

# **Stephen F. Austin State University**

## **Annual Audit Report**

**For the Fiscal Year Ended  
August 31, 2019**

**Audit Report 19-XXV**



## **Department of Audit Services**

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**SFASU DEPARTMENT OF AUDIT SERVICES  
FISCAL YEAR 2019 ANNUAL AUDIT REPORT  
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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 audit report assists oversight agencies in their planning and coordination efforts. This annual audit 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 incorporates requirements 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 will be submitted for approval by the BOR on October 28, 2019.

Fiscal year 2019 was a productive year for Audit Services as twenty-three audits were completed and another five audits were in process at fiscal year-end. Audit Services contracted with an external audit firm for information technology audit assistance to continue to enhance information technology risk assessments and audits. In addition, Audit Services participated as an advisory member on various University committees; performed numerous special projects, including providing assistance to the SAO and the Texas Higher Education Coordinating Board (THECB); and investigated reports made through the University's fraud and ethics reporting system.

Audit Services operated with a full staff for fiscal year 2019. The BOR approved the fiscal year 2020 audit plan as shown in Tab VIII on July 23, 2019.

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 2019 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. The list of Audit Observations and Recommendations is included in Tab IV of this report.

### III.

#### FY 2019 List of Audits

## SFASU DEPARTMENT OF AUDIT SERVICES LIST OF AUDITS FOR FISCAL YEAR 2018-2019

Fiscal year 2018-2019 original Audit Plan included the following audits:

#	REPORT NAME
18-XVII	Equine Center Departmental Audit
18-XVIII	Charter School Departmental Audit
18-XIX	Early Childhood Lab Departmental Audit
18-XX	Physical Plant Departmental Audit
19-I	Alumni Relations Departmental Audit
19-II	International Programs Departmental Audit
19-III	Office of Research and Graduate Studies Departmental Audit
19-IV	Patching, Antivirus, & Vulnerability Management IT Audit
19-V	Tuition and Exemptions Audit
19-VI	Computer Science Departmental Audit
19-VII	Geology Departmental Audit
19-VIII	Safety and Security Audit
19-IX	TAC 202 Information Security Audit
19-X	Follow-Up Audit
19-XI	Procurement and Property Services Departmental Audit
19-XII	Environmental Science Departmental Audit
19-XIII	Center for Career and Professional Development Departmental Audit
19-XV	Social Work Departmental Audit
19-XVI	Government Departmental Audit
19-XVIII	Center for Teaching and Learning Departmental Audit
19-XIX	Public Funds Investment Act Audit
19-XX	Contract Management and Purchasing Audit
19-XXI	Counseling Services Departmental Audit
19-XXII	Disability Services Departmental Audit
19-XXIII	Title IX Departmental Audit
19-XXIV	Veterans Resource Center Departmental Audit
N/A	Financial Aid – Perkins Close Out Audit

Audit Services had the following deviations from the fiscal year 2018-2019 Audit Plan.

#	REPORT NAME	ACTION	REASON
19-XIV	Medical Billing Audit	Added	Review medical billing in Athletics and the Health Clinic per the request of Administration.
19-XVII	University Admissions Audit	Added	Review of University admissions in response to Governor Abbott's letter dated March 18, 2019.



**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDITS FOR FISCAL YEAR 2018-2019**

#	REPORT NAME	ACTION	REASON
N/A	Financial Aid – Perkins Close Out	Not performed	The University did not liquidate the program in fiscal year 2019. The agreed upon procedures will be performed by an external audit firm when liquidated in fiscal year 2020. The project is included on the fiscal year 2020 Audit Plan under External Audit Assistance.

The following audit reports from current and previous years addressed specific higher education requirements:

#	REPORT NAME	HIGHER EDUCATION REQUIREMENT
18-V	Benefits Proportionality	Benefits Proportionality Audit requirement to examine fiscal years 2016, and 2017 as prescribed in Rider 8, page 111-45, the General Appropriations Act (85 <sup>th</sup> Legislature).
17-III	Benefits Proportionality	Benefits Proportionality Audit requirement to examine fiscal year 2015 as prescribed in Rider 8, page 111-45, the General Appropriations Act (85 <sup>th</sup> Legislature).
19-IX	TAC 202 Information Security Audit	TAC 202.76 requirement to review the information security program at least biennially.
19-IV	IT Patching, Antivirus & Vulnerability	TAC 202.76 requirement to review the information security program at least biennially.
19-XX	Contract Management and Purchasing Audit	TEC 51.9337 requirement for the chief auditor to annually assess whether the institution has adopted the rules and policies required by this section and submit a report of findings to the state auditor.
19-XX	Contract Management and Purchasing Audit	TGC 2102.005(b) requirement to consider methods for ensuring compliance with contract processes and controls and for monitoring agency contracts.

## **SFASU DEPARTMENT OF AUDIT SERVICES LIST OF AUDITS FOR FISCAL YEAR 2018-2019**

Detailed information for each of these audits is included in the schedule that follows.

- **Added:** Audit was not included in the original fiscal year 2018-2019 audit plan.
- **Completed:** Audit was completed during fiscal year 2018-2019 and an audit report was issued.
- **Ongoing:** Audit was started during fiscal year 2018-2019 but is still in process.
- **Not Performed:** Audit was not performed during fiscal year 2018-2019.

#### IV.

### FY 2019 List of Audit Observations and Recommendations

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
18-XVII	April 30, 2018	Equine Center Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>While performing our procedures, we noted contract internal controls were not in place in the following areas:</p> <ul style="list-style-type: none"> <li>We reviewed nineteen boarder contracts and found the Equine Center Supervisor was the only University signer on the contracts. The contracts were not signed by the President nor were they processed through the University's contract system.</li> <li>Some contracts did not utilize the appropriate General Counsel version.</li> <li>Five boarder contracts were with University employees. The employees boarded horses with free or reduced rates. An employee stated that employee horses were boarded for free as they were used for classes and other activities. However, no procedures were in place to document the use of the horses by the Department.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for contracts, including additional oversight, documented procedures, and monitoring of employee contracts.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
				<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><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>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>No</td></tr><tr><td>Fully Completed Receipts</td><td>Yes</td></tr><tr><td>Receipts and Deposits Training</td><td>Yes</td></tr></table> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	No	Fully Completed Receipts	Yes	Receipts and Deposits Training	Yes	Implemented
Receipt Control	Department																						
Proper Segregation of Duties	No																						
Written Receipt Procedures	No																						
Receipts Signage	Yes																						
Record Retention Requirement	Yes																						
Job Description Language	Yes																						
Timely Deposit	No																						
Fully Completed Receipts	Yes																						
Receipts and Deposits Training	Yes																						
				<p>We noted that the Department did not have a formal process for recording and monitoring non-student Accounts Receivable. Boarder payments and deposits appeared to be inconsistent and were not monitored to ensure payment. As a result of our previous 13-VII Equine Center Audit, the Department established a Marketplace portal to accept payments. Marketplace was not used for payments during the current audit period.</p> <p>The Department should work with the Controller's Office to determine appropriate Accounts Receivable procedures, investigate the use of the University's online payment system, and document accordingly.</p>	Implemented																		

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>The Department arranged veterinary services, vaccinations, and farrier services for University owned and boarded horses; purchased feed for some horses from the Veterinarian; and performed deworming onsite. Farrier payments were collected by the Department and paid to the farrier on behalf of boarded horses. Feed and vaccinations were paid for some boarded horses by the University. The provision of equine services was not consistently documented and monitored.</p> <p>The Department should strengthen controls for the provision of equine services and fully document the procedures.</p>	Implemented
				<p>In our previous 13-VII Equine Center Audit, we recommended the development of a records management system, including a record retention plan, for information related to University owned and boarded horses including details such as name; birth date; breed; registration; brands; deworming; farrier visits; vaccinations, medications, injuries, veterinary visits; dentistry; temperature, pulse, and respiratory rate readings; distinguishing marks; and pictures. As a result, a spreadsheet was developed. For the current audit, we noted the spreadsheet established was no longer used. A complete listing of University and boarded horses was not available. In addition, the Department did not have formal documented procedures for sales, purchases, and valuations of horses.</p> <p>The Department should develop a records management system for University owned and boarded horses and formally document procedures for sales, purchases, and valuations of horses.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our audit, we noted the following:</p> <ul style="list-style-type: none"> <li>Two donated horses were valued at \$4,500 each, which is right below the \$5,000 threshold for oversight. The donated horses were not used by the Department, due to age or injuries. One horse was not added to inventory timely.</li> <li>One donated horse was from a vendor used by the Department; however, a conflict of interest review was not documented.</li> </ul> <p>The Department should strengthen procedures for donated horses. Although University Policy 3.16 requires oversight of donations valued at \$5,000 or more, additional oversight of donated horse transactions below the threshold should be implemented due to identified risks of conflicts of interest, liability, and lack of functional use.</p>	Implemented
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>24 of 29 (83%) procurement card transactions were reviewed with no exceptions.</li> <li>5 of 29 (17%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department has one procurement card. The monthly detailed transaction report was reviewed with one or more exceptions.</p> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Implemented
				<p>During our review of leave reporting, we found the following:</p> <ul style="list-style-type: none"> <li>For exempt employees, 2 of 2 (100%) instances of leave taken or requested were not supported by documentation.</li> <li>The Department did not maintain leave records for the required period of time.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for time and leave reporting.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
18-XVIII	February 28, 2018	Charter School Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	We noted the following during our review of receipts for the Department: <table><thead><tr><th>Receipt Control</th><th>Department</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>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>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits Training</td><td>No</td></tr></tbody></table> <p>The Department should strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	Yes	Fully Completed Receipts	No	Receipts and Deposits Training	No	Implemented
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Job Description Language	Yes																						
Timely Deposit	Yes																						
Fully Completed Receipts	No																						
Receipts and Deposits Training	No																						
				During our review of leave reporting, we made the following observations: <ul style="list-style-type: none"><li>For exempt employees, 4 of 27 (15%) instances of leave taken or requested were not supported by documentation.</li><li>Unique leave policies and procedures of the Department were not formally documented.</li></ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.</p>	Implemented																		



