for auditors to earn continuing education credits and maintain professional certifications.

IV. 1300 Quality Assurance and Improvement Program

We found that the Department of Audit Services has an effective quality assurance program that includes external peer review and internal review processes. An Internal Assessment is performed and documented annually. The Chief Audit Executive approves all audit plans, audit programs, and audit reports. The Texas State Agency Internal Audit Forum (SAIAF) checklist is completed for each audit to ensure compliance with *Standards*. The audit staff has regular meetings. Audit reports state that audits are performed in accordance with *Standards*. The Chief Audit Executive has open communication with all audit clients.

V. 2000 Managing the Internal Audit Activity

Our Self-Assessment review indicated that the Department of Audit Services is managed in accordance with relevant *Standards*. The Department's Policies and Procedures Manual and TeamMate Protocol Document are available on a network drive that is accessible to all audit staff but restricted to access by others. The Chief Audit Executive prepares a risk-based Annual Audit Plan that is approved by the Board of Regents; monitors and communicates the progress of projects; coordinates with other audit entities to prevent duplication; and prepares an Annual Audit Report. Audit reports provide value-added recommendations to address the risks and issues that are identified. Follow-up reviews add value by informing the Board of Regents and management of the status of audit issues identified in previous reports.

VI. 2100 Nature of Work

Our conclusion based on the Self-Assessment is that the Department of Audit Services contributes to the improvement of risk management, control, and governance processes through audits, special projects, and service. The Chief Audit Executive and the Vice President of Finance and Administration co-facilitate a university-wide annual risk assessment that forms the basis for the Annual Audit Plan. The risk assessment survey considers areas of risk such as the reliability of information, safeguarding of assets, compliance, efficiency and effectiveness of operations, and the accomplishment of goals and objectives. Fraud risks are considered in audits. The Chief Audit Executive has provided significant input on ethics and fraud prevention policies and facilitates the fraud awareness program through administration of the EthicsPoint system and distribution of fraud posters and brochures. The Chief Audit Executive serves as an advisory member of the University Compliance Committee.



VII. 2200 Engagement Planning

The Department of Audit Services conforms with the *Engagement Planning Standards*. The auditors develop an Audit Plan for each audit, which specifies the audit scope and objectives. An Audit Program is prepared for each audit that identifies the activities to be performed in order to accomplish the audit objectives. The Chief Audit Executive assigns audits in the Audit Plan according to the knowledge, skills, and experience of the auditors.

VIII. 2300 Performing the Engagement

We maintain that the Department of Audit Services complies with *Standards* in performing audits. The auditors prepare thorough working papers using TeamMate to document the audit program steps performed to achieve the objectives. Evidence provided to support results and conclusions is sufficient, competent, and relevant. Audits are properly supervised, and appropriate working papers are reviewed before reports are issued.

IX. 2400 Communicating Results

The Department of Audit Services complies with the *Standards* regarding communicating the results of engagements. Written reports are prepared for all audits. Audit reports include the objectives, scope, and procedures. The results are communicated to the appropriate internal and external parties, including administration, management, Board of Regents, the Governor's Office, State Auditor's Office, Legislative Budget Board, and Sunset Advisory Commission. Reports are submitted to other oversight agencies when applicable.

X. 2500 Monitoring Progress

We found that the Department of Audit Services has an effective system for monitoring the disposition of results communicated to management. The Department of Audit Services maintains a database for tracking the status of issues identified in audit reports and performs follow-up reviews of outstanding management action plans. The Annual Audit Plan includes a follow-up review to be performed on a regular basis. The results of follow-up reviews are communicated to the Board of Regents and management. In addition, the Department of Audit Services recently implemented an additional follow-up process to verify implementation in some cases prior to audit report presentation.

XI. 2600 Communicating the Acceptance of Risks

No instance has occurred where the Chief Audit Executive believes that executive management has accepted a level of residual risk that is unacceptable to the organization, but if this situation were to occur, the Chief Audit Executive would report the concern to the Board of Regents Finance and Audit Committee Chair.