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				<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"><li>16 of 27 (59%) employees were past due or had not completed security basics training.</li></ul> <p>The employees should complete the required trainings.</p>	Implemented																		
				<p>During our audit procedures, we noted some security procedures were not in compliance with University standards.</p> <p>The Department should work with Information Technology Services to strengthen security procedures.</p>	Implemented																		
18-XIX	February 28, 2018	Early Childhood Lab Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>We noted the following during our review of receipts for the Department:</p> <table><thead><tr><th>Receipt Control</th><th>Department</th></tr></thead><tbody><tr><td>Proper Segregation of Duties</td><td>No</td></tr><tr><td>Written Receipts Procedures</td><td>No</td></tr><tr><td>Receipts Signage</td><td>Yes</td></tr><tr><td>Record Retention Requirements</td><td>Yes</td></tr><tr><td>Job Description Language</td><td>No</td></tr><tr><td>Timely Deposits</td><td>Yes</td></tr><tr><td>Fully Completed Receipts</td><td>Yes</td></tr><tr><td>Receipts and Deposit Training</td><td>Yes</td></tr></tbody></table> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipts Procedures	No	Receipts Signage	Yes	Record Retention Requirements	Yes	Job Description Language	No	Timely Deposits	Yes	Fully Completed Receipts	Yes	Receipts and Deposit Training	Yes	Implemented
Receipt Control	Department																						
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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our review, we noted that the Department used a manual process and did not have formalized procedures for Accounts Receivable.</p> <p>The Department should work with the Controller's Office to determine appropriate Accounts Receivable procedures, investigate the use of the University's online payment system, and document accordingly.</p>	Implemented
				<p>During our review of leave reporting, we noted the following:</p> <ul style="list-style-type: none"> <li>For exempt employees, 9 of 70 (13%) instances of leave taken or requested were not supported by documentation.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.</p>	Implemented
				<p>During our audit procedures, we noted some security procedures were not in compliance with University standards.</p> <p>The Department should strengthen security procedures.</p>	Implemented
18-XX	February 28, 2019	Physical Plant Departmental Audit	<p>Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical</p>	<p>During our audit procedures, we noted some security procedures were not in compliance with University standards.</p> <p>The Department should strengthen security procedures.</p>	Implemented
				<p>During our audit procedures, we noted a server had not been formally evaluated for compliance with University and Texas Administrative Code Section 202 security standards (TAC 202).</p> <p>The Department should work with Information Technology Services (ITS) to evaluate the security of the server for compliance with TAC 202.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status															
			information; and mitigation of fraud risks and opportunities.	<p>During our audit procedures, we noted that the Department had accounts at 08/31/18 that exceeded budget primarily related to utility expenses as follows:</p> <table><tr><th>Fund</th><th>Organizations</th><th>Budget</th><th>Actual and Encumbrances</th><th>Difference</th></tr><tr><td>150002</td><td>Multiple</td><td>\$ 7,072,800</td><td>\$ 8,320,192</td><td>\$ (1,247,392)</td></tr><tr><td>350010</td><td>Multiple</td><td>\$ 3,182,400</td><td>\$ 4,125,522</td><td>\$ (943,122)</td></tr></table> <p>Upon further review, we found that the budget overage was due to an encumbrance for a blanket purchase order that was not released following normal accounting processes due to a Banner upgrade.</p> <p>The Controller's Office and Procurement and Property Services should review the accounting process for blanket purchase orders and develop procedures to ensure that encumbrances are released when invoices are paid outside the normal accounting process.</p>	Fund	Organizations	Budget	Actual and Encumbrances	Difference	150002	Multiple	\$ 7,072,800	\$ 8,320,192	\$ (1,247,392)	350010	Multiple	\$ 3,182,400	\$ 4,125,522	\$ (943,122)	Implemented
Fund	Organizations	Budget	Actual and Encumbrances	Difference																
150002	Multiple	\$ 7,072,800	\$ 8,320,192	\$ (1,247,392)																
350010	Multiple	\$ 3,182,400	\$ 4,125,522	\$ (943,122)																

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
19-I	August 31, 2018	Alumni Relations Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>During our review of time and leave reporting, we found the following:</p> <ul style="list-style-type: none"> <li>For exempt employees, 6 of 9 (67%) instances of leave taken or requested were not supported by documentation.</li> <li>For non-exempt employees, 38 of 38 (100%) instances of leave taken or requested were not supported by documentation.</li> <li>1 of 6 (17%) student workers worked more than 115 hours in one month without written approval.</li> <li>The Department did not have documented policies and procedures for time and leave reporting. <ul style="list-style-type: none"> <li>The Department had not maintained leave records for the required period of time.</li> </ul> </li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for time and leave reporting.</p>	Implemented
				<p>During our audit procedures, we noted two employees had not completed the required conflict of interest disclosures.</p> <p>The employees should complete the required disclosures.</p>	Implemented
				<p>During our audit procedures, we noted some logical security procedures were not in compliance with University standards.</p> <p>The Department should strengthen logical security procedures.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
19-II	August 31, 2018	International Programs Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	We noted the following during our review of receipts for the Department: <table><thead><tr><th>Receipt Control</th><th>Department</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>Yes</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>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits/Payment Card Training</td><td>No</td></tr></tbody></table> <p>In addition, we noted that the Department had two change funds that were not recorded in Banner.</p> <p>The Department should strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	No	Timely Deposit	Yes	Fully Completed Receipts	No	Receipts and Deposits/Payment Card Training	No	Implemented
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Job Description Language	No																						
Timely Deposit	Yes																						
Fully Completed Receipts	No																						
Receipts and Deposits/Payment Card Training	No																						
				During our audit procedures, we noted the following: <ul style="list-style-type: none"><li>1 of 3 (33%) employees were past due on Procurement Card training.</li><li>3 of 9 (33%) employees had not completed FERPA training.</li></ul> <p>The employees should complete the required trainings.</p>	Implemented																		

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>• 5 of 10 (50%) procurement card transactions were reviewed with no exceptions.</li> <li>• 5 of 10 (50%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department had three procurement cards. All sampled monthly detailed transaction reports were reviewed with no exceptions.</p> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Implemented
				<p>During our review of leave reporting, we found the following:</p> <ul style="list-style-type: none"> <li>• For non-exempt employees, 7 of 20 (35%) instances of leave taken or requested were not supported by documentation.</li> <li>• For exempt employees, 2 of 2 (100%) instances of leave taken or requested were not supported by documentation.</li> <li>• The Department had not maintained leave records for the required period of time.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.</p>	Implemented
				<p>The Department manages participant fees for study abroad trips using a software application. During our review, we noted the Department did not have formalized policies and procedures for managing participant accounts receivable.</p> <p>The Department should add or strengthen procedures for managing participant accounts receivable.</p>	Implemented

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**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>In our travel testing, we noted the following:</p> <ul style="list-style-type: none"> <li>2 of 2 (100%) study abroad trips were reviewed with one or more exceptions.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for travel.</p>	Implemented
19-III	August 31, 2018	Office of Research and Graduate Studies Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>1 of 3 (33%) employees had not completed Procurement Card training.</li> <li>1 of 5 (20%) employees had not completed FERPA training</li> <li>4 of 4 (100%) employees were past due or had not completed Travel Card training.</li> </ul> <p>The employees should complete the required trainings.</p>	Implemented
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>8 of 10 (80%) procurement card transactions were reviewed with no exceptions.</li> <li>2 of 10 (20%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department had three procurement cards. Of these three, two (67%) monthly detailed transaction reports were reviewed with one or more exceptions.</p> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Implemented

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
				<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><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>Yes</td></tr><tr><td>Fully Completed Receipts</td><td>Yes</td></tr><tr><td>Receipts and Deposits/Payment Card Training</td><td>No</td></tr></table> <p>The Department should strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	Yes	Fully Completed Receipts	Yes	Receipts and Deposits/Payment Card Training	No	Implemented
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19-IV	September 30, 2018	Patching, Antivirus, & Vulnerability Management Information Technology Audit	Our audit objectives were to determine whether the information technology (IT) controls, policies, processes, and procedures implemented by SFA were adequate to ensure that (a) patches and updates to IT resources such as workstations and servers were applied timely and consistently to protect IT resources, (b) workstations and servers were protected by antivirus software and	<p>The audit identified opportunities in the IT environment to strengthen controls for patch management.</p> <p>The University should strengthen controls for patch management.</p>	Ongoing																		
				<p>The audit identified opportunities in the IT environment to strengthen controls for antivirus management.</p> <p>The University should strengthen controls for antivirus management.</p>	Ongoing																		



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			were scanned periodically, and (c) vulnerabilities were identified and remediated timely and appropriately based on risk and provide recommendations for enhancements to improve the relevant controls, processes, policies, and procedures based on State of Texas TAC 202 minimum security control standards and/or higher education best practices.	<p>The audit identified opportunities in the IT environment to strengthen controls for vulnerability management.</p> <p>The University should strengthen controls for vulnerability management.</p>	Ongoing																
19-V	September 30, 2018	Tuition and Exemptions Audit	Our audit objective was to gain assurance that adequate controls exist to ensure that Tuition and Exemptions were appropriately calculated, recorded, and reported in accordance with applicable regulations.	<p>While the establishment or change of tuition is included in Policy 1.4, <i>Items Requiring Board of Regents Approval</i>, the University does not have an overall policy that addresses tuition, exemptions, and waivers. However, tuition is approved annually by the Board of Regents upon recommendation by University Administration.</p> <p>Some exemptions and waivers in TEC Ch. 54 are mandatory, while others are optional and subject to the approval of the "governing board of the institution of higher education." The following optional exemptions and waivers were offered by the University; although history of approval by the Board of Regents was not readily identified.</p> <table><tr><th>TEC Code</th><th>Exemption or Waiver</th></tr><tr><td>54.0601</td><td>Nonresident Tuition Rates at Certain Institutions</td></tr><tr><td>54.213</td><td>Student Scholarship</td></tr><tr><td>54.216</td><td>Students Enrolled in Course for Concurrent High School and College-Level Credit</td></tr><tr><td>54.218</td><td>Distance Learning or Off-Campus Courses</td></tr><tr><td>54.301</td><td>Highest Ranking High School Graduates</td></tr><tr><td>54.331</td><td>Students from Other Nations of the American Hemisphere</td></tr><tr><td>54.365</td><td>Senior Citizens</td></tr></table>	TEC Code	Exemption or Waiver	54.0601	Nonresident Tuition Rates at Certain Institutions	54.213	Student Scholarship	54.216	Students Enrolled in Course for Concurrent High School and College-Level Credit	54.218	Distance Learning or Off-Campus Courses	54.301	Highest Ranking High School Graduates	54.331	Students from Other Nations of the American Hemisphere	54.365	Senior Citizens	Ongoing
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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																								
				<p>The following applicable optional exemptions and waivers were not offered by the University.</p> <table><tr><th>TEC Code</th><th>Exemption or Waiver</th></tr><tr><td>54.2031</td><td>Dependent Children of Residents who are Members of Armed Forces Deployed on Combat Duty Waiver</td></tr><tr><td>54.225</td><td>Students Enrolled in Non-Semester-Length Developmental Education Interventions Exemption</td></tr><tr><td>54.231</td><td>Resident of Bordering State or Nation or Participant in Student Exchange Program Waiver</td></tr><tr><td>54.251</td><td>Registered Nurses in Postgraduate Nursing Degree Programs Waiver</td></tr><tr><td>54.263</td><td>Students 55 Years of Age or Older Waiver</td></tr><tr><td>54.352</td><td>Disabled Peace Officers Exemption</td></tr><tr><td>54.361</td><td>One-Year Exemption for Certain TANF (Temporary Assistance for Needy Families) Students</td></tr><tr><td>54.363</td><td>Educational Aides Exemption</td></tr><tr><td>54.365 (b)</td><td>Senior Citizens Audit Only Exemption</td></tr><tr><td>54.368</td><td>Interinstitutional Academic Programs Exemption</td></tr><tr><td>54.5025</td><td>Proration of Fees Exemption</td></tr></table> <p>We noted the mandatory exemption from TEC Ch. 54.011, Tuition Limit in Case of Concurrent Enrollment, was not included in the University's General Bulletin, Controller's Office website, or the Banner exemption table.</p> <p>The University should add controls to help ensure that mandatory exemptions are offered and optional exemptions and waivers are approved by the Board of Regents on a regular basis.</p>	TEC Code	Exemption or Waiver	54.2031	Dependent Children of Residents who are Members of Armed Forces Deployed on Combat Duty Waiver	54.225	Students Enrolled in Non-Semester-Length Developmental Education Interventions Exemption	54.231	Resident of Bordering State or Nation or Participant in Student Exchange Program Waiver	54.251	Registered Nurses in Postgraduate Nursing Degree Programs Waiver	54.263	Students 55 Years of Age or Older Waiver	54.352	Disabled Peace Officers Exemption	54.361	One-Year Exemption for Certain TANF (Temporary Assistance for Needy Families) Students	54.363	Educational Aides Exemption	54.365 (b)	Senior Citizens Audit Only Exemption	54.368	Interinstitutional Academic Programs Exemption	54.5025	Proration of Fees Exemption	
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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>Multiple University departments including Controller's Office, Admissions Office, Office of International Programs, and Registrar Office are involved in the exemption and waiver processes. We found that overall procedures for exemptions and waivers exist, but detailed procedures for specific exemptions and waivers were lacking in some areas. In addition, records management procedures for supporting documentation were not consistent among the multiple departments involved in the processes.</p> <p>The University should strengthen documented procedures for exemptions and waivers and establish a consistent records management plan for supporting documentation.</p>	Ongoing
				<p>We noted that 5 out of 16 (31%) employees with update access in Banner should be reviewed for necessity. In addition, we found that the exemption tables were not appropriately adjusted to include all applicable exemption codes for the Firefighters exemption; the Survivors of Public Servants exemption; and three new course fees for Fall 2018.</p> <p>The Business Office should strengthen internal controls by establishing a documented process to adjust, review, and test the exemption tables. Banner access should be reviewed and adjusted if necessary.</p>	Ongoing
				<p>The Controller's Office performed a trend analysis of tuition revenue, but formal reconciliations from tuition revenue amounts in the Banner student system to the general ledger were not documented. Waiver and exemption reconciliations were generally performed.</p> <p>The Controller's Office should perform a periodic reconciliation for tuition and formally document the reconciliation procedures.</p>	Ongoing

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				<p>The University supplied the most recent approval by the THECB for Fall 2016 through Spring 2018 that allowed residents of bordering states to pay Texas resident tuition plus \$30 per semester credit hour. In our testing, we noted that THECB approval for Fall 2018 was not requested. Fiscal year 2018 nonresident waivers in this category totaled \$618,372, which represented 97 students.</p> <p>The University should strengthen controls to ensure timely approval is obtained. THECB approval for Fall 2018 forward should be requested.</p>	Implemented																		
19-VI	August 31, 2018	Computer Science Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><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>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>No</td></tr><tr><td>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits/Payment Card Training</td><td>Yes</td></tr></table> <p>The Department should strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	No	Fully Completed Receipts	No	Receipts and Deposits/Payment Card Training	Yes	Implemented
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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>4 of 25 (16%) employees were past due on EEO training.</li> <li>9 of 22 (41%) employees were past due or had not completed FERPA training.</li> </ul> <p>The employees should complete the required trainings.</p>	Implemented
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>8 of 10 (80%) procurement card transactions were reviewed with no exceptions.</li> <li>2 of 10 (20%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department had two procurement cards. All sampled monthly detailed transaction reports were reviewed with no exceptions.</p> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Implemented
				<p>With the relocation of the Department to the STEM building, the required security risk assessment needs to be updated to assess TAC 202 security controls, such as those related to Contingency Planning, Configuration Management, Identification and Authorization, and Physical and Environmental Protection.</p> <p>The Department should work with ITS to update the security risk assessment and ensure the Department is in compliance with TAC 202.</p>	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
19-VIII	August 31, 2018	Geology Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	We noted the following during our review of receipts for the Department: <table><thead><tr><th>Receipt Control</th><th>Department</th></tr></thead><tbody><tr><td>Proper Segregation of Duties</td><td>Yes</td></tr><tr><td>Written Receipt Procedures</td><td>No</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>No</td></tr><tr><td>Timely Deposit</td><td>No</td></tr><tr><td>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits/Payment Card Training</td><td>No</td></tr></tbody></table> <p>The Department should strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	Yes	Written Receipt Procedures	No	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	No	Timely Deposit	No	Fully Completed Receipts	No	Receipts and Deposits/Payment Card Training	No	Implemented
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Receipts and Deposits/Payment Card Training	No																						
				During our audit procedures, we noted the following: <ul style="list-style-type: none"><li>10 of 26 (38%) employees were past due on EEO training.</li><li>12 of 22 (55%) employees were past due or had not completed FERPA training.</li><li>2 of 10 (20%) employees were past due or had not completed Property Training.</li></ul> <p>The employees should complete the required trainings.</p>	Implemented																		