Goals for the Department

During the performance of our Self-Assessment, we identified opportunities to enhance our processes. We formulated these into goals for the Department of Audit Services over the next three years as follows:



Goal #1 – Increase efficiency by investigating an audit software interface with the enterprise resource system. Plan includes:

- Work with Information Technology Services to integrate audit software with the enterprise resource system where possible by December 31, 2017.

Goal #2 - Gain more knowledge in the use of audit software. Plan includes:

- Add WebFocus software to an additional employee's computer by August 31, 2016.
- Investigate options for WebFocus training by December 31, 2016.
- Add Audit Command Language (ACL) software to an additional employee's computer by August 31, 2016.
- Investigate options for ACL training by May 31, 2017.

Goal #3 – Develop continuous auditing tools and techniques. Plan includes:

- Increase expertise in the area of continuous auditing by August 31, 2016.
- Work with management to determine areas where continuous auditing would be most beneficial by August 31, 2017.
- Review resources for continuous auditing best practices and develop a plan by August 31, 2018.

Goal #4 – Ensure that audit staff enhances knowledge, skills, and other competencies. Plan includes:

- Require all auditors to achieve a relevant audit certification by December 31, 2018.

The Department of Audit Services is committed to continuous improvement and will continue to revisit and improve our practices as we stay abreast of auditing standards and techniques. These goals will be reviewed and adjusted when performing the annual Internal Assessment.

Acknowledgements

We look forward to the assistance of Mr. Jason Mallory, CPA, CIA, Director of Internal Audit for Texas State Technical College, and Ms. Tahlia Pena, Audit Manager for Texas State Technical College, in performing the external Quality Assurance Review validation for the SFA Department of Audit Services in 2016.



We appreciate the support of the Board of Regents, President, Administration, and the SFA community in performing our duties as the internal auditors for Stephen F. Austin State University.

If you have any questions, please contact me at 936-468-6640.

Sincerely,

A handwritten signature in cursive script that reads "Gina Oglesbee".

Gina Oglesbee, CPA, CFE
Chief Audit Executive

cc: Dr. Baker Pattillo, President
Mr. David R. Alders, Regent
Mrs. Nelda L. Blair, Regent
Dr. Scott H. Coleman, Regent, Chair
Mr. Alton L. Frailey, Regent
Mr. John R. "Bob" Garrett, Regent
Mrs. Brigettee C. Henderson, Regent
Mr. Barry E. Nelson, Regent
Mr. Ralph C. Todd, Regent
Ms. Ryan Brown-Moreno, Student Regent

VII.

Internal Quality Assessment

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

Audit Services maintains a quality assurance and improvement program. To ensure adherence to auditing standards Audit Services performs the following:

- Annual review of compliance with *International Standards for the Professional Practice of Internal Auditing* and *Generally Accepted Government Auditing Standards*.
- Remain up-to-date on auditing standards through continuing education, membership in accounting and auditing associations, technical reading, and independent research.
- Completion of an audit standards compliance questionnaire at the end of each audit.
- Completion of annual independence disclosures.
- Completion of relevant continuing education.
- Various other practices.

Audit Services is in compliance with auditing standards. The following department goals for 2018 will aid in compliance and efficiency:

- Continue to enhance knowledge in the use of audit software, including ACL and Teammate.
- Expand areas for continuous monitoring and auditing.
- For reorganization in October 2017, update policy and procedure manuals to reflect changes.
- Hire and train replacement for Risk and Compliance Auditor.

Ongoing assessment of the internal audit activity is maintained through daily supervision and review; audit exit conferences; annual performance evaluations; meetings with the President, Vice Presidents, and Board of Regents Finance and Audit Chair; and monitoring of factors such as:

- % of management action plans implemented in follow-up audits.
- % of responses to annual risk assessment survey.
- Meeting internal and external deadlines.
- Completing audits and special projects.
- Maintaining certifications.