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>We were provided the bank signature cards for three student organizations associated with the Department. We determined the accounts were appropriately not using the University's name or tax identification number. However, we found that Department faculty members were authorized signatories on the bank accounts.</p> <p>Faculty members should be removed as authorized signatories on the accounts, or the student organizations should consider creating an agency account with the University.</p>	Implemented
				<p>During our audit procedures, we noted some logical security procedures were not in compliance with University standards.</p> <p>The Department should work with the College to strengthen logical security procedures.</p>	Implemented

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
19-VIII	December 31, 2018	Safety and Security Audit	Our audit objective was to gain assurance that the University's safety and security program was in compliance with TEC §51.217.	<p>During our review of the EOP, we noted the following:</p> <ul style="list-style-type: none"> <li>Board of Regents Policy 13.8, <i>Emergency Operations Plan</i>, as reviewed, was not a flexible document. EOP Section 12 mentions functional and situational annexes, though the annexes were not accessible for the University community. We requested and reviewed the Table of Contents of Annexes and noted the annex titles were not consistent with the listing in the Table of Contents of Annexes.</li> <li>Important emergency management program components and/or supplemental plans, such as the Continuity of Operations Plan; Incident Command System; and the Pandemic Response and Recovery Plan, were not referenced or included as an annex in the EOP.</li> <li>The EOP did not provide background information for the specific phases of emergency management: mitigation, preparedness, response, and recovery. The word mitigation was not used in the EOP.</li> <li>EOP section numbers were not consistent within the document.</li> </ul> <p>The University should formalize the EOP document including annexes, supplemental components and plans, background information, and contacts. Consideration should be given to an overall Board of Regents policy that references to an EOP document that is more flexible and comprehensive.</p>	Ongoing
				<p>The Safety and Security Self-Study and the audit identified opportunities to strengthen controls, enhance compliance, or improve processes related to the Emergency Management Committee and program.</p> <p>The University should strengthen oversight of the emergency management program.</p>	Ongoing
				<p>The Safety and Security Self-Study and the audit identified opportunities to strengthen controls, enhance compliance, or improve processes related to Mitigation.</p> <p>The University should strengthen policies and procedures for Mitigation.</p>	Ongoing



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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>The Safety and Security Self-Study and the audit identified opportunities to strengthen controls, enhance compliance, or improve processes related to Preparedness.</p> <p>The University should strengthen policies and procedures for Preparedness.</p>	Ongoing
				<p>During our review of Response, we noted that NIMS training is required by key emergency management personnel and includes four courses. NIMS also indicates that training should be refreshed every three years. The University defines key personnel as primary and secondary representatives of the Emergency Operations Center Group. Training records reflected the following:</p> <ul style="list-style-type: none"> <li>• 15 of 17 (88%) representatives completed all four courses; although 4 representatives had not completed refresher training.</li> <li>• 2 of 17 (12%) representatives completed less than the four courses.</li> </ul> <p>The University should strengthen policies and procedures for Response.</p>	Ongoing
				<p>The Safety and Security Self-Study and the audit identified opportunities to strengthen controls, enhance compliance, or improve processes related to Recovery.</p> <p>The University should strengthen policies and procedures for Recovery.</p>	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
19-IX	December 31, 2018	TAC 202 Information Security 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, specifically related to the seventeen security control standards for policies and procedures; and whether management action plans from report 17-XI TAC 202 Audit as of April 30, 2017 were implemented.	<p>Based on our review of the ITS Policy Handbook, we noted the following:</p> <ul style="list-style-type: none"> <li>17 of 17 (100%) policies for security control standards were developed.</li> <li>16 of 17 (94%) policies generally met the minimum requirements of the security control description; though some need to be strengthened. For the control that did not generally meet the minimum requirements, SA-1, <i>Systems and Services Acquisition Policy and Procedures</i>, management represented that appendices were under development.</li> <li>Management commitment was not explicitly addressed in the policies or overall in the ITS Policy Handbook.</li> </ul> <p>ITS should strengthen policies in the ITS Policy Handbook to comply with the DIR Security Control Standards Catalog for the seventeen policies and procedures security control standards.</p>	Ongoing
				<p>Based on our review of the ITS Policy Handbook, we noted the following:</p> <ul style="list-style-type: none"> <li>16 of 17 (94%) procedures for security control standards were developed. For control MA-1, <i>System Maintenance Policy and Procedures</i>, management represented that procedures were not developed.</li> <li>10 of 16 (63%) procedures appeared to support the implementation of the policy.</li> <li>6 of 16 (37%) procedures need to be strengthened.</li> </ul> <p>ITS should strengthen procedures in the ITS Policy Handbook to comply with the DIR Security Control Standards Catalog for the seventeen policies and procedures security control standards.</p>	Ongoing

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19-X	January 31, 2019	Follow-Up Audit	Our audit objective was to gain assurance that management action plans have been implemented in an appropriate manner	Significant progress has been made toward implementing the management action plans as evidenced by the seventy-four (74) management action plans that are either <i>Verified</i> or <i>Implemented</i> which results in a <b>81%</b> overall implementation rate.	Ongoing																		
19-XI	August 31, 2018	Procurement and Property Services Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><tr><td>Proper Segregation of Duties</td><td>Yes</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>No</td></tr><tr><td>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits/Payment Card Training</td><td>No</td></tr></table> <p>The Department should strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	Yes	Written Receipt Procedures	Yes	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	No	Fully Completed Receipts	No	Receipts and Deposits/Payment Card Training	No	Implemented
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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>The Department has documented policies and procedures for employee job duties but lacks documented policies and procedures to guide employees for department specific administrative activities.</p> <p>The Department should more formally document its administrative procedures.</p>	Implemented
19-XII	August 31, 2018	Environmental Science Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>The Department lacked documented administrative policies and procedures in some areas of oversight.</p> <p>The Department should strengthen documented policies and procedures for administrative activities.</p>	Implemented
				<p>We noted the following related to designated course fee accounts:</p> <ul style="list-style-type: none"> <li>• The Department's course fee revenues were commingled with other College of Forestry and Agriculture course fee revenues making it difficult to determine course fee activity.</li> <li>• 19 of 24 (79%) active course fees were appropriately supported by course fee forms.</li> <li>• 5 of 24 (21%) active course fees were not appropriately supported by course fee forms as amounts charged were different than amounts reflected on course fee forms.</li> <li>• 5 course fee forms on file were not signed by Academic Affairs. They were signed by the Dean of the Department.</li> <li>• Dates of course fee forms on file ranged from January 1, 2000 to November 1, 2018.</li> </ul> <p>The Department should work with the College of Forestry and Agriculture to obtain a separate accounting for department course fee revenues and expenditures. Course fee forms should be reviewed, updated, and signed.</p>	Ongoing

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Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>• 2 of 5 (40%) employees had not completed FERPA training.</li> <li>• 5 of 16 (31%) employees were past due or had not completed EEO training.</li> </ul> <p>The employees should complete the required trainings.</p>	Implemented
19-XIII	August 31, 2018	Center for Career and Professional Development Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls;	<p>The Department lacked documented administrative policies and procedures in some areas of oversight.</p> <p>The Department should strengthen documented policies and procedures for administrative activities.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
			administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><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>No</td></tr><tr><td>Timely Deposit</td><td>No</td></tr><tr><td>Fully Completed Receipts</td><td>Yes</td></tr><tr><td>Receipts and Deposits/Payment Card Training</td><td>No</td></tr></table> <p>The Department should strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	Yes	Receipts Signage	Yes	Record Retention Requirement	Yes	Job Description Language	No	Timely Deposit	No	Fully Completed Receipts	Yes	Receipts and Deposits/Payment Card Training	No	Implemented
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**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>• 15 of 19 (79%) procurement card transactions were reviewed with no exceptions.</li> <li>• 4 of 19 (21%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department had three procurement cards. All sampled monthly detailed transaction reports were reviewed with no exceptions.</p> <p>The Department should strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Implemented
				<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>• 10 of 14 (71%) employees had not completed FERPA training.</li> <li>• 3 of 14 (21%) employees were past due and had not been assigned EEO training.</li> <li>• 3 of 14 (21%) employees had not completed Security Basics training.</li> <li>• 1 of 2 (50%) employees were past due for T-Card training.</li> </ul> <p>The employees should complete the required trainings.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
19-XV	February 28, 2019	Social Work Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>We noted the following related to designated course fee accounts:</p> <ul style="list-style-type: none"> <li>• 2 of 23 (9%) active course fees charged were supported by course fee forms.</li> <li>• 21 of 23 (91%) active course fees charged were not supported by course fee forms or course fee amounts were different than amounts reflected on course fee forms.</li> <li>• Dates of course fee forms on file ranged from December 18, 1998 to October 28, 2009.</li> </ul> <p>The Department should strengthen procedures for course fees. Course fees should be reviewed, and the forms updated and approved.</p>	Ongoing
				<p>During our review of time and leave reporting, we found the following:</p> <ul style="list-style-type: none"> <li>• For faculty, 8 of 18 (44%) instances of leave taken or requested were not supported by documentation.</li> <li>• For non-exempt employees, 5 of 15 (33%) instances of leave taken or requested were not supported by documentation.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.</p>	Ongoing