The Chief Audit Executive (CAE) made the following department goals for 2017 to aid in compliance with standards and efficiency:

1. Integrate audit software with enterprise resource system.

Audit Services held several meetings with Information Technology Services (ITS) to discuss integrating audit software with Banner. We determined that the best integration method is for Audit Services to use Webfocus Developer to pull information from Banner instead of having an Open Database Connection

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT

(ODBC). Once pulled, the information is manipulated in Audit Services' Audit Command Language (ACL) software.

2. Gain more knowledge in the use of audit software.

The CAE has established an expert for each audit software to leverage knowledge as follows:

ACL – Jane Ann Bridges serves as the ACL expert, and she attended ACL external training and took ACL online training to gain expertise.

Banner – David McFarland serves as the Banner expert and participates as an advisory member to the Banner Finance Team to continue to enhance and share knowledge.

Teammate – Justin McAninch serves as the Teammate expert. Justin has enhanced his knowledge through self-research and has created standard templates for the departmental audits.

3. Develop continuous auditing tools and techniques.

Audit Services has made great strides in this area. To gain buy-in, the CAE met with the Vice President of Finance and Administration (VPFA) and discussed continuous monitoring and auditing. The VPFA asked Audit Services to present information to his employees. In December, the CAE and the three auditors presented to approximately 40 employees in the VPFA division. The VPFA appointed a continuous monitoring person in his area who worked with Audit Services to learn ACL. The VPFA obtained an ACL software license for his employee. With the help of ITS, a program was written to pull information for continuous monitoring of procurement card information. Plans to expand include developing a method for course fee monitoring.

4. Require all auditors to achieve relevant audit certification.

All auditors now have a relevant audit certification as follows:

- Gina Oglesbee, CPA, CFE
- David McFarland, CPA, CISA
- Jane Ann Bridges, CPA
- Justin McAninch, CIA

VIII.

Internal Audit Plan for FY 2018

SFASU DEPARTMENT OF AUDIT SERVICES FIVE YEAR AUDIT PLAN

The staff of Audit Services consists of a Chief Audit Executive; Assistant Director; two Risk and Compliance Auditors; Audit and Legal Support Specialist; and a Graduate Assistant/Student Worker. For fiscal year 2018, allocable time after consideration of sick leave, vacation, holidays, and other leave time is 8,397 hours.

Audit resources must be divided among risk-based audits, information technology audits, required audits, special projects, investigations, meetings, committee service, department activities, and audit administration. Audits are scheduled below in a five year audit plan. These audits are a combination of financial, compliance, operational, efficiency, effectiveness, and fraud audits.

Audit Projects	2018	2019	2020	2021	2022
Audit Assistance to Oversight Agencies	X	X	X	X	X
PFIA (biennial)		X		X	
TAC 202 (biennial)		X		X	
Charter School (annual)	X	X	X	X	X
NCAA (annual)	X	X	X	X	X
Follow-up (annual)	X	X	X	X	X
Contract Management and Purchasing (annual)	X	X	X	X	X
Benefits Proportionality	X	X			
Safety and Security Audit (triennial)		X			X
Facilities Audit (every five years)				X	
Departmental Audits	X	X	X	X	X
Risk Based and Other Audits	X	X	X	X	X

Details are included in the fiscal year 2018 audit plan, which was approved by the BOR on July 25, 2017. In October 2017, Audit Services' Risk and Compliance Auditor resigned to take a position with another University. A search to replace this seasoned employee is underway. Any changes to the 2018 audit plan, as a result of the change in staff, will be made in accordance with the Audit Charter.