**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
				<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><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>No</td></tr><tr><td>Timely Deposit</td><td>No</td></tr><tr><td>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits Training</td><td>No</td></tr></table> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	No	Timely Deposit	No	Fully Completed Receipts	No	Receipts and Deposits Training	No	Ongoing
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**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>• 6 of 43 (14%) employees had not been assigned FERPA training.</li> <li>• 11 of 47 (23%) employees were past due or had not completed EEO training.</li> <li>• 12 of 41 (29%) employees were past due or had not completed Ethics training.</li> <li>• 14 of 47 (30%) employees were past due for Security Basics training.</li> <li>• 1 of 1 (100%) employee was past due and had not been assigned T-Card training.</li> <li>• 1 of 2 (50%) employees had not been assigned P-Card training.</li> </ul> <p>The employees should complete the required trainings.</p>	Ongoing
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>• 11 of 15 (73%) procurement card transactions were reviewed with no exceptions.</li> <li>• 4 of 15 (27%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department had two procurement cards. All sampled monthly detailed transaction reports were reviewed with no exceptions.</p> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>In our travel testing, we noted the following:</p> <ul style="list-style-type: none"> <li>1 of 9 (11%) travel expense reports was reviewed with no exceptions.</li> <li>8 of 9 (89%) travel expense reports were reviewed with one or more exceptions.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for travel.</p>	Ongoing
				<p>We were provided the bank signature cards for three student organizations identified as being associated with the Department. We determined the accounts were appropriately not using the University's name or tax identification number. However, we did find that Department faculty members are authorized signatories on at least one of the three student organization's bank accounts.</p> <p>Faculty members should be removed as authorized signatories on accounts, or the student organizations and the Department should consider creating an agency account with the University.</p>	Ongoing
19-XVI	February 28, 2019	Government Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate	<p>The Department lacked documented policies and procedures for administrative activities.</p> <p>The Department should add or strengthen documented policies and procedures for administrative activities.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status																		
			internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><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>No</td></tr><tr><td>Timely Deposit</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></table> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	No	Timely Deposit	Yes	Fully Completed Receipts	No	Receipts and Deposits Training	No	Ongoing
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**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our review of time and leave reporting, we found the following:</p> <ul style="list-style-type: none"> <li>For faculty, 1 of 5 (20%) instances of leave taken or requested was not supported by documentation.</li> <li>For non-exempt employees, 1 of 2 (50%) instances of leave taken or requested was not supported by documentation.</li> <li>The Department had not maintained leave records for the required period of time.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.</p>	Ongoing
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>10 of 16 (63%) procurement card transactions were reviewed with no exceptions.</li> <li>6 of 16 (37%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department had three procurement cards. All sampled monthly detailed transaction reports were reviewed with no exceptions.</p> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>• 3 of 26 (12%) employees were past due or had not completed FERPA training.</li> <li>• 5 of 32 (16%) employees were past due or had not completed EEO training.</li> <li>• 9 of 24 (37%) employees were past due or had not completed Ethics training.</li> <li>• 11 of 32 (34%) employees were past due for Security Basics training.</li> <li>• 2 of 19 (11%) employees were past due or had not completed Property training.</li> <li>• 2 of 4 (50%) employees had not completed P-Card training.</li> <li>• 1 of 3 (33%) employees was past due and had not been assigned T-Card training.</li> </ul> <p>The employees should complete the required trainings.</p>	Ongoing
				<p>In our travel testing, we noted the following:</p> <ul style="list-style-type: none"> <li>• 3 of 3 (100%) travel reports were reviewed with one or more exceptions.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for travel.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
19-XVII	Fall 2018	University Admissions Audit	Our overall audit objective was to gain assurance that the University safeguarded the integrity of the college admissions process, more specifically, the University had documented admission policies and procedures that provided a consistent admissions process; student athlete and other University program applicants, who did not meet automatic University admission standards, had documented admission decisions that followed University admissions policies and procedures and were consistent with other admitted applicants; student athlete and other University program applicants actually participated in the programs; and controls existed to provide assurance that no admissions officer, coach, program administrator, or employee engaged in fraudulent schemes, quid pro quo arrangements, or improprieties in the admissions process.	University Policy 6.20 allows admission of students who have been awarded a competitive scholarship; however, the phrase "competitive scholarship" is not defined. We noted the minimum amount of a scholarship that resulted in an applicant's admission was \$100. In practice, scholarship awards were submitted to Enrollment Management by the awarding department or SFA program, not by action of an SFA scholarship committee.  The University should define competitive scholarships used for admissions, including setting a minimum amount, and clarifying the required action or use of the scholarship committee.	Ongoing
				Enrollment Management utilized 8 of 18 criteria established by TEC 51.805(b) in the file review process for Fall 2018, including performance on standardized tests; extracurricular activities; academic record; first generation; applicant's responsibilities; involvement in the community; language proficiency; and other considerations. Some other considerations included essays, letters of recommendation, and executive approval. In our testing, we noted two instances where letters of recommendation and essays were not consistently used. In addition, the use of executive approval was not specified.  Enrollment Management should review the regulations and consider utilizing additional criteria for admission in support of the University's strategic plan and update procedures where applicable.	Implemented
				Enrollment Management should add or strengthen controls to monitor special admission scholarship decisions; perform and document quality assurance reviews of admission decisions; and clarify management authority for overrides.  Enrollment Management will investigate adding a Banner code for special admissions. Enrollment Management has been testing quality assurance reports over the spring semester. Controls will be strengthened for monitoring and overrides and procedures updated accordingly.	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status														
				<p>Human Resources should strengthen procedures to ensure that Ethics training is assigned and monitored.</p> <p>Human Resources has assigned the Ethics training and developed continuous monitoring procedures.</p>	Implemented														
19-XVIII	February 28, 2019	Center for Teaching and Learning Departmental Audit	Our audit objectives were to gain assurance for the following where applicable: compliance with regulations; existence of appropriate internal controls; administration of resources and activities in an efficient and effective manner; mitigation of identified risks; accuracy of reporting and documentation; protection of confidential or critical information; and mitigation of fraud risks and opportunities.	<p>The Department lacked documented administrative policies and procedures in some areas of oversight.</p> <p>The Department should strengthen documented policies and procedures for administrative activities.</p>	Implemented														
				<p>We noted the following during our review of receipts for the Department:</p> <table><tr><th>Receipt Control</th><th>Department</th></tr><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>Yes</td></tr><tr><td>Fully Completed Receipts</td><td>No</td></tr><tr><td>Receipts and Deposits Training</td><td>No</td></tr></table> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for receipts.</p>	Receipt Control	Department	Proper Segregation of Duties	No	Written Receipt Procedures	No	Receipts Signage	No	Record Retention Requirement	Yes	Job Description Language	Yes	Timely Deposit	Yes	Fully Completed Receipts
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**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our review of time and leave reporting, we found the following:</p> <ul style="list-style-type: none"> <li>For exempt employees, 11 of 27 (41%) instances of leave taken or requested were not supported by documentation.</li> <li>For non-exempt employees, 5 of 8 (62%) instances of leave taken or requested were not supported by documentation.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for leave reporting.</p>	Implemented
				<p>In our procurement card testing, we noted the following:</p> <ul style="list-style-type: none"> <li>7 of 12 (58%) procurement card transactions were reviewed with no exceptions.</li> <li>5 of 12 (42%) procurement card transactions were reviewed with one or more exceptions.</li> </ul> <p>In addition, the Department had one procurement card. All sampled monthly detailed transaction reports were reviewed with no exceptions.</p> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for procurement cards.</p>	Implemented
				<p>In our travel testing, we noted the following:</p> <ul style="list-style-type: none"> <li>2 of 2 (100%) travel expense reports were reviewed with one or more exceptions.</li> <li>During our travel analysis, we noted travel expenses for one trip were processed and paid twice.</li> </ul> <p>The Department should add or strengthen procedures to ensure compliance with University regulations for travel.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
				<p>During our audit procedures, we noted the following:</p> <ul style="list-style-type: none"> <li>• 2 of 14 (14%) employees were past due and had not been assigned EEO training.</li> <li>• 2 of 14 (14%) employees had not completed Security Basics training.</li> <li>• 1 of 2 (50%) employees was past due for T-Card training.</li> <li>• 1 of 2 (50%) employees had not completed P-Card training.</li> </ul> <p>The employees should complete the required trainings.</p>	Implemented
				<p>During our audit procedures, we noted some logical security procedures were not in compliance with University standards.</p> <p>The Department should strengthen logical security procedures.</p>	Implemented
19-XIX	February 28, 2019	Public Funds Investment Act Audit	Our audit objective was to gain assurance that the University was in compliance with the Public Funds Investment Act as of February 28, 2019.	<p>The University has historically included interest-bearing banking deposits on the annual investment report; however, the accounts have not been included in the quarterly investment reports. With the 2017 change to the PFIA, the accounts should be reflected on the quarterly investment reports.</p> <p>The University should include the interest-bearing banking deposits on the quarterly investment reports.</p>	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
19-XX	April 30, 2019	Contract Management and Purchasing Audit	Our audit objectives were to gain assurance for the following: the University adopted the rules and policies required by TEC §51.9337; management action plans from report 18-XVI Contract Management and Purchasing Audit as of April 30, 2018 have been implemented; and the University administered contract management functions for selected contracts in accordance with applicable requirements.	<p>Audit Services selected the contract with Populous, Inc. for review. The agreement was executed on December 5, 2018 for architectural services totaling \$1,576,850 for the construction of a basketball practice facility and renovations to existing athletic facilities. Our procedures included a review of the processes for contract solicitation, procurement, formation, and monitoring. We found that the University generally administered contract management functions for selected contract in accordance with applicable requirements. However, we noted the following with regard to invoices:</p> <ul style="list-style-type: none"> <li>17 of 52 (33%) reimbursable expense transactions were reviewed with one or more exceptions.</li> <li>Management represented that construction and construction-related invoice review procedures were under development. Prior versions of some procedures were not retained.</li> </ul> <p>The University should fully develop and document construction and construction-related invoice review procedures including roles and responsibilities, required documentation, and record retention.</p>	Ongoing
Internal Project 19-01	October 29, 2018	Special Project Letter	Our objective was to review search procedures.	<p>The University has five policies that address some element of academic searches and appointments. Policies overlap in some instances and having multiple policies is confusing. We noted that the Provost is responsible for recommending appointments, but interim appointments are not addressed in any of the policies. In addition, associate appointments, such as Associate Provost or Associate Dean, are not addressed.</p> <p>Academic Affairs should review the five policies that relate to searches and appointments and consider combining them where feasible and adding the guidelines for interim and associate appointments.</p>	Ongoing
Internal Project 19-02	January 29, 2019	Special Project Letter	Our objective was to review policies and procedures.	<p>We noted the Department Policies and Procedures manual was not formalized and comprehensive.</p> <p>The Policies and Procedures manual should be updated.</p>	Ongoing