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2018 University Budget All Funds: \$254,741,726

Total 2018 Budgeted Positions: 5

FISCAL YEAR 2018 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Financial, Compliance, Efficiency & Effectiveness Audits		
National Collegiate Athletic Association Review	Provide assistance to external firm performing review of SFASU athletic financial statement as required by NCAA	70
SFASU Charter School Audit	Provide assistance to external firm performing financial audit of SFASU Charter School	70
Departmental Audits	Review for compliance with various regulations and efficiency & effectiveness	2,000
Contract Management and Purchasing Audit FY 2018	Review compliance with Senate Bill 20 requirements	300
Contract Management and Purchasing Audit FY 2017 (carry forward)	Review compliance with Senate Bill 20 requirements	40
Benefits Proportional by Fund Audit	Review controls, verify compliance, and reporting	250
Grants (carry forward)	Review compliance with grant agreements, policies, and regulations for a sample of grants	100
JAMP Grant	Review compliance with JAMP requirements	75
Information Technology Audits		
Texas Administrative Code Section 202 Audits	Review compliance with select Information Security Standards	350
Active Directory Domain	Assist in review of ADD	300
Follow-up Audits		
	Obtain representations from management regarding status and perform verification as necessary	350
Other Activities		
Continuous Auditing	Review areas based on measures	240
Fraud & Ethics Program	Facilitate university anonymous reporting system	20
Investigations	Investigations resulting from the anonymous reporting system, Texas State Auditor's Office, or other sources	350
Special Projects	Special projects based on requests from the Board of Regents, Administration, or others. Provide audit assistance to state and federal oversight agencies such as Texas State Auditor's Office, The Higher Education Coordinating Board, Texas State Comptroller's Office, and grant agencies.	333
Meetings & Committee Service		
Other University Meetings/Events	Attend other meetings and events	80
Administrative Meetings, Regent Meetings, and events	Preparation and attendance of meetings and events	220
Compliance Committee and Activities	Serve as advisory member of committee	40
Information Technology Committees	Serve as advisory member of committees	100
Department Activities		
Annual Audit Plan and Report	Prepare annual audit plan and report	50
Audit Manual Revision	Update audit manual and forms	40
Annual Risk Assessment	Facilitate annual university risk assessment	100
Quality Assurance	Perform internal assessment and coordinate external assessment of compliance with standards	100
Records Management	Maintain file system and records for department	40
Software Maintenance and Training	Teamware and ACL audit software	80
Professional Development and Travel	Professional development, training, and travel	300
Staff Meetings	Weekly staff meetings	350
Audit Support	Audit and Legal Support Specialist time	1,199
General & Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	600
General & Administrative GA	Graduate Assistant help with administrative work	250
Total Allocated Hours		8,397

STEPHEN F. AUSTIN STATE UNIVERSITY

Total 2018 University Budget All Funds: \$254,741,726

Total 2018 Budgeted Positions: 5

FISCAL YEAR 2018 AUDIT PLAN

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
Total Hours Per Year		10,348
Less estimated:		
Sick Leave		(475)
Vacation		(537)
Holidays		(564)
Wellness Release Time		(69)
Other Leave		(306)
Total Available Hours		8,397

IX.
Risk Assessment

SFASU DEPARTMENT OF AUDIT SERVICES RISK ASSESSMENT

The University continually assesses risk at all levels. Risks are discussed and evaluated as new regulations are proposed and enacted; management changes occur; information technology upgrades or changes are made; goals and objectives are set and reviewed; and other factors as necessary. The University Compliance Committee helps facilitate the continual assessment of risk through bi-monthly meetings.

Audit Services, in conjunction with the Vice President of Finance and Administration (VPFA), facilitates an annual university wide risk assessment. A survey of risks is developed with university input. Ninety-seven members of the university community including administrators, deans, department chairs, and directors were asked to participate in the survey for fiscal year 2018. The survey required each respondent to assess the negative impact along with the probability of the risk occurring of twenty identified risks as high, medium, or low. The survey also asked respondents to identify any other risks or potentially fraudulent activities. In addition, thirty-six departmental questions were asked to assess departmental risks. Responses to these questions were weighted to determine an overall department risk ranking. The 2017-2018 survey had a 100% response rate. The survey was used by Audit Services in the development of the fiscal year audit plan and also by administration to address risks. The top ten risks were evaluated to ensure that the University is mitigating the risk and/or Audit Services is performing audit procedures to review the risk.

In addition, the VPFA and the Chief Audit Executive review and discuss the Statement of Net Assets; Statement of Revenues, Expenses, and Changes in Net Assets; and Budget financial reports. Audit coverage is discussed along with risks and controls.

The risk assessment information is then reviewed with the President and Administration for any additional input and with the Board of Regents (BOR) Chair of the Finance and Audit Committee and BOR Chair. The proposed audit plan draft was sent to the BOR ten days in advance of the July Finance and Audit Committee meeting. The audit plan was approved by the BOR on July 25, 2017.

The fiscal year 2018 audit plan allocates resources for required audits and audits identified during the risk assessment process. High risk areas identified by Audit Services that are not covered in the current year Audit Plan include Financial Aid and Federal Funds, which are included in the State Auditor's Office Single Audit; information technology security not assessed in TAC 202, especially for decentralized areas; specific compliance areas; and funds that are under the control of other entities or agencies.

X.
External Audit Services

**SFASU DEPARTMENT OF AUDIT SERVICES
EXTERNAL AUDIT SERVICES**

AUDITOR	PURPOSE
Goff & Herrington, P.C.	Perform agreed-upon procedures engagement as required by the National Collegiate Athletic Association as of August 31, 2016.
Goff & Herrington, P.C	Perform audit of financial statements of Stephen F. Austin State University Charter School for the year ended August 31, 2016.
Myers and Stauffer, L.C.	Perform internal audit consulting services to assess qualifications of selected information technology management personnel and vulnerability and risk management processes.

XI.
Reporting Fraud

SFASU DEPARTMENT OF AUDIT SERVICES REPORTING SUSPECTED FRAUD AND ABUSE

In order to implement the requirements of Article IX, Section 7.09, page IX-37, the General Appropriations Act (84th Legislature) and Texas Government Code, Section 321.022, the university has taken the following actions:

- SFASU has a fraud policy that includes the website and phone number to report fraud to the State Auditor's Office at http://www.sfasu.edu/policies/fraud_2.7.pdf.
- SFASU provides a link for reporting fraud on the SFASU website homepage at <http://www.sfasu.edu/>.
- SFASU distributes fraud posters that include the website and phone number to report fraud to the State Auditor's Office as shown below:



- As of July 25, 2017, Ethics training is required for all University employees.
- New employees are informed of the fraud and ethics program in employee orientation.

The Chief Audit Executive coordinates investigations with the State Auditor's Office when necessary.

XII.
Audit Charter

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

INTRODUCTION

Internal Auditing is an independent, objective assurance and consulting activity designed to add value and improve an organization's operations. It helps an organization accomplish its objectives by bringing a systematic, disciplined approach to evaluate and improve the effectiveness of risk management, control, and governance processes.

PURPOSE

The purpose of the Department of Audit Services is to provide Stephen F. Austin State University (SFASU) Board of Regents and the President an independent appraisal of the adequacy and the effectiveness of the University's system of internal administrative and accounting controls and the quality of performance when compared with established standards. The primary objective is to assist the Board of Regents, the President and University management in the effective discharge of their responsibilities.

ROLE

The internal audit activity is established per the Texas Internal Auditing Act. The Department of Audit Services at SFASU is the internal audit activity. The SFASU Board of Regents Finance and Audit Committee provides oversight. The Department of Audit Services works to be a trusted advisor to management in the areas of governance, risk management and internal controls.

PROFESSIONALISM

The Department of Audit Services will govern itself by adherence to The Institute of Internal Auditors' mandatory guidance including the *Definition of Internal Auditing*, the *Code of Ethics*, the *Core Principles*, and *International Standards for the Professional Practice of Internal Auditing (Standards)*, as well as *Generally Accepted Government Auditing Standards* as required by the Texas Internal Auditing Act. This mandatory guidance constitutes principles of the fundamental requirements for the Professional Practice of Internal Auditing and for evaluating the effectiveness of the internal audit activity's performance.

The Institute of Internal Auditors' *Implementation Guidance* and *Supplemental Guidance* will also be adhered to as applicable. In addition, the Department of Audit Services will adhere to relevant SFASU policies and procedures and the Department of Audit Services procedures manual.