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
Internal Project 19-03	January 29, 2019	Special Project Letter	Our objective was to review related-party purchases.	A University purchase was made from an undisclosed related party.  The Department reviewed the purchase.	Implemented
Internal Project 19-10	April 29, 2019	Special Project Letter	Our objective was to review receipts procedures.	University procedures were not followed for a check received in the mail.  The Controller's Office should strengthen controls for checks received in the mail.	Implemented
Internal Project 19-11	April 29, 2019	Special Project Letter	Our objective was to review conflict of interest in the search process.	A conflict of interest related to nepotism appeared to exist in the search process for a University position. Upon review, we found that an illegal conflict of interest did not occur. We noted that University search committee training does not address conflicts of interest.  Human Resources should consider addressing conflicts of interest in the search process in search committee training.	Implemented
Internal Project 19-14	April 29, 2019	Special Project Letter	Our objective was to review procurement process.	For the period March 15, 2019 to April 5, 2019, the SFA Procurement and Property Services Director was notified of eleven fraudulent attempts to purchase goods from University or State of Texas vendors. The attempted fraudulent purchases totaled over \$600,000. Information Technology Services reported the incidents to the Texas Department of Information Resources, and Audit Services reported them to the State Auditor's Office.  At the time of the incident, we recommended that the University send a fraud alert notice to all current vendors.	Implemented
Internal Project 19-19	July 23, 2019	Special Project Letter	Our objective was to review procurement card procedures.	In our procurement card testing, we noted the following: <ul style="list-style-type: none"> <li>Five invoices from October 2018 to April 2019 did not have appropriate supporting documentation in the procurement card records portal.</li> <li>Two monthly transaction detail summaries did not have appropriate signatures.</li> </ul> The Department should strengthen procedures to help ensure compliance with University regulations for procurement cards.	Implemented

**SFASU DEPARTMENT OF AUDIT SERVICES**  
**LIST OF AUDIT OBSERVATIONS AND RECOMMENDATIONS FOR FISCAL YEAR 2018-2019**

Report #	Audit Date	Report Name	High-Level Audit Objective(s)	Observations and Recommendations	Current Status
Internal Project 19-21	July 23, 2019	Special Project Letter	Our objective was to review policies and procedures for use of University facilities.	<p>Individuals access and use Homer Bryce Stadium, including the for-profit use for personal training and fitness classes. In addition, damage to and misuse of University property at Homer Bryce Stadium have been reported due to open access of the facilities. University policy and Athletics policies and procedures do not limit access of the facilities to certain hours.</p> <p>The Athletics Department should review policies and procedures relating to the use of Homer Bryce Stadium and clarify appropriate access and use.</p>	Ongoing
Special Project 19-X	July 23, 2019	Special Project Letter	Our objective was to review policies and procedures for maintaining inventory.	<p>Audit Services performed a physical verification of the items on the official University property records for the Juanita Curry Boynton House. All items on the list were verified. However, the itemized list of items below \$5,000 from 2006 was not retained in the Juanita Curry Boynton House or President's Office.</p> <p>The University should establish procedures to ensure the inventory of the Juanita Curry Boynton House is updated and retained. We recommend that Procurement and Property Services create a new list of items in the Juanita Curry Boynton House and develop procedures to ensure the list is updated and retained when items are donated or purchased for the Juanita Curry Boynton House.</p>	Implemented

V.

Non-Audit and Consulting Services

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

ACTIVITY	IMPACT / OBJECTIVE
NCAA Agreed Upon Procedures Review	Coordinated and assisted with external review
Charter School Financial Audit	Coordinated and assisted with external audit
Quality Assurance Review Team	Served on the QAR team for Texas Woman's University
Cash Counts	Performed surprise cash counts
Continuous Monitoring Activities	Advised on areas for Continuous Monitoring activities; assisted with training and use of ACL
Information Technology Risk Assessment	Identified risks and determined areas for audit
Ethics Point and Internal Projects	Investigated allegations
Hotline Reporting System	Facilitated anonymous reporting system and promoted awareness
University Risk Assessment	Co-facilitated risk assessment
Information Technology Issues	Served as advisor on controls, policies, and procedures
BOR Policy Review	Reviewed new or updated policies
Advisor to Departments	Provided guidance to strengthen department controls
State Auditor's Office and Texas Higher Education Coordinating Board Audits	Coordinated and assisted to aid in efficiency and provide expertise
University Committees; such as Compliance, Administrative, and Tuition Exemption	Served as an advisory member to provide information and expertise

Any findings or recommendations from these activities are included on the list in Tab IV.

VI.

External Quality Assurance Review



# **Stephen F. Austin State University**

## **Quality Assurance Review**

**For the Period  
June 1, 2016 through May 31, 2019**



## **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](mailto:oglesbeegs@sfasu.edu)**



August 30, 2019

Ms. Brigettee Henderson, Board of Regents Chair  
Mr. Tom Mason, Board of Regents Finance and Audit Committee Chair  
Dr. Steve Westbrook, Ed.D., Interim President  
Stephen F. Austin State University  
Box 6121, SFA Station  
Nacogdoches, Texas 75962

Dear Ms. Henderson, Mr. Mason, and Dr. Westbrook:

I am pleased to assist Stephen F. Austin State University (SFASU) Department of Audit Services with the Quality Assurance Review. We conducted an independent validation of the assertions and conclusions made in the Quality Assurance Review Self-Assessment Report issued by Gina Oglesbee, Chief Audit Executive, on April 30, 2019.

The primary objective of this engagement was to offer an independent opinion on whether the program of internal auditing of SFASU Department of Audit Services meets the requirements expected of internal audit activities at institutions of higher education supported by the State of Texas, as asserted in the Self-Assessment Report previously mentioned. Those requirements are set forth by the Texas Internal Auditing Act (Texas Government Code Chapter 2102); the Institute of Internal Auditors' (IIA) *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, these are collectively referred to as *the Standards*.

Rob Carter, Director of Internal Audit and Management Analysis for Baylor University, performed the validation. I attest that I am independent from all internal audit activities at SFASU and have the requisite skills and knowledge to perform the validation.

I conducted the validation using the State Agency Internal Audit Forum Peer Review Guidelines and the Master Peer Review Program as guidance. The review included internal audit activities for the period June 1, 2016 to May 31, 2019. Onsite fieldwork was performed June 10-12, 2019. I reviewed the Quality Assurance Review Self-Assessment Report and supporting documentation, along with a sample of audit workpapers. I performed interviews with the SFASU Board of Regents Chair; Board of Regents Finance and Audit Committee Chair; Interim President; General Counsel; Vice President of Finance and Administration; Chief Information Officer; Director of Procurement; Assistant Directors of Audit Services; Risk and Compliance Auditor; Audit & Legal Support Specialist; and Chief Audit Executive.

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 impair or prohibit the Department of Audit Services in carrying out its responsibilities.

Based on my procedures, I agree with the overall conclusion that the Department of Audit Services “Generally Conforms” to the *Standards*, with specific conformance noted as follows:

<b>Standard Type and Description</b>	<b>Opinion</b>
<b><i>IIA Attribute Standards</i></b>	
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
<b><i>IIA Performance Standards</i></b>	
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 Risk	Generally Conforms
<b><i>IIA Code of Ethics</i></b>	Generally Conforms
<b><i>Generally Accepted Government Auditing Standards</i></b>	Generally Conforms
<b><i>Texas Internal Auditing Act</i></b>	Generally Conforms

I believe the goals set by the Department of Audit Services as stated in the Quality Assurance Review Self-Assessment Report evidence the commitment to continuous improvement by the Chief Audit Executive. Achievement of the goals will enhance adherence to standards and improve processes.