AUTHORITY

The Department of Audit Services, with strict accountability for confidentiality and safeguarding records and information, is authorized unrestricted access to any and all of SFASU records, both manual and electronic; physical properties and assets; activities; systems; and personnel pertinent to carrying out any engagement. All SFASU employees should make an effort in a timely and ethical manner to assist the Department of Audit Services in fulfilling its roles and

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

responsibilities when requested for an audit, investigation, or other activity. The Chief Audit Executive (CAE) will also have free and unrestricted access to the Finance and Audit Committee.

ORGANIZATION

The Department of Audit Services is an integral part of SFASU and functions in accordance with the policies established by the Board of Regents and President. To provide for the independence of the Department of Audit Services, the CAE is appointed by the Board of Regents in accordance with the Board of Regents Rules and Regulations. The CAE reports functionally to the Board of Regents and administratively to the President.

The CAE will communicate and interact directly with the Finance and Audit Committee, including committee meetings, executive sessions where allowed by law, and between committee meetings, as appropriate. Responsibilities of the Finance and Audit Committee are outlined in the Board of Regents Rules and Regulations.

INDEPENDENCE AND OBJECTIVITY

The Department of Audit Services will remain free from interference by any element in the University, including matters of audit selection, scope, procedures, frequency, timing, or report content to permit maintenance of a necessary independent and objective mental attitude.

Internal auditors will have no direct operational responsibility or authority over any of the activities audited. Accordingly, they will not implement internal controls, develop procedures, install systems, prepare records, or engage in any other activity that may impair internal auditor judgment. Internal auditors may provide assurance services where they have previously performed consulting services provided the nature of the consulting did not impair objectivity, and provided individual objectivity is managed when assigning resources to the engagement.

Internal auditors will exhibit the highest level of professional objectivity in gathering, evaluating, and communicating information about the activity or process being examined. Internal auditors will make a balanced assessment of all the relevant circumstances and not be unduly influenced by their own interests or by others in forming judgments.

The CAE will confirm to the Finance and Audit Committee Chair the organizational independence of the Department of Audit Services and its staff members.

RESPONSIBILITY

The Department of Audit Services scope encompasses, but is not limited to, the examination and evaluation of the adequacy and effectiveness of the University's governance, risk management, and internal controls as well as the quality of performance in carrying out assigned responsibilities to achieve the University's stated goals and objectives. This includes:

- Developing a flexible, annual audit plan using an appropriate risk-based methodology, including any risks or control concerns identified by management, and submitting that plan to

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

the President and Finance and Audit Committee for review and to the Board of Regents for approval on an annual basis.

- Developing and utilizing a systematic, disciplined approach for performing internal audits.
- Providing audit coverage that consistently meets the needs and expectations of the Board of Regents, President, and oversight agencies where applicable.
- Developing relationships throughout the University to become a trusted advisor to management on risk management, governance and internal control matters.
- Maintaining a professional audit staff with sufficient knowledge, skills, abilities, experience, and professional certifications.
- Evaluating risk exposure relating to achievement of the University's strategic objectives.
- Evaluating the reliability and integrity of financial and operational information and the means used to identify, measure, classify, and report such information.
- Evaluating the systems established to ensure compliance with policies, plans, procedures, laws, and regulations which could have a significant impact on the University.
- Evaluating compliance with laws, regulations, policies, procedures, and controls.
- Evaluating the means of safeguarding assets and, as appropriate, verifying the existence of such assets.
- Evaluating the effectiveness and efficiency with which resources are employed.
- Evaluating operations or programs to ascertain whether results are consistent with established objectives and goals and whether the operations or programs are being carried out as planned and the effectiveness and efficiency of the operations and programs.
- Evaluating risk management, control, and governance processes.
- Evaluating the quality of performance of external auditors and the degree of coordination with internal audit, as applicable.
- Serving as liaison and coordinating the efforts of external auditors.
- Performing consulting services related to governance, risk management and control as appropriate for the University and documenting the understanding of the consulting engagement objectives, scope, responsibilities and expectations for significant engagements.
- Performing advisory services related to governance, risk management and control as appropriate for the University. Such services may include management requests, participation on University committees, policy reviews, and participation on teams for information technology projects and business process improvements.
- Evaluating specific operations at the request of the Finance and Audit Committee or management, as appropriate.
- Conducting inquiries or investigations of suspected fraudulent activities in accordance with SFASU Policy 2.7, *Fraud*.
- Conducting inquiries or investigations of compliance matters with the General Counsel per SFASU Policy 2.12, *Compliance*.
- Assisting with the anti-fraud program for the University.
- Facilitating risk assessment processes with management.
- Maintaining a list of management action plans from audits and projects and performing follow-up on the plans as considered necessary.
- Providing a systematic, disciplined approach to evaluate and improve the effectiveness of the University's risk management, control, and governance processes related to contracts and risk-based testing of contract administration.

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

INTERNAL AUDIT PLAN

At least annually, the CAE will submit to the Finance and Audit Committee an internal audit plan for review and approval. The internal audit plan will consist of a work schedule as well as budget and resource requirements for the next fiscal year. The internal audit plan will be developed based on a prioritization of the audit universe using an appropriate risk-based methodology, including input of senior management and the Finance and Audit Committee Chair. The CAE will consider audits such as those required for information security, contracts, contract administration, investments, and other areas. The CAE will review and adjust the plan, as necessary, in response to changes in the internal audit resource levels or the University's business, risks, operations, programs, systems, and controls. Any significant deviation from the internal audit plan will be communicated to the Finance and Audit Committee Chair.

REPORTING AND MONITORING

The CAE or designee will communicate the results of each internal audit engagement to the appropriate individuals. Internal audit results will also be communicated to the Finance and Audit Committee and state and federal oversight agencies as required.

Communication of the engagement results may vary in form and content depending upon the nature of the engagement and the needs of the client. Where applicable, a formal internal audit report will include management's response and corrective action taken or to be taken in regard to the specific findings and recommendations. Management's response should include an implementation date for anticipated completion of action.

The Department of Audit Services will be responsible for appropriate follow-up on management action plans to address engagement findings and recommendations and reporting the results to appropriate management members and the Finance and Audit Committee. All significant findings will remain as open issues until reviewed and cleared by the Department of Audit Services.

The Department of Audit Services will fulfill reporting requirements for audit reports and the annual report, including the annual audit plan, as prescribed by the Texas Internal Auditing Act.

The CAE will periodically report to the Finance and Audit Committee on the Department of Audit Services' purpose, authority, and responsibility, as well as performance relative to its audit plan. Reporting will also include significant risk exposures and control issues, including fraud risks, governance issues, and other matters needed or requested by the President and the Finance and Audit Committee.

QUALITY ASSURANCE AND IMPROVEMENT PROGRAM

The CAE will maintain a quality assurance and improvement program that covers all aspects of the internal audit activity. The program will include an evaluation of the internal audit activity's conformance with the *Definition of Internal Auditing*, the *Core Principles*, and the *Standards* and an evaluation of whether internal auditors apply the *Code of Ethics*, as well as *Generally Accepted Government Auditing Standards* and the Texas Internal Audit Act as applicable. The program also

SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL AUDIT ACTIVITY CHARTER

assesses the efficiency and effectiveness of the Department of Audit Services and identifies opportunities for improvement.

The CAE will communicate to the Finance and Audit Committee on the Department of Audit Services quality assurance and improvement program, including results of ongoing internal assessments and external assessments conducted at least every three years.

RELEVANT STATUTES AND POLICIES

- Texas Internal Auditing Act, Government Code Chapter 2102
- SFASU Board of Regents Rules and Regulations
- SFASU Policy 2.7, *Fraud*
- SFASU Policy 2.12, *Compliance*.

APPROVAL

The Internal Audit Activity Charter was submitted by the Chief Audit Executive for review and approval by the Finance and Audit Committee and Board of Regents on April 25, 2017.