I appreciate the cooperation and assistance provided to me throughout the course of this validation by the Board of Regents, Interim President, Chief Audit Executive, and SFASU staff.

Sincerely,

A handwritten signature in dark ink, appearing to read "Robert A. Carter". The signature is fluid and cursive, with the first name "Robert" being the most prominent.

Robert A. Carter, CPA  
Director of Internal Audit and Management Analysis  
Baylor University

cc:

Regent David Alders  
Regent Nelda Blair  
Regent Scott Coleman  
Regent Alton Frailey  
Regent Karen Gantt  
Regent Judy Olson  
Regent Jennifer Winston  
Student Regent Zoe' Smiley  
Chief Audit Executive Gina Oglesbee



# STEPHEN F. AUSTIN STATE UNIVERSITY

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## Department of Audit Services

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

April 30, 2019

Mr. Alton Frailey  
Board of Regents  
Finance and Audit Committee Chair  
Stephen F. Austin State University  
P.O. Box 13026  
Nacogdoches, TX 75962

RE: QAR Self-Assessment Report

Dear Regent Frailey:

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

## Background

Audit Services was established in 1976. The Texas Internal Auditing Act (Texas Government Code Chapter 2102) requires an internal audit function in a State of Texas agency or higher education institution with an annual operating budget greater than \$10 million. SFASU has an annual budget over \$250 million. Audit Services operates with a Chief Audit Executive (CAE), three auditors, and a graduate assistant. In addition, Audit Services shares an Audit and Legal Support Specialist with the General Counsel. The CAE reports to the Board of Regents (BOR).

The mission of Audit Services is to provide the BOR and the President an independent appraisal of the University's system of internal administrative and accounting controls and quality of performance when compared with established standards. The primary objective is to assist the BOR, President, and University management in the effective discharge of their responsibilities and serve as a trusted advisor in the areas of governance, risk management, and internal controls. The responsibilities are outlined in the BOR approved Internal Audit Charter.

## QAR History

An external assessment is required to be performed at least once every three years by a qualified, independent reviewer from outside the organization. Audit Services has received an external QAR every three years as follows:





Year	Reviewer	Opinion
2004	Toni Messer University of Texas at Dallas	Generally Conforms
2007	Mike Vandervort The University of Texas at Austin	Generally Conforms
2010	Russell Hoskens University of Houston System	Generally Conforms
2013	Ken Schroeder University of Texas at Arlington  Lou Ann Viergever University of Texas at Tyler	Generally Conforms
2016	Jason Mallory and Tahlia Pena Texas State Technical College	Generally Conforms

## Executive Summary

Audit Services has completed a QAR Self-Assessment of the internal audit function in preparation for validation by an independent reviewer. The principal objective of the QAR was to assess Audit Services' compliance with *The Texas Internal Auditing Act*; the Institute of Internal Auditors (IIA) *Code of Ethics*; *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, herein, collectively referred to as "Standards".

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

## Scope and Methodology

The scope of the QAR includes internal audit activities and audits performed and issued from June 1, 2016 through May 31, 2019. As part of the preparation for the QAR, the Department of Audit Services prepared this Self-Assessment Report with detailed supporting information. The QAR Self-Assessment was conducted using the State Agency Internal Audit Forum (SAIAF) Peer Review Guidelines and Master Peer Review Program as guidance.

The independent external validation of the QAR will follow at a later date. The independent reviewer will review the QAR Self-Assessment and supporting documentation, including a sample of workpapers and reports, and interview audit staff and a sample of University employees, Board of Regent members, the Interim President, and other management.





## Opinion as to Conformity with the *Standards*

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

- *Generally conforms* means that 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 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 Audit Services in carrying out its responsibilities.

It is our overall opinion that Audit Services generally conforms to The *Texas Internal Auditing Act*; the Institute of Internal Auditors (IIA) *Code of Ethics*; *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 the opinion of Audit Services conformity to the *Standards*.

Standard Type and Description	Opinion
Texas Internal Auditing Act	Generally Conforms
Generally Accepted Government Auditing Standards	Generally Conforms
IIA International Attribute Standards	
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
IIA International Performance Standards	
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
IIA Code of Ethics	Generally Conforms



## **Goals for Audit Services**

Audit Services is committed to continuous improvement and looks for opportunities to improve processes to stay abreast of auditing best practices, standards, and techniques. As part of the QAR Self-Assessment, we formulated goals as follows:

### **Goal #1 – *Assist the new University President***

Since the mission of Audit Services includes providing the BOR and the President an independent appraisal function and serving as a trusted advisor in the areas of governance, risk, and controls, the CAE will seek to develop an independent but strong relationship with the new President.

### **Goal #2 – *Perform Follow-Up on outstanding management action plans more frequently***

Currently Audit Services performs, at a minimum, an annual Follow-Up Audit. We also perform Follow-Up verification procedures during audits and send quarterly Follow-Up Listings to management. Due to the volume of audits performed, a more frequent Follow-Up would be beneficial. The CAE will allocate additional follow-up audit hours in the annual audit plan.

### **Goal #3 – *Realign audit plan hours***

With an increase in number of special projects handled by Audit Services, we will realign staff to augment audit plan hours for audits and special projects.

### **Goal #4 – *Increase audit efficiency***

Audit Services staff will continue to increase audit efficiency by becoming more proficient in using audit software, including Galvanize, TeamMate, Excel, and Qualtrics.

### **Goal #5 – *Gain additional expertise in Information Technology and Cybersecurity***

Appropriate staff will continue to enhance IT audit skills and specialized knowledge in information technology through professional development.

These goals will be reviewed and adjusted when performing the annual Internal Assessment.

## **Acknowledgements**

We look forward to the assistance of Mr. Rob Carter, CPA, Director of Internal Audits for Baylor University, in performing the external validation of the QAR Self-Assessment for Audit Services in summer 2019.

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.





Sincerely,

*Gina Oglesbee*

Gina Oglesbee, CPA, CFE  
Chief Audit Executive

cc: Dr. Steve Westbrook, Interim President  
Mr. David R. Alders, Regent  
Mrs. Nelda L. Blair, Regent  
Dr. Scott H. Coleman, Regent  
Mrs. Karen Gantt, Regent  
Mr. John R. Garrett, Regent  
Mrs. Brigettee C. Henderson, Regent, Chair  
Mr. Tom Mason, Regent  
Mr. Ken Schaefer, Regent  
Ms. Kate Childress, Student Regent

## VII.

### Internal Quality Assessment

# **SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT**

## **Compliance with Standards**

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.
- Use of an audit standards compliance questionnaire at the end of each audit.
- Completion of independence disclosures.
- Completion of relevant continuing education.
- Participation on Quality Assurance review teams.
- Various other practices.

## **2020 Goals**

The following department goals for 2020 will aid in compliance and efficiency:

- Assist the new University President. Audit Services has already worked toward this goal with the Interim President and in the collaboration on the Juanita Curry Boynton House Inventory.
- Perform Follow-Up Audit on outstanding management action plans more frequently. The audit plan proposed for FY 2020 includes hours for additional follow-up.
- Realign audit plan hours for audits and special projects. The Budget for FY 2020 includes realignment of the Audit and Legal Support Specialist.
- Increase audit efficiency by becoming more proficient in using audit software, including Galvanize, TeamMate, Excel, and Qualtrics. Activities related to software will be planned and completed by team members as needed.
- Gain additional expertise in Information Technology and Cybersecurity through professional development. The audit team members will have opportunities to gain expertise where needed.

## **Assessment and Measures**

Ongoing assessment of the internal audit activity is maintained through daily supervision and review; audit exit conferences; annual performance evaluations; meetings with the

## **SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT**

President, Vice Presidents, Board of Regents Chair, and Board of Regents Finance and Audit Chair; and monitoring of factors such as:

- % of management action plans implemented in follow-up audits. Implemented 81% for 2019.
- % of responses to annual risk assessment survey. Received 107 responses out of 107 (100%) for 2019.
- Meeting internal and external deadlines.
- Completing audits and special projects. Completed 23 audits and worked on numerous special projects.
- Maintaining certifications. All audit staff are certified. As of August 31, 2019, we have the following certifications:
  - CPA – 5
  - CFE – 1
  - CISA – 1

### **2019 Goals**

The Chief Audit Executive (CAE) made the following department goals for 2019 to aid in compliance with standards and efficiency:

1. Continue to enhance knowledge in the use of software, including ACL, Teammate, and Qualtrics.

Audit Services updated the Teammate Protocol manual and continued to enhance use of software.

2. Continue to expand areas for continuous monitoring and continuous auditing. Future potential areas include Leave Reporting, Computer Security, Budget Deficits, Fleet Cards, and Reconciliations.

Audit Services worked with the Finance and Administration Division in this area.

3. Review and update the departmental audit program and internal control questionnaire.

Audit Services updated the standard template and internal control questionnaire (ICQ), which has aided in increased efficiency for the departmental audits.

4. Hire and train the Audit and Legal Support Specialist (ALSS).

The ALSS was hired and trained. This position is being converted to a Risk and Compliance Auditor in fiscal year 2020.

## **SFASU DEPARTMENT OF AUDIT SERVICES INTERNAL QUALITY ASSESSMENT**

5. Prepare for Quality Assurance Review in summer 2019.

The QAR Self-Assessment was completed and presented at the April BOR meeting. Rob Carter, CAE of Baylor University, was onsite in June for the QAR.

6. Enhance overall auditing skills in information technology and construction.

The audit staff participated in construction training and relevant staff enhanced IT skills and knowledge.

## VIII.

### Internal Audit Plan for FY 2020

## SFASU DEPARTMENT OF AUDIT SERVICES FIVE YEAR AUDIT PLAN

Audit Services audit plan is based on the following positions:

- Chief Audit Executive
- Two Assistant Directors
- Risk and Compliance Auditor
- Risk and Compliance Auditor shared with General Counsel
- Graduate Assistant/Student Worker

For fiscal year 2020, allocable time after consideration of sick leave, vacation, holidays, and other leave time is 8,742 audit hours.

Audit Services resources are 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.

<b>Audit Projects</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>2023</b>	<b>2024</b>
Audit Assistance to Oversight Agencies	X	X	X	X	X
Public Funds Investment Act (biennial)		X		X	
Texas Administrative Code 202 (biennial)		X		X	
Charter School (annual)	X	X	X	X	X
National Collegiate Athletic Association (annual)	X	X	X	X	X
Follow-up (at least annual)	X	X	X	X	X
Contract Management and Purchasing (annual)	X	X	X	X	X
Benefits Proportionality by Fund *	X				
Safety and Security Audit (triennial)			X		
Southern Association of Colleges and Schools	X				
Facilities Audit (every five years)		X			
Departmental Audits	X	X	X	X	X
Risk Based and Other Audits	X	X	X	X	X

\* Higher education institutions must consider audits of benefit proportionality when developing their annual internal audit plans for fiscal years 2020 and 2021. The SAO will perform an audit of Benefits Proportionality for FY 18 and Audit Services will perform the audit for FY 19.

Details are included in the fiscal year 2020 audit plan. Any changes to the 2020 audit plan will be made in accordance with the Audit Charter.

**STEPHEN F. AUSTIN STATE UNIVERSITY**

Total 2020 University Budget All Funds: \$274,499,292

Total 2020 Budgeted Positions: 5.2

**FISCAL YEAR 2020 AUDIT PLAN**

<b>PROJECT</b>	<b>HIGH LEVEL DESCRIPTION</b>	<b>HOURS</b>
<b>Financial, Compliance, Efficiency &amp; Effectiveness Audits</b>		
Medical Billing Carryforward	Review medical billing in Athletics and Health Clinic	50
Construction Audit	Review compliance with regulations, contract provisions, and fraud assessment	475
Payroll Audit	Review controls, compliance with policies and regulations, and fraud assessment	350
Training Audit	Review controls, compliance with policies and regulations, and fraud assessment	300
Departmental Audits	Review for compliance with various regulations	1,400
Contract Management and Purchasing Audit	Review compliance with contracting requirements	200
FERPA Audit	Review compliance with FERPA	250
Benefits Proportionality Audit	Review controls, compliance, and reporting	300
External Audit Assistance	Provide assistance to external firms performing audit services for NCAA, SFASU Charter School, Perkins Close-Out, SACS Review, and other external audits	145
<b>Information Technology Audits</b>		
Texas Administrative Code Section 202 Audits	Review compliance with select Information Security Standards or perform follow-up	200
Information Technology Audits	Provide assistance to external firm performing IT audits	200
<b>Follow-up Audits</b>		
	Obtain representations from management regarding status and perform verification as necessary	700
<b>Other Activities</b>		
Continuous Auditing	Review and develop procedures	250
Fraud & Ethics Program Projects and Investigations	Facilitate university anonymous reporting system; Perform investigations and projects	350
Special Projects	Perform 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	300
<b>Meetings &amp; Committee Service</b>		
Other University Meetings/Events	Attend other meetings and events	80
Administrative Meetings, Regent Meetings, and Events	Preparation and attendance of meetings and events	250
University Committees, Meetings, and Service	Serve as advisory member of Compliance and other committees	80
<b>Department Activities</b>		
Annual Audit Plan and Report	Prepare annual audit plan and report	40
Annual Risk Assessment	Facilitate annual university risk assessment	80
Quality Assurance	Perform internal quality procedures and assessments, participate on assessment teams, and update audit manual	100
Records Management	Maintain file system and records for department	80
Software Maintenance and Training	Teamware, ACL and other software	150
Professional Development and Travel	Professional development, training, and travel	342
Staff Meetings	Regular staff meetings	420
General & Administrative	Administration (planning, purchasing, payroll, scheduling, reporting, etc.)	1,300
General & Administrative GA	Graduate Assistant help with administrative work	350
<b>Total Allocated Hours</b>		<b>8,742</b>



**STEPHEN F. AUSTIN STATE UNIVERSITY**

Total 2020 University Budget All Funds: \$274,499,292

Total 2020 Budgeted Positions: 5.2

**FISCAL YEAR 2020 AUDIT PLAN**

PROJECT	HIGH LEVEL DESCRIPTION	HOURS
<b>Total Hours Per Year</b>		10,584
Less estimated:		
Sick Leave		(312)
Vacation		(591)
Holidays		(564)
Wellness Release Time		(125)
Administrative Leave		(150)
Other Leave		(100)
<b>Total Available Hours</b>		8,742

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 risks through bi-monthly meetings. The University Strategic Planning Committee discusses risks on an ongoing basis.

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. One hundred seven members of the University community including administrators, deans, department chairs, and directors were asked to participate in the survey for fiscal year 2019-2020. 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, fifty departmental questions were asked to assess departmental risks. Responses to these questions were weighted to determine an overall department risk ranking. The 2019-2020 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 Position; Statement of Revenues, Expenses, and Changes in Net Position; 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 23, 2019.

The fiscal year 2020 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**

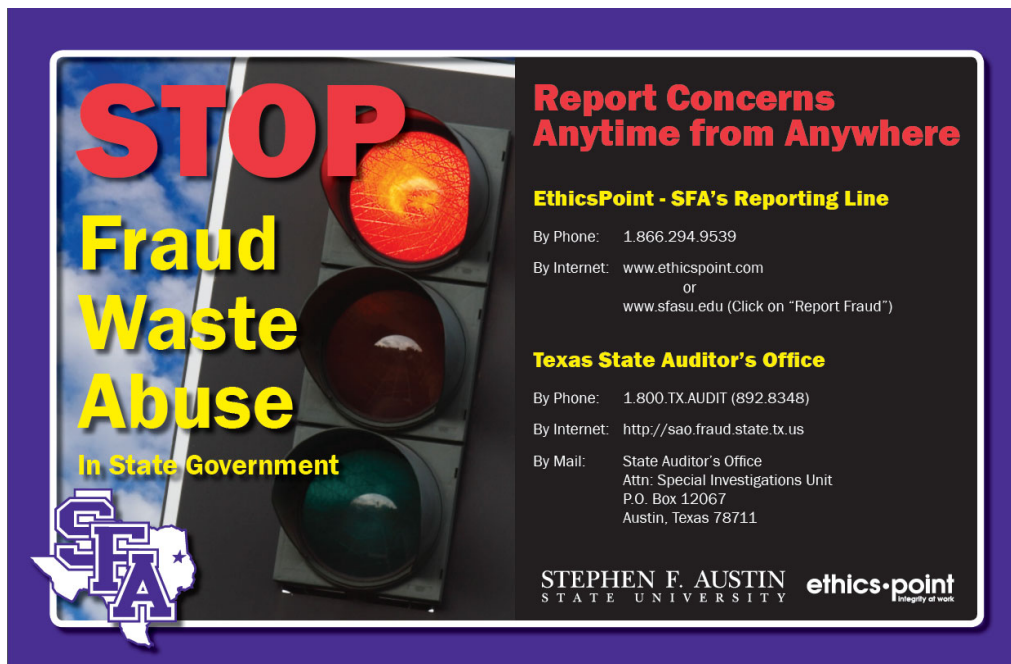
AUDITOR	PURPOSE
Goff & Herrington, P.C.	Perform agreed-upon procedures engagement as required by the National Collegiate Athletic Association as of August 31, 2018.
Goff & Herrington, P.C	Perform audit of financial statements of Stephen F. Austin State University Charter School for the year ended August 31, 2018.
Myers and Stauffer, L.C.	Perform internal audit services related to the University's Information Technology Patching, Antivirus, & Vulnerability Management Processes and Procedures.

## 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 (86<sup>th</sup> 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/2.7-fraud.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 was required for all University employees on a biennial basis.
- 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 ethics or 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*
- SFASU Policy 2.6, *Ethics*

### **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 October 28, 2019.